Update to
Annual Information Statement
State of New York

August 25, 2015

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Introduction

This is the first quarterly update dated August 25, 2015 (the "AIS Update"), to the Annual Information Statement of the State of New York (the "AIS"), dated June 1, 2015. This AIS Update contains information only through August 25, 2015 and should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. Extracts from the First Quarterly Update to the Financial Plan for FY 2016 (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 first quarter operating results for FY 2016 and updates to the State's official Financial Plan projections for FY 2016 through FY 2019[1]. 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 2016 Enacted Budget Financial Plan reflected with the AIS. DOB expects to update the State's multi-year financial projections in October 2015 with the Mid-Year Update to the Financial Plan.

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.

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 2015 and projected receipts and disbursements for fiscal years 2016 through 2019 on a General Fund, State Operating Funds and All Governmental Funds basis.

DOB is responsible for preparing the State's Financial Plan and presenting the information that appears in this AIS Update on behalf of the State. In preparing this AIS Update, DOB has also relied on information drawn from other sources, including the Office of the State Comptroller ("OSC"). In particular, information contained in the section entitled "State Retirement Systems"

[1] The State fiscal year is identified by the calendar year in which it ends. For example, fiscal year 2016 ("FY 2016") is the fiscal year that began on April 1, 2015 and will end on March 31, 2016.

has been furnished by OSC, while information relating to matters described in the section entitled "Litigation and Arbitration" has been furnished by the 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 issuances. The State has filed this AIS Update with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. An electronic copy of this AIS Update can be accessed through EMMA at www.emma.msrb.org. An official copy of this AIS Update may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-2302.

On July 29, 2015, OSC issued the Basic Financial Statements for FY 2015 (ended March 31, 2015). 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 2015 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. No incorporation by reference or republication of any information contained on any website is intended or shall be deemed to have occurred as a result of the inclusion of any website address in this AIS Update.

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.

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"), the Lottery Fund, and the mental hygiene program and patient income accounts. 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 on the State's behalf by 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 Financial Plan projections for future years may show budget gaps or surpluses 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. The General Fund projections are based on a number of assumptions and are 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 2017 and thereafter, set forth in this AIS Update, reflect the savings that DOB estimates would be realized 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 contained in this AIS Update do not reflect these savings. The estimated savings are included in the Financial Plan tables and labeled as "Adherence to 2 percent Spending Benchmark". Accordingly, 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 these are based) in the Updated Financial Plan are consistent with the projections set forth in the FY 2016 Enacted Budget Financial Plan described in the AIS.

Summary

DOB reports that the Updated Financial Plan for FY 2016 remains in balance on a cash basis in the General Fund, as required by law. State Operating Funds spending is estimated at $94.2 billion in FY 2016, virtually unchanged from the FY 2016 Enacted Budget Financial Plan estimate reflected with the AIS. Growth in State Operating Funds is estimated at 2 percent, consistent with the State's spending benchmark. The spending benchmark is calculated using the cash basis of accounting, as described elsewhere in this AIS Update. Reserves are expected to remain at the levels estimated in the Enacted Budget Financial Plan reflected with the AIS. DOB's economic forecast is largely unchanged from the Enacted Budget Financial Plan.

In the regular legislative session that ended in June 2015, the Governor and Legislature approved several measures that increase State spending, the most significant of which provided for an increase in aid for non-public schools ($125 million annually in both FY 2016 and FY 2017, and anticipates $20 million annually thereafter). Additional funding was also approved for campus sexual assault prevention; to support increased disclosure of State exam questions and answers by the State Education Department; and for the City of Rochester, which funding may include support for the City of Rochester anti-poverty initiative. In the current year, DOB expects these new costs will be offset fully by lower spending across a range of programs, based on its review of operating results to date, prior-year results, and updated program information.

The Governor and Legislature also approved a new property tax relief credit during the legislative session. The new credit, which provides a tax benefit for homeowners with incomes of $275,000 or below, is projected to reduce General Fund receipts by $414 million in FY 2017, $453 million in FY 2018, $957 million in FY 2019, and $1.3 billion in FY 2020. The tax credit expires on December 31, 2019. In addition, legislation was approved to extend, for four years, a New York City tax relief program for homeowners and renters with incomes of $200,000 or less. The New York City tax relief program extension is projected to reduce the State's General Fund receipts by $95 million in FY 2018 and $100 million in FY 2019.

Aside from the legislative session changes, the Financial Plan has been updated for other developments. In May, Barclays Bank PLC and Barclays Bank PLC, New York Branch (collectively "Barclays") paid a $485 million civil monetary penalty in accordance with a May 2015 consent order between Barclays and the New York State Department of Financial Services ("DFS") for violations of New York State Banking Law and regulations in connection with attempts to manipulate benchmark foreign exchange rates and other manipulative conduct. In June, the State reached agreement on a seven-year labor contract, covering FY 2012 through FY 2018, with the Police Benevolent Association of the New York State Troopers, Inc. ("NYSPBA"), Commissioned and Non-Commissioned Officers ("CO/NCO") Bargaining Unit and Troopers

Bargaining Unit. A portion of the costs of the new contract will be covered by amounts set aside in the General Fund for labor agreements.

The Financial Plan projections for FY 2017 and thereafter have been revised since the release of the AIS and are based on an assumption that the Governor will continue to propose, and the Legislature will continue to enact, balanced budgets in future years that limit annual growth in State Operating Funds spending to no greater than 2 percent. Specifically, the General Fund surpluses identified in FY 2017, FY 2018, and FY 2019 are calculated based on this assumption. DOB expects that specific proposals to limit spending growth to 2 percent will be included in the Governor's annual Executive Budgets. Many proposals are expected to require the approval of the Legislature.

DOB has increased its estimate for All Funds spending in FY 2016 by approximately $800 million. The change is based on reestimates to Federal spending for Medicaid ($700 million) and capital costs for transportation programs ($100 million).

The June 2015 month-end General Fund cash balance was $11.1 billion, $1.9 billion above the estimate in the FY 2016 Enacted Budget Financial Plan reflected with the AIS. General Fund receipts, including transfers from other funds, totaled $21.7 billion through June 2015, $1.2 billion above initial estimates reflected with the AIS for the April through June 2015 time period. The higher receipts are attributable to variations in the timing of tax receipts ($741 million) which are not expected to change the total annual estimate, and the unanticipated receipt of the monetary settlement payment from Barclays ($485 million). General Fund disbursements, including transfers to other funds, totaled $17.9 billion through June 2015, $656 million lower than initial projections reflected with the AIS due to lower spending in local assistance ($316 million), agency operations ($146 million), and transfers to other funds ($194 million).

Multi-Year Financial Plan Revisions (FY 2016 and Outyears)

The following table summarizes the revisions to the FY 2016 Enacted Budget Financial Plan. Overall, the revisions do not materially change the FY 2016 General Fund operating estimates or the 2 percent spending forecast for State Operating Funds compared to the FY 2016 Enacted Budget Financial Plan. Descriptions of the changes follow the table below.

SUMMARY OF REVISIONS TO ENACTED BUDGET FINANCIAL PLAN
GENERAL FUND BUDGETARY BASIS OF ACCOUNTING
SAVINGS/(COSTS)
(millions of dollars)

	FY 2016	FY 2017	FY 2018	FY 2019
ENACTED BUDGET SURPLUS/(GAPS) [1]	**0**	**279**	**1,702**	**1,606**
Receipts Revisions	**426**	**(350)**	**(548)**	**(1,057)**
Session Changes	6	(414)	(548)	(1,057)
Property Tax Relief Credit	0	(414)	(453)	(957)
NYC Circuit Breaker Extension	0	0	(95)	(100)
NYPA Resources	6	0	0	0
Other Changes	420	64	0	0
Barclays Monetary Settlement	485	0	0	0
Miscellaneous Receipts/Transfers	(65)	64	0	0
Disbursement Revisions	**14**	**(58)**	**(79)**	**102**
Session Changes	(149)	(143)	(38)	(38)
Non-Public School Aid	(125)	(125)	(20)	(20)
Campus Sexual Assault Prevention	(10)	(10)	(10)	(10)
State Education Department Testing Disclosure	(8)	(8)	(8)	(8)
City of Rochester	(6)	0	0	0
Other Changes	163	85	(41)	140
Local Assistance	122	5	(16)	151
Agency Operations	(9)	(20)	(25)	(11)
Capital Projects/Debt Service	50	100	0	0
Deposit to Undesignated Reserve	**(485)**	**0**	**0**	**0**
Use of Collective Bargaining Reserve	**45**	**45**	**10**	**10**
Adherence to 2% Spending Benchmark [1]	**0**	**145**	**25**	**(82)**
FIRST QUARTERLY UPDATE BUDGET SURPLUS/(GAPS)	**0**	**61**	**1,110**	**579**
Net Change from FY 2016 Enacted Budget Financial Plan	*0*	*(218)*	*(592)*	*(1,027)*

[1] Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2016 projections. 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

Legislative Session Changes:

- **Property Tax Relief Credit:** The new property tax relief credit provides a tax benefit for homeowners with incomes of $275,000 or below. It is projected to reduce General Fund receipts by $414 million in FY 2017, $453 million in FY 2018, $957 million in FY 2019, and $1.3 billion in FY 2020. The tax credit expires on December 31, 2019.

- **NYC Circuit Breaker Extension:** The existing property tax relief program ("circuit breaker") for New York City residents is extended for an additional four years. Qualifying homeowners and renters with incomes below $200,000 are eligible to receive a refundable tax credit against the PIT when their property taxes or rent exceeds a certain percentage of their income.

- **New York Power Authority ("NYPA") Resources:** The State will receive $6 million in additional payments from NYPA during FY 2016.

Other Receipts Changes:

- **Barclay's Monetary Settlement:** In May 2015, Barclays paid a $485 million civil monetary penalty in accordance with a May 2015 consent order between Barclays and the New York State DFS for violations of New York State Banking Law and regulations in connection with attempts to manipulate benchmark foreign exchange rates and other manipulative conduct.

- **Miscellaneous Receipts/Transfers:** Certain reimbursements and transfers from other State funds are now expected to be received in FY 2017.

Spending Revisions

Legislative Session Changes:

- **Non-Public School Aid:** Funding is provided to reimburse non-public schools for the costs of performing State-mandated services ($125 million annually in both FY 2016 and FY 2017, and $20 million anticipated annually thereafter).

- **Campus Sexual Assault Prevention:** Funding of $10 million has been added on a recurring basis to prevent sexual assaults on college campuses, and to investigate assaults when they do happen. Approximately $4.5 million will be committed to fund assault investigators, an additional $4.5 million will be committed for services for sexual assault victims, and $1 million will be provided to campuses for education and prevention purposes.

- **State Education Department Testing Disclosure:** Funding has been added to support increased disclosure of State exam questions and answers by the State Education Department.

- **City of Rochester:** $6 million in funding is provided to the City of Rochester which may include support for the City of Rochester anti-poverty initiative.

Other Spending Changes:

- The Updated Financial Plan reflects spending revisions across a number of agencies based on actual results in the first three months of FY 2016, updated program information and revised spending analysis. The largest downward revisions include lower expected spending for debt service; reimbursement to school districts for school property tax exemptions to homeowners; fringe benefit costs; juvenile justice; and various other program costs in the areas of mental hygiene, health, education, and environment. In addition, spending related to public campaign financing has been eliminated pending authorizing legislation.

- Another significant spending change since the release of the AIS occurred due to the labor agreement between NYSPBA and the State. NYSPBA has two bargaining units - the State Police Troopers (Troopers) and State Police Officers (“CO/NCO”). Both units and the State have agreed to a seven-year contract that covers FYs 2012 to 2018. There is no general salary increase for FYs 2012 to 2014, followed by general salary increases of 2 percent in FYs 2015 and 2016, and 1.5 percent in FYs 2017 and 2018, respectively. The estimated costs for these increases are $46 million in FY 2016, $33 million in FY 2017 and $39 million annually beginning in FY 2018.

Change in Reserves

- **Deposit to Undesignated Reserves:** The $485 million received from Barclays is set aside in undesignated reserves. The undesignated reserve related to the receipt of monetary settlements now totals approximately $1.5 billion.

- **Use of Collective Bargaining Reserve:** The State has settled nearly all outstanding labor contracts and as such, the Updated Financial Plan reflects the use of $110 million through FY 2019 from the collective bargaining reserve to cover the additional costs associated with the settlement of the NYSPBA contracts covering FYs 2012 through 2018. Resources were previously set aside to cover collective bargaining expenses for prior year agreements over the multi-year financial plan period. A total of $50 million in collective bargaining resources was carried over from FY 2015, and use of an additional $60 million in collective bargaining reserves is planned for FY 2016 through FY 2019 to cover the additional costs.

Annual Spending Growth

DOB estimates that spending in State Operating Funds will grow at 2.0 percent in FY 2016, consistent with the State's 2 percent spending benchmark adopted in FY 2012. All Funds spending, which includes spending from capital funds and Federal funds, is expected to increase by 3.6 percent from FY 2015, excluding extraordinary Federal aid related to disaster-related costs, Federal health care transformation, and spending for infrastructure needs from monetary settlement funds.

TOTAL DISBURSEMENTS
(millions of dollars)

	FY 2015 Results	FY 2016 Updated	Annual Change	Annual % Change
STATE OPERATING FUNDS	**92,426**	**94,243**	**1,817**	**2.0%**
General Fund (excluding transfers)	54,255	57,913	3,658	6.7%
Other State Funds	31,949	31,214	(735)	-2.3%
Debt Service Funds	6,222	5,116	(1,106)	-17.8%
ALL GOVERNMENTAL FUNDS	**138,643**	**143,681**	**5,038**	**3.6%**
State Operating Funds	92,426	94,243	1,817	2.0%
Capital Projects Funds	7,548	9,361	1,813	24.0%
Federal Operating Funds	38,669	40,077	1,408	3.6%
ALL GOVERNMENTAL FUNDS (INCL. EXTRAORDINARY AID)	**143,891**	**152,984**	**9,093**	**6.3%**
Federal Disaster Aid for Superstorm Sandy	1,960	1,775	(185)	-9.4%
Federal Health Care Reform	3,288	6,427	3,139	95.5%
Monetary Settlements for Capital Spending	0	1,101	1,101	0.0%
GENERAL FUND (INCLUDING TRANSFERS)	**62,856**	**72,121**	**9,265**	**14.7%**
STATE FUNDS	**98,148**	**103,121**	**4,973**	**5.1%**

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 2015 Results	FY 2016 Updated	Annual Change $	Annual Change %
LOCAL ASSISTANCE	**61,052**	**63,321**	**2,269**	**3.7%**
School Aid (State Fiscal Year Basis) [1]	21,630	23,378	1,748	8.1%
DOH Medicaid[2]	16,790	17,414	624	3.7%
Transportation	4,834	4,862	28	0.6%
Mental Hygiene	2,923	2,703	(220)	-7.5%
STAR	3,297	3,337	40	1.2%
Social Services	2,837	2,953	116	4.1%
Higher Education	3,092	2,991	(101)	-3.3%
Public Health/Aging	1,841	1,782	(59)	-3.2%
Special/Other Education	2,081	2,316	235	11.3%
Local Government Assistance	765	789	24	3.1%
All Other[3]	962	796	(166)	-17.3%
STATE OPERATIONS/FRINGE BENEFITS	**25,190**	**25,849**	**659**	**2.6%**
State Operations	**18,157**	**18,554**	**397**	**2.2%**
Personal Service:	12,550	12,929	379	3.0%
Executive Agencies	7,137	7,244	107	1.5%
Extra Bi-Weekly Institutional Pay Period	0	167	167	n/a
University Systems	3,551	3,621	70	2.0%
Elected Officials	1,862	1,897	35	1.9%
Non-Personal Service:	5,607	5,625	18	0.3%
Executive Agencies	2,744	2,852	108	3.9%
University Systems	2,303	2,183	(120)	-5.2%
Elected Officials	560	590	30	5.4%
Fringe Benefits/Fixed Costs	**7,033**	**7,295**	**262**	**3.7%**
Pension Contribution	2,117	2,219	102	4.8%
Health Insurance	3,319	3,451	132	4.0%
Other Fringe Benefits/Fixed Costs	1,597	1,625	28	1.8%
DEBT SERVICE	**6,183**	**5,072**	**(1,111)**	**-18.0%**
CAPITAL PROJECTS	**1**	**1**	**0**	**0.0%**
TOTAL STATE OPERATING FUNDS	**92,426**	**94,243**	**1,817**	**2.0%**
Capital Projects (State and Federal Funds)[4]	**7,548**	**9,361**	**1,813**	**24.0%**
Federal Operating Aid[4]	**38,669**	**40,077**	**1,408**	**3.6%**
TOTAL ALL GOVERNMENTAL FUNDS[4]	**138,643**	**143,681**	**5,038**	**3.6%**

[1] School Aid growth on a school year basis is $1.4 billion or 6.1 percent.

[2] Includes Basic Health Plan (The Essential Plan).

[3] "All Other" comprises a number of other program areas, including parks, environment, economic development, and public safety.

[4] Capital Projects, Federal Operating Funds, and All Funds disbursements exclude extraordinary aid for Federal health care reform and Superstorm Sandy, and capital spending from the monetary settlements. Including disbursements for these purposes, All Funds disbursements are expected to total $153.0 billion in FY 2016, an increase of 6.3 percent.

DOB estimates that the Updated Financial Plan maintains balanced operations in the General Fund in FY 2016, consistent with balanced budget requirements. The following table summarizes the projected annual changes from FY 2015 to FY 2016 in General Fund receipts, disbursements, and fund balances.

GENERAL FUND FINANCIAL PLAN
(millions of dollars)

	FY 2015 Results	FY 2016 Updated	Annual Change Dollar	Annual Change Percent
Opening Fund Balance	2,235	7,300	5,065	226.6%
Taxes (After Debt Service)	58,644	62,667	4,023	6.9%
Miscellaneous Receipts/Federal Grants	8,412	4,826	(3,586)	-42.6%
Other Transfers	865	1,263	398	46.0%
Total Receipts	67,921	68,756	835	1.2%
Local Assistance Grants	41,592	44,431	2,839	6.8%
Departmental Operations:	7,664	8,326	662	8.6%
Personal Service	*5,806*	*6,139*	*333*	*5.7%*
Non-Personal Service	*1,858*	*2,187*	*329*	*17.7%*
General State Charges	4,999	5,156	157	3.1%
Transfers to Other Funds[1]	8,601	14,208	5,607	65.2%
Total Disbursements	62,856	72,121	9,265	14.7%
Excess (Deficiency) of Receipts Over Disbursements	5,065	(3,365)	(8,430)	-166.4%
Closing Fund Balance	7,300	3,935	(3,365)	-46.1%
Statutory Reserves:				
"Rainy Day" Reserve Funds	1,798	1,798	0	
Community Projects Fund	74	74	0	
Contingency Reserve Fund	21	21	0	
Fund Balance Reserved for:				
Debt Management	500	500	0	
Prior-Term Labor Agreements	50	15	(35)	
Undesignated Reserve	190	0	(190)	
Monetary Settlements[1]	4,667	1,527	(3,140)	

[1] Includes one-time extraordinary transfers during FY 2016 of $4.55 billion in monetary settlements from the General Fund to the Dedicated Infrastructure Investment Fund, and the transfer of $850 million to fund the initial payment of a multi-year repayment agreement for prior-year OPWDD-related Federal Medicaid disallowances.

Receipts

General Fund receipts, including transfers from other funds, are expected to total $68.8 billion in FY 2016, an annual increase of $835 million (1.2 percent). Tax collections, including transfers of tax receipts to the General Fund after payment of debt service, are expected to total $62.7 billion in FY 2016, an increase of $4 billion (6.9 percent).

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are expected to increase by $4 billion (10.6 percent) from FY 2015. This primarily reflects increases in withholding payments attributable to the 2015 tax year and extension payments attributable to the 2014 tax year.

General Fund user tax receipts, including transfers after payment of debt service on Local Government Assistance Corporation ("LGAC") and Sales Tax Revenue Bonds, are estimated to total $12.6 billion in FY 2016, an increase of $360 million (2.9 percent) from FY 2015, reflecting projected consumer spending increases across a broad range of consumption categories, offset by declines in cigarette consumption.

General Fund business tax receipts are estimated at $5.9 billion in FY 2016, a decrease of $368 million (-5.9 percent) from FY 2015 results. The estimate reflects a decline in corporate franchise tax receipts resulting from the first year of corporate tax reform, partly offset by growth in the corporation and utilities and insurance taxes.

Other tax receipts in the General Fund are expected to total nearly $2 billion in FY 2016, a decrease of $9 million (-0.5 percent) from FY 2015. The estimate reflects a decline in expected estate tax receipts, the result of 2014 legislation that increased the estate tax filing threshold, partially offset by an increase in real estate transfer tax receipts.

General Fund miscellaneous receipts are estimated at $4.8 billion in FY 2016, a decrease of $3.6 billion from FY 2015. The decrease largely reflects the large amount of monetary settlements received in FY 2015, and the scheduled decline in the multi-year release of State Insurance Fund ("SIF") reserves as a result of Workers' Compensation law changes. The amount of SIF reserves released is expected to decline from $1 billion in FY 2015 to $250 million in FY 2016, consistent with the terms of the enacted legislation.

Non-tax transfers to the General Fund are expected to total $1.3 billion, an increase of $398 million. As with miscellaneous receipts, the annual change in non-tax transfers is affected, in part, by the monetary settlements. Under State forfeiture laws, approximately $298 million of the BNP Paribas monetary settlement was deposited temporarily in a State Special Revenue Fund in the first quarter of FY 2016. Approximately $293 million of these funds were transferred to the General Fund, leaving $5 million to expand services delivered by the Office of Alcoholism and Substance Abuse Services ("OASAS").

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances between funds of the State, and other factors. For a more comprehensive discussion of the State's projections for tax receipts, miscellaneous receipts, and transfers, presented on a State Funds and All Funds basis, see "Financial Plan Projections - Fiscal Years 2016 Through 2019" herein.

Disbursements

General Fund disbursements, including transfers to other funds, are expected to total $72.1 billion in FY 2016, an increase of $9.3 billion (14.7 percent) from FY 2015 spending levels. The increase includes one-time extraordinary transfers of $4.55 billion in monetary settlement receipts from the General Fund to the Dedicated Infrastructure Investment Fund ("DIIF"), and $850 million to finance the FY 2016 cost of a multi-year settlement agreement for the resolution of the Federal Office for People with Developmental Disabilities ("OPWDD") Disallowance.

Local assistance grants are expected to total $44.4 billion, an annual increase of $2.8 billion (6.8 percent), including $1.7 billion for School Aid and roughly $550 million for Medicaid. Other local assistance increases include, among other things, payments for a range of social services, public health, and general purpose aid programs, as well as accounting reclassifications that have the effect of moving spending between financial plan categories, mainly for Medicaid payments to State-operated facilities.

State operations disbursements in the General Fund are expected to total $8.3 billion in FY 2016, an annual increase of $662 million (8.6 percent). An additional (27th) payroll by agencies that provide institutional services that occurs in FY 2016 adds $167 million in one-time costs. Other spending increases include $145 million for the Department of Health ("DOH") to operate the New York State of Health ("NYSOH") Exchange, continue the transition of administrative functions from local service districts to the State, and operate the new Basic Health Plan ("BHP", or The Essential Plan); and $45 million for the operations of the Judiciary. In addition, Information Technology ("IT") services that have been consolidated in the General Fund from other agencies results in increased General Fund spending ($86 million).

GSCs are expected to total $5.2 billion in FY 2016, an annual increase of $157 million (3.1 percent) from FY 2015. Health insurance costs are projected to increase $132 million or 4 percent. The State's annual pension payment is expected to increase by $102 million, mainly due to a 1 percent increase in the graded rate contribution. The State expects to continue to amortize pension costs in excess of the amortization thresholds established in law. In FY 2016, costs in excess of 14.5 percent of payroll for the Employees' Retirement System ("ERS") and 22.5 percent for the Police and Fire Retirement System ("PFRS") are expected to be amortized.

General Fund transfers to other funds are expected to total $14.2 billion in FY 2016, an increase of $5.6 billion from FY 2015. The increase from FY 2015 to FY 2016 is mainly attributable to the Capital Projects transfer in support of the DIIF ($4.6 billion). In addition, $850 million from monetary settlements will be used to pay the FY 2016 cost for resolution of the Federal OPWDD Disallowance. These increases are partly offset by the substantial prepayment in FY 2015 of debt service due in FY 2016.

General Fund disbursements are affected by the level of financing sources available in other funds, transfers of balances between funds of the State, and other factors that may change from year to year. For a more comprehensive discussion of the State's disbursements projections by major activity, presented on a State Operating Funds basis, see "Financial Plan Projections - Fiscal Years 2016 through 2019" herein.

Closing Balance for FY 2016

DOB projects that the State will end FY 2016 with a General Fund cash balance of $3.9 billion, a decrease of $3.4 billion from the FY 2015 closing balance. The decline mainly reflects the planned transfers of monetary settlement funds to the DIIF ($4.6 billion) and the funding of the OPWDD Federal disallowance ($850 million), partly offset by unbudgeted monetary settlements. In addition, the reduction in balance includes the use of resources from FY 2015 ($190 million) and the use of the collective bargaining reserve to fund the recently ratified labor agreement with the NYSPBA, CO/NCO Bargaining Unit and Troopers Bargaining Unit covering FY 2012 through FY 2018 ($35 million).

TOTAL BALANCES
(millions of dollars)

	FY 2015 Results	FY 2016 Updated	Annual Change
TOTAL GENERAL FUND BALANCE	**7,300**	**3,935**	**(3,365)**
Statutory Reserves:			
"Rainy Day" Reserve Funds	1,798	1,798	0
Community Projects Fund	74	74	0
Contingency Reserve Fund	21	21	0
Fund Balance Reserved for:			0
Debt Management	500	500	0
Prior-Term Labor Agreements	50	15	(35)
Undesignated Reserve	190	0	(190)
Monetary Settlements	4,667	1,527	(3,140)
Budgeted Settlements:			
BNP Paribas	0	1,348	
All Other	4,332	4,332	
Planned Use of Settlement Funds	(275)	(5,680)	
Unbudgeted Settlements:			
Commerzbank	610	692	
Deutsche Bank	0	600	
Barclays	0	485	
Planned Use of Settlement Funds	0	(250)	

Balances in the State's principal "rainy day" reserves, the Tax Stabilization Reserve Fund and the Rainy Day Reserve Fund, are expected to remain unchanged in FY 2016.

The Updated Financial Plan maintains a reserve of $500 million for debt management purposes in FY 2016, unchanged from the level held at the end of FY 2015. DOB will make a decision on the use of these funds based on market conditions, Financial Plan needs, and other factors.

Cash Flow

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 State last used this authorization in April 2011 when the General Fund needed to temporarily borrow a minimal amount of funds from STIP for a period of five days. 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 money 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 all planned payments as they become due through FY 2016, as reflected in the following table that includes month-end cash balance projections. 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.

ALL FUNDS MONTH-END CASH BALANCES
FY 2016
(millions of dollars)

	General Fund	Other Funds	All Funds
April (Results)	10,344	2,320	12,664
May (Results)	9,591	3,601	13,192
June (Results)	11,064	3,701	14,765
July (Projected)	9,600	4,173	13,773
August (Projected)	8,909	4,381	13,290
September (Projected)	11,075	2,720	13,795
October (Projected)	9,408	3,094	12,502
November (Projected)	6,442	2,975	9,417
December (Projected)	8,287	2,801	11,088
January (Projected)	9,296	4,246	13,542
February (Projected)	9,450	3,520	12,970
March (Projected)	3,935	5,733	9,668

Monetary Settlements

The DFS, Department of Law, and the Manhattan District Attorney's Office have reached financial settlements with a number of banks and other associated entities for violations of New York banking laws, and with a number of insurance companies and other associated entities for violations of New York insurance laws. The State has received a total of $7.5 billion from monetary settlements in FY 2015 and FY 2016 including $485 million received by the State in May 2015 pursuant to a consent order between DFS and Barclays. The FY 2016 Enacted Budget earmarks $5.4 billion for one-time purposes, including $4.6 billion for capital projects to support economic development and infrastructure investments and $850 million for a Federal disallowance settlement. In addition, the General Fund included $275 million in FY 2015 and $250 million in FY 2016 for operating purposes. The Updated Financial Plan assumes monetary settlements in the amount of $100 million in each of FY 2017 and FY 2018.

SUMMARY OF SETTLEMENTS BETWEEN REGULATORS AND FINANCIAL INSTITUTIONS
(millions of dollars)

	FY 2015	FY 2016
Monetary Settlements Received	**4,942**	**2,515**
BNP Paribas	2,243	1,348
Department of Financial Services (DFS)	2,243	0
Asset Forfeiture (DANY)	0	1,348
Credit Suisse AG	715	0
Commerzbank	610	82
Deutsche Bank	0	600
Barclays	0	485
Bank of Tokyo Mitsubishi	315	0
Bank of America	300	0
Standard Chartered Bank	300	0
Bank Leumi	130	0
Ocwen Financial	100	0
Citigroup (State Share)	92	0
MetLife Parties	50	0
American International Group, Inc.	35	0
PricewaterhouseCoopers	25	0
AXA Equitable Life Insurance Company	20	0
Other Settlements	7	0
Enacted Budget Use of Available Settlements	**(275)**	**(7,182)**
Settlements Budgeted in Financial Plan	(275)	(250)
Transfer to Support OASAS Chemical Dependence Program		(5)
Transfer to Dedicated Infrastructure Investment Fund		(4,550)
Audit Disallowance - Federal Settlement		(850)
Undesignated		(1,527)

List of Settlements

The following settlement payments were received by the State in FY 2015 and FY 2016.

- BNP Paribas, S.A. New York Branch ("BNPP") paid nearly $3.6 billion pursuant to (i) a June 29, 2014 consent order between the New York State Department of Financial Services ("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. BNPP's conduct included obstructing of governmental administration, failing to report crimes and misconduct, offering false instruments for filing, and falsifying business records.

- Credit Suisse AG paid a $715 million civil monetary penalty pursuant to a May 18, 2014 consent order between DFS and Credit Suisse AG. This consent order pertained to Credit Suisse AG's decades-long operation of an illegal cross-border banking business whereby Credit Suisse AG knowingly and willfully (i) aided thousands of U.S. clients in opening and maintaining undeclared accounts, and (ii) concealed offshore assets and income from the Internal Revenue Service and New York authorities.

- Commerzbank AG New York Branch and Commerzbank AG (collectively "Commerzbank") paid a $610 million civil monetary penalty pursuant to a March 12, 2015 consent order between Commerzbank and DFS. This consent order pertained to Commerzbank's transactions on behalf of Iran, Sudan, and a Japanese corporation which engaged in accounting fraud in violation of New York State Banking Law and regulations. Additionally, Commerzbank AG paid $81.7 million in fines and forfeiture payments pursuant to a Deferred Prosecution Agreement between Commerzbank AG, the Manhattan District Attorney's Office and the United States Department of Justice. This Deferred Prosecution Agreement pertained to Commerzbank's actions in moving more than $250 million through the U.S. financial system, primarily on behalf of Iranian and Sudanese customers in violation of U.S. sanctions, by concealing the illegal nature of these transactions and deceiving U.S. banks into processing illegal wire payments.

- Deutsche Bank AG and Deutsche Bank AG, New York Branch (collectively "Deutsche Bank") paid a civil monetary penalty in the amount of $600 million in accordance with an April 23, 2015 consent order between Deutsche Bank and DFS. This consent order pertained to Deutsche Bank's manipulation of benchmark interest rates, including (i) the London Interbank Offered Rate, (ii) the Euro Interbank Offered Rate and (iii) the Euroyen Tokyo Interbank Offered Rate, in violations of New York State Banking Law and regulations.

- Barclays paid a $485 million civil monetary penalty in accordance with a May 2015 consent order between Barclays and DFS. This consent order pertained to Barclays' (i) attempted manipulation of benchmark foreign exchange rates, and (ii) other manipulative conduct in violation of New York State Banking Law and regulations.

- The Bank of Tokyo-Mitsubishi UFJ. Ltd. ("BTMU") paid a $315 million civil monetary penalty pursuant to a November 18, 2014 consent order between DFS and BTMU. This consent order pertained to BTMU's wrongful actions in misleading DFS concerning BTMU's U.S. dollar clearing services conducted on behalf of sanctioned Sudanese, Iranian, and Burmese parties. Previously, BTMU paid a a $250 million civil monetary penalty pursuant to a June 19, 2013 consent order between DFS and BTMU. Such consent order pertained to BTMU's unlawfull clearance through the New York Branch and other New York-based financial institutions of approximately 28,000 U.S. dollar payments, valued at approximately $100 billion, on behalf of certain sanctioned parties.

- Bank of America ("BofA") paid $300 million 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 BofA 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 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. The August 19, 2014 consent order pertained to SCB NY's use of ineffective risk management systems for the identification and management of compliance risks related to compliance with the Bank Security Act ("BSA") and anti-money laundering ("AML") laws, rules, and regulations. Such risks included U.S. dollar clearing for clients of SCB United Arab Emirates and SCB Hong Kong, among others.

- Bank Leumi paid a $130 million civil monetary penalty pursuant to a December 22, 2014 consent order between DFS and Bank Leumi. This consent order pertained to Bank Leumi's (i) knowing and willful operation of a wrongful cross-border banking business which assisted U.S. clients in concealing offshore assets and evading U.S. tax obligations, and (ii) misleading DFS about Bank Leumi's improper activities.

- Ocwen paid a $100 million civil monetary penalty and another $50 million as restitution to current and former Ocwen borrowers pursuant to a December 19, 2014 consent order between DFS and Ocwen. This consent order pertained to, among other things, numerous and significant violations of a 2011 agreement between Ocwen and DFS which required Ocwen to adhere to certain servicing practices in the best interest of borrowers and investors. The $100 million payment is to be used by the State for housing, foreclosure relief, and community redevelopment programs supporting New York's housing recovery. The $50 million restitution payment will be used to pay $10,000 to current and former Ocwen-services borrowers in New York whose homes were foreclosed upon by Ocwen between January 1, 2009 and December 19, 2014. The balance of the $50 million will then be distributed equally among borrowers who had foreclosure actions filed against them by Ocwen between January 1, 2009 and December 19, 2014, but in which Ocwen did not complete such foreclosure action.

- Citigroup Inc. ("Citigroup") paid $92 million 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.

- 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. This consent order pertained 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 insurance businesses in New York without a New York license.

- American International Group, Inc. ("AIG") paid a $35 million civil monetary penalty pursuant to an October 31, 2014 consent order between DFS and AIG. This consent order pertained to a DFS investigation which uncovered former subsidiaries ALICO and DelAm (i) solicited insurance business in New York without a license, and (ii) made intentional misrepresentations and omissions to DFS concerning such activities.

- PricewaterhouseCoopers LLP ("PwC") paid $25 million pursuant to an August 14, 2014 settlement agreement between DFS and PwC to (i) resolve the DFS's investigation of PwC's actions in performing certain consulting services for the Tokyo Branch of The Bank of Tokyo-Mitsubishi UFJ, Ltd. in 2007 and 2008, and (ii) establish the basis for a constructive relationship between the parties that will better protect investors and the public.

- AXA Equitable Life Insurance Company ("AXA") paid a $20 million civil fine pursuant to a March 17, 2014 consent order between DFS and AXA. The consent order pertained to whether AXA properly informed DFS regarding the implementation of its "AXA Tactical Manager" strategy.

Uses of Certain Monetary Settlements

The Executive intends to direct the one-time resources from the monetary settlements to fund non-recurring expenditures. The majority of the settlement resources are expected to be used to fund new capital investments.

The FY 2016 Enacted Budget established a new capital fund called the DIIF, to allow settlement money to be set aside for the purposes it is intended to fund. The Updated Financial Plan includes a transfer of $4.6 billion of the settlement funds from the General Fund to the DIIF during FY 2016. These resources will be on deposit in the DIIF to fund the following initiatives:

- **Upstate Revitalization Program ($1.5 billion):** The Updated Financial Plan includes $1.5 billion in funding for the Upstate Revitalization Initiative, whereby $500 million in grants and loans will be awarded to three upstate regions.

- **Thruway Stabilization Program ($1.3 billion):** The Updated Financial Plan includes $1.285 billion to fund capital expenses related to both the *New* NY Bridge, which will replace the Tappan Zee Bridge, and the statewide New York State Thruway system.

- **Broadband Initiative ($500 million):** The Updated Financial Plan includes a $500 million *New* NY Broadband Fund Program to expand the availability and capacity of broadband across the State or development of other telecommunication infrastructure. This program is intended to expand the creation of high-speed networks and promote broadband adoption.

- **Health Care/Hospitals ($400 million):** The Updated Financial Plan provides up to $355 million of grants to essential health care providers that facilitate mergers, consolidation, acquisition, or other significant corporate restructuring activities to create a financially sustainable system of care intended to promote a patient-centered model of health care delivery. An essential health care provider is a hospital or hospital system that offers health services in a region deemed by the Health Commissioner to be underserved. Funding may be used to restructure debt obligations or fund capital improvements to facilitate mergers and consolidations of hospitals in rural communities. The Plan provides $15.5 million to support capital expenses of the Roswell Park Cancer Institute; $19.5 million to establish a community health care revolving capital fund; and $10 million for IT and other infrastructure costs associated with the inclusion of behavioral health sciences in the Medicaid Managed Care benefit package.

- **Penn Station Access ($250 million):** The Metropolitan Transportation Authority (MTA) Penn Station Access project, which will open a new Metro-North link directly into Penn Station, is expected to provide enhanced system resiliency, improvement in regional mobility, and construction of four new Metro-North stations in the Bronx.

- **Infrastructure Improvements ($115 million):** The Updated Financial Plan provides $115 million for infrastructure improvements to support transportation, upstate transit, rail, airport, port, and other infrastructure improvements or economic development projects.

- **Transformative Economic Development Projects ($150 million):** The Updated Financial Plan includes $150 million to support transformative economic development and infrastructure projects. The State's investment is intended to catalyze private investment, and to spur significant economic development and job creation to help strengthen local communities in Nassau and Suffolk counties and their economies.

- **Resiliency, Mitigation, Security, and Emergency Response ($150 million):** The Updated Financial Plan provides $150 million in settlement funds to support preparedness and response efforts related to severe weather events. These funds will also support efforts to prevent, prepare for, and respond to acts of terrorism, other public safety and health emergencies, and natural and man-made disasters.

- **Municipal Restructuring ($150 million):** The Updated Financial Plan provides $150 million to assist and encourage local governments and school districts to implement shared services, cooperation agreements, mergers, and other actions that are expected to permanently reduce operational costs and property tax burdens.

- **Southern Tier/Hudson Valley Farm Initiative ($50 million):** The Updated Financial Plan includes $50 million to help landowners in the Southern Tier and Hudson Valley maintain and develop farming, agricultural, and related businesses.

The DIIF legislation permits the use of available funds in case of economic downturn, and/or to cover disallowances and/or settlements related to overpayment of Federal Medicare and Medicaid revenues in excess of $100 million. While the legislation provides the State with potential additional reserves for these purposes, the Updated Financial Plan does not assume these resources would be used for these purposes.

<u>Other Uses</u>

- **Resolution of Federal OPWDD Disallowance:** The Updated Financial Plan directed $850 million in monetary settlement funds to finance the first installment in a recent settlement between the State and Federal government to resolve Federal disallowances.

- **OASAS:** The Updated Financial Plan assumes that $5 million of settlement funds will be used to expand services provided by OASAS to individuals with dependencies on alcohol or drugs, or who have gambling problems.

- **Undesignated Reserves:** The Updated Financial Plan includes approximately $1.5 billion in undesignated reserves related to the receipt of monetary settlements.

April - June 2015 Operating Results

This section provides a summary of operating results for April 2015 through June 2015 compared to (1) the initial projections set forth in the FY 2016 Enacted Budget as reflected with the AIS; and (2) the results for the prior fiscal year (April 2014 through June 2014).

General Fund Results

The State ended June 2015 with a General Fund closing balance of $11.1 billion, $1.9 billion higher than initially estimated in the FY 2016 Enacted Budget Financial Plan. The increase reflects the combined impact of earlier than expected tax receipts ($741 million); slower than planned spending ($656 million); and the receipt of an unanticipated monetary settlement ($485 million) from Barclays.

GENERAL FUND OPERATING RESULTS
April through June 2015
(millions of dollars)

	Enacted Plan	Results	Above/(Below) Variance
Opening Balance	**7,300**	**7,300**	**0**
Total Receipts	**20,456**	**21,684**	**1,228**
Taxes:	17,815	18,556	741
Personal Income Tax[1]	12,839	13,368	529
Consumption / Use Taxes[1]	3,215	3,246	31
Business Taxes	1,201	1,276	75
Other Taxes[1]	560	666	106
Receipts and Grants	2,323	2,811	488
Transfers From Other Funds	318	317	(1)
Total Spending	**18,576**	**17,920**	**(656)**
Local Assistance	11,884	11,568	(316)
Agency Operations (including GSCs)	3,415	3,269	(146)
Debt Service Transfer	280	271	(9)
Capital Projects Transfer	(59)	25	84
State Share Medicaid Transfer	1,214	1,057	(157)
SUNY Operations Transfer	630	631	1
All Other Transfers	1,212	1,099	(113)
Change in Operations	**1,880**	**3,764**	**1,884**
Closing Balance	**9,180**	**11,064**	**1,884**

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

Through June 2015, General Fund receipts, including transfers from other funds, were $1.2 billion higher than the initial plan due to higher tax receipts ($741 million) and miscellaneous receipts ($488 million).

The variance in tax collections for the April through June 2015 time period includes higher PIT receipts ($529 million) due to stronger than anticipated estimated payments for tax year 2015 and lower than expected refunds for tax year 2014; higher other taxes ($106 million), as the State received three atypically large estate tax payments and New York City real estate transfer tax payments from luxury condominiums continue to exceed estimates; higher business tax collections ($75 million) from greater than estimated corporate franchise tax gross receipts; and higher user tax collections ($31 million) primarily attributable to increased taxable purchases subject to the sales and use tax.

While year-to-date tax collections were $741 million higher than estimated in the FY 2016 Enacted Budget Financial Plan, they are likely the result of quarterly fluctuations in the timing of collections. Thus, annual estimates remain unchanged from the FY 2016 Enacted Budget Financial Plan.

Miscellaneous receipts were higher than initial projections, largely due to an unanticipated monetary settlement of $485 million from Barclays for its violation of banking laws.

Through June 2015, General Fund disbursements, including transfers to other funds, were $656 million lower than initial projections due to lower spending in local assistance ($316 million) and agency operations ($146 million); and lower net transfers ($194 million).

The local assistance variance is primarily attributable to the timing of payments in the Child Welfare ($224 million) and TAP ($153 million) programs, both of which are expected to occur within the second quarter of the fiscal year.

Agency operational spending was lower in non-personal service ($60 million) across a number of agencies, including in the Office of Information Technology Services where costs have been offset by non-General Fund accounts at a higher rate than initially estimated. In addition, GSCs spending was lower than anticipated ($80 million) due to higher escrow receipts from other funds, which offset General Fund spending and interest savings generated by the early payment of the Judiciary's entire pension bill in May.

Lower General Fund transfers relate to timing, as State-share Medicaid transfers to mental health facilities ($157 million) and State-share Medicaid payments to SUNY hospitals ($105 million) have been processed later than anticipated; which are partly offset by higher transfers to fund capital projects ($84 million).

State Operating Funds Results

The State ended June 2015 with a closing balance of $15.2 billion in State Operating Funds, or $1.7 billion above the FY 2016 Enacted Budget Financial Plan projection. This variance is comprised of higher receipts ($1.2 billion), lower spending ($832 million), and lower financing from other sources ($329 million).

STATE OPERATING FUNDS RESULTS
April through June 2015
(millions of dollars)

	Enacted Plan	Results	Above/(Below) Variance
Opening Balance	**9,890**	**9,890**	**0**
Total Receipts	**25,461**	**26,642**	**1,181**
Taxes:	19,552	20,310	758
Personal Income Tax	13,316	13,844	528
Consumption / Use Taxes	3,803	3,844	41
Business Taxes	1,546	1,622	76
Other Taxes	887	1,000	113
Miscellaneous/Federal Receipts	5,909	6,332	423
Total Spending	**22,640**	**21,809**	**(831)**
Local Assistance	15,672	15,014	(658)
Agency Operations (including GSCs)	6,375	6,210	(165)
Debt Service	593	585	(8)
Capital Projects	-	-	-
Other Financing Sources	**757**	**428**	**(329)**
Change in Operations	**3,578**	**5,261**	**1,683**
Closing Balance	**13,468**	**15,151**	**1,683**

Through June 2015, total receipts in State Operating Funds were $1.2 billion higher than the FY 2016 Enacted Budget Financial Plan projections. This variance is consistent with the General Fund results described above.

State Operating Funds spending was $832 million lower than initial projections due to lower spending in both local assistance ($658 million) and agency operations ($165 million).

In addition to the General Fund variances described above, local assistance spending in other State funds was lower than anticipated in education aid and mental hygiene programs.

Other financing sources, which represent the difference between transfers to and from State Operating Funds, were $329 million lower than initial estimates due mainly to the delayed processing of disproportionate Federal-share Medicaid reimbursements to mental hygiene facilities and SUNY hospitals.

All Governmental Funds Results

The State ended June 2015 with an All Governmental Funds closing balance of $14.8 billion, $2.0 billion above the FY 2016 Enacted Budget Financial Plan projections. The higher balance reflects higher receipts ($1.4 billion) and lower spending ($588 million).

All GOVERNMENTAL FUNDS RESULTS April through June 2015 (millions of dollars)	Enacted Plan	Results	Above/(Below) Variance
Opening Balance	**9,355**	**9,355**	**0**
Total Receipts	**37,779**	**39,205**	**1,426**
Taxes:	19,884	20,633	749
Personal Income Tax	13,316	13,844	528
Consumption / Use Taxes	3,962	4,000	38
Business Taxes	1,707	1,777	70
Other Taxes	899	1,012	113
Miscellaneous Receipts	7,190	7,566	376
Federal Grants	10,705	11,006	301
Total Spending	**34,377**	**33,790**	**(587)**
State Operating Funds:	22,640	21,809	(831)
Local Assistance	15,672	15,014	(658)
Agency Operations (including GSCs)	6,375	6,210	(165)
Debt Service	593	585	(8)
Capital Projects	0	0	0
Capital Projects Funds	1,527	1,497	(30)
Federal Operating Funds	10,210	10,484	274
Other Financing Sources	**(14)**	**(6)**	**8**
Change in Operations	**3,388**	**5,409**	**2,021**
Closing Balance	**12,743**	**14,764**	**2,021**

Through June 2015, total All Funds receipts were $1.4 billion higher than initial projections. The increase is attributable to higher tax receipts ($749 million); miscellaneous receipts ($376 million); and Federal grants ($301 million).

This tax and miscellaneous receipts variance is consistent with the General Fund results described above. In addition, Federal grants were $301 million higher than planned due primarily to advanced Federal quarterly allocation of grants associated with BHP.

Through June 2015, All Funds spending was $588 million below FY 2016 Enacted Budget Financial Plan initial projections. In addition to the State Operating Funds spending variances described earlier, Federal Operating Funds spending was $274 million higher than initially planned, which is largely due to Medicaid spending.

All Governmental Funds Annual Change

The State closed June 2015 with an All Governmental Funds balance of $14.8 billion, $7.0 billion higher than the June 2014 balance. This higher balance is attributable to a combination of a higher opening balance ($5.3 billion), growth in receipts ($3.0 billion), higher spending ($1.3 billion); and increased other financing sources ($62 million).

All GOVERNMENTAL FUNDS RESULTS YEAR-OVER-YEAR
April through June 2015
(millions of dollars)

	FY 2015 Results	FY 2016 Results	Increase/(Decrease) $	%
Opening Balance	**4,035**	**9,355**	**5,320**	
Total Receipts	**36,213**	**39,205**	**2,992**	**8.3%**
Taxes:	18,716	20,633	1,917	10.2%
Personal Income Tax	11,698	13,844	2,146	18.3%
Consumption / Use Taxes	3,864	4,000	136	3.5%
Business Taxes	2,336	1,777	(559)	-23.9%
Other Taxes	818	1,012	194	23.7%
Miscellaneous Receipts	6,519	7,566	1,047	16.1%
Federal Grants	10,978	11,006	28	0.3%
Total Spending	**32,440**	**33,790**	**1,350**	**4.2%**
State Operating Funds:	20,722	21,809	1,087	5.2%
Local Assistance	13,734	15,014	1,280	9.3%
Agency Operations (including GSCs)	6,307	6,210	(97)	-1.5%
Debt Service	681	585	(96)	-14.1%
Capital Projects	0	-	-	
Capital Projects Funds	1,414	1,497	83	5.9%
Federal Operating Funds	10,304	10,484	180	1.7%
		-		
Other Financing Sources	**(69)**	**(6)**	**63**	
Change in Operations	**3,704**	**5,409**	**1,705**	
Closing Balance	**7,739**	**14,764**	**7,025**	

The $1.9 billion annual increase in All Funds tax receipts through June 2015 reflects higher PIT receipts ($2.1 billion) due to an increase in estimated payments attributable to the 2014 and 2015 tax years and lower than expected refunds; higher other taxes ($194 million) due to the timing of large estate tax payments and New York City real estate transfer tax payments that surpassed quarterly expectations; and higher user taxes ($136 million) primarily due to an increase in taxable purchases subject to the sales and use tax. These higher annual receipts are partly offset by lower business tax receipts ($559 million) due to quarterly fluctuations in the timing of the collection of receipts.

The $1 billion year-over-year increase in miscellaneous receipts reflects $1.7 billion in additional fines, penalties, and forfeitures (including one-time monetary settlements paid to the State);

higher bond proceeds receipts to finance Capital Projects ($599 million); and increased revenue in the Provider Assessment ($101 million) and HCRA ($76 million) accounts. These increases are offset by a reduction to miscellaneous receipts associated with the use of $850 million in monetary settlements to pay for the FY 2016 cost resolution of the Federal OPWDD Disallowance of prior year revenue; and by $750 million in lower SIF assessment reserves transferred to the State consistent with the terms of FY 2014 enacted legislation.

Through June 2015, All Funds spending increased by $1.3 billion over the prior year, comprised of a $1.1 billion increase in State Operating Funds, a $180 million increase in Federal Operating Funds, and an $83 million increase in Capital Projects Funds.

The increase in State Operating Funds reflects increased education ($416 million) and health care ($413 million) spending associated with enacted budget increases for School Aid and Medicaid, respectively. In addition, there was a timing-related increase for higher education spending ($193 million) due to a FY 2016 CUNY Senior College payment that was made one month earlier than the prior year. The $97 million decrease in operational spending is mainly attributable to lower fringe benefit costs. Lower debt service payments in FY 2016 is attributable to FY 2015 prepayments, which is consistent with prior years' practice of prepaying debt service obligations due in the subsequent fiscal year.

The Federal Operating Funds spending increase is largely due to new costs under the BHP and higher than planned Medicaid spending; offset by lower spending in Education likely due to the timing of claims processing.

Higher Capital Projects spending ($83 million) mainly occurred for transportation projects.

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.

DOB routinely executes cash management actions to manage the State's large and complex budget. These actions are intended for a variety of purposes that include improving the State's cash flow, managing resources within and across fiscal years, assisting in the adherence to spending targets and better positioning the State to address future risks and unanticipated costs, such as economic downturns, unexpected revenue deterioration and unplanned expenditures. As such, the State regularly makes certain payments above those initially planned, or defers payments, to maintain budget and cashflow flexibility. All payments made above the planned amount are reflected in the year they occur and adhere to the limit of the State's 2 percent spending benchmark.

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 annual growth in NYS personal income and the ten-year average growth of the medical component of the consumer price index ("CPI"), respectively. However, the FY 2014 Enacted Budget, FY 2015 Enacted Budget and FY 2016 Enacted Budget authorized spending for School Aid to increase above the growth in personal income that would otherwise be used to calculate the school year 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 revenues associated with gaming activity in the State; 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 and other disasters. Pressure on the Federal government to make reductions is elevated so long as the budgetary caps resulting from the Budget Control Act of 2011 and subsequent legislation remain in place. Any reduction in Federal funding levels could have a materially adverse impact on the Financial Plan. In addition, the Financial Plan may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules. Issues of particular concern are described below.

Medicaid Redesign Team ("MRT") Medicaid Waiver

The Federal Centers for Medicare & Medicaid Services ("CMS") and the State have reached an agreement authorizing up to $8 billion in new Federal funding, over several years, to transform New York's health care system and ensure access to quality care for all Medicaid beneficiaries. This funding, provided through an amendment to the State's Partnership Plan 1115 Medicaid waiver, is divided among the Interim Access Assurance Fund ("IAAF"), the Delivery System Reform Incentive Payment ("DSRIP") Program, Health Homes, and various other Medicaid redesign initiatives.

Since January 1, 2014, in accordance with provisions of the Affordable Care Act ("ACA"), New York State has been eligible for enhanced Federal Medical Assistance Percentage ("FMAP") associated with childless adults. The DOH continues to both work with the CMS and refine the eligibility data systems to draw the appropriate amount of enhanced FMAP. This reconciliation may result in a modification of payments to the State and local governments.

Federal Reimbursement for State Developmental Disability Services

As part of an approved plan between New York State and the Federal CMS, the State received a $250 million Designated State Health Program ("DSHP") payment as part of a multi-year effort to transform OPWDD services and provide more individuals with developmental disabilities the opportunity to be served in community-integrated settings. The $250 million payment was received in FY 2015.

The Updated Financial Plan assumes the State will reach agreement with CMS on a second phase of OPWDD transformation, which would accomplish a transition to holistic care management and value-based payments across all developmental disability systems. The transition to an integrated model of developmental disabilities-related care, behavioral health care, and medical care is expected to require significant changes to operations, structure, and organizational culture. The Updated Financial Plan reflects the continuation of the $250 million DSHP payment in FY 2016 and FY 2017 to help effectuate this transformation. Such Federal funding has not yet been approved by CMS.

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. In March 2015, a temporary suspension of the Federal debt limit expired, causing the debt limit to be reached. The Treasury Department has avoided default since then by operating under "extraordinary measures," which again raises concern that the Federal debt ceiling may not be raised in a timely manner.

A Federal government default on payments, particularly 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 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.

Current Labor Negotiations (Current Contract Period)

For the contract period that commenced in FY 2012, the State has settled collective bargaining agreements with 99 percent of the State workforce subject to direct Executive control. Seven-year agreements through FY 2018 were recently achieved for officers in the Division of State Police represented by NYSPBA in two distinct bargaining units: the CO/NCO unit and the Troopers unit. The estimated costs of salary increases associated with the NYSPBA agreements, inclusive of fringe benefit costs, are $46 million in FY 2016; $33 million in FY 2017; and $39 million in subsequent fiscal years. These costs are partially offset by health benefit savings resulting from increases to employee/retiree premium shares, co-pays, out-of-pocket deductibles and coinsurance.

Five-year agreements through FY 2016 were previously reached with employees represented by the Civil Service Employees Association ("CSEA"), the United University Professions ("UUP"), the New York State Correctional Officers and Police Benevolent Association ("NYSCOPBA"), Council 82, District Counsel-37 ("DC-37") (Housing), and the Graduate Student Employees Union ("GSEU"). Four-year agreements through FY 2015 were reached with employees represented by the Public Employees Federation ("PEF") and the Police Benevolent Association of New York State ("PBANYS").

All of the agreements included wage and benefit concessions in exchange for contingent employee job protection. No general salary increases were provided for the three-year period FY 2012 through FY 2014. Additionally, most employees were subject to a two-year Deficit

Reduction Plan ("DRP"), which achieved temporary savings of $300 million. The benefit concessions - increases to employee/retiree health premium shares, copays, out-of-network deductibles and coinsurance - provide full-annual savings of $230 million.

The payment of general salary increases commenced in FY 2015 with a 2 percent increase provided to all employees with settled agreements. In FY 2016, a second 2 percent increase was provided to employees with five-year agreements. The Division of State Police Troopers and CO/NCO will also receive a 2 percent increase in FY 2016, as well as 1.5 percent increases in FY 2017 and FY 2018, respectively.

Other compensation has also been provided. CO/NCO and Troopers in the Division of State Police will receive $1,250 increases to Hazardous Duty and Expanded Duty payments, respectively. Additionally, 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. The UUP employees may also receive lump sum payments of similar value in the form of Chancellor's Power of the SUNY Awards and Presidential Discretionary Awards. However, employees represented by PEF and DC-37 (Housing) did not receive lump sum payments. Instead, they will be repaid for all DRP reductions over an extended period, whereas the others units will be repaid for a portion of their reductions over an extended period commencing at the end of their contract terms.

The union representing State Police Investigators has no contract in place for the period April 2011 forward. The PEF and PBANYS-represented employees have no contracts in place for the period April 2015 forward.

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 2015, the State made a total pension payment to the New York State and Local Retirement System ("NYSLRS") of $1.7 billion and amortized $619.5 million (the maximum amount legally allowable). The total payment included an additional $18.8 million to pay off the 2006 amortization cost. In addition, the State's Office of Court Administration ("OCA") made a total pension payment of $268 million and amortized $93.6 million (the maximum amount legally allowable). This included an additional $21 million to pay off the 2011 retirement incentive liability. The total deferred amount — $713.1 million — will be repaid with interest over the next ten years, beginning in FY 2016.

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 each 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 2015, the State Comptroller set interest rates of 5 percent, 3.75 percent, 3 percent, 3.67 percent, and 3.15 percent, respectively. The Updated Financial Plan assumes that both the State and OCA will elect to amortize pension costs in FY 2016 and beyond, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB in the Financial Plan to be 3.15 percent per annum over ten years from the date of each deferred payment.

The normal annual employer contribution to the Retirement System for New York State is based on rates established by the State's Actuary using the annual fund valuation and actuarially prescribed policies and procedures. Employer contribution rates are established for both the Employees' Retirement System ("ERS") and the Police and Fire Retirement System ("PFRS"). These rates are then applied to the State-employee salary base for each respective employee group. The State's normal annual contribution rate is the total bill, excluding payments for deficiency, group life, previous amortizations, incentive costs, administrative costs and prior year adjustments.

The amortization rates (i.e. the graded rates) for ERS and PFRS are determined by a formula enacted in the 2010 legislation. The respective graded rates always move toward their system's average normal rate by up to 1 percent per year. When the average normal rate is more than 1 percent greater than the graded rate, the use of the amortization program reduces the portion of the normal contribution that is payable immediately. The balance of the normal contribution may be amortized. However, when the graded rate equals or exceeds the normal average rate, amortization is not allowed. Additionally, when the graded rate is more than 1 percent greater than the average normal rate, the employer is required to pay the graded rate. Any additional contributions are first used to pay off existing amortizations. If all amortizations have been paid, any excess is deposited into a reserve account and used to offset future increases in contribution rates.

For both the ERS and the PFRS, the following table provides: i) system average normal rates; ii) New York State-specific normal rates; and iii) amortization (graded) rates.

	Employees' Retirement System (ERS)			Police and Fire Retirement System (PFRS)		
Fiscal Year (FY)	System Average Normal Rates (GLIP Portion)	NYS-Specific Normal Rates (GLIP Portion)	System Graded Rates (does not apply to GLIP)	System Average Normal Rates (GLIP Portion)	NYS-Specific Normal Rates (GLIP Portion)	System Graded Rates (does not apply to GLIP)
FY 2011	11.9 (0.4)	12.1 (0.4)	9.5	18.2 (0.1)	18.3 (0.1)	17.5
FY 2012	16.3 (0.4)	16.5 (0.4)	10.5	21.6 (0.0)	22.3 (0.0)	18.5
FY 2013	18.9 (0.4)	19.4 (0.4)	11.5	25.8 (0.1)	26.6 (0.1)	19.5
FY 2014	20.9 (0.4)	21.5 (0.4)	12.5	28.9 (0.0)	29.9 (0.0)	20.5
FY 2015	20.1 (0.4)	20.4 (0.4)	13.5	27.6 (0.1)	28.1 (0.1)	21.5
FY 2016	18.2 (0.5)	18.5 (0.5)	14.5	24.7 (0.0)	25.0 (0.0)	22.5

Source: NYS DOB.

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 expected in 2015 and could change these projections materially.

The 2016 pension contribution rates, including Group Life Insurance Plan ("GLIP"), 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.

The Updated Financial Plan incorporates revised actuarial mortality assumptions and assumes amortization in FY 2016 and the outyears, which is consistent with the methodology adopted by the Retirement Systems' Actuary in 2014. DOB currently plans to amortize future pension contribution costs above the graded rate based on current forecasted pension contribution rates, as permissible by statute. The actual amortization of future pension costs will be subject to revised pension contribution rates and/or other budgetary decisions and factors.

The following table provides the aggregate pension costs across all the various systems associated with State employees: i) ERS for both the Executive and the Judiciary; ii) PFRS for the Executive; iii) Teachers' Retirement System ("TRS") for both SUNY and the State Education Department ("SED"); iv) Optional Retirement Program ("ORP") for both SUNY and SED; and NYS Voluntary Defined Contribution Plan ("VDC"). Amortization (graded) rates, deferrals and repayments are provided for ERS (Executive and Judiciary) and PFRS (Executive).

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	FY 2019
AMORTIZATION THRESHOLDS (Graded Rate)									
ERS (%)	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5	17.5
PFRS (%)	17.5	18.5	19.5	20.5	21.5	22.5	23.5	24.5	25.5
STATEWIDE PENSION PAYMENTS	**1,470**	**1,696**	**1,601**	**2,086**	**2,117**	**2,219**	**2,467**	**2,660**	**2,890**
Gross Pension Costs	1,633	2,140	2,192	2,744	2,437	2,222	2,329	2,400	2,515
(Amortization Amount) / Excess Contributions	(250)	(563)	(779)	(937)	(713)	(395)	(299)	(212)	(122)
Repayment of Amortization (incl. FY 2005 and FY 2006)	87	119	188	279	393	392	437	472	497

The next table reflects projected pension contributions and amortizations exclusively for the Executive Branch and Judiciary employees participating in the ERS and PFRS. The "Normal Costs" column shows the amount of the State's pension cost prior to amortization, as authorized in 2010. The "(Amortized) / Excess Contributions" column shows amounts deferred (i.e., amortized) or payments of outstanding contingencies. The "Amortization Payments" column provides the amount paid in a given fiscal year (principal and interest on deferrals) as authorized in 2010. The "Total" column provides the State's actual or planned pension contribution, net of amortization.

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

Fiscal Year	Normal Costs[2]	(Amortized)/Excess Contributions	Amortization Payments	Total
Results:				
2011	1,543.2	(249.6)	0.0	1,293.6
2012	2,037.5	(562.8)	32.3	1,507.0
2013	2,076.1	(778.5)	100.9	1,398.5
2014	2,633.8	(937.0)	192.1	1,888.9
2015	2,325.6	(713.1)	305.6	1,918.1
Projections:				
2016	2,007.3	(395.1)	389.9	2,002.1
2017	2,108.2	(299.0)	436.6	2,245.8
2018	2,179.7	(212.4)	471.9	2,439.2
2019	2,294.0	(122.1)	497.0	2,668.9
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
2029	2,329.7	0.0	18.2	2,347.9

Source: NYS DOB.

[1] Pension contribution values in this table do not include pension costs related to the Optional Retirement Program and Teachers' Retirement System for SUNY and SED, whereas the projected pension costs in other Financial Plan tables include such pension disbursements.

[2] Normal costs include payments from amortizations prior to FY 2011, which will end in FY 2016 as a result of early repayments.

Consistent with the 2010 amortization legislation, the State plans to: (a) make an additional contribution above the actuarially required contribution in FY 2022 and (b) once all outstanding amortizations are paid off, make additional contributions to 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 reach 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 2015, 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 2015, the projected unfunded actuarial accrued liability for FY 2015 is $77.4 billion ($63.426 billion for the State and $13.933 billion for SUNY), an increase of $9.2 billion from FY 2014 (attributable entirely to the State). The unfunded actuarial accrued liability for FY 2015 used an actuarial valuation of OPEB liabilities as of April 1, 2014 for the State, and April 1, 2012 for SUNY. These valuations were determined using the Frozen Entry Age actuarial cost method, and are amortized over an open period of 30 years using the level percentage of projected payroll amortization method. Driving a significant portion of the annual increase in the State's unfunded actuarial accrued liability is the adoption of new generational mortality projection tables developed by the Society of Actuaries reflecting an improvement in life expectancy in future years, resulting in increases to accrued liabilities and the present value of projected benefits.

The actuarially determined annual OPEB cost for FY 2015 totaled $3 billion ($2.3 billion for the State and $0.7 billion for SUNY), an increase of $20 million from FY 2014 ($17 million for the State and $3 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 billion for the State and $0.5 billion for SUNY) greater than the cash payments for retiree costs made by the State in FY 2015. 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 2015 by $1.5 billion.

GASB does not require the additional costs to be funded on the State's budgetary (cash) basis, and no additional 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 actuarially determined required annual contribution for OPEB. If the State began making a 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.

The State is currently examining GASB Statement 75 which amends GASB Statement 45 requirements. The GASB Statement 75 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. The GASB Statement 75 changes will be implemented in the State's FY 2019 financial statements.

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 present economic and financial risks to the State. Reimbursement claims for costs of the immediate response are being processed, 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 MTA, 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 poses 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, municipalities, and public utilities are expected to be needed for adapting existing infrastructure to climate change risks.

Financial Condition of New York State Localities

The fiscal demands on State aid 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 the Short-Term Investment Pool ("STIP"), which it then reimburses with proceeds from the sale of bonds. If the State cannot sell bonds at the levels (or on the timetable) expected in the capital plan, the State's overall cash position and capital funding plan may be adversely affected. 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.

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 for maximum terms 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. 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. It was determined that the State was in compliance with the statutory caps in the most recent calculation period (FY 2014). The FY 2015 calculation is expected to be completed in October 2015.

Current projections anticipate 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 $4.1 billion in FY 2015 to $470 million in FY 2020. This includes the estimated impact of the bond-financed portion of the FY 2016 Enacted Budget's increased capital commitment levels. 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 (which are not backed by a general obligation pledge of SUNY) 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 2015	1,112,160	4.00%	44,486	40,364	4,122	3.63%	0.37%	11,502	51,867
FY 2016	1,157,268	4.00%	46,291	43,369	2,922	3.75%	0.25%	10,075	53,444
FY 2017	1,215,592	4.00%	48,624	47,052	1,572	3.87%	0.13%	8,705	55,757
FY 2018	1,279,244	4.00%	51,170	50,292	877	3.93%	0.07%	7,288	57,581
FY 2019	1,344,797	4.00%	53,792	53,305	487	3.96%	0.04%	6,139	59,444
FY 2020	1,411,786	4.00%	56,471	56,001	470	3.97%	0.03%	5,004	61,005

DEBT SERVICE SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (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 2015	149,109	5.00%	7,455	3,994	3,461	2.68%	2.32%	2,164	6,159
FY 2016	152,685	5.00%	7,634	4,141	3,493	2.71%	2.29%	906	5,047
FY 2017	154,192	5.00%	7,710	4,515	3,195	2.93%	2.07%	1,667	6,182
FY 2018	157,718	5.00%	7,886	4,967	2,919	3.15%	1.85%	1,718	6,685
FY 2019	159,928	5.00%	7,996	5,416	2,580	3.39%	1.61%	1,573	6,989
FY 2020	164,318	5.00%	8,216	5,852	2,364	3.56%	1.44%	1,449	7,301

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 revenue shortfalls 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, 2015, there were approximately $304 million of bonds outstanding for this program.

The financial condition of hospitals in the State's Secured Hospital Program continues to deteriorate. Of the remaining hospitals, 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 and again in FY 2015 when $24 million was paid. DASNY also estimates the State will pay debt service costs of approximately $25 million in both FY 2016 and FY 2017, and approximately $14 million annually in FY 2018 through FY 2020. 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 but is paying rent which offsets a portion of the debt service, and a third hospital that is now closed. The State has estimated additional exposure of up to $24 million annually, if all hospitals 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 ("LICH")

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 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 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 affect 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 a court-approved settlement in 2014, SUNY, together with Holdings, issued a new RFP seeking a qualified party to provide or arrange to provide health care 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 the 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 which will provide both interim and long-term health care services. The agreement was approved by the Office of Attorney General and the State Comptroller, and the sale of all or substantially all, of the assets of Holdings was approved by the State Supreme Court in Kings County. However, due to recent developments concerning the satisfaction of certain closing conditions, the agreement needs to be amended. The amendments have been approved by the State Supreme Court but necessitate certain additional regulatory 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 2016 through 2019

Introduction

This section presents the State's multi-year Updated Financial Plan projections for receipts and disbursements, reflecting the impact of revisions to the FY 2016 Enacted Budget Financial Plan described in this AIS Update. This section includes FY 2015 results and projections for FY 2016 through FY 2019, with an emphasis on the FY 2016 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 2016 budget, FY 2017, is the most relevant from a planning perspective.

Summary

The Updated Financial Plan reflects a 2 percent annual growth in State Operating Funds, consistent with the expectation of adherence with a 2 percent spending benchmark. In addition, the State ended FY 2015 with a sizeable General Fund cash-basis surplus due to a series of unbudgeted one-time monetary settlement payments reached between regulators and financial institutions.

The surplus projections for FY 2017 and thereafter set forth in the Updated Financial Plan reflect the savings that DOB estimates would be realized 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 Spending Benchmark." While surplus projections reflect the savings estimated from adherence to the 2 percent spending benchmark, disbursement totals in the Financial Plan tables and discussion do not assume these savings. If the State does not adhere to the 2 percent State Operating Funds spending benchmark in FY 2017, FY 2018, and FY 2019, budget gaps may result in these years.

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 2015 Results	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
RECEIPTS					
Taxes (After Debt Service)	58,644	62,667	64,980	68,123	69,173
Miscellaneous Receipts/Federal Grants	8,412	4,826	2,621	2,353	2,212
Other Transfers	865	1,263	773	738	722
Total Receipts	**67,921**	**68,756**	**68,374**	**71,214**	**72,107**
DISBURSEMENTS					
Local Assistance Grants	41,592	44,431	46,910	49,202	51,639
School Aid	18,415	20,072	21,433	22,416	23,653
Medicaid/BHP	11,676	12,220	12,888	13,617	14,357
All Other	11,501	12,139	12,589	13,169	13,629
State Operations	7,664	8,326	8,354	8,611	8,454
Personal Service	5,806	6,139	6,091	6,123	6,152
Non-Personal Service	1,858	2,187	2,263	2,488	2,302
General State Charges	4,999	5,156	5,704	6,026	6,343
Transfers to Other Funds	8,601	14,208	9,838	10,639	10,831
Debt Service	1,297	836	1,242	1,422	1,210
Capital Projects	1,264	5,947	1,744	2,072	2,295
State Share of Mental Hygiene Medicaid	1,419	2,162	1,439	1,314	1,255
SUNY Operations	980	998	978	969	969
All Other	3,641	4,265	4,435	4,862	5,102
Total Disbursements	**62,856**	**72,121**	**70,806**	**74,478**	**77,267**
Adherence to 2% Spending Benchmark [1]	**n/a**	**n/a**	**2,478**	**4,374**	**5,739**
Use (Reservation) of Fund Balance:	**(5,065)**	**3,365**	**15**	**0**	**0**
Tax Stabilization Reserve Fund	(127)	0	0	0	0
Rainy Day Reserve Fund	(190)	0	0	0	0
Community Projects Fund	13	0	0	0	0
Prior-Term Labor Agreements	(5)	35	15	0	0
J.P. Morgan Settlement Proceeds	58	0	0	0	0
Undesignated Fund Balance	(147)	190	0	0	0
Monetary Settlements[2]	(4,667)	3,140	0	0	0
BUDGET SURPLUS/(GAP) PROJECTIONS	**0**	**0**	**61**	**1,110**	**579**

[1] Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2016 projections. 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.

[2] FY 2016 reflects the transfer of $4.55 billion from the General Fund to the Dedicated Infrastructure Investment Fund.

STATE OPERATING FUNDS PROJECTIONS
(millions of dollars)

	FY 2015 Results	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
RECEIPTS					
Taxes	69,661	73,199	76,329	79,895	81,619
Miscellaneous Receipts/Federal Grants	25,376	20,414	18,599	18,520	18,649
Total Receipts	**95,037**	**93,613**	**94,928**	**98,415**	**100,268**
DISBURSEMENTS					
Local Assistance Grants	61,052	63,321	65,862	68,483	71,098
School Aid	21,630	23,378	24,591	25,686	26,966
STAR	3,297	3,337	3,468	3,510	3,552
Special/Other Education	2,081	2,316	2,408	2,433	2,575
Higher Education	3,092	2,991	3,037	3,097	3,157
Medicaid (DOH)	16,790	17,414	18,161	18,936	19,675
Public Health/Aging	1,841	1,782	1,748	1,781	1,809
Mental Hygiene	2,923	2,703	2,860	3,305	3,497
Social Services	2,837	2,953	2,998	3,057	3,087
Transportation	4,834	4,862	4,916	4,987	5,051
Local Government Assistance	765	789	790	794	794
All Other	962	796	885	897	935
State Operations	18,157	18,554	18,644	18,960	18,943
Personal Service	12,550	12,929	12,877	12,944	13,042
Non-Personal Service	5,607	5,625	5,767	6,016	5,901
General State Charges	7,033	7,295	7,889	8,280	8,703
Pension Contribution	2,117	2,219	2,467	2,660	2,890
Health Insurance (Active Employees)	2,091	2,174	2,318	2,444	2,582
Health Insurance (Retired Employees)	1,228	1,277	1,362	1,436	1,516
All Other	1,597	1,625	1,742	1,740	1,715
Debt Service	6,183	5,072	6,208	6,699	7,004
Capital Projects	1	1	3	3	3
Total Disbursements	**92,426**	**94,243**	**98,606**	**102,425**	**105,751**
Net Other Financing Sources/(Uses)	2,028	(3,155)	994	630	345
Adherence to 2% Spending Benchmark [1]	**n/a**	**n/a**	**2,478**	**4,374**	**5,739**
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(4,639)	3,785	267	116	(22)
General Fund	(5,065)	3,365	15	0	0
Special Revenue Funds	479	503	327	208	50
Debt Service Funds	(53)	(83)	(75)	(92)	(72)
GENERAL FUND BUDGET SURPLUS/(GAP)	**0**	**0**	**61**	**1,110**	**579**

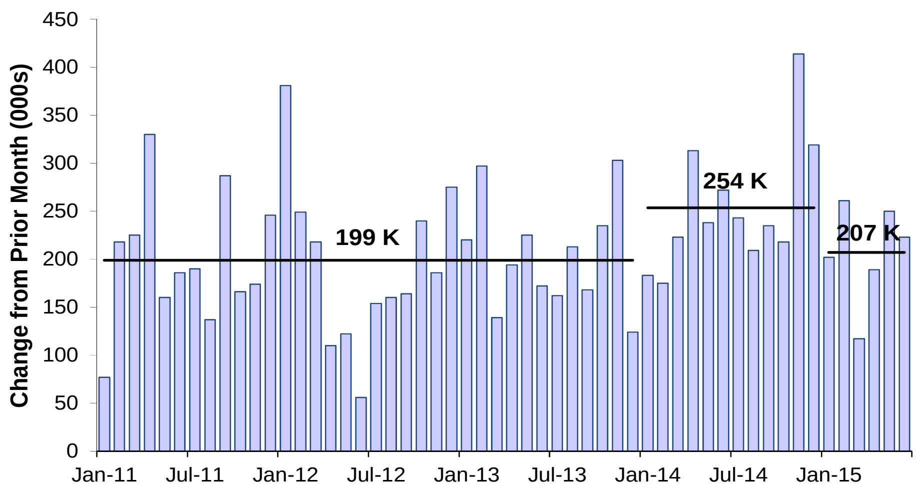
[1] Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2016 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 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.

Economic Backdrop

The U.S. Economy

The national economy experienced a weaker-than-expected first half of calendar year 2015. The U.S. Bureau of Economic Analysis now estimates average quarterly growth of 1.5 percent for the first half of this year, even weaker than that of the first half of 2014.[2] Three factors prompt a lowering in expectations for the second half of 2015. The first is a more precarious global situation dominated by a still struggling euro area economy and slow growth in China, which along with a strong dollar are resulting in weaker export growth. Second, the impact of lower energy prices on the national economy thus far has been more negative than projected, with the adverse impact on domestic energy sector investment exceeding the positive impact on household spending. Finally, the labor market has moderated since the end of last year. As a result, DOB now projects real U.S. Gross Domestic Product ("GDP") growth of 2.2 percent for the entire 2015 calendar year, down from the AIS forecast of 2.6 percent. This forecast represents a deceleration from the 2.4 percent observed for 2014.

U.S. Private Sector Job Gains



Source: Moody's Analytics.

The national labor market had begun to exhibit momentum in the spring of 2014 following a harsh winter. However, the most recent data indicate a decline in monthly private sector job gains to an average of 207,000 for the first six months of 2015 from the 254,000 average observed for all of last year, as illustrated in the preceding graph. Consequently, DOB now projects slightly weaker employment growth of 2.1 percent for 2015. Retails sales, excluding the volatile gasoline component, has also exhibited a much weaker rebound from this year's harsh winter than was

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[2] On July 30, 2015, the U.S. Bureau of Economic Analysis published its annual revision of the National Income and Product Accounts data, which altered the last three years of U.S. GDP data; the revisions were by and large downward.

observed over the same period in 2014. The impact of a DOB-estimated $80 billion in national savings owing to dramatically lower gasoline prices has yet to be observed in household spending growth. Correspondingly, DOB's projected level of real growth in household consumption has been revised downward since the AIS from 3.1 percent to 3.0 percent for 2015.

The recent real appreciation of the dollar, combined with weak global growth, is resulting in even weaker real export growth than anticipated. A trade-weighted index of the value of the dollar adjusted for relative differences in the rate of inflation across countries indicates a 9.6 percent increase in the value of the dollar over the first six months of 2015 compared with the same period in 2014. Although efforts to stimulate both the European and Chinese economies are still expected to be productive at some point in the future, the most recent data indicate that the near-term outlook for U.S. exports has deteriorated. As a result, real U.S. export growth has been revised downward by DOB since the AIS from 2.3 percent to 2.2 percent for 2015, following 3.4 percent growth for 2014.

The impact of weak global demand and the strong dollar on the business sector has been compounded by the adverse impact of falling global oil prices on domestic energy production. That negative impact can be seen in the dramatic 60 percent decline in the U.S. oil rig count since October 2014. The combined toll of these two developments on overall business investment has been negative. For example, nondefense capital goods shipments, excluding the volatile aircraft and parts component, is up only 1.5 percent for the first six months of this year based on preliminary data for June 2015, before adjusting for inflation. Consequently, real growth in non-residential fixed investment has been revised downward since the AIS from 4.3 percent to 3.5 percent for 2015, following 6.2 percent growth for 2014.

U.S. ECONOMIC INDICATORS
(Percent change from prior calendar year)

	2014 (Actual)	2015 (Forecast)	2016 (Forecast)
Real U.S. Gross Domestic Product	2.4	2.2	2.7
Consumer Price Index (CPI)	1.6	0.3	2.3
Personal Income	4.0	4.5	5.2
Nonagricultural Employment	1.9	2.1	2.0

Source: Moody's Analytics; DOB staff estimates.

One area of the national economy that has improved in recent months is the housing market, where the strength of the rebound from this year's extreme winter weather outpaced expectations. Housing starts exhibited monthly average growth of 2.3 percent over the first six months of the year, a substantial improvement from the 1.2 percent decline observed for the first half of 2014. Nevertheless, limited housing market growth of about 7 percent is projected for the remaining two quarters of the year, supported by historically low, albeit rising, interest rates, along with improving non-interest lending terms and continued labor market growth. Moreover, new home construction continues to be dominated by multi-family units, which are thought to have smaller economic spillover effects. DOB has revised upward its projection for real residential investment growth to 6.1 percent for 2015, up from 4.5 percent in the Enacted Budget Financial Plan forecast reflected with the AIS.

This AIS Update outlook calls for the U.S. economy to improve modestly during the second half of this year, but in the absence of strong global growth, a vigorous housing market, and robust employment and wage growth, DOB continues to anticipate annualized quarterly output growth below 3 percent for the foreseeable future. Nevertheless, the most recent data indicate that domestic price pressures could become a concern in the future, assuming that the current falloff in commodity prices proves to be transitory. DOB now estimates consumer price inflation of 0.3 percent for 2015, representing an upward revision from the FY 2016 Enacted Budget Financial Plan forecast in the AIS. Correspondingly, DOB continues to expect the Federal Reserve to raise its short-term interest rate target in the second half of 2015.

Although DOB’s economic outlook continues to call for a strengthening of the nation's recovery, significant risks remain. While the risk of a Greek exit from the European Union appears to have diminished for the time being, the response of the euro-area economy to stimulative policies of the European Central Bank has been sluggish. Moreover, the long-run viability of the monetary union in its current form remains uncertain. The effort of the Chinese government to revitalize the Chinese economy has also proven more of a challenge than anticipated, a problem that is likely to reverberate throughout the developing world. Weaker than expected growth in either of these two major economies will likely result in slower U.S. export and corporate profits growth than reflected in the current forecast. Concerns over the health of the global economy have sparked yet another round of energy and equity price volatility, representing risks to both business investment and household spending. In contrast, stronger global or equity price growth could result in stronger outcomes than projected. Finally, the response of both domestic and global financial markets to the unwinding of the Federal Reserve’s unprecedentedly accommodative policies remains a risk, whether that process starts in September 2015 or later in the year 2015, particularly given the lack of experience upon which to draw.

The New York State Economy

The State’s private sector labor market continues to generate strong momentum. Data for last quarter of calendar year 2014, the most recent quarter for which detailed data are available, indicate even more robust growth than expected in utilities; construction and real estate services; transportation and warehousing; wholesale trade; education; and health care. As a result, DOB’s outlook for private sector job growth for 2015 has been revised up from 1.6 percent to 1.9 percent, following growth of 2.2 percent for 2014. The six-year decline in government employment appears also to have come to an end during the second half of 2014. As a result, total employment growth for 2015 was revised up by 0.2 percent from the FY 2016 Enacted Budget Financial Plan forecast in the AIS to 1.6 percent, following 1.9 percent growth for 2014.

Stronger than expected job growth has also resulted in an upward revision to estimated non-bonus wage growth to 4.7 percent for FY 2015. However, weak fourth-quarter earnings and revenues within the finance sector are likely to have weighed heavily on bonus payouts for the

2014-15 bonus season. As a result, estimated finance and insurance sector bonus growth was reduced to a decline of 1.3 percent on an FY 2015 basis. On balance, overall wage growth for FY 2015 is virtually unchanged from the Enacted Budget Financial Plan forecast. Subdued finance and insurance sector bonus growth of 4.0 percent is projected for the 2015-16 bonus season, leaving projected wage growth for FY 2016 also unchanged from the Enacted Budget Financial Plan forecast in the AIS. In contrast, large volumes of IPO and merger and acquisition activity, along with strong real estate market growth, are estimated to have helped to propel growth in capital gains realizations above 30 percent for the 2014 tax year, with a modest decline now anticipated for 2015.

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	3.6	4.4
Wages	4.2	4.3	4.4
Nonagricultural Employment	1.6	1.9	1.4

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 show improvement, 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 the State. Under the ongoing implementation of Dodd-Frank as well as other pressures, the pattern of Wall Street bonus payouts continues to evolve, with payments now more widely dispersed throughout the year. Taxable payouts can represent both current-year awards and deferred payments from prior years, with the deferral ratio itself proving to be unstable. As a result, the uncertainty surrounding bonus projections continues to mount. Recent events also have demonstrated how sensitive financial markets can be to shifting expectations surrounding both Federal Reserve policy and global growth. 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 either weaker or stronger than we expect, both bonuses and taxable capital gains realizations could be correspondingly affected.

All Funds Receipts Projections

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

Overall base growth in tax receipts is dependent on many 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 often alters base tax receipts. 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, public assistance, mental hygiene, education, public health, and other activities, including extraordinary aid.

Where noted, certain tables in the following section display General Fund tax receipts that exclude amounts transferred to the General Fund in excess of amounts needed for certain debt service obligations (e.g., PIT receipts in excess of the amount transferred for debt service on revenue bonds).

All Funds receipts in FY 2016 are projected to total $152.7 billion, an increase of 2.4 percent from FY 2015 results. The following table summarizes the multi-year receipts projections.

ALL FUNDS RECEIPTS
(millions of dollars)

	FY 2015 Results	FY 2016 Updated	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
Personal Income Tax	43,709	47,075	7.7%	49,701	5.6%	52,499	5.6%	53,369	1.7%
Consumption/Use Taxes	15,384	15,845	3.0%	16,389	3.4%	16,911	3.2%	17,482	3.4%
Business Taxes	8,504	8,128	-4.4%	8,038	-1.1%	8,252	2.7%	8,455	2.5%
Other Taxes	2,166	2,154	-0.6%	2,122	-1.5%	2,086	-1.7%	2,095	0.4%
Payroll Tax	1,271	1,346	5.9%	1,404	4.3%	1,473	4.9%	1,549	5.2%
Total State Taxes	**71,034**	**74,548**	**4.9%**	**77,654**	**4.2%**	**81,221**	**4.6%**	**82,950**	**2.1%**
Miscellaneous Receipts	29,438	25,840	-12.2%	24,181	-6.4%	23,681	-2.1%	23,973	1.2%
Federal Receipts	48,636	52,299	7.5%	52,357	0.1%	52,815	0.9%	53,005	0.4%
Total All Fund Receipts	**149,108**	**152,687**	**2.4%**	**154,192**	**1.0%**	**157,717**	**2.3%**	**159,928**	**1.4%**

State tax receipts are expected to increase 4.9 percent in FY 2016. The increase in PIT receipts is due to strong growth from a low prior year base that was influenced by 2013 Federal tax law changes. The miscellaneous receipts decline in FY 2016 is primarily due to the substantial decline in one-time monetary settlement payments with financial institutions. In addition, the FY 2016 General Fund total includes a $250 million deposit from the SIF reserve release in connection with Workers' Compensation law changes included in the FY 2014 Enacted Budget, which is a decrease of $750 million from the amount of the reserve released in FY 2015. In other State funds, FY 2016 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. Business taxes and other taxes are expected to decline in the majority of years within the period due to tax cuts and reforms enacted in 2014.

After controlling for the impact of tax law changes, base tax revenue increased 4.1 percent in FY 2015, and is projected to increase by 4.4 percent for FY 2016 and 4.9 percent for FY 2017.

Personal Income Tax

PERSONAL INCOME TAX
(millions of dollars)

	FY 2015 Results	FY 2016 Updated	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
STATE/ALL FUNDS	**43,709**	**47,075**	**7.7%**	**49,701**	**5.6%**	**52,499**	**5.6%**	**53,369**	**1.7%**
Gross Collections	52,248	56,457	8.1%	60,063	6.4%	63,041	5.0%	64,460	2.3%
Refunds (Incl. State/City Offset)	(8,539)	(9,382)	-9.9%	(10,362)	-10.4%	(10,542)	-1.7%	(11,091)	-5.2%
GENERAL FUND[1]	**29,485**	**31,969**	**8.4%**	**33,808**	**5.8%**	**35,864**	**6.1%**	**36,475**	**1.7%**
Gross Collections	52,248	56,457	8.1%	60,063	6.4%	63,041	5.0%	64,460	2.3%
Refunds (Incl. State/City Offset)	(8,539)	(9,382)	-9.9%	(10,362)	-10.4%	(10,542)	-1.7%	(11,091)	-5.2%
STAR	(3,297)	(3,337)	-1.2%	(3,468)	-3.9%	(3,510)	-1.2%	(3,552)	-1.2%
RBTF	(10,927)	(11,769)	-7.7%	(12,425)	-5.6%	(13,125)	-5.6%	(13,342)	-1.7%

[1]Excludes Transfers.

All Funds personal income tax receipts for FY 2016 are projected to be $47.1 billion, an increase of $3.4 billion (7.7 percent) from FY 2015 results. This increase primarily includes withholding, estimated payments attributable to the 2015 tax year, and extension payments attributable to the 2014 tax year, partially offset by a substantial increase in total refunds due to a combination of refund payment timing and the increased cost of the Real Property Tax Freeze credit compared to FY 2015.

Withholding in FY 2016 is projected to be $2 billion (5.8 percent) higher than FY 2015, due mainly to moderate wage growth. Extension payments are estimated to increase by $1.2 billion (34.6 percent), primarily due to growth in tax year 2014 nonwage income compared to a weak tax year 2013 base, which suffered from an acceleration of capital gains into tax year 2012. Estimated payments for tax year 2015 are projected to be $781 million (7.5 percent) higher. Final return payments and delinquencies are projected to be $302 million (13.7 percent) higher and $74 million (5.3 percent) lower, respectively.

PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS ALL FUNDS (millions of dollars)	FY 2015 Results	FY 2016 Updated	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
Receipts					
Withholding	34,907	36,940	38,971	40,400	42,198
Estimated Payments	13,743	15,691	17,039	18,378	17,796
Current Year	10,367	11,148	12,019	12,983	12,005
Prior Year[1]	3,376	4,543	5,020	5,395	5,791
Final Returns	2,206	2,508	2,670	2,841	2,984
Current Year	1,952	2,239	2,390	2,549	2,692
Prior Year[1]	254	269	280	292	292
Delinquent	1,392	1,318	1,383	1,422	1,482
Gross Receipts	52,248	56,457	60,063	63,041	64,460
Refunds					
Prior Year[1]	4,961	5,773	6,755	7,212	7,232
Previous Years	458	488	513	539	564
Current Year[1]	1,950	1,750	1,750	1,750	1,750
Advanced Credit Payment	579	783	756	453	957
State/City Offset[1]	591	588	588	588	588
Total Refunds	8,539	9,382	10,362	10,542	11,091
Net Receipts	**43,709**	**47,075**	**49,701**	**52,499**	**53,369**

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

The projected increase in total refunds of $843 million (9.9 percent) reflects an $812 million (16.4 percent) increase in prior (tax year 2014) refunds, a $30 million (6.6 percent) increase in previous (tax year 2013 and earlier) refunds, and a $204 million (35.2 percent) increase in accelerated credit payments related to tax year 2015. This is partially offset by a $200 million (10.3 percent) decrease in current (tax year 2015) refunds and a $3 million (0.5 percent) decline in state-city offsets. The increase in prior (tax year 2014) refunds includes payments attributable to the first year of the Enhanced Real Property Tax Circuit Breaker credit.

General Fund personal 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 PIT receipts for FY 2016 of $32 billion are projected to increase by $2.5 billion (8.4 percent) from FY 2015 results, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be $11.8 billion and the STAR transfer is projected to be $3.3 billion.

The following table summarizes, by component, actual receipts for FY 2014 and forecast amounts through FY 2019.

All Funds personal income tax receipts for FY 2017 of $49.7 billion are projected to increase by $2.6 billion (5.6 percent) from the FY 2016 estimate. This primarily reflects increases of $2 billion (5.5 percent) in withholding, $871 million (7.8 percent) in estimated payments related to tax year 2016, and $477 million (10.5 percent) in extension payments related to tax year 2015, partially offset by a $980 million (10.4 percent) increase in total refunds. The growth in withholding is the result of projected wage growth of 4.5 percent. The moderate growth in extension payments reflects tax year 2015 nonwage income growth that is projected to be substantially weaker than in tax year 2014. The growth in total refunds is largely driven by a combination of the first year of the Property Tax Rebate program ($414 million) and Family Tax Relief credits ($400 million) which, unlike tax year 2014 payments, will not be paid as accelerated credits. Payments from final returns are expected to increase $162 million (6.5 percent), while delinquencies are projected to increase $65 million (4.9 percent) from the prior year.

General Fund PIT receipts for FY 2017 of $33.8 billion are projected to increase by $1.8 billion (5.8 percent). RBTF deposits are projected to be $12.4 billion, and the STAR transfer is projected to be $3.5 billion.

All Funds PIT receipts of $52.5 billion in FY 2018 are projected to increase $2.8 billion (5.6 percent) from the prior year. Gross receipts are projected to increase 5 percent, reflecting withholding that is projected to grow by $1.4 billion (3.7 percent) and estimated payments related to tax year 2017 that are projected to grow by $964 million (8 percent). Payments from extensions for tax year 2016 are projected to increase by $375 million (7.5 percent) and final returns are expected to increase $171 million (6.4 percent). Delinquencies are projected to increase $39 million (2.8 percent) from the prior year. Total refunds are projected to increase by $180 million (1.7 percent) from the prior year.

General Fund PIT receipts for FY 2018 are projected to increase by $2.1 billion (6.1 percent) to $35.9 billion.

All Funds income tax receipts are projected to increase by $870 million (1.7 percent) in FY 2019 to reach $53.4 billion, while General Fund PIT receipts are projected to total $36.5 billion.

Consumption/Use Taxes

CONSUMPTION/USE TAXES (millions of dollars)	FY 2015 Results	FY 2016 Updated	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
STATE/ALL FUNDS	**15,384**	**15,845**	**3.0%**	**16,389**	**3.4%**	**16,911**	**3.2%**	**17,482**	**3.4%**
Sales Tax	12,991	13,532	4.2%	14,067	4.0%	14,618	3.9%	15,212	4.1%
Cigarette and Tobacco Taxes	1,314	1,220	-7.2%	1,226	0.5%	1,187	-3.2%	1,148	-3.3%
Motor Fuel Tax	487	485	-0.4%	485	0.0%	482	-0.6%	478	-0.8%
Highway Use Tax	140	148	5.7%	142	-4.1%	143	0.7%	152	6.3%
Alcoholic Beverage Taxes	251	256	2.0%	261	2.0%	266	1.9%	271	1.9%
Taxicab Surcharge	82	80	-2.4%	80	0.0%	80	0.0%	80	0.0%
Auto Rental Tax	119	124	4.2%	128	3.2%	135	5.5%	141	4.4%
GENERAL FUND[1]	**6,691**	**6,890**	**3.0%**	**7,196**	**4.4%**	**7,451**	**3.5%**	**7,725**	**3.7%**
Sales Tax	6,084	6,325	4.0%	6,582	4.1%	6,841	3.9%	7,120	4.1%
Cigarette and Tobacco Taxes	356	309	-13.2%	353	14.2%	344	-2.5%	334	-2.9%
Alcoholic Beverage Taxes	251	256	2.0%	261	2.0%	266	1.9%	271	1.9%

[1]Excludes Transfers.

All Funds consumption/use tax receipts for FY 2016 are estimated to be over $15.8 billion, an increase of $461 million (3 percent) from FY 2015 results. Sales tax receipts are estimated to increase $541 million (4.2 percent) from FY 2015, resulting from 3.4 percent base (i.e., absent law changes) growth, due to moderate projected disposable income growth. Cigarette and tobacco tax collections are estimated to decline $94 million (7.2 percent), primarily reflecting large declines in taxable cigarette consumption (particularly in New York City) and cigar tax refunds resulting in part from a nonbinding Administrative Law Judge Determination (Matter of Davidoff of Geneva, Inc.). Motor fuel tax collections are estimated to decrease by $2 million (0.4 percent), reflecting a decrease in audit collections as they return to historical levels, partially offset by slight growth in gasoline and diesel consumption.

General Fund consumption/use tax receipts for FY 2016 are estimated to total $6.9 billion, an increase of $199 million (3 percent) from FY 2015 results. This increase largely reflects increased sales tax collections, offset by cigar tax refunds and a decline in cigarette tax collections.

All Funds consumption/use tax receipts for FY 2017 are projected to be $16.4 billion, an increase of $544 million (3.4 percent) from the prior year. The projected $535 million (4 percent) increase in sales tax receipts reflects sales tax base growth of 4.3 percent.

General Fund consumption/use tax receipts are projected to total $7.2 billion in FY 2017, a $306 million (4.4 percent) increase from the prior year. The projected increase in sales tax receipts reflects the All Funds trends noted above. The projected increase in cigarette and tobacco tax receipts is the result of a low FY 2016 base created by the cigar tax refunds mentioned earlier.

All Funds consumption/use tax receipts are projected to increase to $16.9 billion (3.2 percent) in FY 2018 and to $17.5 billion (3.4 percent) in FY 2019, largely representing base growth in sales tax receipts, offset slightly by trend declines in cigarette tax collections. General Fund consumption/use tax receipts are projected to increase to nearly $7.5 billion (3.5 percent) in FY 2018 and $7.7 billion (3.7 percent) in FY 2019, reflecting the All Funds trends noted above.

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 support debt service payments on State sales and use tax revenue bonds. Receipts in excess of the debt service requirements of the funds and certain local assistance payments to New York City, or its assignee, are transferred back to the General Fund.

Business Taxes

BUSINESS TAXES (millions of dollars)									
	FY 2015 Results	FY 2016 Updated	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
STATE/ALL FUNDS	**8,504**	**8,128**	**-4.4%**	**8,038**	**-1.1%**	**8,252**	**2.7%**	**8,455**	**2.5%**
Corporate Franchise Tax	3,548	4,673	31.7%	4,419	-5.4%	4,591	3.9%	4,756	3.6%
Corporation and Utilities Tax	728	794	9.1%	811	2.1%	815	0.5%	835	2.5%
Insurance Tax	1,533	1,576	2.8%	1,550	-1.6%	1,605	3.5%	1,678	4.5%
Bank Tax	1,536	(10)	-100.7%	203	2130.0%	190	-6.4%	143	-24.7%
Petroleum Business Tax	1,159	1,095	-5.5%	1,055	-3.7%	1,051	-0.4%	1,043	-0.8%
GENERAL FUND	**6,265**	**5,897**	**-5.9%**	**5,792**	**-1.8%**	**5,959**	**2.9%**	**6,109**	**2.5%**
Corporate Franchise Tax	2,990	3,909	30.7%	3,617	-7.5%	3,747	3.6%	3,862	3.1%
Corporation and Utilities Tax	577	612	6.1%	619	1.1%	619	0.0%	630	1.8%
Insurance Tax	1,375	1,414	2.8%	1,383	-2.2%	1,431	3.5%	1,495	4.5%
Bank Tax	1,323	(38)	-102.9%	173	555.3%	162	-6.4%	122	-24.7%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%

All Funds business tax receipts for FY 2016 are estimated at $8.1 billion, a decrease of $376 million (4.4 percent) from FY 2015 results. The estimate primarily reflects a decline resulting from the first year of corporate tax reform ($205 million) and a decrease in petroleum business tax (“PBT”) receipts, due to declines in the PBT index rates for 2015 and 2016.

Corporate franchise tax receipts are estimated to increase $1.1 billion (31.7 percent) in FY 2016, reflecting corporate tax reform, which repealed the bank tax and imposed the corporate franchise tax on former bank taxpayers beginning in tax year 2015. Audit receipts are expected to increase $491 million (79.8 percent), representing a rebound in large case audits.

Corporation and utilities tax receipts are expected to increase $66 million (9.1 percent) in FY 2016. Both gross receipts and audits are expected to increase from the prior year, while refunds are expected to return to historical trends.

Insurance tax receipts are expected to increase $43 million (2.8 percent) in FY 2016. Premiums from authorized insurers are expected to grow at trend rates. Audits and refunds are also expected to reflect historical trends.

Bank tax receipts are estimated to decrease by over $1.5 billion (100.7 percent) in FY 2016. The decline stems from the movement of tax year 2015 liability payments to the corporate franchise tax and lower audit receipts. Audit receipts are estimated to decline $525 million as several large FY 2015 bank tax cases are not expected to be repeated in FY 2016.

PBT receipts are expected to decrease $64 million (5.5 percent) in FY 2016, primarily due to the 3.2 percent decrease in the PBT rate index effective January 2015 and the estimated 5 percent decrease effective January 2016. These declines are partially offset by slight growth in both estimated gasoline and diesel consumption.

General Fund business tax receipts for FY 2016 of $5.9 billion are estimated to decrease $368 million (5.9 percent) from FY 2015 results, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2017 of $8.1 billion are projected to decrease $90 million (1.1 percent) from the prior year. The decline in corporate franchise tax receipts of $254 million (5.4 percent) is the result of the decrease in the entire net income tax rate from 7.1 percent to 6.5 percent and the first year of the capital tax base phase-out (both effective for tax year 2016). These items were part of corporate tax reform enacted in the FY 2015 Budget. Bank tax receipts are projected to increase by $213 million, primarily the result of a reduced number of prior period adjustments. Corporation and utilities tax receipts growth of $17 million (2.1 percent) reflects trend growth in FY 2017. Insurance tax receipts are projected to decline $26 million (1.6 percent). Projected growth in insurance tax premiums is more than offset by the first year of refunds from the tax credit for assessments paid to the Life Insurance Guaranty Corporation (Insurance Law section 7712(a)(b) and Tax Law section 1511(f)). PBT receipts are expected to decrease $40 million (3.7 percent) in FY 2017, primarily due to the estimated 5 percent decrease in the PBT rate index effective January 2016 noted above, and projected small declines in taxable motor fuel consumption, partially offset by growth in diesel fuel consumption.

General Fund business tax receipts for FY 2017 of $5.8 billion are projected to decrease $105 million (1.8 percent), reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2018 and FY 2019 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 increase to $8.3 billion (2.7 percent) in FY 2018, and increase to $8.5 billion (2.5 percent) in FY 2019. General Fund business tax receipts are expected to increase to $6 billion (2.9 percent) in FY 2018 and $6.1 billion (2.5 percent) in FY 2019.

Other Taxes

OTHER TAXES (millions of dollars)	FY 2015 Results	FY 2016 Updated	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
STATE/ALL FUNDS	**2,166**	**2,154**	**-0.6%**	**2,122**	**-1.5%**	**2,086**	**-1.7%**	**2,095**	**0.4%**
Estate Tax	1,109	1,050	-5.3%	965	-8.1%	891	-7.7%	855	-4.0%
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Estate Transfer Tax	1,038	1,085	4.5%	1,138	4.9%	1,176	3.3%	1,221	3.8%
Pari-Mutuel Taxes	18	18	0.0%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%
GENERAL FUND[1]	**1,128**	**1,069**	**-5.2%**	**984**	**-8.0%**	**910**	**-7.5%**	**874**	**-4.0%**
Estate Tax	1,109	1,050	-5.3%	965	-8.1%	891	-7.7%	855	-4.0%
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Pari-Mutuel Taxes	18	18	0.0%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%

[1]Excludes Transfers.

All Funds other tax receipts for FY 2016 are estimated to be nearly $2.2 billion, a $12 million (0.6 percent) decrease from FY 2015 results. This reflects a $47 million (4.5 percent) increase in real estate transfer tax receipts, more than offset by a $59 million (5.3 percent) decrease in estate tax receipts. The estate tax decrease is primarily the result of FY 2015 Enacted Budget legislation that raises the filing threshold from $1 million to the Federal exemption (currently $5.43 million) over a four-year period. The real estate transfer tax estimate reflects both an increase in the volume of transactions in New York City and modest price growth compared to the prior year.

General Fund other tax receipts are expected to be nearly $1.1 billion in FY 2016, a $59 million (5.2 percent) decrease from FY 2015 results, reflecting the estate tax change noted above.

All Funds other tax receipts for FY 2017 are projected to be just over $2.1 billion, a $32 million (1.5 percent) decrease from FY 2016. This reflects projected growth in real estate transfer tax receipts due to projected growth in both the residential and commercial real estate markets, particularly in New York City, more than entirely offset by a decline in projected estate tax receipts due to the continued phase-in of the increased filing threshold.

General Fund other tax receipts are projected to be just under $1 billion in FY 2017, reflecting the decline in estate tax receipts noted above.

All Funds other tax receipts for FY 2018 and FY 2019 reflect projected trends in household net worth, housing starts and housing prices. All Funds other tax receipts are projected to decrease to just under $2.1 billion (1.7 percent) in FY 2018, and remain at $2.1 billion in FY 2019. General Fund other tax receipt estimates for FY 2018 and FY 2019 are projected to decrease by 7.5 percent and 4 percent, respectively, due to the projected decline in estate tax receipts noted above.

The divergence in growth rates between the All Funds and General Fund projections for other tax receipts reflects the dedication of the segment exhibiting growth (real estate transfer tax receipts) to other funds, and reflection of the declining portion (estate tax receipts) remaining in the General Fund.

Miscellaneous Receipts and Federal Grants

MISCELLANEOUS RECEIPTS
(millions of dollars)

	FY 2015 Results	FY 2016 Updated	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
ALL FUNDS	**29,438**	**25,840**	**-12.2%**	**24,181**	**-6.4%**	**23,681**	**-2.1%**	**23,973**	**1.2%**
General Fund	8,410	4,826	-42.6%	2,621	-45.7%	2,353	-10.2%	2,212	-6.0%
Special Revenue Funds	16,557	15,245	-7.9%	15,666	2.8%	15,855	1.2%	16,126	1.7%
Capital Projects Funds	3,961	5,299	33.8%	5,441	2.7%	5,020	-7.7%	5,183	3.2%
Debt Service Funds	510	470	-7.8%	453	-3.6%	453	0.0%	452	-0.2%

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, monetary settlements and a variety of fees and licenses.

All Funds miscellaneous receipts are projected to total $25.8 billion in FY 2016, a decrease of 12.2 percent from FY 2015 results. This decrease is primarily due to the loss of one-time monetary settlements described earlier in this AIS Update. Additionally, the SIF reserve release in connection with Workers' Compensation law changes included in the FY 2014 Enacted Budget decreased by $750 million from the amount received during the prior year. In other State funds, FY 2016 miscellaneous receipts are driven by year-to-year variations to health care surcharges and other HCRA resources, bond proceeds, and the phase-out of the temporary utility assessment.

All Funds miscellaneous receipts are projected to continue to decrease in FY 2017 and FY 2018, mainly due to the further loss of one-time monetary settlements, the loss of payments from SIF, and the phase-out of the temporary utility assessment.

FEDERAL GRANTS (millions of dollars)									
	FY 2015 Results	FY 2016 Updated	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
ALL FUNDS	**48,636**	**52,299**	**7.5%**	**52,357**	**0.1%**	**52,815**	**0.9%**	**53,005**	**0.4%**
General Fund	2	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	46,531	50,382	8.3%	50,466	0.2%	50,937	0.9%	51,146	0.4%
Capital Projects Funds	2,030	1,844	-9.2%	1,818	-1.4%	1,805	-0.7%	1,786	-1.1%
Debt Service Funds	73	73	0.0%	73	0.0%	73	0.0%	73	0.0%

Aid from the Federal government helps to pay for a variety of programs including Medicaid, public assistance, mental hygiene, school aid, public health, transportation 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 projections.

All Funds Federal grants are expected to increase in FY 2016, which is mainly driven by enhanced Federal Medicaid funding associated with Federal health care transformation initiatives. Federal grants are expected to grow to $53.0 billion by FY 2019, reflecting the continuation of growth in Federal Medicaid spending associated with the ACA, partly offset by the expected phase-down of Federal disaster assistance aid.

Disbursements

Total disbursements in FY 2016 are estimated at $72.1 billion in the State's General Fund (including transfers) and $94.2 billion in total State Operating Funds. Medicaid, education, pension costs, employee and retiree health benefits are significant drivers of annual spending growth. Over the multi-year Financial Plan, State Operating Funds spending projections assume Medicaid and School Aid will grow at their statutorily-indexed rates, with the exception of the FY 2016 Enacted Budget which increased School Aid by 6.1 percent on a school year basis, in excess of the indexed rate of 1.7 percent. The Enacted Budgets in FY 2014 and FY 2015 also approved increases for School Aid above the indexed rate.

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 also account for the timing of payments, since not all of the amounts appropriated pursuant to an enacted 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 $63.3 billion in FY 2016 and accounts for two-thirds of total State Operating Funds spending. Education and health care spending account for nearly two-thirds of local assistance spending.

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES
(millions of dollars)

				Forecast	
	FY 2015 Results	FY 2016 Updated	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
MEDICAID					
Individuals Covered	6,176,492	6,356,115	6,401,031	6,423,489	6,434,718
- Child Health Plus (Caseload)	276,244	295,400	304,200	313,300	322,700
State Takeover of County/NYC Costs	$1,701	$2,031	$2,360	$2,680	$2,989
- Family Health Plus	$147	$0	$0	$0	$0
- Medicaid	$1,554	$2,031	$2,360	$2,680	$2,989
EDUCATION					
SY School Aid (Funding)	$22,150	$23,502	$24,439	$25,559	26,909
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	569,200	569,300	569,400	569,400	569,400
Tuition Assistance Program (Recipients)	302,398	302,669	302,669	302,669	302,669
PUBLIC ASSISTANCE					
Family Assistance Program (Caseload)	247,629	237,675	230,690	225,303	220,501
Safety Net Program (Families)	114,643	109,098	105,340	102,501	99,995
Safety Net Program (Singles)	195,108	193,661	192,374	191,526	191,116
Total Mental Hygiene Community Beds	96,414	99,283	102,834	104,991	106,616
- OMH Community Beds	40,766	42,989	46,141	47,883	49,157
- OPWDD Community Beds	41,966	42,532	42,890	43,199	43,530
- OASAS Community Beds	13,682	13,762	13,803	13,909	13,929
PRISON POPULATION (CORRECTIONS)	52,854	52,800	52,800	52,800	52,800

Education

School Aid

School Aid helps support elementary and secondary education for New York pupils enrolled in the 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 prekindergarten programs, education of homeless children, and bilingual education. 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 $23.5 billion in school year ("SY") 2016, an increase of $1.4 billion (6.1 percent) from SY 2015. This increase is provided largely through $1 billion of additional general operating support, consisting of a $603 million restoration in the Gap Elimination Adjustment ("GEA") and a $428 million increase in Foundation Aid. Another $274 million supports increased reimbursement in expense-based aid programs (e.g., transportation, Boards of Cooperative Educational Services ("BOCES"), school construction) and other miscellaneous aid categories. The increase also includes $47 million of funding for new competitive grants, led by $30 million for prekindergarten for three- and four-year-old children.

In addition, the Updated Financial Plan provides $75 million to help transform persistently failing schools. The Budget also continues to provide $340 million of recurring annual funding to support Statewide Universal Full-Day Prekindergarten programs in order to incentivize and fund state-of-the-art programs and encourage creativity through competition.

Finally, the Updated Financial Plan for FY 2016 maintains the two-year appropriation that continues Education Law provisions. School Aid is projected to increase by an additional $937 million (4 percent) in SY 2017.

SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30)
(millions of dollars)

	SY 2015	SY 2016	*Change*	SY 2017	*Change*	SY 2018	*Change*	SY 2019	*Change*
Total	**22,150**	**23,502**	***1,352***	**24,439**	***937***	**25,559**	***1,120***	**26,909**	***1,350***
			6.1%		*4.0%*		*4.6%*		*5.3%*

School year values reflected in table do not include aid for Statewide Universal Full-Day Prekindergarten programs or the Persistently Failing Schools Transformation Grants.

State Fiscal Year Basis

The State finances School Aid from General Fund and 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 the related budget 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 - STATE FISCAL YEAR BASIS (millions of dollars)	FY 2015 Results	FY 2016 Updated	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	**21,630**	**23,378**	**8.1%**	**24,591**	**5.2%**	**25,686**	**4.5%**	**26,966**	**5.0%**
General Fund Local Assistance	18,415	20,072	9.0%	21,433	6.8%	22,416	4.6%	23,653	5.5%
General Fund Local Aid Guarantee	67	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Core Lottery Aid	2,191	2,219	1.3%	2,181	-1.7%	2,173	-0.4%	2,167	-0.3%
VLT Lottery Aid	906	961	6.1%	966	0.5%	961	-0.5%	913	-5.0%
Commercial Gaming - VLT Offset	0	0	0.0%	0	0.0%	5	0.0%	53	960.0%
Commercial Gaming	0	137	0.0%	0	-100.0%	131	0.0%	180	37.4%
Other Resources (Reserves)	51	(11)	-121.6%	11	200.0%	0	-100.0%	0	0.0%

State fiscal year spending for School Aid is projected to total $23.4 billion in FY 2016. In future years, receipts available to finance this category of aid from core lottery sales are projected to decline. In addition to State aid, school districts receive over $3 billion annually in Federal aid.

It is expected that State aid payments for School Aid will be supplemented by commercial gaming revenues, beginning in FY 2016. Three casino resorts were recommended by the State's Gaming Facility Location Board (the "Board") in December 2014, and a fourth casino is presently under consideration by the Board. The State expects $137 million from one-time licensing fees to supplement School Aid in FY 2016, and it is expected that the approved casinos will be fully operational by FY 2018.

Other Education Aid

In addition to School Aid, the State provides funding and support for various other education-related programs. These include: special education services; programs administered by the Office of Prekindergarten through Grade 12 education; cultural education; higher and professional education programs; and adult career and continuing education services.

The State provides a full range of special education services to approximately 500,000 students with disabilities, from ages 3 to 21. Major programs under the Office of Prekindergarten through Grade 12 address specialized student needs or reimburse school districts for education-related services, including the school lunch and breakfast program, after-school programs and other educational grant programs. Cultural education includes aid for operating expenses for the major cultural institutions of the State Archives, the State Library, and the State Museum as well as support for the Office of Educational Television and Public Broadcasting. Higher and professional education programs monitor the quality and availability of postsecondary education programs, and license and regulate over 50 professions. Adult career and continuing education services focus on the education and employment needs of the State's adult citizens, ensuring that such individuals have access to a "one-stop" source for all their employment needs, and are made aware of the full range of services available in other agencies.

OTHER EDUCATION (millions of dollars)	FY 2015 Results	FY 2016 Updated	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,081**	**2,316**	**11.3%**	**2,408**	**4.0%**	**2,433**	**1.0%**	**2,575**	**5.8%**
Special Education	1,451	1,469	1.2%	1,559	6.1%	1,673	7.3%	1,795	7.3%
All Other Education	630	847	34.4%	849	0.2%	760	-10.5%	780	2.6%

The increase in other education spending for FY 2016 relative to FY 2015 is driven primarily by increases in expense-based reimbursements, one-time costs associated with targeted aid and grants, increases to supplemental State charter school payments, and additional funding to non-public schools to reimburse them for the cost of performing State-mandated services. This additional funding to non-public schools will be in effect for FY 2016 and FY 2017, its expiration is the primary factor in the projected spending decline from FY 2017 to FY 2018.

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 $65,300 exemption in FY 2016. The DTF oversees local property assessment administration, and is responsible for establishing STAR property tax exemption amounts.

The three components of STAR and their approximate share of total spending in FY 2016 are: the basic school property tax exemption for homeowners with income under $500,000 (53 percent); the enhanced school property tax exemption for senior citizen homeowners with incomes under $83,300 (28 percent); and a flat refundable credit and rate reduction for income-eligible resident New York City personal income taxpayers (19 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 currently limited to 2 percent. New York City personal income taxpayers with annual incomes over $500,000 are not eligible starting in FY 2016.

SCHOOL TAX RELIEF (STAR) (millions of dollars)	FY 2015 Results	FY 2016 Updated	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	**3,297**	**3,337**	**1.2%**	**3,468**	**3.9%**	**3,510**	**1.2%**	**3,552**	**1.2%**
Basic Exemption	1,739	1,771	1.8%	1,889	6.7%	1,900	0.6%	1,908	0.4%
Enhanced (Seniors)	931	948	1.8%	967	2.0%	991	2.5%	1,013	2.2%
New York City PIT	627	618	-1.4%	612	-1.0%	619	1.1%	631	1.9%

The spending growth is primarily a reflection of the number of STAR exemption recipients who are expected to participate in the program, including reregistration of qualified individuals. This growth is partially offset by recently enacted legislation which now restricts the New York City PIT rate reduction to those residents with incomes lower than $500,000.

Higher Education

Local assistance for higher education spending includes funding for CUNY, SUNY, and the Higher Education Services Corporation ("HESC").

The State funds 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 2016 (this is not reflected in the annual spending totals for the universities). HESC administers TAP, which provides financial 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 2015 Results	FY 2016 Updated	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	**3,092**	**2,991**	**-3.3%**	**3,037**	**1.5%**	**3,097**	**2.0%**	**3,157**	**1.9%**
City University	**1,395**	**1,426**	**2.2%**	**1,424**	**-0.1%**	**1,453**	**2.0%**	**1,497**	**3.0%**
Senior Colleges	1,172	1,194	1.9%	1,194	0.0%	1,223	2.4%	1,267	3.6%
Community College	223	232	4.0%	230	-0.9%	230	0.0%	230	0.0%
Higher Education Services	**1,210**	**1,062**	**-12.2%**	**1,111**	**4.6%**	**1,142**	**2.8%**	**1,159**	**1.5%**
Tuition Assistance Program	1,159	990	-14.6%	1,003	1.3%	1,006	0.3%	1,006	0.0%
Scholarships/Awards	39	60	53.8%	96	60.0%	124	29.2%	141	13.7%
Aid for Part-Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
State University	**487**	**503**	**3.3%**	**502**	**-0.2%**	**502**	**0.0%**	**501**	**-0.2%**
Community College	483	498	3.1%	497	-0.2%	497	0.0%	496	-0.2%
Other/Cornell	4	5	25.0%	5	0.0%	5	0.0%	5	0.0%

Annual growth by CUNY across the State's current multi-year Financial Plan reflects the net impact of one-time performance incentive funding in FY 2016, additional base operating support at community colleges, and fringe benefit cost increases at senior colleges. HESC spending is projected to decline slightly from FY 2015 to FY 2016, reflecting an accelerated payment of TAP costs in FY 2015. Growth in the outyears is primarily driven by a combination of newly enacted initiatives such as the Get On Your Feet loan forgiveness program, ongoing implementation of a scholarship for Science, Technology, Engineering and Math ("STEM") included in the FY 2015 Enacted Budget, and additional TAP costs associated with projected community college tuition increases. Growth in SUNY local assistance primarily reflects additional base operating support 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 in 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 a number of programs are also supported through multi-agency efforts.

DOH is also engaged in a multi-year initiative to implement the DSRIP program through an approved Federal waiver amendment to reinvest $8 billion in Federal savings generated by the MRT reforms. The DSRIP program will promote community-level collaborations and focus on system reform, specifically a goal to achieve 25 percent reduction in avoidable hospital use over five years. The Updated Financial Plan reflects the impact of the DSRIP program through additional Federal funds disbursements of approximately $7 billion through FY 2019, with the remaining funds expected to be disbursed beyond the current planning period. A portion of DSRIP funding flows through the SUNY hospital system.

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[3] include inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care and services provided in a variety of community-based settings (including mental health, substance abuse treatment, developmental disabilities services, school-based services and foster care services).

In FY 2012, legislation was enacted to limit the year-to-year growth in DOH State funds Medicaid spending to the ten-year rolling average of 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 a disaster. The Updated Financial Plan reflects the continuation of the Medicaid spending cap through FY 2017, and the project assumes that statutory authority will be extended in subsequent years. Allowable growth under the cap for medical services is 3.6 percent for FY 2016. Reflecting projected CPI reductions, DOB currently forecasts allowable cap growth at 3.4 percent in FY 2017; 3.2 percent in FY 2018; and 3.0 percent in FY 2019. Certain administrative costs and changes in the Federal or local shares are not subject to this index.

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[3] The FY 2014 Enacted Budget eliminated the Family Health Plus (FHP) program effective January 1, 2015. The majority of the population previously receiving health care benefits through FHP have begun receiving more robust health care benefits through the Medicaid program, resulting from new Medicaid eligibility thresholds and increased Federal payments resulting from the ACA. The remainder of the previous FHP population, those above Medicaid levels, are eligible for Federal tax credits in the NYSOH insurance benefit exchange and a majority will become eligible for the BHP.

MEDICAID GLOBAL CAP FORECAST (millions of dollars)					
	FY 2015[2]	FY 2016	FY 2017	FY 2018	FY 2019
Global Medicaid Cap [1]	**16,507**	**17,104**	**17,692**	**18,259**	**18,812**
Annual % Change		3.6%	3.4%	3.2%	3.0%

[1] Under the Global Cap, forecasted Medicaid services growth is indexed to the 10-year average of the medical component of the CPI.

[2] FY 2015 is a projection, and is not based on actuals.

The indexed provisions of the Global Cap apply to a majority of the State share of Medicaid spending that is budgeted and expended principally through DOH. However, the Global Cap is adjusted for 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, and education aid.

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS[1] (millions of dollars)					
	FY 2015 Results	FY 2016 Updated	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
Department of Health Medicaid	16,953	17,570	17,868	18,612	19,330
Local Assistance	16,790	17,280	17,560	18,316	19,036
State Operations[2]	163	290	308	296	294
Other State Agency Medicaid Spending	5,048	4,974	4,856	5,289	5,535
Mental Hygiene	4,919	4,837	4,718	5,149	5,396
Foster Care	86	87	88	90	89
Education	43	50	50	50	50
Total State Share Medicaid (All Agencies)	**22,001**	**22,544**	**22,724**	**23,901**	**24,865**
Annual $ Change		543	180	1,177	964
Annual % Change		2.5%	0.8%	5.2%	4.0%
Basic Health Plan[3]	**0**	**170**	**643**	**649**	**666**

[1] DOH spending in the Financial Plan includes certain items that are excluded from the indexed provisions of the Medicaid Global Cap. This includes administrative costs, such as the takeover of local administrative responsibilities; the decision of Monroe County to participate in the Medicaid local cap program, rather than continuing the sales tax intercept option; and increased Federal Financial Participation that became effective in January 2014.

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

[3] The BHP is not a Medicaid program; however, State-funded resources for the BHP are managed under the Medicaid Global Cap.

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[1,2]
(millions of dollars)

	FY 2015 Results	FY 2016 Updated	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
STATE OPERATING FUNDS	**16,953**	**17,740**	**4.6%**	**18,511**	**4.3%**	**19,261**	**4.1%**	**19,996**	**3.8%**
General Fund - DOH Medicaid Local	11,676	12,086	3.5%	12,287	1.7%	12,997	5.8%	13,718	5.5%
DOH Medicaid	10,961	11,236	2.5%	11,244	0.1%	12,158	8.1%	12,877	5.9%
Mental Hygiene Stabilization Fund[3]	715	850	18.9%	1,043	22.7%	839	-19.6%	841	0.2%
General Fund - DOH Medicaid State Ops[4]	163	290	77.9%	308	6.2%	296	-3.9%	294	-0.7%
General Fund - Basic Health Plan	0	170	0.0%	643	278.2%	649	0.9%	666	2.6%
Local Assistance	0	134	0.0%	601	348.5%	620	3.2%	639	3.1%
State Operations	0	36	0.0%	42	16.7%	29	-31.0%	27	-6.9%
Other State Funds - DOH Medicaid Local	5,114	5,194	1.6%	5,273	1.5%	5,319	0.9%	5,318	0.0%
HCRA Financing	3,518	3,610	2.6%	3,689	2.2%	3,735	1.2%	3,734	0.0%
Indigent Care Support	804	792	-1.5%	792	0.0%	792	0.0%	792	0.0%
Provider Assessment/Other Revenue	792	792	0.0%	792	0.0%	792	0.0%	792	0.0%

[1] The BHP is not a Medicaid program; however, State funded resources for BHP are managed under the Medicaid Global Cap.
[2] Does not include Medicaid spending in other State agencies, transfers, or the local government share of total Medicaid program spending.
[3] The DOH Medicaid budget includes resources to fund a portion of Medicaid-related Mental Hygiene program costs under the Global Cap.
[4] Includes operating costs of the New York State of Health Exchange which are funded by DOH within the Medicaid Global Cap.

Since FY 2014, certain OPWDD-related Medicaid costs have been financed within available resources under the Global Cap. The FY 2016 Enacted Budget includes $200 million in Updated Financial Plan savings which will be achieved primarily from additional State-funded Medicaid savings which are expected to accrue to the Global Cap in FY 2016 as a result of accelerating the enrollment of certain legally residing immigrants who currently receive State-only Medicaid funding to the BHP. The cost of insurance premiums for such individuals, and other individuals meeting certain income eligibility standards, will be supplemented by both State and Federal funds. These BHP resources will also be used by DOH over the Financial Plan period to support the Federal MRT wavier and to implement investments and initiatives consistent with MRT principles for improving the State's effectiveness and efficiency of health care service delivery.

Fluctuation in enrollment, the costs of provider health care services, and health care utilization levels are among the factors that drive higher Medicaid spending within the Global Cap. The number of Medicaid recipients in the State exceeded 6.1 million by the end of FY 2015; this represents a 9.0 percent increase from FY 2014 caseload of 5.7 million. This expected growth is mainly attributable to expanded eligibility and enrollment pursuant to the ACA, which became effective in January 2014 and therefore is largely federally funded.

Basic Health Plan (The Essential Plan)

The BHP is a health insurance program which receives Federal subsidies authorized through the ACA. The FY 2015 Enacted Budget authorized the State's option to participate in the BHP. The Budget assumes the State will accelerate the phase-in of certain legally residing immigrants currently receiving State-only Medicaid coverage. Individuals who meet the eligibility standards of the BHP will be enrolled through the NYSOH insurance exchange, with the cost of insurance premiums subsidized by the State and Federal governments. When fully implemented, approximately 75 percent of program expenditures are expected to be paid by the Federal government. The State funding for BHP in the FY 2016 Enacted Budget is offset by State funds Medicaid program savings associated with BHP, and additional Federal Funds are recognized through the duration of the planning period.

BASIC HEALTH PLAN (THE ESSENTIAL PLAN) (millions of dollars)									
	FY 2015 Results	FY 2016 Updated	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL ALL FUNDS SPENDING	**0**	**1,679**	**0.0%**	**2,660**	**58.4%**	**2,730**	**2.6%**	**2,810**	**2.9%**
State Operating Funds	**0**	**170**	**0.0%**	**643**	**278.2%**	**649**	**0.9%**	**666**	**2.6%**
Local Assistance	0	134	0.0%	601	348.5%	620	3.2%	639	3.1%
State Operations	0	36	0.0%	42	16.7%	29	-31.0%	27	-6.9%
Federal Operating Funds	**0**	**1,509**	**0.0%**	**2,017**	**33.7%**	**2,081**	**3.2%**	**2,144**	**3.0%**

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. SOFA 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 2015 Results	FY 2016 Updated	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,841**	**1,782**	**-3.2%**	**1,748**	**-1.9%**	**1,781**	**1.9%**	**1,809**	**1.6%**
Public Health	**1,719**	**1,653**	**-3.8%**	**1,618**	**-2.1%**	**1,646**	**1.7%**	**1,669**	**1.4%**
Child Health Plus	408	352	-13.7%	295	-16.2%	310	5.1%	326	5.2%
General Public Health Works	192	184	-4.2%	192	4.3%	194	1.0%	196	1.0%
EPIC	123	126	2.4%	132	4.8%	133	0.8%	128	-3.8%
Early Intervention	165	159	-3.6%	159	0.0%	159	0.0%	159	0.0%
HCRA Program	441	430	-2.5%	428	-0.5%	428	0.0%	428	0.0%
All Other	390	402	3.1%	412	2.5%	422	2.4%	432	2.4%
Aging	**122**	**129**	**5.7%**	**130**	**0.8%**	**135**	**3.8%**	**140**	**3.7%**

Forecasted CHP spending has been revised downward in all years to reflect the actual spending and enrollment trends to date. State funds spending for CHP is projected to decline on an annual basis from FY 2015 levels, as a result of increased Federal funding associated with the ACA. The outyear projections reflect price growth and current enrollment trends.

FY 2016 GPHW spending reflects a downward trend in reimbursement claims submitted by local governments. Annual program spending is projected to remain at moderate levels throughout the Financial Plan period.

EPIC program spending reflects increased pharmaceutical costs which impact Medicare Part D premium payment estimates.

Program spending for EI is forecasted to be stable through the remainder of the financial plan period based on State enrollment and claiming trends.

HCRA program spending is expected to decline from FY 2015 to FY 2016 as a result of the timing of payments and updated program information. From FY 2016 to FY 2019, spending is expected to remain relatively constant.

Outyear growth for Aging is primarily driven by cost of living increases and support for direct care workers.

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 Doctors Across New York program. 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. In total, HCRA resources are used to fund roughly 25 percent of the State share of DOH Medicaid, as well as CHP, the NYSOH, 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 2015 THROUGH FY 2019 (millions of dollars)	FY 2015 Results	FY 2016 Updated	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
OPENING BALANCE	**9**	**14**	**0**	**0**	**0**
TOTAL RECEIPTS	**5,457**	**5,505**	**5,528**	**5,551**	**5,582**
Surcharges	2,949	3,006	3,054	3,159	3,222
Covered Lives Assessment	1,075	1,110	1,110	1,045	1,045
Cigarette Tax Revenue	958	911	873	843	814
Hospital Assessments	384	391	408	424	424
NYC Cigarette Tax Transfer/Other	91	87	83	80	77
TOTAL DISBURSEMENTS	**5,452**	**5,519**	**5,528**	**5,551**	**5,582**
Medicaid Assistance Account	3,518	3,610	3,689	3,735	3,734
Medicaid Costs	*3,010*	*3,413*	*3,492*	*3,538*	*3,537*
Family Health Plus	*311*	*0*	*0*	*0*	*0*
Workforce Recruitment & Retention	*197*	*197*	*197*	*197*	*197*
Hospital Indigent Care	804	792	792	792	792
HCRA Program Account	452	443	441	441	441
Child Health Plus	411	357	300	315	332
Elderly Pharmaceutical Insurance Coverage	134	138	144	145	140
SHIN-NY/APCD	31	55	40	0	0
All Other	102	124	122	123	143
ANNUAL OPERATING SURPLUS/(DEFICIT)	**5**	**(14)**	**0**	**0**	**0**
CLOSING BALANCE	**14**	**0**	**0**	**0**	**0**

HCRA surcharge and hospital assessment revenue in the Updated Financial Plan is forecast to align anticipated revenue collections with recent patterns which reflect the impact of MRT initiatives to improve the cost efficiency of health care service delivery settings. The level of growth forecasted in surcharge and hospital assessments is primarily attributable to expanded health insurance coverage through the ACA, and an expectation for a higher volume of health care services being provided throughout the State. The health care industry assessment revenue growth is partly offset by projected declines in cigarette tax collections due to declining tobacco consumption, resulting in total HCRA receipts growth of nearly 1 percent on an average annual basis through FY 2019.

HCRA spending is expected to increase by $67 million in FY 2016 to total $5.5 billion. The most significant areas of growth include additional financing of the State share of Medicaid costs, and increased capital costs associated with the Statewide Health Information Network for New York ("SHIN-NY"), which is expected to improve information capabilities and increase efficiency associated with health insurance claiming. HCRA spending growth in FY 2016 is partially offset by a lower spending forecast for CHP, driven by moderating enrollment and increased Federal funding under the ACA. HCRA program costs are expected to dip slightly from FY 2015 levels based on updated forecast assumptions.

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 the OPWDD, the Office of Mental Health ("OMH"), OASAS, the Developmental Disabilities Planning Council ("DDPC"), and the Justice Center for the Protection of People with Special Needs. Services are administered to adults with serious 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 supported 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 infrastructure improvements at State mental hygiene facilities, with the remaining revenue used to support State operating costs.

MENTAL HYGIENE
(millions of dollars)

	FY 2015 Results	FY 2016 Updated	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,923**	**2,703**	**-7.5%**	**2,860**	**5.8%**	**3,305**	**15.6%**	**3,497**	**5.8%**
People with Developmental Disabilities	**1,462**	**1,205**	**-17.6%**	**1,274**	**5.7%**	**1,590**	**24.8%**	**1,712**	**7.7%**
OPWDD Funding[1]	**2,177**	**2,344**	**7.7%**	**2,317**	**-1.2%**	**2,429**	**4.8%**	**2,553**	**5.1%**
Residential Services	1,454	1,566	7.7%	1,549	-1.1%	1,623	4.8%	1,707	5.2%
Day Programs	633	682	7.7%	674	-1.2%	707	4.9%	743	5.1%
Clinic	21	22	4.8%	22	0.0%	23	4.5%	24	4.3%
All Other Local/Resources	69	74	7.2%	72	-2.7%	76	5.6%	79	3.9%
Other Funding Resources	**(715)**	**(1,139)**	**-59.3%**	**(1,043)**	**8.4%**	**(839)**	**19.6%**	**(841)**	**-0.2%**
Mental Hygiene Stabilization Fund	(715)	(850)	-18.9%	(1,043)	-22.7%	(839)	19.6%	(841)	-0.2%
Federal BIP Resources (Federal Funds)	0	(289)	0.0%	0	100.0%	0	0.0%	0	0.0%
Mental Health	**1,157**	**1,176**	**1.6%**	**1,250**	**6.3%**	**1,366**	**9.3%**	**1,424**	**4.2%**
OMH Funding[1]	1,157	1,210	4.6%	1,250	3.3%	1,366	9.3%	1,424	4.2%
Adult Local Services	938	979	4.4%	1,013	3.5%	1,108	9.4%	1,154	4.2%
Children Local Services	219	231	5.5%	237	2.6%	258	8.9%	270	4.7%
Other Funding Resources	0	(34)	0.0%	0	100.0%	0	0.0%	0	0.0%
Federal BIP Resources (Federal Funds)	0	(34)	0.0%	0	100.0%	0	0.0%	0	0.0%
Alcohol and Substance Abuse	**303**	**321**	**5.9%**	**335**	**4.4%**	**348**	**3.9%**	**360**	**3.4%**
Outpatient/Methadone	121	129	6.6%	134	3.9%	139	3.7%	144	3.6%
Residential	118	124	5.1%	131	5.6%	136	3.8%	141	3.7%
Prevention and Program Support	52	55	5.8%	57	3.6%	59	3.5%	61	3.4%
Crisis	12	13	8.3%	13	0.0%	14	7.7%	14	0.0%
Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**

[1] Program funding detail for OPWDD and OMH includes new multi-year spending investments which will be financed with additional Federal resources through BIP.

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 4.6 percent annually. The main factor driving this level of growth is enhancement of community mental health services, right-sizing and improving State-operated inpatient services, utilizing less costly and more programmatically appropriate in-state community residential programs enhancing employment opportunities for individuals with disabilities, and maximizing payments from third-party payers.

The Updated Financial Plan includes additional annual statewide Medicaid savings of $200 million, a portion of which will be achieved through the continued shift of certain OPWDD-related Medicaid costs to the DOH, whereby the costs will be funded within the existing Medicaid Global Cap at no increased cost to the Updated Financial Plan, and without impact to overall service delivery. In FY 2015, the Medicaid budget supported $715 million of OPWDD's Medicaid-eligible expenses, which will increase to $849 million in FY 2016. To accommodate the funding of these additional costs within the Global Cap, DOH will leverage available BHP resources.

In addition, OPWDD and OMH will utilize $323 million in Federal Balancing Incentive Program ("BIP") resources in FY 2016 to support new multi-year spending investments. Authorized under the ACA, BIP is an optional program that provides additional Federal funding to qualifying states. It is expected that BIP will enable the State to engage a broad network of providers, advocates, and community leaders to develop systematic improvements to delivery systems for individuals with developmental disabilities and mental illness, and enhance community integration. The $323 million in FY 2016 BIP investments is intended to transform services and supports to more integrated, community-based opportunities; increase employment opportunities for individuals with developmental disabilities; implement electronic health record systems; and support the transition to managed care.

The FY 2016 Budget includes a partnership between OMH and the Department of Corrections and Community Supervision ("DOCCS") that will revise the process for identifying, assessing, treating, discharging, and supervising mentally ill patients who pose a potential risk of violence in State facilities and the community. The proposal will expand community services, provide additional treatment services in prisons, and create additional capacity for civil confinements in OMH facilities. This proposal will result in new intensive treatment beds and transitional beds, expand in-prison and community treatment services, supportive housing, and ACT. The FY 2016 Budget will add $8 million in local assistance support in FY 2016, and $18 million each year from FY 2017 to FY 2019, as well as approximately $12 million annually in additional OMH State operations costs for this initiative.

In July 2014, CMS issued the State a disallowance notification in the amount of $1.26 billion. On March 20, 2015, the State and CMS entered into a settlement agreement that resolves the $1.26 billion pending disallowance for FY 2011 and all related payment disputes for State-operated services, including home and community-based waiver services, prior to April 1, 2013, and various other related CMS audit findings for OPWDD-delivered services for this time period. As part of this agreement, the State provided an $850 million upfront repayment to the Federal government in April 2015, and annual payments of $100 million are planned for each of the next 11 years beginning in FY 2017. Such payments are reflected in the Updated Financial Plan. (See "Other Matters Affecting the State Financial Plan - Federal Issues" herein.)

Social Services

Office of Temporary and Disability Assistance (OTDA)

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 2015 Results	FY 2016 Updated	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,236**	**1,218**	**-1.5%**	**1,236**	**1.5%**	**1,247**	**0.9%**	**1,262**	**1.2%**
SSI	683	660	-3.4%	670	1.5%	679	1.3%	679	0.0%
Public Assistance Benefits	435	437	0.5%	437	0.0%	437	0.0%	437	0.0%
Public Assistance Initiatives	21	30	42.9%	27	-10.0%	27	0.0%	36	33.3%
All Other	97	91	-6.2%	102	12.1%	104	2.0%	110	5.8%

OTDA spending on SSI is projected to increase gradually over the course of the multi-year Financial Plan due to updated caseload projections. In public assistance, DOB projects a total of 540,434 recipients in FY 2016. Approximately 237,675 families are expected to receive benefits through the Family Assistance program in FY 2016, a decrease of 4 percent from FY 2015. In the Safety Net program an average of 109,098 families are expected to be helped in FY 2016, a decrease of 4.8 percent from FY 2015. The caseload for single adults/childless couples supported through the Safety Net program is projected at 193,661 in FY 2016, a decrease of 0.7 percent from FY 2015.

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 local 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 for reducing 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 2015 Results	FY 2016 Updated	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,601**	**1,735**	**8.4%**	**1,762**	**1.6%**	**1,810**	**2.7%**	**1,825**	**0.8%**
Child Welfare Service	351	454	29.3%	463	2.0%	472	1.9%	482	2.1%
Foster Care Block Grant	439	445	1.4%	453	1.8%	462	2.0%	471	1.9%
Adoption	155	152	-1.9%	152	0.0%	152	0.0%	152	0.0%
Day Care	308	287	-6.8%	287	0.0%	287	0.0%	279	-2.8%
Youth Programs	105	152	44.8%	155	2.0%	155	0.0%	155	0.0%
Medicaid	86	87	1.2%	88	1.1%	90	2.3%	89	-1.1%
Committees on Special Education	42	39	-7.1%	42	7.7%	44	4.8%	46	4.5%
Adult Protective/Domestic Violence	30	30	0.0%	32	6.7%	33	3.1%	34	3.0%
All Other	85	89	4.7%	90	1.1%	115	27.8%	117	1.7%

OCFS spending in FY 2016 is projected to increase over FY 2015 levels, mainly due to Child Welfare Services spending changes resulting from both a projected increase in claims, and cash management actions which had previously reduced FY 2015 spending.

Transportation

In FY 2016, the State will provide $4.9 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 MTA Financial Assistance 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. 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 2015 Results	FY 2016 Updated	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	**4,834**	**4,862**	**0.6%**	**4,916**	**1.1%**	**4,987**	**1.4%**	**5,051**	**1.3%**
Mass Transit Operating Aid:	2,161	2,160	0.0%	2,160	0.0%	2,160	0.0%	2,160	0.0%
Metro Mass Transit Aid	2,015	2,030	0.7%	2,030	0.0%	2,030	0.0%	2,030	0.0%
Public Transit Aid	94	86	-8.5%	86	0.0%	86	0.0%	86	0.0%
18-b General Fund Aid	27	19	-29.6%	19	0.0%	19	0.0%	19	0.0%
School Fare	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Mobility Tax and MTA Aid Trust	1,945	1,976	1.6%	2,054	3.9%	2,126	3.5%	2,193	3.2%
Dedicated Mass Transit	682	656	-3.8%	648	-1.2%	647	-0.2%	644	-0.5%
AMTAP	45	68	51.1%	53	-22.1%	53	0.0%	53	0.0%
All Other	1	2	100.0%	1	-50.0%	1	0.0%	1	0.0%

Projected operating aid to the MTA and other transit systems reflects the current receipts forecast, and timing associated with the availability of resources. The increase in Additional Mass Transportation Assistance Program ("AMTAP") funding in FY 2016 reflects the legislative adds to the program.

Not reflected in the above table is authorization included in the FY 2016 Enacted Budget to transfer annually $121 million in additional dedicated transit revenues from the Metropolitan Mass Transportation Operating Assistance Account ("MMTOA") to the newly established Metropolitan Transit Assistance for Capital Investment Fund ("MTACIF"), which will be used to support infrastructure needs of the MTA and other downstate transit systems. In addition, the Updated Financial Plan assumes that $20 million in MMTOA resources will be available annually to offset MTA-related debt service costs from FY 2016 to FY 2019.

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 - AIM PROGRAM
(millions of dollars)

	FY 2015 Results	FY 2016 Updated	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL AIM STATE OPERATING FUNDS	**726**	**740**	**1.9%**	**759**	**2.6%**	**763**	**0.5%**	**763**	**0.0%**
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	11	25	127.3%	44	76.0%	48	9.1%	48	0.0%

Spending for AIM efficiency incentive grants increases over the multi-year period reflecting potential awards from the Financial Restructuring Board for Local Governments. All Other aid under AIM is expected to be maintained in each year of the multi-year Financial Plan.

Agency Operations

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

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

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

	FY 2015 Results	FY 2016 Updated	Forecast FY 2017 Projected	Forecast FY 2018 Projected	Forecast FY 2019 Projected
Negotiated Base Salary Increases [1]					
CSEA/NYSCOPBA/Council 82/UUP/DC-37/GSEU	2%	2%	TBD	TBD	TBD
PEF / PBANYS	2%	TBD	TBD	TBD	TBD
NYSPBA	2%	2%	1.5%	1.5%	TBD
State Workforce[2]	117,807	119,349	TBD	TBD	TBD
ERS Pension Contribution Rate[3]					
Before Amortization (Normal/Admin/GLIP)	20.4%	18.5%	18.6%	18.8%	19.0%
After Amortization	13.5%	14.5%	15.5%	16.5%	17.5%
PFRS Pension Contribution Rate					
Before Amortization (Normal/Admin/GLIP)	28.1%	25.0%	25.2%	25.4%	25.6%
After Amortization	21.5%	22.5%	23.5%	24.5%	25.5%
Employee/Retiree Health Insurance Growth Rates	1.8%	4.2%	6.6%	5.4%	5.6%
PS/Fringe as % of Receipts (All Funds Basis)	13.5%	13.6%	13.9%	13.9%	14.0%

[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 Financial Plan period, with a few exceptions. Costs from collective bargaining agreements, which include 2 percent salary increases in FY 2016 and 1.5 percent increases in FYs 2017 and 2018 (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 and SUNY are areas expected to experience limited programmatic growth. The growth in gaming is attributable to activities related to casino development and oversight. Higher SUNY spending reflects anticipated operating needs primarily supported by tuition.

Payments to NYPA represent an accounting reclassification across certain Financial Plan categories, but do not carry a Financial Plan impact. These payments were previously assumed in the Financial Plan under different categorization, pursuant to funding schedules agreed upon by the State and NYPA.

Other year-over-year increases are technical in nature and reflect funding reclassifications or administrative reconciliations. For example, the continued transition of state agency human resources and financial transaction functions to the Office of General Services ("OGS") drives a higher cost in FY 2016 in OGS compared to FY 2015. In addition, the State's workforce is paid on a bi-weekly basis; weekly pay cycles 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 - PERSONAL SERVICE / NON-PERSONAL SERVICE COSTS (millions of dollars)	FY 2015 Results	FY 2016 Updated	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	**9,881**	**10,262**	**10,191**	**10,376**	**10,221**
Mental Hygiene	2,861	2,792	2,794	2,814	2,856
Corrections and Community Supervision	2,641	2,615	2,638	2,638	2,638
State Police	667	684	685	690	690
Public Health	412	403	399	400	401
Tax and Finance	348	330	330	331	331
Children and Family Services	264	268	251	253	260
Environmental Conservation	230	239	238	216	217
Information Technology Services[1]	426	513	523	523	535
Financial Services	191	212	210	210	210
Medicaid Admin/BHP	163	326	350	325	321
Parks, Recreation and Historic Preservation	180	177	177	177	177
Gaming	134	156	156	157	157
Temporary and Disability Assistance	140	143	143	143	143
General Services	152	164	166	166	166
Workers' Compensation Board	142	142	142	142	143
Extra Bi-Weekly Institutional Pay Period	0	167	0	0	0
New York Power Authority Repayment	18	21	21	236	22
All Other	912	910	968	955	954
UNIVERSITY SYSTEMS	**5,854**	**5,804**	**5,953**	**6,083**	**6,220**
State University	5,774	5,720	5,867	5,995	6,131
City University	80	84	86	88	89
INDEPENDENT AGENCIES	**306**	**311**	**313**	**314**	**315**
Law	165	168	170	171	172
Audit & Control (OSC)	141	143	143	143	143
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**16,041**	**16,377**	**16,457**	**16,773**	**16,756**
Judiciary	1,909	1,958	1,968	1,968	1,968
Legislature	207	219	219	219	219
Statewide Total	**18,157**	**18,554**	**18,644**	**18,960**	**18,943**
Personal Service	12,550	12,929	12,877	12,944	13,042
Non-Personal Service	5,607	5,625	5,767	6,016	5,901

[1] Reflects consolidation of IT costs from other agencies within ITS; which does not change total governmental spending.

In FY 2016, $12.9 billion or 13.7 percent of the State Operating Funds budget is projected to be spent on personal service costs. This funding supports roughly 99,290 Full-Time Equivalent ("FTE") employees under direct Executive control; individuals employed by SUNY and CUNY (43,900) and Independent Agencies (18,100); employees paid on a non-annual salaried basis; and overtime pay. Roughly 70 percent of all Executive agency personal service spending occurs in three areas: SUNY, the Mental Hygiene agencies, and DOCCS.

STATE OPERATING FUNDS
FY 2016 FTEs[1] AND PERSONAL SERVICE SPENDING BY AGENCY
(millions of dollars)

	Dollars	FTEs
Subject to Direct Executive Control	**7,411**	**99,291**
Mental Hygiene Agencies	2,336	34,308
Corrections and Community Supervision	2,177	28,056
State Police	615	5,612
Tax and Finance	277	4,359
Health	270	3,944
Environmental Conservation	182	2,238
Children and Family Services	172	2,561
Financial Services	154	1,390
Parks, Recreation and Historic Preservation	137	1,548
All Other	1,091	15,275
University Systems	**3,621**	**43,911**
State University	3,579	43,575
City University[2]	42	336
Independent Agencies	**1,897**	**18,072**
Law	116	1,577
Audit & Control (OSC)	111	1,572
Judiciary	1,504	14,922
Legislature[3]	166	1
Total	**12,929**	**161,274**

[1] FTEs represent the number of annual-salaried full-time filled positions (e.g., one FTE may represent a single employee serving at 100 percent full-time or a combination of employees serving at less than full-time that, when combined, equal a full-time position). The reported FTEs do not include non-annual salaried positions, such as positions filled on an hourly, per-diem or seasonal basis.

[2] CUNY employees are funded primarily through an agency trust fund and total additional 13,275 FTEs excluded from the table above.

[3] Legislative employees are non-annual salaried, with the exception of the Lieutenant Governor, who serves as President of the Senate.

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 in the GSCs budget.[4] The Judiciary pays its fringe benefit costs directly.

Employee fringe benefits paid through GSCs are paid from the General Fund in the first instance, and then partially reimbursed by revenue collected from fringe benefit assessments. The largest General Fund reimbursement comes from the mental hygiene agencies.

GENERAL STATE CHARGES
(millions of dollars)

	FY 2015 Results	FY 2016 Updated	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	**7,033**	**7,295**	**3.7%**	**7,889**	**8.1%**	**8,280**	**5.0%**	**8,703**	**5.1%**
Fringe Benefits	**6,665**	**6,914**	**3.7%**	**7,503**	**8.5%**	**7,889**	**5.1%**	**8,307**	**5.3%**
Health Insurance	3,319	3,451	4.0%	3,680	6.6%	3,880	5.4%	4,098	5.6%
Employee Health Insurance	2,091	2,174	4.0%	2,318	6.6%	2,444	5.4%	2,582	5.6%
Retiree Health Insurance	1,228	1,277	4.0%	1,362	6.7%	1,436	5.4%	1,516	5.6%
Pensions	2,117	2,219	4.8%	2,467	11.2%	2,660	7.8%	2,890	8.6%
Social Security	958	975	1.8%	989	1.4%	993	0.4%	998	0.5%
All Other Fringe	271	269	-0.7%	367	36.4%	356	-3.0%	321	-9.8%
Fixed Costs	**368**	**381**	**3.5%**	**386**	**1.3%**	**391**	**1.3%**	**396**	**1.3%**

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.

GSCs are projected to increase at an average annual rate of 5.5 percent over the Financial Plan period, driven primarily by cost increases for pension contributions and the employer share of costs for employee and retiree health insurance benefits. Pension growth is largely driven by the implementation of generational mortality actuarial assumptions by the New York State and Local Retirement Systems' Actuary, and repayment of prior year amortization obligations -- partly offset by the expectation that a portion of future contributions will be amortized as permissible by law. The Updated Financial Plan includes additional interest savings of approximately $41 million over the prior year, which is expected by paying the full amount of the 2016 pension bill by July 31, 2015, rather than on a monthly basis or by the statutorily required date of March 1, 2016.

Growth in health insurance spending is attributable to rising costs associated with health care benefits; however, the FY 2016 Financial Plan includes downward adjustments to forecasted

[4] Beginning in July 2015, SUNY Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) and other SUNY fringe benefit costs will no longer be paid directly, but rather shift to the central statewide appropriation.

spending for health insurance, as a result of revised rate renewal growth assumptions. Fluctuation in the level of other fringe costs reflects the timing of payments and other financial plan adjustments to reflect spending patterns.

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 2015 Results	FY 2016 Updated	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
TOTAL TRANSFERS TO OTHER FUNDS	**8,601**	**14,208**	**9,838**	**10,639**	**10,831**
State Share of Mental Hygiene Medicaid	**1,419**	**2,162**	**1,439**	**1,314**	**1,255**
Debt Service	**1,297**	**836**	**1,242**	**1,422**	**1,210**
SUNY University Operations	**980**	**998**	**978**	**969**	**969**
Capital Projects	**1,264**	**5,947**	**1,744**	**2,072**	**2,295**
Dedicated Highway and Bridge Trust Fund	728	730	809	873	895
Dedicated Infrastructure Investment Fund	0	4,550	0	0	0
All Other Capital	536	667	935	1,199	1,400
ALL OTHER TRANSFERS	**3,641**	**4,265**	**4,435**	**4,862**	**5,102**
Mental Hygiene	2,504	2,960	3,151	3,576	3,873
Department of Transportation (MTA Payroll Tax)	331	335	335	336	336
SUNY - Medicaid Reimbursement	218	294	294	294	251
Judiciary Funds	117	107	107	107	107
SUNY - Hospital Operations	88	88	88	88	88
Dedicated Mass Transportation Trust Fund	63	63	63	63	63
Banking Services	32	50	52	53	53
Indigent Legal Services	33	35	35	35	35
Mass Transportation Operating Assistance	31	37	37	37	37
Alcoholic Beverage Control	20	20	20	20	20
Information Technology Services	14	8	2	2	2
Public Transportation Systems	16	15	15	15	15
Correctional Industries	12	11	11	11	11
All Other	162	242	225	225	211

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

General Fund transfers to other funds are expected to total $14.2 billion in FY 2016, a $5.6 billion increase from FY 2015, largely derived from the one-time transfer of $4.6 billion in monetary settlement moneys to the DIIF. The funding will be used to make targeted investments in various areas, including the Thruway Stabilization and Upstate Revitalization programs. In addition, $850 million in monetary settlement funds previously reserved for Financial Plan risk has been used to offset the cost of a portion of a $1.95 billion Federal Medicaid disallowance associated with OPWDD-operated treatment facilities. The remaining balance of the Medicaid disallowance repayments will be transferred in annual amounts of $100 million for 11 years beginning in FY 2017.

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"), the Dormitory Authority of the State of New York ("DASNY"), and the New York State Thruway Authority ("NYSTA"), subject to 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. More information on the different types of State-supported bonds, including the sources of payment for debt service, is provided in the June 2015 AIS, in the section entitled "Capital Program and Financing Plan".

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	FY 2015 Results	FY 2016 Updated	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
General Fund	1,297	836	-35.5%	1,242	48.6%	1,422	14.5%	1,210	-14.9%
Other State Support	4,886	4,236	-13.3%	4,966	17.2%	5,277	6.3%	5,794	9.8%
State Operating/All Funds Total	**6,183**	**5,072**	**-18.0%**	**6,208**	**22.4%**	**6,699**	**7.9%**	**7,004**	**4.6%**

Total State Operating/All Funds debt service is projected at $5.1 billion in FY 2016, of which approximately $836 million is paid from the General Fund through transfers, and $4.2 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, LGAC bonds and mental health facilities bonds.

Estimates for debt service spending, provided with the AIS, reflected a number of factors, including bond sale results, assumed debt management savings and increased debt service costs associated with FY 2016 Enacted Budget capital commitment levels. Since the AIS, estimates for debt service spending have been revised to reflect a number of factors, including actual results to date. FY 2016 debt service spending estimates continue to assume the prepayment of $100 million of debt service due during FY 2017. Debt service spending in FY 2015 reflects prepayments in excess of $900 million due during FY 2016.

State-Supported Debt Outstanding

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

State PIT Revenue Bond Program

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

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

As of March 31, 2015, approximately $29.8 billion of State PIT Revenue Bonds were outstanding. The projected PIT Revenue Bond coverage ratios, noted below, are based upon estimates of PIT receipts deposited into the RBTF and include projected debt issuances. Assuming average issuances of approximately $3.9 billion annually over the next four years, PIT coverage is expected to decline from 3.9 times in FY 2016 to 3.3 times in FY 2019. The projected PIT Revenue Bond coverage ratios assume that projects previously financed through the Mental Health Revenue Bond program and the DHBTF Revenue Bond program will be issued under either the PIT Revenue Bond program or the Sales Tax Revenue Bond Program. Revenues that would have been dedicated to bonds issued under the old programs are transferred to the RBTF to offset debt service costs for projects financed with either PIT Revenue Bonds or Sales Tax Revenue Bonds, but are not counted towards debt service coverage. While DOB routinely monitors the State's debt portfolio across all State-supported credits for refunding opportunities, no future refunding transactions are reflected in the projected coverage below.

PROJECTED PIT REVENUE BOND COVERAGE RATIOS FY 2016 THROUGH 2019 (thousands of dollars)	FY 2016	FY 2017	FY 2018	FY 2019
Projected RBTF Receipts	11,768,714	12,528,982	13,261,732	13,606,538
Projected New PIT Bonds Issuances	3,319,660	4,187,914	4,146,692	4,139,426
Projected Total PIT Bonds Outstanding	31,781,093	34,412,886	36,824,374	39,016,589
Projected Maximum Annual Debt Service	3,055,454	3,398,496	3,755,502	4,128,942
Projected PIT Coverage Ratio	3.9	3.7	3.5	3.3

Sales Tax Revenue Bond Program

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

The legislation created the Sales Tax Revenue Bond Tax Fund, a sub-fund within the General Debt Service Fund that will provide for the payment of these bonds. The Sales Tax Revenue Bonds are secured by dedicated revenues consisting of one cent of the State's four cent sales and use tax. With a limited exception, upon the satisfaction of all of the obligations and liabilities of LGAC, this will increase to 2 cents of sales and use tax receipts. Such sales tax receipts in excess of debt service requirements are transferred to the State's General Fund.

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

In FY 2014, legislation was enacted that authorized the use of State Sales Tax Revenue Bonds and PIT Revenue Bonds to finance capital purposes, including projects that were previously financed through the State's Mental Health Facilities Improvement Revenue Bond program and the DHBTF program. This change allows the State to transition to the use of three primary credits – PIT Revenue Bonds, Sales Tax Revenue Bonds and General Obligation bonds to finance the State's capital needs.

The first Sales Tax Revenue Bonds were issued on October 24, 2013 and it is anticipated that the Sales Tax Revenue Bonds will be used interchangeably with PIT Revenue Bonds to finance State capital needs. As of March 31, 2015, $2.0 billion of Sales Tax Revenue Bonds were outstanding. On July 30, 2015, Sales Tax Revenue Bonds were issued to refund certain outstanding State-supported debt previously issued by the Thruway Authority under the Second General Highway and Bridge Trust Fund Bond Resolution. As a result of this refunding transaction and assuming average Sales Tax Revenue Bond issuances of approximately $1.3 billion annually over the next four years, Sales Tax coverage based only upon the 1 cent pledge is expected to decline from 5.6 times in FY 2016 to 4.2 times in FY 2019, as shown in the following chart. While DOB routinely monitors the State's debt portfolio across all State-supported credits for refunding opportunities, no future refunding transactions are reflected in the projected coverage below.

PROJECTED SALES TAX REVENUE BOND COVERAGE RATIOS
FY 2016 THROUGH 2019
(thousands of dollars)

	FY 2016	FY 2017	FY 2018	FY 2019
Projected Sales Tax Receipts	3,162,250	3,291,000	3,420,500	3,560,000
Projected New Sales Tax Revenue Bonds Issuances	1,214,136	1,250,560	1,288,077	1,326,720
Projected Total Sales Tax Revenue Bonds Outstanding	4,512,622	5,394,855	6,266,688	7,164,456
Projected Maximum Annual Debt Service	561,415	662,987	763,267	851,227
Projected Sales Tax Coverage Ratio	5.6	5.0	4.5	4.2

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 and Other Supplementary Information, released in July each year, include a management discussion and analysis ("MD&A"); 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; the Combining Statements of Net Position and Activities for Discretely Presented Component Units; required Supplementary Information (unaudited) and Other Supplementary Information which includes individual fund combining statements. These statements are audited by independent certified public accountants. The Comptroller also prepares and issues a Comprehensive Annual Financial Report ("CAFR"), which, in addition to the components referenced to above, also includes an introductory section and a statistical section. The CAFR for the fiscal year ended March 31, 2015 is expected to be issued later in the current calendar year.

The following table summarizes recent governmental funds results on a GAAP basis. The State issued the Basic Financial Statements for FY 2015 on July 29, 2015.

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, 2015	6,619	356	(697)	181	6,459	6,052
March 31, 2014	172	806	369	(146)	1,201	(567)
March 31, 2013	1,129	(308)	(186)	(499)	136	(739)

SUMMARY OF NET POSITION (millions of dollars)

Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2015	32,554	771	33,325
March 31, 2014	27,838	(841)	26,997
March 31, 2013	26,271	(922)	25,349

The Basic Financial Statements (including Other Supplementary Information) for the fiscal year ended March 31, 2015 and CAFRs related to prior fiscal years 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 Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system website at www.emma.msrb.org.

State Retirement Systems

The information that follows under this heading has been furnished by the Office of the State Comptroller and DOB has not undertaken any independent verification of such information.

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' audited Financial Statements for the fiscal year ended March 31, 2015 are available on the OSC website. The NYSLRS' CAFR and Asset Listing each for the fiscal year ended March 31, 2015, will be available by September 30, 2015.

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, 2015, and the four 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 engage an independent auditor to conduct an audit of the Systems' annual financial statements. Furthermore, an Actuarial Advisory Committee meets annually to review the actuarial assumptions and the results of the actuarial valuation of the Systems. The Actuarial Advisory Committee is composed of current or retired senior actuaries from major insurance companies or pension plans. The Systems also engage the services of an outside actuarial consultant to perform a statutorily required quinquennial review. At least once every five years, NYSLRS is also examined by the New York State Department of Financial Services ("DFS"). The Comptroller has established within the Retirement System, the Pension Integrity Bureau, the purpose of which is to identify and prevent errors, fraud and abuse. The State Comptroller has also established an Office of Internal Audit to provide the Comptroller with independent and objective assurance and consulting services for the programs and operations of the Office of the State Comptroller, including programs and operations of NYSLRS. The Comptroller's Advisory Audit Committee, established in compliance with DFS regulations, meets three times per year to review the Systems' audited financial statements and the NYSLRS' CAFR, and to discuss a variety of financial and investment-related activities.

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 2015. 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, 2015, approximately 643,000 persons were members of the Systems and approximately 430,000 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, 2015, approximately 74 percent of ERS members were in Tiers 3 and 4 and approximately 82 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, 2015 is $0.2 million and the amount due from participating employers is $30.11 million.

Contributions and Funding

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

The CRF experienced significant investment losses in FY 2009. These investment losses negatively impacted the value of assets held by the CRF for the Systems. In order to protect employers from potentially volatile contributions tied directly to the value of the Systems' assets held by the CRF, the Systems utilize a multi-year smoothing procedure. One of the factors used to calculate employer contribution requirements is the assumed investment rate of return used by the Systems Actuary, which is currently 7.5 percent[5].

The current actuarial smoothing method recognizes annual gains and losses (investment returns above or below the 7.5 percent assumed return) over a 5-year period. The significant investment losses in FY 2009 substantially caused the increase in contribution rates for FY 2011, FY 2012, FY 2013 and FY 2014. However, rates decreased for FY 2015 and FY 2016 due, in part, to investment gains in years following 2009.

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. Final contribution rates for FY 2017 are expected to be released in September 2015.

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, 2015, the amortized amount receivable, including accrued interest, pursuant to Chapter 260 from the State is $1.9 million and from participating employers is $8.7 million. The State paid approximately $1.921 billion in contributions (including Judiciary) for FY 2015 including amortization payments of approximately $409.6 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 partial payments of prior amortizations.

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

[5] During 2015, the Retirement Systems Actuary conducted the statutorily required quinquennial actuarial experience study of economic and demographic assumptions. The assumed investment rate of return is an influential factor in calculating employer contribution rates. In addition, the chief investment officer conducted 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). Changes to the actuarial assumptions will be reflected in the 2016/17 rates, which the Comptroller is expected to announce in September 2015.

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, 2015, the amortized amount receivable, including accrued interest, for the 2011 amortization is $164.7 million from the State and $27.7 million from 45 participating employers; the amortized amount receivable, including accrued interest, for the 2012 amortization is $416.5 million from the State and $152.6 million from 118 participating employers; the amortized amount receivable, including accrued interest, for the 2013 amortization is $642.2 million from the State and $302.2 million from 136 participating employers; and the amortized amount receivable, including accrued interest, for the 2014 amortization is $860.3 million for the State and $200 million from 110 participating employers; and the amortized amount receivable including accrued interest, for the 2015 amortization is $715.0 million from the State and $152.1 million from 86 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. As of March 31, 2015, the amortized amount receivable, including interest, from 29 participating employers for the 2014 amortization is $234.1 million and the amortized amount receivable, including interest, from 26 participating employers for the 2015 amortization is $196.5 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) due to NYSLRS for FY 2015 was approximately $2.780 billion. The State (including Judiciary) opted to amortize the maximum amount permitted, which reduced the required March 1, 2015 payment by $713.2 million. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF as further described below under "Pension Assets and Liabilities".

The total State payment (including Judiciary) due to NYSLRS for FY 2016 is approximately $2.503 billion. Multiple prepayments (including interest credit) have reduced this amount by approximately $2.108 billion. If the State (including Judiciary) opts to amortize the maximum amount permitted, this would reduce the required March 1, 2016 payment by $395.1 million. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF as further described below under "Pension Assets and Liabilities".

Pension Assets and Liabilities

The Systems' assets are held by the CRF for the exclusive benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the State Comptroller as trustee of the CRF. The Systems report that the net position restricted for pension benefits as of March 31, 2015 was $189.4 billion (including $6.3 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 $8.1 billion or 4.5 percent from the FY 2014 level of $181.3 billion. The increase in net position restricted for pension benefits from FY 2014 to FY 2015 reflects, in large part, equity market performance[6]. The Systems' audited Financial Statement reports a gain of 7.16 percent for FY 2015.

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 51 percent equities (38 percent domestic and 13 percent international); 20 percent bonds, cash and mortgages; 2 percent inflation indexed bonds and 27 percent alternative investments (10 percent private equity, 8 percent real estate, 3 percent absolute return or hedge funds, 3 percent opportunistic and 3 percent real assets). Since the implementation of the long-term policy allocation will take several years, transition targets have been established to aid in the asset rebalancing process[7].

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

[6] On August 14, 2015, the State Comptroller released a statement indicating that the value of the Systems' invested assets posted an estimated 0.52 percent return for the quarter ended June 30, 2015. This report reflects unaudited data for assets invested for the Systems. The value of invested assets changes daily.

[7] 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.

$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. The valuation used by the Systems' Actuary was based on audited net position restricted for pension benefits as of March 31, 2014. 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 that 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 2011[8]. 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 $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 percent[9].

In June 2012, GASB approved two related Statements that change 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, and replaced 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 and Statement No. 50, Pension Disclosures. Statement No. 67 mandates more extensive note disclosure and required supplementary information. The implementation of Statement No. 67 will have no impact on the Systems' Statement of Fiduciary Net Position, which measures the Systems' net position, restricted for pension benefits or Statement of Changes in Fiduciary Net Position. The Systems adopted Statement No. 67 in the March 31, 2015 Financial Statements.

Statement No. 68, Accounting and Financial Reporting for Pensions, replaced the requirements of Statement No. 27, Accounting for Pensions by State and Local Government Employers, and Statement No. 50, Pension Disclosures. Statement No. 68 establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. Statement No. 68 requires employers participating in the plans to report expanded information concerning pensions in their financial statements, as well as their proportionate share of the Net Pension Liability effective for fiscal years beginning after June 15, 2014. The Net Pension Liability is a measure of the amount by which the Total Pension Liability exceeds a pension system's Fiduciary Net Position. For the fiscal year ended March 31, 2015, the Fiduciary Net Position was 97.9 percent of Total Pension Liability for ERS; the Fiduciary Net Position was 99 percent of Total Pension Liability for PFRS. As noted above, Statement No. 68 impacts neither the actuarial

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[8] 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.

[9] 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.

funding method nor the calculation of rates. The standards for employers were effective for fiscal years that began after June 15, 2014. For example, it would be effective for the State's fiscal year ending March 31, 2016. The Systems are preparing to provide employers with the information required to comply with Statement No. 68

The Net Pension Liability is allocated to participating employers and reported pursuant to both Statements 67 and 68. Employers will now have to recognize their proportionate share of the collective Net Pension Liability in their financial statements, as well as pension expense and deferred inflows and outflows.

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.

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

Fiscal Year Ended March 31	Contributions Recorded: All Participating Employers[1][2]	Local Employers[1][2]	State[1][2]	Employees	Total Benefits Paid[3]
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
2015	5,797	3,534	2,263	285	10,514

Sources: State and Local Retirement Systems.

[1] Contributions recorded include the full amount of unpaid amortized contributions.

[2] The actuarily determined contribution (ADC) include the employers' normal costs, the Group Life Insurance Plan amounts, and other supplemental amounts.

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

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

Fiscal Year Ended March 31	Net Assets	Percent Increase/ (Decrease) From Prior Year
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
2015	189,412	4.5

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, 2015 includes approximately $6.3 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 therefor in any given year. Some public authorities also receive monies from State appropriations to pay for the operating costs of certain programs.

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As of December 31, 2014 (with respect to Job Development Authority or "JDA" as of March 31, 2015), 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 $177 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, 2014[(2)]
(millions of dollars)

Authority	State-Related Debt Bonding	Authority and Conduit Bonding	Total
Dormitory Authority[(3)]	26,505	19,946	46,451
Metropolitan Transportation Authority	287	25,480	25,767
Port Authority of NY & NJ	0	23,085	23,085
Thruway Authority	8,728	5,021	13,749
Housing Finance Agency	616	12,927	13,543
UDC/ESD	11,566	854	12,420
Triborough Bridge and Tunnel Authority	0	8,396	8,396
Long Island Power Authority[(4)]	0	7,569	7,569
Job Development Authority[(2)]	9	6,637	6,646
Environmental Facilities Corporation	577	5,849	6,426
Energy Research and Development Authority	0	3,400	3,400
State of New York Mortgage Agency	0	2,554	2,554
Local Government Assistance Corporation	2,345	0	2,345
Tobacco Settlement Financing Corporation	1,745	0	1,745
Power Authority	0	1,597	1,597
Battery Park City Authority	0	1,035	1,035
Municipal Bond Bank Agency	263	263	526
Niagara Frontier Transportation Authority	0	131	131
Bridge Authority	0	110	110
TOTAL OUTSTANDING	52,641	124,854	177,495

Source: Office of the State Comptroller. Debt classifications by DOB.

(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, 2015. This includes $6.6 billion in conduit debt issued by JDA's blended component units consisting of $6.1 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 $510 million issued by the Brooklyn Arena Local Development Corporation. In addition, JDA has $9 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 $1.93 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 Scott Nemecek, Investor Relations, (212) 788-6499, 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 July 2015, the State Legislature passed 22 special acts authorizing bond issuances to finance local government operating deficits, most recently for the Village of Suffern. 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.

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 2015 or thereafter.

The City of Yonkers (the "City") no longer operates under an oversight board but must adhere to a Special Local Finance and Budget Act. The Yonkers City School District (the "School District") is fiscally dependent upon the City as it lacks taxing authority. 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 School District. In response, the Yonkers City

School District Deficit Financing Act was enacted, which authorized the City, subject to certain requirements, to issue serial bonds, not to exceed $45 million by March 31, 2015, to liquidate current deficits in the School District's general fund as of June 30, 2014. The FY 2015 Enacted Budget provided an additional $28 million to the City over other education aid provided by the State for the support of the School District for the City fiscal year 2015, subject to an Inter-Municipal Agreement being entered into by the City and the School District, with the approval of the State Budget Director. That agreement has been entered into and approved, and consolidates various non-academic District functions under the general management and direction of the City. The FY 2016 Enacted Budget provides another $25 million to the City of Yonkers for the support of the School District for City fiscal year ending 2016. The City will be eligible to receive these additional funds once it submits and receives approval (from the Director of the Budget) of a comprehensive financial plan for the school district.

Legislation enacted in 2013 created the Financial Restructuring Board for Local Governments (the “Restructuring Board”). The Restructuring Board consists of ten members, including the State Budget Director, 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 twelve 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 New York City Debt[2] Bonds	Combined New York City Debt[2] Notes	Other Localities Debt[3] Bonds[4]	Other Localities Debt[3] Notes[4]	Total Locality Debt[3] Bonds[3][4]	Total Locality Debt[3] 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	36,299	7,318	115,717	7,318

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

The information that follows under this heading has been furnished by the State Office of the Attorney General and DOB has not undertaken any independent verification of such information.

Real Property Claims

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

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

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

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

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

There are three 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 on March 17, 2015.

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 Kaplan v. State of New York (Sup. Ct., Oneida Co), plaintiff is a citizen taxpayer and voter who claims that the settlement agreement violates the State Constitution by delegating the State's taxing power. On July 16, 2015, the State filed a motion to dismiss the complaint on several grounds, including laches, comity and failure to state a claim. Plaintiff's response is due September 9, 2015 and the motion to dismiss has been adjourned to September 16, 2015.

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 September 17, 2015 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 has been reinstated and has been fully briefed. The District Court has not yet scheduled oral argument.

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.

The trial commenced on January 21, 2015 and was completed on March 12, 2015. The parties are now working on proposed findings of fact and conclusions of law.

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's appeal is pending. The Answer to the Second Amended Complaint was filed on February 2, 2015.

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 (the "Tax Cap Law"), 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 moved to dismiss the First Amended Complaint and plaintiffs moved to further file and serve a Second Amended Complaint to add a challenge to newly enacted Education Law § 2023-b ("Tax Freeze Law").

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 the Tax Cap Law; and (2) granted the plaintiffs' leave to serve a Second Amended Complaint to add a challenge to Tax Freeze Law. Defendants then moved to dismiss the Second Amended Complaint and, by order to show cause, plaintiffs have moved for a preliminary injunction, but not a temporary restraining order, seeking to enjoin enforcement of the Tax Cap Law and the Tax Freeze Law. Both motions were argued on February 24, 2015. By Decision and Order dated March 16, 2015, Supreme Court granted the defendants' motion to dismiss the Second Amended Complaint, and denied the plaintiffs' motion for a preliminary injunction.

Plaintiffs filed a Notice of Appeal to the Third Department on March 24, 2015. On July 18, 2015, plaintiffs-appellants filed their brief on appeal in the Third Department. Defendants' responding brief is due September 28, 2015.

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 filed Notices of Appeal of both November 17, 2014 decisions on December 15, 2014. Defendants filed Answers to the Amended Complaint and to Yonkers' Intervenor Complaint on February 2, 2015.

Plaintiffs moved for partial summary judgment, pre-discovery, on May 29, 2015. Defendants filed opposition papers and cross-moved for partial summary judgment on July 31, 2015. Defendants also moved for a stay of the litigation pending the outcomes of the pending appeals.

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.

In April and May 2015, the Supreme Court, New York County, administratively consolidated many of the reserved bed day *Kateri* matters under the new caption of *Bayberry, et al*. With respect to a portion of the newly consolidated cases, at the end of April 2015, as ordered, DOH performed additional rate calculations that incorporated Petitioners' reserved bed day interpretation and similar calculations by DOH for additionally consolidated cases, referred to under the heading of the Lead Petitioner (Cabrini), were also performed by DOH. Document discovery was scheduled to close on July 1, 2015; a court status conference has been adjourned to mid-September, pending ongoing settlement negotiations. .

Canal System Financing

American Trucking Association v. New York State Thruway Authority, 13-CV-8123 (SDNY), is a purported class action by a trucking industry trade association and three trucking companies against the Thruway Authority, the Canal Corporation and individual officers and board members of both entities, claiming violations of the Commerce Clause and the Privileges and Immunities Clauses of the United States Constitution because of the Thruway Authority's use of revenues from Thruway Authority tolls to maintain and improve the State's canal system. The District Court granted defendant's motion to dismiss the complaint for failure to join the State as a necessary party. On August 4, 2015, the Second Circuit Court of Appeals reversed the judgment of the District Court dismissing the complaint and remanded the case to District Court for further proceedings.

Tobacco Master Settlement Agreement ("MSA") Arbitration

In addition to MSA litigation described in the AIS, 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 2004-2012, 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 their respective state courts 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. The Pennsylvania decision has been upheld by an intermediate appellate court. 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.

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 2015 and projected receipts and disbursements for fiscal years 2016 through 2019 on a General Fund, State Operating Funds and All Governmental Funds basis. The Updated Financial Plan projections for FY 2017 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.

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

	FY 2015 Results	FY 2016 First Quarter	Annual $ Change	Annual % Change
Opening Fund Balance	2,235	7,300	5,065	226.6%
Receipts:				
Taxes:				
Personal Income Tax	29,485	31,969	2,484	8.4%
Consumption/Use Taxes	6,691	6,890	199	3.0%
Business Taxes	6,265	5,897	(368)	-5.9%
Other Taxes	1,128	1,069	(59)	-5.2%
Miscellaneous Receipts	8,410	4,826	(3,584)	-42.6%
Federal Receipts	2	0	(2)	-100.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,659	10,215	1,556	18.0%
Sales Tax in Excess of LGAC	2,632	2,767	135	5.1%
Sales Tax in Excess of Revenue Bond Debt Service	2,940	2,966	26	0.9%
Real Estate Taxes in Excess of CW/CA Debt Service	844	894	50	5.9%
All Other	865	1,263	398	46.0%
Total Receipts	67,921	68,756	835	1.2%
Disbursements:				
Local Assistance Grants	41,592	44,431	2,839	6.8%
Departmental Operations:				
Personal Service	5,806	6,139	333	5.7%
Non-Personal Service	1,858	2,187	329	17.7%
General State Charges	4,999	5,156	157	3.1%
Transfers to Other Funds:				
Debt Service	1,297	836	(461)	-35.5%
Capital Projects	1,264	5,947	4,683	370.5%
State Share of Mental Hygiene Medicaid	1,419	2,162	743	52.4%
SUNY Operations	980	998	18	1.8%
Other Purposes	3,641	4,265	624	17.1%
Total Disbursements	62,856	72,121	9,265	14.7%
Excess (Deficiency) of Receipts Over Disbursements	5,065	(3,365)	(8,430)	-166.4%
Closing Fund Balance	7,300	3,935	(3,365)	-46.1%
Statutory Reserves				
Tax Stabilization Reserve Fund	1,258	1,258	0	
Rainy Day Reserve Fund	540	540	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	74	74	0	
Reserved For				
Prior-Term Labor Agreements	50	15	(35)	
Debt Management	500	500	0	
Undesignated Fund Balance	190	0	(190)	
Monetary Settlements	4,667	1,527	(3,140)	

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2016 through FY 2019
(millions of dollars)

	FY 2016 First Quarter	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
Receipts:				
Taxes:				
Personal Income Tax	31,969	33,808	35,864	36,475
Consumption/Use Taxes	6,890	7,196	7,451	7,725
Business Taxes	5,897	5,792	5,959	6,109
Other Taxes	1,069	984	910	874
Miscellaneous Receipts	4,826	2,621	2,353	2,212
Federal Receipts	0	0	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	10,215	10,336	10,798	10,742
Sales Tax in Excess of LGAC	2,767	2,917	3,129	3,163
Sales Tax in Excess of Revenue Bond Debt Service	2,966	2,999	3,022	3,048
Real Estate Taxes in Excess of CW/CA Debt Service	894	948	990	1,037
All Other	1,263	773	738	722
Total Receipts	68,756	68,374	71,214	72,107
Disbursements:				
Local Assistance Grants	44,431	46,910	49,202	51,639
Departmental Operations:				
Personal Service	6,139	6,091	6,123	6,152
Non-Personal Service	2,187	2,263	2,488	2,302
General State Charges	5,156	5,704	6,026	6,343
Transfers to Other Funds:				
Debt Service	836	1,242	1,422	1,210
Capital Projects	5,947	1,744	2,072	2,295
State Share of Mental Hygiene Medicaid	2,162	1,439	1,314	1,255
SUNY Operations	998	978	969	969
Other Purposes	4,265	4,435	4,862	5,102
Total Disbursements	72,121	70,806	74,478	77,267
Use (Reservation) of Fund Balance:				
Prior-Term Labor Agreements	35	15	0	0
Undesignated Fund Balance	190	0	0	0
Monetary Settlements	3,140	0	0	0
Total Use (Reservation) of Fund Balance	3,365	15	0	0
Adherence to 2% Spending Benchmark*	0	2,478	4,374	5,739
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	0	61	1,110	579

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2016 projections. 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.

Source: NYS DOB.

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

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	31,924	45	31,969
Consumption/Use Taxes	6,890	0	6,890
Business Taxes	5,897	0	5,897
Other Taxes	1,069	0	1,069
Miscellaneous Receipts	4,365	461	4,826
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	10,215	0	10,215
Sales Tax in Excess of LGAC	2,767	0	2,767
Sales Tax in Excess of Revenue Bond Debt Service	2,966	0	2,966
Real Estate Taxes in Excess of CW/CA Debt Service	894	0	894
All Other	1,298	(35)	1,263
Total Receipts	68,285	471	68,756
Disbursements:			
Local Assistance Grants	44,356	75	44,431
Departmental Operations:			
Personal Service	6,079	60	6,139
Non-Personal Service	2,184	3	2,187
General State Charges	5,195	(39)	5,156
Transfers to Other Funds:			
Debt Service	886	(50)	836
Capital Projects	5,947	0	5,947
State Share of Mental Hygiene Medicaid	2,162	0	2,162
SUNY Operations	998	0	998
Other Purposes	4,283	(18)	4,265
Total Disbursements	72,090	31	72,121
Use (Reservation) of Fund Balance:			
Prior-Term Labor Agreements	(10)	45	35
Undesignated Fund Balance	190	0	190
Monetary Settlements	3,625	(485)	3,140
Total Use (Reservation) of Fund Balance	3,805	(440)	3,365
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	0	0	0

Source: NYS DOB.

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

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	34,118	(310)	33,808
Consumption/Use Taxes	7,196	0	7,196
Business Taxes	5,792	0	5,792
Other Taxes	984	0	984
Miscellaneous Receipts	2,591	30	2,621
Federal Receipts			
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	10,440	(104)	10,336
Sales Tax in Excess of LGAC	2,917	0	2,917
Sales Tax in Excess of Revenue Bond Debt Service	2,999	0	2,999
Real Estate Taxes in Excess of CW/CA Debt Service	948	0	948
All Other	740	33	773
Total Receipts	68,725	(351)	68,374
Disbursements:			
Local Assistance Grants	46,783	127	46,910
Departmental Operations:			
Personal Service	6,049	42	6,091
Non-Personal Service	2,262	1	2,263
General State Charges	5,710	(6)	5,704
Transfers to Other Funds:			
Debt Service	1,242	0	1,242
Capital Projects	1,844	(100)	1,744
State Share of Mental Hygiene Medicaid	1,439	0	1,439
SUNY Operations	978	0	978
Other Purposes	4,442	(7)	4,435
Total Disbursements	70,749	57	70,806
Use (Reservation) of Fund Balance:			
Prior-Term Labor Agreements	(30)	45	15
Total Use (Reservation) of Fund Balance	(30)	45	15
Adherence to 2% Spending Benchmark*	2,333	145	2,478
Net General Fund Surplus (Deficit)	279	(218)	61

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2016 projections. 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.

Source: NYS DOB.

CASH FINANCIAL PLAN GENERAL FUND FY 2018 (millions of dollars)	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	36,275	(411)	35,864
Consumption/Use Taxes	7,451	0	7,451
Business Taxes	5,959	0	5,959
Other Taxes	910	0	910
Miscellaneous Receipts	2,353	0	2,353
Federal Receipts			
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	10,935	(137)	10,798
Sales Tax in Excess of LGAC	3,129	0	3,129
Sales Tax in Excess of Revenue Bond Debt Service	3,022	0	3,022
Real Estate Taxes in Excess of CW/CA Debt Service	990	0	990
All Other	739	(1)	738
Total Receipts	71,763	(549)	71,214
Disbursements:			
Local Assistance Grants	49,160	42	49,202
Departmental Operations:			
Personal Service	6,076	47	6,123
Non-Personal Service	2,488	0	2,488
General State Charges	6,032	(6)	6,026
Transfers to Other Funds:			
Debt Service	1,422	0	1,422
Capital Projects	2,072	0	2,072
State Share of Mental Hygiene Medicaid	1,313	1	1,314
SUNY Operations	969	0	969
Other Purposes	4,868	(6)	4,862
Total Disbursements	74,400	78	74,478
Use (Reservation) of Fund Balance:			
Prior-Term Labor Agreements	(10)	10	0
Total Use (Reservation) of Fund Balance	(10)	10	0
Adherence to 2% Spending Benchmark*	4,349	25	4,374
Net General Fund Surplus (Deficit)	1,702	(592)	1,110

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2016 projections. 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.

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2019
(millions of dollars)

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	37,267	(792)	36,475
Consumption/Use Taxes	7,725	0	7,725
Business Taxes	6,109	0	6,109
Other Taxes	874	0	874
Miscellaneous Receipts	2,212	0	2,212
Federal Receipts	0	0	0
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	11,006	(264)	10,742
Sales Tax in Excess of LGAC	3,163	0	3,163
Sales Tax in Excess of Revenue Bond Debt Service	3,048	0	3,048
Real Estate Taxes in Excess of CW/CA Debt Service	1,037	0	1,037
All Other	724	(2)	722
Total Receipts	73,165	(1,058)	72,107
Disbursements:			
Local Assistance Grants	51,653	(14)	51,639
Departmental Operations:			
Personal Service	6,104	48	6,152
Non-Personal Service	2,302	0	2,302
General State Charges	6,349	(6)	6,343
Transfers to Other Funds:			
Debt Service	1,210	0	1,210
Capital Projects	2,295	0	2,295
State Share of Mental Hygiene Medicaid	1,255	0	1,255
SUNY Operations	969	0	969
Other Purposes	5,233	(131)	5,102
Total Disbursements	77,370	(103)	77,267
Use (Reservation) of Fund Balance:			
Prior-Term Labor Agreements	(10)	10	0
Total Use (Reservation) of Fund Balance	(10)	10	0
Adherence to 2% Spending Benchmark*	5,821	(82)	5,739
Net General Fund Surplus (Deficit)	1,606	(1,027)	579

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2016 projections. 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.

Source: NYS DOB.

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
FY 2016 THROUGH FY 2019
(millions of dollars)

	FY 2016 First Quarter	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
Taxes:				
Withholdings	36,940	38,971	40,400	42,198
Estimated Payments	15,691	17,039	18,378	17,796
Final Payments	2,508	2,670	2,841	2,984
Other Payments	1,318	1,383	1,422	1,482
Gross Collections	56,457	60,063	63,041	64,460
State/City Offset	(588)	(588)	(588)	(588)
Refunds	(8,794)	(9,774)	(9,954)	(10,503)
Reported Tax Collections	47,075	49,701	52,499	53,369
STAR (Dedicated Deposits)	(3,337)	(3,468)	(3,510)	(3,552)
RBTF (Dedicated Transfers)	(11,769)	(12,425)	(13,125)	(13,342)
Personal Income Tax	31,969	33,808	35,864	36,475
Sales and Use Tax	12,650	13,164	13,682	14,240
Cigarette and Tobacco Taxes	309	353	344	334
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	13,215	13,778	14,292	14,845
LGAC/STBF (Dedicated Transfers)	(6,325)	(6,582)	(6,841)	(7,120)
Consumption/Use Taxes	6,890	7,196	7,451	7,725
Corporation Franchise Tax	3,909	3,617	3,747	3,862
Corporation and Utilities Tax	612	619	619	630
Insurance Taxes	1,414	1,383	1,431	1,495
Bank Tax	(38)	173	162	122
Petroleum Business Tax	0	0	0	0
Business Taxes	5,897	5,792	5,959	6,109
Estate Tax	1,050	965	891	855
Real Estate Transfer Tax	1,085	1,138	1,176	1,221
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	18	18	18	18
Other Taxes	1	1	1	1
Gross Other Taxes	2,154	2,122	2,086	2,095
Real Estate Transfer Tax (Dedicated)	(1,085)	(1,138)	(1,176)	(1,221)
Other Taxes	1,069	984	910	874
Payroll Tax	0	0	0	0
Total Taxes	45,825	47,780	50,184	51,183
Licenses, Fees, Etc.	625	595	652	600
Abandoned Property	655	550	550	550
Motor Vehicle Fees	170	218	223	224
ABC License Fee	65	61	62	63
Reimbursements	239	293	253	262
Investment Income	4	4	5	5
Other Transactions	3,068	900	608	508
Miscellaneous Receipts	4,826	2,621	2,353	2,212
Federal Receipts	0	0	0	0
Total	50,651	50,401	52,537	53,395

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
Opening Fund Balance	7,300	2,472	118	9,890
Receipts:				
Taxes	45,825	8,314	19,060	73,199
Miscellaneous Receipts	4,826	15,044	470	20,340
Federal Receipts	0	1	73	74
Total Receipts	50,651	23,359	19,603	93,613
Disbursements:				
Local Assistance Grants	44,431	18,890	0	63,321
Departmental Operations:				
Personal Service	6,139	6,790	0	12,929
Non-Personal Service	2,187	3,394	44	5,625
General State Charges	5,156	2,139	0	7,295
Debt Service	0	0	5,072	5,072
Capital Projects	0	1	0	1
Total Disbursements	57,913	31,214	5,116	94,243
Other Financing Sources (Uses):				
Transfers from Other Funds	18,105	8,696	3,847	30,648
Transfers to Other Funds	(14,208)	(1,344)	(18,251)	(33,803)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	3,897	7,352	(14,404)	(3,155)
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(3,365)	(503)	83	(3,785)
Closing Fund Balance	3,935	1,969	201	6,105
Intra-Fund Transfers Adjustment	0	486	0	486
Closing Balance with Intra-Fund Transfers	3,935	2,455	201	6,591

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	47,780	8,523	20,026	76,329
Miscellaneous Receipts	2,621	15,451	453	18,525
Federal Receipts	0	1	73	74
Total Receipts	50,401	23,975	20,552	94,928
Disbursements:				
Local Assistance Grants	46,910	18,952	0	65,862
Departmental Operations:				
Personal Service	6,091	6,786	0	12,877
Non-Personal Service	2,263	3,457	47	5,767
General State Charges	5,704	2,185	0	7,889
Debt Service	0	0	6,208	6,208
Capital Projects	0	3	0	3
Total Disbursements	60,968	31,383	6,255	98,606
Other Financing Sources (Uses):				
Transfers from Other Funds	17,973	7,962	4,188	30,123
Transfers to Other Funds	(9,838)	(881)	(18,410)	(29,129)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	8,135	7,081	(14,222)	994
Use (Reservation) of Fund Balance:				
Prior-Term Labor Agreements	15	0	0	15
Total Use (Reservation) of Fund Balance	15	0	0	15
Adherence to 2% Spending Benchmark*	2,478	0	0	2,478
Net Surplus (Deficit)	61	(327)	75	(191)
Intra-Fund Transfers Adjustment	0	457	0	457
Net Surplus (Deficit) with Intra-Fund Transfers	61	130	75	266

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2016 projections. 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.

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	50,184	8,688	21,023	79,895
Miscellaneous Receipts	2,353	15,640	453	18,446
Federal Receipts	0	1	73	74
Total Receipts	52,537	24,329	21,549	98,415
Disbursements:				
Local Assistance Grants	49,202	19,281	0	68,483
Departmental Operations:				
Personal Service	6,123	6,821	0	12,944
Non-Personal Service	2,488	3,481	47	6,016
General State Charges	6,026	2,254	0	8,280
Debt Service	0	0	6,699	6,699
Capital Projects	0	3	0	3
Total Disbursements	63,839	31,840	6,746	102,425
Other Financing Sources (Uses):				
Transfers from Other Funds	18,677	8,099	4,283	31,059
Transfers to Other Funds	(10,639)	(796)	(18,994)	(30,429)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	8,038	7,303	(14,711)	630
Use (Reservation) of Fund Balance:				
Prior-Term Labor Agreements	0	0	0	0
Total Use (Reservation) of Fund Balance	0	0	0	0
Adherence to 2% Spending Benchmark*	4,374	0	0	4,374
Net Surplus (Deficit)	1,110	(208)	92	994
Intra-Fund Transfers Adjustment	0	456	0	456
Net Surplus (Deficit) with Intra-Fund Transfers	1,110	248	92	1,450

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2016 projections. 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.

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2019
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	51,183	8,872	21,564	81,619
Miscellaneous Receipts	2,212	15,911	452	18,575
Federal Receipts	0	1	73	74
Total Receipts	53,395	24,784	22,089	100,268
Disbursements:				
Local Assistance Grants	51,639	19,459	0	71,098
Departmental Operations:				
Personal Service	6,152	6,890	0	13,042
Non-Personal Service	2,302	3,552	47	5,901
General State Charges	6,343	2,360	0	8,703
Debt Service	0	0	7,004	7,004
Capital Projects	0	3	0	3
Total Disbursements	66,436	32,264	7,051	105,751
Other Financing Sources (Uses):				
Transfers from Other Funds	18,712	8,232	4,031	30,975
Transfers to Other Funds	(10,831)	(802)	(18,997)	(30,630)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,881	7,430	(14,966)	345
Use (Reservation) of Fund Balance:				
Prior-Term Labor Agreements	0	0	0	0
Total Use (Reservation) of Fund Balance	0	0	0	0
Adherence to 2% Spending Benchmark*	5,739	0	0	5,739
Net Surplus (Deficit)	579	(50)	72	601
Intra-Fund Transfers Adjustment	0	414	0	414
Net Surplus (Deficit) with Intra-Fund Transfers	579	364	72	1,015

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2016 projections. 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.

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
Opening Fund Balance	7,300	2,661	(724)	118	9,355
Receipts:					
Taxes	45,825	8,314	1,349	19,060	74,548
Miscellaneous Receipts	4,826	15,245	5,299	470	25,840
Federal Receipts	0	50,382	1,844	73	52,299
Total Receipts	50,651	73,941	8,492	19,603	152,687
Disbursements:					
Local Assistance Grants	44,431	65,033	3,154	0	112,618
Departmental Operations:					
Personal Service	6,139	7,426	0	0	13,565
Non-Personal Service	2,187	4,588	0	44	6,819
General State Charges	5,156	2,445	0	0	7,601
Debt Service	0	0	0	5,072	5,072
Capital Projects	0	1	7,308	0	7,309
Total Disbursements	57,913	79,493	10,462	5,116	152,984
Other Financing Sources (Uses):					
Transfers from Other Funds	18,105	8,732	6,237	3,847	36,921
Transfers to Other Funds	(14,208)	(3,022)	(1,515)	(18,251)	(36,996)
Bond and Note Proceeds	0	0	685	0	685
Net Other Financing Sources (Uses)	3,897	5,710	5,407	(14,404)	610
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(3,365)	158	3,437	83	313
Closing Fund Balance	3,935	2,819	2,713	201	9,668

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	47,780	8,523	1,325	20,026	77,654
Miscellaneous Receipts	2,621	15,666	5,441	453	24,181
Federal Receipts	0	50,466	1,818	73	52,357
Total Receipts	50,401	74,655	8,584	20,552	154,192
Disbursements:					
Local Assistance Grants	46,910	65,659	3,343	0	115,912
Departmental Operations:					
Personal Service	6,091	7,471	0	0	13,562
Non-Personal Service	2,263	4,418	0	47	6,728
General State Charges	5,704	2,504	0	0	8,208
Debt Service	0	0	0	6,208	6,208
Capital Projects	0	3	7,238	0	7,241
Total Disbursements	60,968	80,055	10,581	6,255	157,859
Other Financing Sources (Uses):					
Transfers from Other Funds	17,973	7,962	2,026	4,188	32,149
Transfers to Other Funds	(9,838)	(2,402)	(1,574)	(18,410)	(32,224)
Bond and Note Proceeds	0	0	657	0	657
Net Other Financing Sources (Uses)	8,135	5,560	1,109	(14,222)	582
Use (Reservation) of Fund Balance:					
Prior-Term Labor Agreements	15	0	0	0	15
Total Use (Reservation) of Fund Balance	15	0	0	0	15
Adherence to 2% Spending Benchmark*	2,478	0	0	0	2,478
Net Surplus (Deficit)	61	160	(888)	75	(592)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2016 projections. 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.

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	50,184	8,688	1,326	21,023	81,221
Miscellaneous Receipts	2,353	15,855	5,020	453	23,681
Federal Receipts	0	50,937	1,805	73	52,815
Total Receipts	52,537	75,480	8,151	21,549	157,717
Disbursements:					
Local Assistance Grants	49,202	66,527	3,115	0	118,844
Departmental Operations:					
Personal Service	6,123	7,516	0	0	13,639
Non-Personal Service	2,488	4,485	0	47	7,020
General State Charges	6,026	2,578	0	0	8,604
Debt Service	0	0	0	6,699	6,699
Capital Projects	0	3	7,217	0	7,220
Total Disbursements	63,839	81,109	10,332	6,746	162,026
Other Financing Sources (Uses):					
Transfers from Other Funds	18,677	8,099	2,303	4,283	33,362
Transfers to Other Funds	(10,639)	(2,193)	(1,614)	(18,994)	(33,440)
Bond and Note Proceeds	0	0	462	0	462
Net Other Financing Sources (Uses)	8,038	5,906	1,151	(14,711)	384
Use (Reservation) of Fund Balance:					
Prior-Term Labor Agreements	0	0	0	0	0
Total Use (Reservation) of Fund Balance	0	0	0	0	0
Adherence to 2% Spending Benchmark*	4,374	0	0	0	4,374
Net Surplus (Deficit)	1,110	277	(1,030)	92	449

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2016 projections. 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.

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2019
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	51,183	8,872	1,331	21,564	82,950
Miscellaneous Receipts	2,212	16,126	5,183	452	23,973
Federal Receipts	0	51,146	1,786	73	53,005
Total Receipts	53,395	76,144	8,300	22,089	159,928
Disbursements:					
Local Assistance Grants	51,639	67,003	3,254	0	121,896
Departmental Operations:					
Personal Service	6,152	7,589	0	0	13,741
Non-Personal Service	2,302	4,572	0	47	6,921
General State Charges	6,343	2,688	0	0	9,031
Debt Service	0	0	0	7,004	7,004
Capital Projects	0	3	7,288	0	7,291
Total Disbursements	66,436	81,855	10,542	7,051	165,884
Other Financing Sources (Uses):					
Transfers from Other Funds	18,712	8,232	2,526	4,031	33,501
Transfers to Other Funds	(10,831)	(2,139)	(1,622)	(18,997)	(33,589)
Bond and Note Proceeds	0	0	451	0	451
Net Other Financing Sources (Uses)	7,881	6,093	1,355	(14,966)	363
Use (Reservation) of Fund Balance:					
Prior-Term Labor Agreements	0	0	0	0	0
Total Use (Reservation) of Fund Balance	0	0	0	0	0
Adherence to 2% Spending Benchmark*	5,739	0	0	0	5,739
Net Surplus (Deficit)	579	382	(887)	72	146

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2016 projections. 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.

Source: NYS DOB.

CASHFLOW
GENERAL FUND
FY 2016
(dollars in millions)

	2015 April Results	May Results	June Results	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2016 January Projected	February Projected	March Projected	Total
OPENING BALANCE	7,300	10,344	9,591	11,064	9,600	8,909	11,075	9,408	6,442	8,287	9,296	9,450	7,300
RECEIPTS:													
Personal Income Tax	5,036	1,741	3,172	2,053	1,858	3,533	1,597	817	3,716	3,054	2,723	2,669	31,969
Consumption/Use Taxes	507	513	694	558	518	694	532	541	680	565	441	647	6,890
Business Taxes	203	(33)	1,106	131	63	1,014	66	80	946	109	121	2,091	5,897
Other Taxes	150	151	119	214	56	55	54	54	54	54	54	54	1,069
Total Taxes	5,896	2,372	5,091	2,956	2,495	5,296	2,249	1,492	5,396	3,782	3,339	5,461	45,825
Abandoned Property	0	0	0	0	5	55	15	135	20	35	85	305	655
ABC License Fee	7	6	7	6	6	5	6	5	5	5	4	3	65
Investment Income	0	0	1	1	0	0	0	0	0	0	0	2	4
Licenses, Fees, etc.	40	45	75	47	55	75	40	45	75	35	45	48	625
Motor Vehicle Fees	36	0	28	14	10	11	13	13	10	11	12	12	170
Reimbursements	6	7	36	8	12	40	5	15	40	10	15	45	239
Other Transactions	89	2,387	42	24	16	214	17	38	58	16	17	150	3,068
Total Miscellaneous Receipts	178	2,445	189	100	104	400	96	251	208	112	178	565	4,826
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	1,679	539	1,201	528	251	1,422	485	115	1,286	761	566	1,382	10,215
Tax in Excess of LGAC	238	33	519	247	190	320	242	247	315	256	3	157	2,767
Sales Tax Bond Fund	224	216	303	231	142	301	225	247	315	256	204	302	2,966
Real Estate Taxes in Excess of CW/CA Debt Service	74	97	76	75	74	74	75	75	74	74	74	52	894
All Other	15	298	4	21	3	125	10	1	42	38	212	494	1,263
Total Transfers from Other Funds	2,230	1,183	2,103	1,102	660	2,242	1,037	685	2,032	1,385	1,059	2,387	18,105
TOTAL RECEIPTS	8,304	6,000	7,383	4,158	3,259	7,938	3,382	2,428	7,636	5,279	4,576	8,413	68,756
DISBURSEMENTS:													
School Aid	535	2,703	1,975	66	679	1,872	1,042	1,949	1,749	294	457	6,751	20,072
Higher Education	18	20	646	245	126	192	346	64	234	31	346	707	2,975
All Other Education	18	98	508	80	96	445	148	33	243	58	75	500	2,302
Medicaid - DOH	1,231	1,606	495	889	1,281	826	1,054	1,132	711	1,050	1,080	866	12,221
Public Health	11	187	57	68	42	48	65	51	64	32	40	68	733
Mental Hygiene	3	2	278	2	1	320	1	1	281	11	71	213	1,184
Children and Families	39	39	96	310	77	280	76	77	306	89	94	248	1,731
Temporary & Disability Assistance	93	98	158	95	95	96	96	96	95	96	96	104	1,218
Transportation	0	24	0	0	25	0	0	25	22	0	14	3	113
Unrestricted Aid	1	12	389	3	3	110	9	3	189	3	3	65	790
All Other	2	37	189	35	(94)	(3)	66	117	117	211	200	215	1,092
Total Local Assistance Grants	1,951	4,826	4,791	1,793	2,331	4,186	2,903	3,548	4,011	1,875	2,476	9,740	44,431
Personal Service	554	443	457	639	457	456	549	454	607	496	493	534	6,139
Non-Personal Service	68	125	141	174	179	188	183	181	172	223	250	303	2,187
Total Departmental Operations	622	568	598	813	636	644	732	635	779	719	743	837	8,326
General State Charges	612	506	366	1,817	18	309	444	260	141	419	(19)	283	5,156
Debt Service	302	(9)	(22)	167	(3)	(70)	145	0	(2)	347	(19)	0	836
Capital Projects	73	148	(196)	225	206	419	218	171	650	396	940	2,697	5,947
State Share Medicaid	992	0	65	170	108	109	110	100	107	110	175	116	2,162
SUNY Operations	210	210	212	191	0	0	0	175	0	0	0	0	998
Other Purposes	498	504	96	446	654	175	497	505	105	404	126	255	4,265
Total Transfers to Other Funds	2,075	853	155	1,199	965	633	970	951	860	1,257	1,222	3,068	14,208
TOTAL DISBURSEMENTS	5,260	6,753	5,910	5,622	3,950	5,772	5,049	5,394	5,791	4,270	4,422	13,928	72,121
Excess/(Deficiency) of Receipts over Disbursements	3,044	(753)	1,473	(1,464)	(691)	2,166	(1,667)	(2,966)	1,845	1,009	154	(5,515)	(3,365)
CLOSING BALANCE	10,344	9,591	11,064	9,600	8,909	11,075	9,408	6,442	8,287	9,296	9,450	3,935	3,935

Source: NYS DOB.