

NEW ISSUE

In the opinion of the Attorney General of the State of New York, under existing law and assuming compliance with the tax covenants described herein, interest on the Series 2013A Tax-Exempt Bonds and the 2013C Tax-Exempt Refunding Bonds (collectively, the "Tax-Exempt Bonds") is excludable from gross income for Federal income tax purposes and is not a specific preference item for purposes of the Federal alternative minimum tax; such interest is, however, included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax that may be imposed on such corporations. The Attorney General is further of the opinion that, assuming compliance with the tax covenants described herein, interest on the Tax-Exempt Bonds is exempt from personal income taxes of the State of New York and its political subdivisions, including The City of New York and the City of Yonkers, as described more fully herein.

Interest on the Series 2013B Taxable Bonds will be subject to Federal income taxes and personal income taxes imposed by the State and any political subdivision thereof, including The City of New York and the City of Yonkers.

See "PART I – SECTION 4 – TAX MATTERS" herein regarding certain other tax considerations.

STATE OF NEW YORK GENERAL OBLIGATION BONDS

\$348,065,000 Series 2013A Tax-Exempt Bonds
\$47,810,000 Series 2013B Taxable Bonds
\$170,685,000 Series 2013C Tax-Exempt Refunding Bonds

Dated: Date of Delivery

Due: As shown on inside cover

The Series 2013A Tax-Exempt Bonds (the "Series 2013A Tax-Exempt Bonds"), the Series 2013B Taxable Bonds (the "Series 2013B Taxable Bonds") and the Series 2013C Tax-Exempt Refunding Bonds (the "Series 2013C Tax-Exempt Refunding Bonds" and, together with the Series 2013A Tax-Exempt Bonds and the Series 2013B Taxable Bonds, the "Bonds") will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interests in the Bonds purchased. See "PART I – SECTION 1 – DESCRIPTION OF THE BONDS – Book-Entry-Only System." Principal on the Bonds will be payable as shown on the inside cover pages hereof. Interest on the Series 2013A Tax-Exempt Bonds and Series 2013B Taxable Bonds will be payable beginning on September 1, 2013 and semi-annually thereafter on each March 1 and September 1 until maturity. Interest on the Series 2013C Tax-Exempt Refunding Bonds will be payable beginning on October 15, 2013 and semi-annually thereafter on each April 15 and October 15 until maturity. The Bonds will be subject to redemption prior to maturity as set forth herein.

The Bonds will be general obligations of the State of New York, and the full faith and credit of the State of New York will be pledged to the payment of the principal of and interest on the Bonds.

Under State law, the Bonds are legal investments for State-chartered banks and trust companies, savings banks, insurance companies, fiduciaries and investment companies and may be accepted by the State Comptroller and the State Superintendent of Financial Services where the deposit of obligations is required by law.

The Bonds are offered when, as and if issued and subject to receipt of an opinion by the Attorney General of the State of New York that the Bonds are valid and enforceable obligations of the State. See Exhibit B to Part I of this Official Statement.

The Bonds are being offered for sale in accordance with the Notices of Sale published with respect to each Series of the Bonds.

Public Resources Advisory Group, New York, New York, is acting as financial advisor to the State in connection with the issuance of the Bonds. The Bonds will be available for delivery through the facilities of DTC on or about March 19, 2013.

Dated: March 7, 2013

**STATE OF NEW YORK GENERAL OBLIGATION BONDS
AMOUNTS, MATURITIES, INTEREST RATES, AND YIELDS OR PRICES**

**\$348,065,000 Series 2013A Tax-Exempt Bonds
(Base CUSIP Number[†]: 649791)**

Amount	Maturity March 1	Interest Rate	Yield	CUSIP [†]	Amount	Maturity March 1	Interest Rate	Yield	CUSIP [†]
\$10,810,000	2014	2.00%	0.20%	GX2	\$11,965,000	2024	5.00%	2.15%*	HH6
\$11,030,000	2015	3.00	0.34	GY0	\$12,565,000	2025	5.00	2.25*	HJ2
\$11,360,000	2016	5.00	0.47	GZ7	\$13,195,000	2026	5.00	2.35*	HK9
\$11,930,000	2017	4.00	0.64	HA1	\$13,855,000	2027	5.00	2.44*	HL7
\$12,405,000	2018	5.00	0.90	HB9	\$14,550,000	2028	5.00	2.52*	HM5
\$13,025,000	2019	5.00	1.16	HC7	\$14,865,000	2029	4.00	2.83*	HN3
\$13,675,000	2020	5.00	1.42	HD5	\$15,460,000	2030	4.00	2.88*	HP8
\$14,355,000	2021	5.00	1.65	HE3	\$16,080,000	2031	3.00	3.15	HQ6
\$15,080,000	2022	5.00	1.85	HF0	\$16,560,000	2032	3.00	3.20	HR4
\$15,830,000	2023	4.00	2.15	HG8	\$17,060,000	2033	3.00	3.25	HS2

**\$32,845,000 4.000% Term Bonds due March 1, 2038, at a yield of 3.50%*
(CUSIP[†]: 649791HT0)**

**\$39,565,000 3.500% Term Bonds due March 1, 2043, at a yield of 3.65%
(CUSIP[†]: 649791HU7)**

**\$47,810,000 Series 2013B Taxable Bonds
(Base CUSIP Number[†]: 649791)**

Amount	Maturity March 1	Interest Rate	Price	CUSIP [†]	Amount	Maturity March 1	Interest Rate	Price	CUSIP [†]
\$4,605,000	2014	0.29%	100%	JR2	\$4,750,000	2019	1.40%	100%	JW1
\$4,620,000	2015	0.39	100	JS0	\$4,820,000	2020	1.75	100	JX9
\$4,635,000	2016	0.54	100	JT8	\$4,905,000	2021	2.02	100	JY7
\$4,660,000	2017	0.82	100	JU5	\$5,000,000	2022	2.25	100	JZ4
\$4,700,000	2018	1.10	100	JV3	\$5,115,000	2023	2.45	100	KA7

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* Priced to the March 1, 2023 optional call date.

\$170,685,000 Series 2013C Tax-Exempt Refunding Bonds
(Base CUSIP Number[†]: 649791)

Amount	Maturity	Interest Rate	Yield/Price	CUSIP [†]	Amount	Maturity	Interest Rate	Yield/Price	CUSIP [†]
\$1,990,000	Oct. 15, 2013	5.000%	0.19%	HV5	\$4,055,000	April 15, 2023	5.000%	2.07%	JF8
\$27,480,000	April 15, 2014	5.000	0.20	HW3	\$1,515,000	April 15, 2024	5.000	2.17*	JG6
\$36,075,000	April 15, 2015	5.000	0.34	HX1	\$1,575,000	April 15, 2025	2.750	100	JH4
\$28,175,000	April 15, 2016	5.000	0.47	HY9	\$1,360,000	April 15, 2026	2.750	2.85	JJ0
\$10,015,000	April 15, 2017	5.000	0.64	HZ6	\$1,400,000	April 15, 2027	3.000	2.94*	JK7
\$9,250,000	April 15, 2018	5.000	0.88	JA9	\$1,445,000	April 15, 2028	3.000	3.02	JL5
\$9,500,000	April 15, 2019	5.000	1.16	JB7	\$1,490,000	April 15, 2029	3.000	3.08	JM3
\$9,865,000	April 15, 2020	5.000	1.42	JC5	\$1,535,000	April 15, 2030	3.000	3.13	JN1
\$10,290,000	April 15, 2021	5.000	1.64	JD3	\$1,585,000	April 15, 2031	3.125	3.18	JP6
\$10,450,000	April 15, 2022	5.000	1.85	JE1	\$1,635,000	April 15, 2032	3.125	3.23	JQ4

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* Priced to the April 15, 2023 optional call date.

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No dealer, broker, salesperson or other person has been authorized by the State of New York to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been so authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds or any other securities of the State of New York by any person or in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information herein has been furnished solely by the State of New York and by other sources that are believed by the State to be reliable, but it is not guaranteed as to its accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State since the date hereof. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purposes.

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OFFICIAL STATEMENT
OF
THE STATE OF NEW YORK
RELATING TO THE ISSUE AND SALE OF
GENERAL OBLIGATION BONDS

—————
\$348,065,000 Series 2013A Tax-Exempt Bonds

\$47,810,000 Series 2013B Taxable Bonds

\$170,685,000 Series 2013C Tax-Exempt Refunding Bonds

INTRODUCTION

This Official Statement of the State of New York (the “State”), including the cover page, inside cover pages and exhibits, is provided for the purpose of setting forth information in connection with the sale of \$348,065,000 aggregate principal amount of its Series 2013A Tax-Exempt Bonds (the “Series 2013A Tax-Exempt Bonds”), \$47,810,000 aggregate principal amount of its Series 2013B Taxable Bonds (the “Series 2013B Taxable Bonds”) and \$170,685,000 aggregate principal amount of its Series 2013C Tax-Exempt Refunding Bonds (the “Series 2013C Tax-Exempt Refunding Bonds”). The Series 2013A Tax-Exempt Bonds and the Series 2013C Tax-Exempt Refunding Bonds are collectively referred to herein as the “Tax-Exempt Bonds” and the Tax-Exempt Bonds and the Series 2013B Taxable Bonds are collectively referred to herein as the “Bonds”. The Bonds are general obligations of the State and the full faith and credit of the State will be pledged to the payment of the principal of and interest on the Bonds.

The proceeds of the Series 2013A Tax-Exempt Bonds and Series 2013B Taxable Bonds will be allocated to such purposes as set forth below. The Series 2013A Tax-Exempt Bonds and Series 2013B Taxable Bonds are being issued for the purposes, in the principal amounts and with maturities as follows:

\$348,065,000 Series 2013A Tax-Exempt Bonds

<u>Purpose</u>	<u>Amount</u>	<u>Maturing March 1</u>
Pure Waters	\$ 856,409	2014-2043
Environmental Quality 1972		
Water	738,934	2014-2043
Water	292,184	2014-2023
Land	345,191	2014-2023
Rebuild New York Through Transportation Infrastructure Renewal Bonds		
Highways	1,375,739	2014-2023
Rebuild and Renew New York Transportation Bonds		
Highway Facilities	138,877,851	2014-2033
Highway Facilities	9,938,383	2014-2023

Purpose	Amount	Maturing March 1
Rails & Ports	4,275,770	2014-2028
MTA – Mass Transit	104,711,781	2014-2043
MTA – Mass Transit	20,839,701	2014-2023
Aviation.....	13,782,861	2014-2043
Aviation.....	951,490	2014-2023
Canal	1,624,096	2014-2023
Environmental Quality 1986		
Land	329,440	2014-2033
Solid Waste	10,472,930	2014-2033
Clean Water/Clean Air		
Clean Water.....	33,756,289	2014-2043
Clean Water.....	2,073,435	2014-2033
Clean Water.....	6,585	2014-2023
Environmental Restoration	2,815,931	2014-2033
	<u>\$348,065,000</u>	

\$47,810,000 Series 2013B Taxable Bonds

Purpose	Amount	Maturing March 1
Environmental Quality 1972		
Water	\$ 423,855	2014-2023
Rebuild and Renew New York Transportation Bonds		
MTA – Mass Transit	47,386,145	2014-2023
	<u>\$47,810,000</u>	

The Series 2013C Tax-Exempt Refunding Bonds are being issued to provide funds to refund certain outstanding general obligation bonds of the State as set forth and described in Exhibit C - DESCRIPTION OF THE REFUNDED BONDS (herein called the “Refunded Bonds”).

The Bonds mature on the dates and bear interest at the respective interest rates set forth on the inside cover pages of this Official Statement.

This Official Statement consists of three parts, Part I (including Exhibits A through D), Part II and Part III.

Part I sets forth information concerning the Bonds – the rights of Bondholders, the payment and redemption provisions of the Bonds, the use of proceeds of the Bonds, and certain other information relating to the Bonds.

Part II sets forth or includes by reference information concerning the State of New York, including information relating to the State’s current fiscal year, prior fiscal years, economic background, financing activities, State organization and procedures, the State’s public authorities and localities and litigation involving the State in the form of the Annual Information Statement of the State of New York issued on May 11, 2012 (the “AIS”), and the Quarterly Update to the AIS dated February 27, 2013 (the “Update”), both prepared by the State Division of the Budget (“DOB”). The AIS and the Update contain information only through their respective dates. Part II sets forth the Update and the section of the AIS entitled “Financial Plan Information.” The remaining sections of the AIS set out under the headings

“Introduction”, “Budgetary and Accounting Background”, “Financial Plan Projections FYS 2013 Through 2016”, “Prior Fiscal Years”, “Economics and Demographics”, “Debt and Other Financing Activities”, “State Government Employment”, “Authorities and Localities”, “State Retirement Systems”, “Litigation and Arbitration” and “Exhibits” are included by reference. The AIS and the Update have been electronically filed with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system.

Part III includes by reference the Comprehensive Annual Financial Report of the State for the fiscal year ended March 31, 2012 (FY 2012 CAFR) prepared by the Office of the State Comptroller (“OSC”). The Basic Financial Statements and Other Supplementary Information of the State for the fiscal year ended March 31, 2012 were electronically filed with the MSRB through its EMMA system on July 27, 2012. The State’s Basic Financial Statements and Other Supplementary Information are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and are independently audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. KPMG LLP, the State’s independent auditor, has not been engaged to perform and has not performed, since the date of its report included in Part III, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

This Official Statement should be read in its entirety, including the Exhibits hereto. Parts II and III contain important information about the State, which has been provided by the State and from sources believed by the State to be reliable.

DOB has assisted OSC in assembling the information contained herein. Quotations, summaries and explanations of laws of the State contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof.

PART I: INFORMATION CONCERNING THE BONDS BEING OFFERED

SECTION 1 – DESCRIPTION OF THE BONDS

General

The Bonds will constitute general obligations of the State to which its full faith and credit will be pledged. The Series 2013A Tax-Exempt Bonds will be issued pursuant to the authority contained in Article VII, Sections 11 and 12 of the State Constitution, Sections 56, 57 and 61 of the State Finance Law and appropriation acts enacted by the State Legislature. The Series 2013B Taxable Bonds will be issued pursuant to the authority contained in Article VII, Sections 11 and 12 of the State Constitution, Sections 57 and 61 of the State Finance Law and appropriation acts enacted by the State Legislature. The Series 2013C Tax-Exempt Refunding Bonds will be issued pursuant to the authority contained in Article VII, Section 13 of the State Constitution and Sections 56 and 57 of the State Finance Law.

The Bonds will be dated the date of delivery. Principal on the Series 2013A Tax-Exempt Bonds and Series 2013B Taxable Bonds will be payable on March 1, 2014 and on each March 1 thereafter, until maturity, as shown on the inside cover pages hereof and below under the heading “Mandatory Redemption”. Interest on the Series 2013A Tax-Exempt Bonds and Series 2013B Taxable Bonds will be payable September 1, 2013 and semi-annually thereafter on March 1 and September 1 until maturity. Principal of the Series 2013C Tax-Exempt Refunding Bonds will be payable on October 15, 2013, April 15, 2014 and each April 15 thereafter, until maturity, as shown on the inside cover pages hereof and below under the heading “Mandatory Redemption”. Interest on the Series 2013C Tax-Exempt Refunding

Bonds will be payable October 15, 2013 and semi-annually thereafter on April 15 and October 15 until maturity. Interest on the Bonds will be payable to the registered owners thereof as shown on the registration books of the State or the Fiscal Agent on the record date (the fifteenth day of the calendar month immediately preceding the applicable interest payment date with respect to the Series 2013A Tax-Exempt Bonds and the Series 2013B Taxable Bonds and the last business day of the calendar month immediately preceding the applicable interest payment date with respect to the Series 2013C Tax-Exempt Refunding Bonds).

Rights of the Bondholders

The State Constitution requires that the Legislature shall annually provide by appropriation for the payment of interest on and installments of principal of all State bonds as the same shall fall due, including contributions to all sinking funds for such bonds, and further provides that, if at any time the Legislature shall fail to make any such appropriation, the Comptroller shall set apart from the first revenues thereafter received applicable to the General Fund of the State a sum sufficient to pay such interest, installments of principal or contributions to such sinking funds, as the case may be, and shall so apply the moneys thus set apart. In such circumstances, the Comptroller may be required to set aside and so apply such revenues at the suit of any holder of such bonds. The State has always made payments of interest on and installments of principal of all State bonds when due. Under the State Constitution, in the event of the defeasance of the Bonds, the holders of the Bonds shall have no further rights against the State for payment of the Bonds or any interest thereon.

The State Constitution does not provide for the contingency where an appropriation for debt service on bonds has been made but moneys are unavailable on the payment date. If the above-described set-aside provisions of the State Constitution were inapplicable in that situation, the holder of any bond could recover a judgment against the State in the State Court of Claims for principal and interest due, and the Comptroller would be required to pay the judgment, after audit, upon presentation to him of a certified copy of the judgment. Judgments against the State may not be enforced by levy and execution against property of the State, and such enforcement is limited to the amount of moneys appropriated by the Legislature and legally available for such purpose. Because the State has never defaulted on the payment of principal of or interest on its obligations, there has never been any occasion to test a bondholder's remedies in this circumstance.

State law provides for the impoundment of State taxes and revenues in advance of the maturity of tax and revenue anticipation notes ("TRANs") issued during any fiscal year and for the deposit of such impounded moneys in a special account for the benefit of the holders of such notes. If, in any fiscal year in which such impoundment legislation is in effect, the Legislature shall have appropriated a sufficient amount to pay debt service on outstanding bonds but there shall be insufficient moneys free of such impoundment to pay such debt service when due, the holder of such TRANs may have a claim to taxes and revenues deposited or to be deposited in such special account superior to that of bondholders, including holders of the Bonds. There is no judicial decision determining the relative rights of holders of notes and bonds of the State in this or any similar circumstance.

Redemption Prior to Maturity

Optional Redemption for the Series 2013A Tax-Exempt Bonds. The Comptroller reserves to the State the right to redeem on and after March 1, 2023 the Series 2013A Tax-Exempt Bonds maturing on or after March 1, 2024 and then outstanding, in whole or in part, at any time, priority among maturities to be directed by the State, and by lot, to be chosen by The Depository Trust Company ("DTC") or any successor and its Participants, within a maturity at par plus accrued interest to the date fixed for redemption.

No Optional Redemption for the Series 2013B Taxable Bonds. The Series 2013B Taxable Bonds are not subject to optional redemption prior to maturity.

Optional Redemption for the Series 2013C Tax-Exempt Refunding Bonds. The Comptroller reserves to the State the right to redeem on and after April 15, 2023 the Series 2013C Tax-Exempt Refunding Bonds maturing on or after April 15, 2024 and then outstanding, in whole or in part, at any time, priority among maturities to be directed by the State, and by lot, to be chosen by DTC or any successor and its Participants, within a maturity at par plus accrued interest to the date fixed for redemption.

Notice of Redemption. The State will give notice of any such redemption, to the registered owners of the Tax-Exempt Bonds to be redeemed at their addresses as they appear in the registration books of the State or its fiscal agent, not less than twenty nor more than sixty days prior to the redemption. So long as all of the Tax-Exempt Bonds remain immobilized in the custody of DTC, any such notice of redemption of any Tax-Exempt Bond will be delivered only to DTC. DTC is responsible for notifying DTC Participants of such redemption and DTC Participants and Indirect Participants are responsible for notifying Beneficial Owners of such redemption. The State is not responsible for sending notices to Beneficial Owners. Interest will cease to accrue on the Tax-Exempt Bonds called for redemption from and after the date fixed for redemption thereof.

The State may provide conditional notice of redemption, which may state that such redemption is conditioned upon the receipt of moneys or any other event. If such conditions are not met, such redemption shall not occur and the State is to give notice, as soon thereafter as practicable, in the same manner, to the same persons, as notice of such redemption was given as described above. Additionally, any such redemption notice may be rescinded no later than one Business Day prior to the date specified for redemption by written notice by the State given, as soon thereafter as practicable, in the same manner, to the same persons, as notice of such redemption was given.

Mandatory Redemption

The Series 2013A Tax-Exempt Bonds that mature on March 1, 2038 and March 1, 2043, (the “2038 Term Bonds” and the “2043 Term Bonds”) are subject to mandatory redemption, in part, by lot in accordance with DTC procedures, on March 1 in the years shown below, at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, in an amount equal to the Sinking Fund Installment for such Bonds for such date:

SERIES 2013A TAX-EXEMPT BONDS

<u>2038 Term Bonds</u>		<u>2043 Term Bonds</u>	
<u>March 1</u>	<u>Sinking Fund Installments</u>	<u>March 1</u>	<u>Sinking Fund Installments</u>
2034	\$6,065,000	2039	\$7,380,000
2035	\$6,305,000	2040	\$7,635,000
2036	\$6,560,000	2041	\$7,905,000
2037	\$6,820,000	2042	\$8,180,000
2038*	\$7,095,000	2043*	\$8,465,000

*Stated maturity.

The principal amount of Term Bonds redeemed at the option of the State or purchased by the State and canceled will be applied in satisfaction, in whole or in part, of one or more Sinking Fund

Installments for the applicable Series and maturity of Bonds as the State may direct in its discretion. To the extent the State's obligation to make Sinking Fund Installments in a particular year is so satisfied, the likelihood of redemption through mandatory Sinking Fund Installments of the applicable Series and maturity of Bonds will be reduced for such year.

Book-Entry-Only System

Beneficial ownership interests in each Series and maturity of the Bonds will be available in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers of beneficial ownership interests in the Bonds will not receive certificates representing their interests in the Bonds purchased.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each Series and maturity of the Bonds, totaling the aggregate principal amount of the Bonds of each Series, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC rules applicable to Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bond certificates representing their ownership interests in the Bonds, except in the event that the use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration

in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Bonds of a particular Series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, The Bank of New York Mellon (the "Fiscal Agent"), or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Fiscal Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

The State and the Fiscal Agent may treat DTC (or its nominee) as the sole and exclusive registered owner of the Bonds registered in its name for the purposes of payment of the principal of or interest on the Bonds, giving any notice permitted or required to be given to registered owners, registering the transfer of the Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The State and the Fiscal Agent shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person that is not shown on the registration books of the State (kept by the Fiscal Agent) as a registered owner, with respect to: the accuracy of any records maintained by DTC or any Participant; the payment or timeliness of payments by DTC or any Participant of any amount in respect of the principal of, or premium, if any, or interest on the Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges

adopted by the State; the selection by DTC or any Participant or Indirect Participant of any beneficial owners to receive payment in the event of a partial redemption of the Bonds; or other action taken by DTC as a registered owner. Interest and principal will be paid by the Fiscal Agent to DTC, or its nominee. Disbursement of such payments to the Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Participants or the Indirect Participants.

SO LONG AS CEDE & CO. (OR SUCH OTHER NOMINEE AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF ALL THE BONDS, REFERENCES HEREIN TO THE OWNERS, HOLDERS OR BONDHOLDERS OF THE BONDS (OTHER THAN UNDER "SECTION 4 – TAX MATTERS", "SECTION 10 – CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12" AND EXHIBIT D HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS.

For every transfer and exchange of beneficial ownership of the Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its services as depository with respect to a Series of the Bonds at any time by giving reasonable notice to the State and discharging its responsibilities with respect thereto under applicable law, or the State may terminate its participation in the system of book-entry transfer through DTC at any time by giving notice to DTC. In either event, the State may retain another securities depository for the Bonds or may direct the Fiscal Agent to deliver bond certificates in accordance with instructions from DTC or its successor. If the State directs the Fiscal Agent to deliver such bond certificates, such Bonds may thereafter be exchanged for an equal aggregate principal amount of Bonds of the applicable Series in other authorized denominations and of the same maturity as set forth on the inside cover page hereof, upon surrender thereof at the principal corporate trust office of the Fiscal Agent, who will then be responsible for maintaining the registration books of the State.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest and other payments with respect to the Bonds to Direct Participants, Indirect Participants and Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Bonds and other related transactions by and between DTC, the Direct Participants, the Indirect Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the Direct Participants, the Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the Participants, as the case may be.

THE STATE AND FISCAL AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC OR DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC OR DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE STATE AND FISCAL AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC OR THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS

OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND NEITHER THE STATE NOR THE INITIAL PURCHASERS MAKE ANY REPRESENTATIONS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

SECTION 2 - PLAN OF FINANCING

Estimated Sources And Uses Of Funds

The following table sets forth the estimated sources and uses of funds with respect to the Bonds:

<u>Sources</u>	<u>Series 2013A</u>	<u>Series 2013B</u>	<u>Series 2013C</u>
Principal Amount	\$348,065,000	\$47,810,000	\$170,685,000
Net Original Issue Premium	39,780,062	0	23,676,478
Payment from the State for Costs of Issuance	196,833	39,274	0
Total Sources	<u>\$388,041,895</u>	<u>\$47,849,274</u>	<u>\$194,361,478</u>
<u>Uses</u>			
Deposit to Escrow Funds	\$ 0	\$ 0	\$193,876,689
Deposit to Bond Proceeds Funds	385,902,950	47,728,117	0
Initial Purchaser's Discount	1,942,112	81,883	296,793
Costs of Issuance	196,833	39,274	187,996
Total Uses	<u>\$388,041,895</u>	<u>\$47,849,274</u>	<u>\$194,361,478</u>

Application of Series 2013A Tax-Exempt Bonds and Series 2013B Taxable Bonds Proceeds

The net proceeds ("Net Proceeds") of the Series 2013A Tax-Exempt Bonds will be used to finance capital expenditures made or anticipated to be made during prior, current or subsequent State fiscal years for Clean Water/Clean Air, Pure Waters, Environmental Quality 1972, Rebuild New York Through Transportation Infrastructure Renewal Bonds, Environmental Quality 1986 and Rebuild and Renew New York Transportation Bonds purposes.

The Net Proceeds of the Series 2013B Taxable Bonds will be used to finance capital expenditures made or anticipated to be made during prior, current or subsequent State fiscal years for Rebuild and Renew New York Transportation Bonds and Environmental Quality 1972.

Refunding Plan

The Series 2013C Tax-Exempt Refunding Bonds are being issued to provide funds to refund the Refunded Bonds. The Series, principal amounts and the maturity dates of the Refunded Bonds are as shown in Exhibit C - DESCRIPTION OF THE REFUNDED BONDS.

Substantially all of the proceeds of the Series 2013C Tax-Exempt Refunding Bonds will be deposited with The Bank of New York Mellon (the “Escrow Agent”) pursuant to an escrow deposit agreement (the “Escrow Agreement”) to be entered into, at or prior to the issuance of the Series 2013C Tax-Exempt Refunding Bonds, between the State and the Escrow Agent. Such proceeds, together with any other amounts deposited with the Escrow Agent under the Escrow Agreement, will be used to acquire non-callable direct obligations of the United States government (the “Government Obligations”), the principal of and interest on which when due will be sufficient, together with any other moneys deposited with the Escrow Agent under the Escrow Agreement, to redeem the Refunded Bonds at the applicable redemption prices on the respective dates of redemption, together with interest to become due on such Refunded Bonds on or prior to their respective redemption dates. The moneys deposited with and the Government Obligations acquired by the Escrow Agent with the proceeds of the Series 2013C Tax-Exempt Refunding Bonds pursuant to the Escrow Agreement will be deposited in an irrevocable escrow fund established under the Escrow Agreement and pledged to secure the payment of the Refunded Bonds. Upon the deposit of proceeds of the Series 2013C Tax-Exempt Refunding Bonds with the Escrow Agent as described above, the Refunded Bonds shall be deemed to be paid and shall no longer be deemed outstanding, and the holders thereof shall be paid solely out of the Government Obligations and moneys held by the Escrow Agent pursuant to the Escrow Agreement. Accordingly, the redemption price of the Refunded Bonds, together with interest to become due thereon, will be payable from the Escrow Fund.

The Comptroller has determined that the refunding transaction will achieve actual debt service savings in each fiscal year during the term to maturity of the Series 2013C Tax-Exempt Refunding Bonds and will provide savings on a present value basis over the life of the Series 2013C Tax-Exempt Refunding Bonds, based on the difference between the debt service payable on the Series 2013C Tax-Exempt Refunding Bonds and the debt service payable on the Refunded Bonds.

SECTION 3 – LEGAL INVESTMENT

Under existing State law, the Bonds are legal investments for the State (except for State money set aside to repay any State TRANs) and for municipalities, school districts, fire districts, State chartered banks and trust companies, savings banks, savings and loan associations, credit unions and insurance companies organized under the laws of the State subject to applicable statutory requirements. There are no State statutory restrictions on the purchase of the Bonds by investment companies.

The Bonds may be accepted by the Comptroller and by State agencies and localities in situations where a supplier or contractor is required to deposit securities to secure performance of a contract. The Bonds may also be accepted by the Comptroller and the State Superintendent of Financial Services where State law requires the deposit of securities.

With a few exceptions and subject to any contrary provisions in any agreement with noteholders or bondholders or other contracts, the Bonds are legal investments for public authorities in the State. The Bonds may be accepted by public authorities where the deposit of obligations is required to secure performance of contractors.

SECTION 4 – TAX MATTERS

The following is a summary of certain of the United States Federal income tax consequences of the ownership of the Bonds as of the date hereof. Each prospective investor should consult with its own tax advisor regarding the application of United States Federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

Tax-Exempt Bonds

The Code sets forth certain requirements that must be met after the Tax-Exempt Bonds have been validly issued and delivered in order that interest on the Tax-Exempt Bonds will be and will remain excludable from gross income pursuant to Section 103 of the Code. Such requirements may include the rebating of certain amounts earned from the investment of the proceeds of the Tax-Exempt Bonds. Rebates of any such amounts are subject to future appropriation by the State Legislature. The Tax Certificate to be prepared and executed by the Comptroller and dated as of the date of delivery of the Tax-Exempt Bonds (the “Certificate”), which will be delivered concurrently with the delivery of the Tax-Exempt Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Comptroller, in executing the Certificate, will certify that he expects to be able to and will comply with the provisions and procedures set forth therein. The Comptroller will also certify in the Certificate that, to the extent authorized by law, he will do and perform all acts and things necessary or desirable to assure that interest paid on the Tax-Exempt Bonds is excludable from gross income under Section 103 of the Code. By the time the Tax-Exempt Bonds have been delivered, the Comptroller will also have received certificates from other governmental officers and entities relating to the use of the proceeds of the Tax-Exempt Bonds.

Assuming compliance with the provisions and procedures set forth in the Certificate and subsequent rebating and other requirements, the Attorney General is of the opinion that, under the Code and other existing statutes, regulations, administrative rulings, and court decisions, interest on the Tax-Exempt Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes pursuant to Section 103 of the Code and that such interest will not be treated as a specific preference item in calculating the alternative minimum tax that may be imposed under the Code with respect to individuals and corporations. However, interest on the Tax-Exempt Bonds will be includable in adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax that may be imposed on such corporations. Assuming compliance with the provisions and procedures set forth in the Certificate and subsequent rebating and other requirements, it is further the opinion of the Attorney General that such interest is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York and the City of Yonkers.

The Attorney General expresses no opinion regarding any other federal, state or local tax consequences with respect to the Tax-Exempt Bonds. The Attorney General renders its opinion under existing law as of the date of issue, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. The Attorney General expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Tax-Exempt Bonds, or under state and local law.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Tax-Exempt Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue

price” of a maturity means the first price at which a substantial amount of the Tax-Exempt Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Tax-Exempt Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. The Attorney General is further of the opinion that, for any Tax-Exempt Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Tax-Exempt Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Tax-Exempt Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of OID for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Tax-Exempt Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Tax-Exempt Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Tax-Exempt Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Premium Bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Collateral Tax Consequences

Ownership of tax-exempt obligations may result in tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty and life insurance companies, corporations subject to the environmental tax, certain foreign corporations doing business in the United States, certain S Corporations, individuals who otherwise qualify for the earned income credit or who are

recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Tax-Exempt Bonds should consult their tax advisors as to applicability of any such consequences.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Tax-Exempt Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Tax-Exempt Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Tax-Exempt Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Legislation

Current and future legislative proposals, if enacted into law, clarification of the Code or state or local tax law or court decisions may cause interest on the Tax-Exempt Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which the Attorney General is expected to express no opinion.

Series 2013B Taxable Bonds

Tax Status of the Series 2013B Taxable Bonds

The following discussion is a summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of the Series 2013B Taxable Bonds by purchasers who are U.S. Holders. As used herein, the term "U.S. Holder" means a beneficial owner of a Series 2013B Taxable Bond that is for United States Federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

The Series 2013B Taxable Bonds will be treated, for Federal and State and local income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the holder as it is

paid (or, if the holder is an accrual method taxpayer, as it is accrued) as interest. Interest on the Series 2013B Taxable Bonds will be subject to Federal income taxes and personal income taxes imposed by the State and any political subdivision thereof, including The City of New York and the City of Yonkers.

Although the Series 2013B Taxable Bonds are expected to trade “flat,” that is, without a specific allocation to accrued interest, for Federal income tax purposes, a portion of the amount realized on a sale attributed to the Series 2013B Taxable Bonds will be treated as accrued interest and thus will be taxed as ordinary income to the seller (and will not be subject to tax in the hands of the buyer).

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Series 2013B Taxable Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Series 2013B Taxable Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series 2013B Taxable Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement.

A holder of a Series 2013B Taxable Bond will be required to include OID in gross income as it accrues under a constant yield method, based on the original yield to maturity of the Series 2013B Taxable Bonds. Thus, the holders of such Series 2013B Taxable Bonds will be required to include OID in income as it accrues, prior to the receipt of cash attributable to such income. U.S. holders, however, would be entitled to claim a loss upon maturity or other disposition of such Series 2013B Taxable Bonds with respect to interest amounts accrued and included in gross income for which cash is not received. Such a loss generally would be a capital loss.

The amount of OID that such holder of a Series 2013B Taxable Bond must include in gross income with respect to a Series 2013B Taxable Bond acquired at a premium as described below will be reduced in proportion that such premium bears to the OID remaining to be accrued as of the acquisition of the Series 2013B Taxable Bond.

Bond Premium

Holders of the Series 2013B Taxable Bonds that allocate a basis in the Series 2013B Taxable Bonds that is greater than the principal amount of the Series 2013B Taxable Bonds or its adjusted issue price if issued with OID (generally its accreted value) should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

Market Discount

If a holder purchases the Series 2013B Taxable Bonds subsequent to its initial issuance for an amount that is less than the principal amount of the Series 2013B Taxable Bonds or its adjusted issue price if issued with OID (generally its accreted value), and such difference is not considered to be de minimis, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a Series 2013B Taxable Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or

continued to carry a market discount Series 2013B Taxable Bond that does not exceed the accrued market discount for any taxable year, will be deferred.

Backup Withholding

Purchasers of the Series 2013B Taxable Bonds who are U.S. holders and who are neither a corporation or other exempt recipient of payments of principal, interest or accrued OID or sale proceeds upon disposition prior to maturity of the Series 2013B Taxable Bonds, nor a holder who provides a correct taxpayer identification number may be subject to backup withholding requirements under Section 3406 of the Code.

Defeasance of Series 2013B Taxable Bonds

Defeasance of any Series 2013B Taxable Bond may result in a deemed reissuance thereof for Federal income tax purposes, meaning that such Series 2013B Taxable Bond will be treated as having been sold or exchanged as of the date of such defeasance for a new obligation which is represented by such defeased Series 2013B Taxable Bond. In such event a holder of a defeased Series 2013B Taxable Bond will recognize taxable gain or loss equal to the difference between the amount realized from such deemed sale or exchange (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in such Series 2013B Taxable Bond.

Foreign Investors

This summary of tax considerations generally does not address the tax consequences to an investor who is not a U.S. Holder. Distributions on the Series 2013B Taxable Bonds to a non-U.S. Holder that has no connection with the United States other than holding its Series 2013B Taxable Bonds generally will be made free of withholding tax, as long as that holder has complied with certain tax identification and certification requirements. Prospective purchasers of the Series 2013B Taxable Bonds who are not U.S. Holders should consult their tax advisors regarding the federal, state and local, and foreign tax consequences of purchasing and holding the Series 2013B Taxable Bonds.

IRS Circular 230 Taxable Disclosure

The advice under the caption, "Series 2013B Taxable Bonds", concerning certain income tax consequences of the acquisition, ownership and disposition of the Series 2013B Taxable Bonds, was written to support the marketing of the Series 2013B Taxable Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service Circular 230, the Attorney General informs you that (i) any federal tax advice contained in this Official Statement (including any attachments) or in writings furnished by Attorney General is not intended to be used, and cannot be used by any holder of the Series 2013B Taxable Bonds, for the purpose of avoiding penalties that may be imposed on the such holder under the Code, and (ii) holders of the Series 2013B Taxable Bonds should seek advice based on the their particular circumstances from their own independent tax advisor.

SECTION 5 – RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned the Bonds a rating of "Aa2", Standard & Poor's Ratings Services, a Division of Standard & Poor's Financial Services LLC ("S&P") has assigned the Bonds a rating of "AA" and Fitch, Inc. ("Fitch") has assigned the Bonds a rating of "AA".

Ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings must be obtained from the rating agency furnishing the same. There is no assurance that a particular rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any such downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell or hold securities.

SECTION 6 – VERIFICATION OF MATHEMATICAL COMPUTATIONS

Samuel Klein and Company, Certified Public Accountants, a firm of independent accountants, will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Bonds of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium payment requirements, if any of the Refunded Bonds, and (2) the computations of yield on both the securities and the Bonds contained in the provided schedules used by the Attorney General in its determination that the interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes. Samuel Klein and Company, Certified Public Accountants, a firm of independent accountants, will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Tax-Exempt Bonds.

SECTION 7 – OPINION OF ATTORNEY GENERAL

The Attorney General will deliver a legal opinion to the Comptroller on the date of delivery of the Bonds, in substantially the form attached as Exhibit B to Part I of this Official Statement, as to the validity and binding effect of the Bonds, and the extent to which interest on the Tax-Exempt Bonds is exempt from Federal and State income taxes.

SECTION 8 – LITIGATION

No litigation is pending or, to the knowledge of the Attorney General, threatened against or affecting the State seeking to restrain or enjoin the issuance, sale or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds.

Litigation is pending in which the State is a party. For a description of certain litigation affecting the State, see the section entitled “Litigation and Arbitration” in Part II of this Official Statement.

SECTION 9 – CLOSING CERTIFICATE

Concurrently with the delivery of the Bonds, the State will furnish: (i) a certificate signed by the Comptroller of the State of New York and dated as of the date of the delivery of and payment for the Bonds certifying with respect to Parts I and III of the Official Statement, but not with respect to Part II of the Official Statement, that as of the date of the Official Statement furnished by the State in relation to the sale of the Bonds, Parts I and III of the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, subject to the condition that, while information in Parts I and III of the Official Statement obtained from sources other than the State is not certified as to accuracy, completeness or fairness, he has no reason to believe and does not believe that such information is materially inaccurate or misleading; and (ii) a certificate signed by the Director of the Budget of the State of New York and dated as of the date of the delivery of and payment for the Bonds certifying with respect to Part II of the Official Statement, but not with respect to Parts I and III of the Official Statement, that as of the date of the Official Statement furnished by the State in relation to the

sale of the Bonds and as of the date of delivery of the Bonds, Part II of the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, subject to the condition that, while information in Part II of the Official Statement obtained from sources other than the State is not certified as to accuracy, completeness or fairness, he has no reason to believe and does not believe that such information is materially inaccurate or misleading, and subject to the further condition that with regard to the statements and information in Part II under the caption "Litigation and Arbitration" such statements and information as to legal matters are given to the best of his information and belief, having made such inquiries as he deems appropriate with the Department of Law of the State of New York, without further independent investigation.

SECTION 10 – CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the initial purchasers of the Bonds to comply with the provisions of paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the State will undertake in a written agreement for the benefit of the Holders of the Bonds (the "Disclosure Agreement") to provide continuing disclosure of certain financial and operating data concerning the State (collectively, the "Annual Information"), notices of certain events described in the Disclosure Agreement (the "Notices") in accordance with the requirements of Rule 15c2-12 and the annual financial statements. The Division of the Budget will electronically file with the MSRB, through its EMMA system, the Annual Information on or before 120 days after the end of each State fiscal year, commencing the fiscal year ending March 31, 2013. The Comptroller is required by existing law to issue audited annual financial statements of the State prepared in accordance with GAAP within 120 days after the close of the State fiscal year, and the Comptroller will undertake to electronically file with the MSRB, the State's annual financial statements prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, provided, however, that if audited financial statements are not then available, unaudited financial statements shall be so filed no later than 120 days after the end of the State's fiscal year and such audited financial statements shall be electronically filed with the MSRB, if and when such statements are available. In addition, the Comptroller will also undertake to electronically file with the MSRB any Notice in a timely manner not in excess of ten business days after the occurrence of any of the fourteen events described in the Disclosure Agreement. The proposed form of the Disclosure Agreement is attached hereto as PART I - EXHIBIT D. Copies of the Disclosure Agreement when executed by the parties thereto on the date of the initial delivery of the Bonds will be on file at the Office of the State Comptroller.

The State (as defined in the Disclosure Agreement) has not in the previous five years failed to comply, in any material respects, with any such agreements pursuant to Rule 15c2-12.

SECTION 11 – MISCELLANEOUS

In connection with offers and sales of the Bonds, no action has been taken by the State that would permit a public offering of the Bonds, or possession or distribution of any information relating to the pricing of the Bonds, this Official Statement or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, by submitting a bid, each initial purchaser agrees to comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Bonds or possesses or distributes this Official Statement or any other offering or publicity material relating to the Bonds and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Bonds under the laws and regulations in force in any country or jurisdiction to which it is subject or in which it makes such purchases, offers or sales and the State shall have no responsibility therefor.

STATE OF NEW YORK
Thomas P. DiNapoli
State Comptroller

By: /s/ Robert B. Ward
Robert B. Ward
Deputy Comptroller

BOND AUTHORIZATIONS

The following is a listing of the purposes for which the voters of the State, at general elections in November, have authorized the issuance of general obligation bonds, as required by Article VII, Section 11 of the State Constitution for which authorization to issue additional debt remains. The listing includes the respective dates of authorization. The Table of Issuance and Bonds Outstanding that follows presents the total amount of general obligation debt authorized, authorized but unissued prior to and after the issuance of the Series 2013A Tax-Exempt Bonds and the Series 2013B Taxable Bonds and outstanding prior to the issuance of the Bonds and prior to the redemption of the Refunded Bonds. The total amount of general obligation debt authorized, authorized but unissued, and outstanding as of March 31, 2012 by purpose is set forth in the table of State General Obligation Debt in Part II of this Official Statement in the section entitled “Debt and Other Financing Activities – State Debt and Other Financings – General Obligation Financings.”

Accelerated Capacity and Transportation Improvements of the Nineties Bonds

The Accelerated Capacity and Transportation Improvements of the Nineties Bond Act (Chapter 261, Section 50, of the Laws of 1988) authorized the creation of a State debt in an aggregate amount not exceeding \$3.0 billion to provide moneys to be used for preserving, enhancing, restoring and improving the quality of the State’s highway and bridge infrastructure system by the construction, reconstruction, capacity improvement, replacement, reconditioning and preservation of State highways and parkways, and bridges thereon, and municipal bridges not on the State highway system.

Clean Water/Clean Air Bonds

The Clean Water/Clean Air Bond Act of 1996 (Chapter 412 of the Laws of 1996) authorized the creation of a State debt in an aggregate amount not exceeding \$1.750 billion for the single purpose of preserving, enhancing, restoring and improving the quality of the State’s environment by the accomplishment of projects and the funding of activities by State agencies, public authorities and public benefit corporations, municipalities and other governmental entities and not-for-profit corporations for and related to protecting, improving, and enhancing the quality of drinking water and the enhancement of water bodies; by providing funds to open space, and for parks, historic preservation, and heritage area improvements; by providing funds for solid waste projects; by providing funds for the restoration of contaminated properties, and by providing funds for air quality projects. Such programs and their respective maximum debt authorizations are as follows: (1) for the creation of a State safe drinking water program (\$355 million), (2) for preserving, enhancing, restoring and improving the quality of water (\$790 million), (3) for solid waste projects (\$175 million), (4) for restoring and improving contaminated areas and returning them to productive use (\$200 million), and (5) for preserving, enhancing, restoring and maintaining the quality of the air (\$230 million).

Environmental Quality 1972 Bonds

The Environmental Quality Bond Act (Chapter 658 of the Laws of 1972) authorized the creation of a State debt in an aggregate amount not exceeding \$1.150 billion for the purpose of preserving, enhancing, restoring and improving the quality of the State’s environment for three basic programs, each of which contains its own maximum debt authorization. Such programs and their respective limitations on the use of proceeds are as follows: (1) for the preservation, enhancement, restoration and improvement of the quality of water (\$650 million); (2) for the preservation, enhancement, restoration and improvement

of the quality of air (\$150 million); and (3) for the preservation, enhancement, restoration and improvement of the quality of land (\$350 million).

Environmental Quality 1986 Bonds

The Environmental Quality Bond Act of 1986 (Chapter 511 of the Laws of 1986) authorized the creation of a State debt in an aggregate amount not exceeding \$1.450 billion to provide moneys to be used for preservation, enhancement, restoration and improvement of the quality of the State's environment by the remediation of sites containing hazardous wastes; by the closure of municipal landfills; by the acquisition of land or interests in land within the Adirondack and Catskill parks; by the acquisition of environmentally sensitive areas, including areas of aquifer recharge, exceptional scenic beauty, exceptional forest character, open space, pine barrens, public access, trailways, unique character, wetlands and wildlife habitat; and by the improvement, restoration and rehabilitation of State and municipal historic sites, the acquisition, development and improvement of municipal park and recreation facilities and the development of urban cultural parks; and by the acquisition, improvement, restoration and rehabilitation of historic properties owned or to be acquired by not-for-profit corporations. The programs authorized and their respective debt authorizations are as follows: (1) for hazardous waste site remediation and municipal non-hazardous waste landfill closure (\$1.2 billion), of which up to \$100 million shall be available to municipalities to assist in the closure of municipal landfills; and (2) for acquisition of forest preserve and environmentally sensitive lands, and for the acquisition, development, improvement and restoration of real property for conservation, recreation, and historic preservation purposes (\$250 million).

Housing Bonds and Urban Renewal Bonds

Article XVIII, Section 3 of the State Constitution, which took effect January 1, 1939, authorized the creation of a State debt in an aggregate amount not exceeding \$300 million for the purpose of making loans to any city, town, village, public corporation or limited profit housing corporation for the construction of low rent housing for persons of low income as defined by law and for the clearance, replanning, reconstruction and rehabilitation of substandard and unsanitary areas, and for recreational and other facilities incidental or appurtenant thereto. Subsequently, in each of the years 1947, 1949, 1954 and 1958, the voters approved the creation of additional housing debt in the amounts of \$135 million, \$300 million, \$200 million and \$200 million, respectively. The \$300 million of original authorization was not segregated by type of housing project. Subsequent authorizations, however, were designated for low income housing, middle income housing or urban renewal.

Outdoor Recreation Development Bonds

The Outdoor Recreation Development Bond Act (Chapter 558 of the Laws of 1965) authorized the creation of a State debt in an aggregate amount not exceeding \$200 million to provide moneys to be used, in such manner and upon such terms and conditions as the Legislature may prescribe, for development and acquisition of lands for outdoor recreation purposes, including parks, forest recreation areas, marine facilities and historic sites.

Park and Recreation Land Acquisition Bonds

The Park and Recreation Land Acquisition Bond Act (Chapter 522 of the Laws of 1960) and the Park and Recreation Land Acquisition Bond Act of 1962 (Chapter 443 of the Laws of 1962) authorized the creation of a State debt in an aggregate amount not exceeding \$100 million to provide moneys to be used for the purpose of temporarily financing the acquisition of predominately open or natural lands, for conservation and outdoor recreation development particularly in and near rapidly growing urban and suburban areas to meet future needs of an expanding population, for the acquisition of additional State

park lands, and for State grants to cities, counties, towns and villages and to cities, counties, towns and villages on behalf of improvements districts in acquiring similar lands for municipal parks for matching Federal funds which may from time to time be made available by Congress for such purposes.

Pure Waters Bonds

The Pure Waters Bond Act (Chapter 176 of the Laws of 1965) authorized the creation of a State debt in an aggregate amount not exceeding \$1.0 billion to provide moneys to be used for the non-local share of the costs of construction, reconstruction and improvement by a political subdivision or a public benefit corporation of the State of facilities for the purpose of treating, neutralizing, or stabilizing sewage, including treatment or disposal plants and for other necessary facilities to ensure pure water for the State. The non-local share to be financed by the State may not exceed 60% of the total cost.

Rebuild New York Through Transportation Infrastructure Renewal Bonds

The Rebuild New York Through Transportation Infrastructure Renewal Bond Act (Chapter 836 of the Laws of 1983) authorized the creation of a State debt in an aggregate amount not exceeding \$1.250 billion to provide moneys to be used for the preservation, enhancement, restoration and improvement of the quality of the State's transportation infrastructure system by the construction, reconstruction, improvement, reconditioning and preservation of State highways, bridges and parkways and highways and bridges not on the State highway system, including the improvement and/or elimination of highway-railroad grade crossings on or off State highways and the improvement or construction of commuter rail parking facilities, ports, marine terminals, canals, waterways, rail freight, rail passenger, rail rapid transit, commuter rail, omnibus systems and facilities and airport and aviation capital facilities. Such programs and their respective maximum debt authorizations are as follows: (1) highways, bridges, parkways, grade-crossings and commuter rail parking (\$1.005 billion); (2) ports, marine terminals, canals and waterways (\$75 million); and (3) rail freight, rail passenger, rapid transit, commuter rail, omnibus and airport and aviation facilities (\$170 million). In each of the above categories the Legislature may increase the maximum debt authorization provided that such increase is simultaneously offset by appropriate decreases in one or more categories. Such action has been taken and the maximum amount authorized to be issued for each purpose as of the date of this Official Statement is \$1.064 billion, \$49.36 million and \$136.64 million for the purposes (1), (2), and (3), respectively.

Rebuild and Renew New York Transportation Bonds

The Rebuild and Renew New York Transportation Bond Act of 2005 (Chapter 60 of the Laws of 2005) authorized the creation of a State debt in an aggregate amount not exceeding \$2.9 billion to provide monies for the single purpose of improving, enhancing, preserving and restoring the quality of the state's transportation infrastructure. The limitations on the use of proceeds are as follows: (a) \$1.45 billion for the planning and design, construction, reconstruction, replacement, improvement, reconditioning, rehabilitation and preservation of State highways, bridges and parkways; highways and bridges off the State highway system if the project is necessary or incidental to the canal system; border crossing enhancements; the improvement and/or elimination of highway-railroad grade crossings; pedestrian and/or bicycle trails, pathways and bridges; the canal system and moveable bridges that cross over the canal system; certain airports or aviation facilities and equipment, ports and marine terminals; omnibus, mass transit and rapid transit facilities and equipment excluding those operated or acquired by or under the jurisdiction of the metropolitan transportation authority and its subsidiaries and the Triborough Bridge and Tunnel Authority; certain urban, commuter and intercity passenger rail, freight rail, and intermodal passenger and freight facilities and equipment and (b) \$1.45 billion for the planning and design, construction, reconstruction, replacement, improvement, reconditioning, rehabilitation and preservation in connection with urban and commuter passenger and freight rail, omnibus, mass transit and rapid transit systems, facilities and equipment including acquisition, operated or acquired by or under the jurisdiction

of the metropolitan transportation authority and its subsidiaries and the New York City Transit Authority and its subsidiaries.

GENERAL OBLIGATION BONDS
TABLE OF ISSUANCE AND BONDS OUTSTANDING
(Dollars in Thousands)

PURPOSE	BONDS AUTHORIZED AS OF 01-31-2013	AUTHORIZED BUT UNISSUED AS OF 01-31-2013 ¹	BONDS BEING ISSUED 3/19/2013	REMAINING AUTHORIZED BUT UNISSUED ^{1,2}	BONDS OUTSTANDING AS OF 01-31-2013 ^{1,3}
TRANSPORTATION BONDS:					
Rebuild and Renew New York Transportation Bonds (2005)					
Highway Facilities/Other Transportation (Excl. MTA)	\$ 1,450,000	\$ 395,669	\$ 191,682	\$ 203,987	\$ 906,782
Mass Transit - Metropolitan Transportation Authority	1,450,000	569,451	183,603	385,848	800,856
Accelerated Capacity and Transportation Improvements of the Nineties (1988)	3,000,000	20,231	-	20,231	296,293
Rebuild New York Through Transportation Infrastructure Renewal (1983)					
Highway Related Projects	1,064,000	22,136	1,607	20,529	2,740
Ports, Canals, and Waterways	49,360	-	-	-	-
Rapid Transit, Rail and Aviation Projects	136,640	-	-	-	13,255
Energy Conservation Through Improved Transportation (1979)					
Local Streets and Highways	100,000	-	-	-	-
Rapid Transit and Rail Freight	400,000	-	-	-	8,720
Rail Preservation (1974)	250,000	-	-	-	2,677
Transportation Capital Facilities (1967)					
Highways	1,250,000	-	-	-	-
Mass Transportation	1,000,000	-	-	-	1,011
Aviation	250,000	-	-	-	13,656
Total Transportation Bonds	10,400,000	1,007,487	376,892	630,595	2,045,990
ENVIRONMENTAL BONDS:					
Clean Water/Clean Air (1996)					
Air Quality	230,000	29,708	-	29,708	38,151
Safe Drinking Water	355,000	-	-	-	9,255
Clean Water	790,000	129,929	38,448	91,481	461,094
Solid Waste	175,000	3,191	-	3,191	64,662

PURPOSE	BONDS AUTHORIZED AS OF 01-31-2013	AUTHORIZED BUT UNISSUED AS OF 01-31-2013¹	BONDS BEING ISSUED 3/19/2013	REMAINING AUTHORIZED BUT UNISSUED^{1,2}	BONDS OUTSTANDING AS OF 01-31-2013^{1,3}
Environmental Restoration	200,000	50,071	3,188	46,883	100,670
Environmental Quality (1986)					
Land and Forests	250,000	2,647	373	2,274	27,750
Solid Waste Management	1,200,000	60,847	11,857	48,990	350,132
Environmental Quality (1972)					
Air	150,000	12,353	-	12,353	8,000
Land and Wetlands	350,000	10,043	403	9,640	18,949
Water	650,000	3,886	1,554	2,332	67,432
Outdoor Recreation Development (1966)	200,000	230	-	230	-
Pure Waters (1965)	1,000,000	20,840	916	19,924	57,283
Park and Recreation Land Acquisition (1960)	100,000	772	-	772	17
Total Environmental Bonds	5,650,000	324,517	56,739	267,778	1,203,395
EDUCATIONS BONDS:					
Higher Education Facilities (1957)	250,000	-	-	-	-
HOUSING BONDS:					
Low-Income Housing (through 1958)	960,000	7,928	-	7,928	28,425
Middle-Income Housing (through 1958)	150,000	500	-	500	26,745
Urban Renewal (1958)	25,000	1,575	-	1,575	-
Total Housing Bonds	1,135,000	10,003	-	10,003	55,170
TOTAL GENERAL OBLIGATION DEBT					
	\$ 17,435,000	\$ 1,342,007	\$ 433,631	\$ 908,376	\$ 3,304,555

1. Reflects unaudited amounts.

2. Reflects issuance of the Series 2013A and 2013B Bonds.

3. Prior to the issuance of the Bonds and prior to the redemption of the Refunded Bonds.

FORM OF ATTORNEY GENERAL’S OPINION

[Closing Date]

Honorable Thomas P. DiNapoli
 State Comptroller
 110 State Street
 Albany, New York 12236

Dear Sir:

The Comptroller has requested my opinion regarding the validity of General Obligation Bonds of the State of New York, \$348,065,000 Series 2013A Tax-Exempt Bonds (the “Series 2013A Tax-Exempt Bonds”), \$47,810,000 Series 2013B Taxable Bonds (the “Series 2013B Taxable Bonds”) and \$170,685,000 Series 2013C Tax-Exempt Refunding Bonds (the “Series 2013C Tax-Exempt Refunding Bonds”) (the Series 2013A Tax-Exempt Bonds, the Series 2013B Taxable Bonds and the Series 2013C Tax-Exempt Refunding Bonds being collectively referred to as the “Bonds”) which were sold on March 7, 2013.

The Comptroller advises that the Series 2013A Tax-Exempt Bonds and the Series 2013B Taxable Bonds are being issued for the purposes and in the amounts set forth below.

\$348,065,000 Series 2013A Tax-Exempt Bonds

<u>Purpose</u>	<u>Amount</u>	<u>Maturing March 1</u>
Pure Waters	\$ 856,409	2014-2043
Environmental Quality 1972		
Water	738,934	2014-2043
Water	292,184	2014-2023
Land	345,191	2014-2023
Rebuild New York Through Transportation Infrastructure Renewal Bonds		
Highways	1,375,739	2014-2023
Rebuild and Renew New York Transportation Bonds		
Highway Facilities	138,877,851	2014-2033
Highway Facilities	9,938,383	2014-2023
Rails & Ports	4,275,770	2014-2028
MTA – Mass Transit	104,711,781	2014-2043
MTA – Mass Transit	20,839,701	2014-2023
Aviation.....	13,782,861	2014-2043
Aviation.....	951,490	2014-2023
Canal	1,624,096	2014-2023
Environmental Quality 1986		
Land	329,440	2014-2033
Solid Waste	10,472,930	2014-2033
Clean Water/Clean Air		
Clean Water.....	33,756,289	2014-2043

<u>Purpose</u>	<u>Amount</u>	<u>Maturing March 1</u>
Clean Water.....	2,073,435	2014-2033
Clean Water.....	6,585	2014-2023
Environmental Restoration	2,815,931	2014-2033
	<u>\$348,065,000</u>	

\$47,810,000 Series 2013B Taxable Bonds

<u>Purpose</u>	<u>Amount</u>	<u>Maturing March 1</u>
Environmental Quality 1972		
Water.....	\$ 423,855	2014-2023
Rebuild and Renew New York Transportation Bonds		
MTA – Mass Transit.....	47,386,145	2014-2023
	<u>\$47,810,000</u>	

The Comptroller further advises that the proceeds of the Series 2013C Tax-Exempt Refunding Bonds will be used to pay certain costs of issuance of the Series 2013C Tax-Exempt Refunding Bonds and to purchase United States government obligations, the interest and maturing principal of which, will be used to pay the principal and redemption price of, and interest on the State’s General Obligation Bonds to be refunded which are described in Exhibit C of Part I of the Official Statement.

You further advise the following with respect to the Bonds. The Bonds will be dated the date of delivery and will mature or be subject to mandatory redemption on March 1 in each of the years set forth in the respective tables in the Official Statement (in the case of the Series 2013A Tax-Exempt Bonds and the Series 2013B Taxable Bonds) and on October 15, 2013, April 15, 2014 and each April 15 thereafter (in the case of the Series 2013C Tax-Exempt Refunding Bonds) in each of the years set forth in the respective table in the Official Statement. The Bonds will be issued as registered bonds, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interests in the Bonds purchased. Beneficial ownership interests in each series of the Bonds in the amount of \$5,000 or any integral multiple thereof may be purchased by or through DTC Participants. Interest on the Series 2013A Tax-Exempt Bonds and the Series 2013B Taxable Bonds will be payable semi-annually on September 1 and March 1, commencing on September 1, 2013 and thereafter until maturity. Interest on the Series 2013C Tax-Exempt Refunding Bonds will be payable semi-annually on October 15 and April 15, commencing on October 15, 2013 and thereafter until maturity.

The Series 2013A Tax-Exempt Bonds will be issued pursuant to the authority contained in Article VII, Sections 11 and 12 of the State Constitution, Sections 56, 57 and 61 of the State Finance Law and appropriation acts enacted by the State Legislature. The Series 2013B Taxable Bonds will be issued pursuant to the authority contained in Article VII, Sections 11 and 12 of the State Constitution, Sections 57 and 61 of the State Finance Law and appropriation acts enacted by the State Legislature. The Series 2013C Tax-Exempt Refunding Bonds will be issued pursuant to Article VII, Section 13 of the Constitution of the State of New York and Sections 56 and 57 of the State Finance Law.

The transcript of the proceedings and the forms of the Bonds enclosed with the Comptroller’s request have been examined by members of my staff. You are advised that after consideration of the

provisions of the State Constitution, the pertinent sections of the State Finance Law and the statutes above referred to, it is my opinion, based upon such inquiry as members of my staff have deemed appropriate, that the Bonds are legally issued in accordance with such Constitution and laws and that the Bonds constitute valid and legally binding general obligations of the State of New York to which its full faith and credit are pledged.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements that must be met after the Series 2013A Tax-Exempt Bonds and the Series 2013C Tax-Exempt Refunding Bonds (collectively, the "Tax-Exempt Bonds") have been validly issued and delivered in order that interest on the Tax-Exempt Bonds will be and will remain excludable from gross income pursuant to Section 103 of the Code. Such requirements may include the rebating of certain amounts earned from the investment of the proceeds of the Tax-Exempt Bonds. Rebates of any such amounts are subject to future appropriations by the State Legislature. You have provided me with an Arbitrage and Use of Proceeds Certificate prepared and executed by you, dated the date hereof with respect to the Series 2013A Tax-Exempt Bonds and the Series 2013C Tax-Exempt Refunding Bonds ("Certificate"), which contain provisions and procedures regarding compliance with the requirements of the Code. In executing the Certificate, you have certified to the effect that you expect to be able to and will comply with the provisions and procedures set forth therein, including any attachments thereto, and that to the extent authorized by law you will do and perform all acts and things necessary or desirable to assure that interest paid on the Tax-Exempt Bonds is excludable from gross income under Section 103 of the Code. You have also provided me with executed certificates of other governmental officers and entities relating to the use of the proceeds of the Tax-Exempt Bonds. No matters have come to my personal attention which would lead me to believe that the Certificate is incorrect or unreasonable.

Based on the contents of the Certificate and assuming compliance therewith and with subsequent rebating and other requirements, it is my opinion, based upon such inquiry as members of my staff have deemed appropriate, that, under the Code and other existing statutes, regulations, administrative rulings, and court decisions, interest on the Tax-Exempt Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes pursuant to Section 103 of the Code and that such interest will not be treated as a specific preference item in calculating the alternative minimum tax that may be imposed under the Code with respect to individuals and corporations. However, interest on the Tax-Exempt Bonds will be includable in adjusted current earnings for purposes of calculating the Federal alternative minimum that may be imposed on corporations. Based on the contents of such Certificate, and assuming compliance therewith and with subsequent rebating and other requirements, it is my further opinion that interest on the Tax-Exempt Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York and the City of Yonkers.

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Tax-Exempt Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity (in general, the "issue price" of a maturity means the first price at which a substantial amount of those Tax-Exempt Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers)). For any Tax-Exempt Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Tax-Exempt Bonds.

Except as stated in the two preceding paragraphs, I express no opinion as to any Federal, state or local tax consequences arising with respect to the Bonds or the ownership or disposition thereof. This opinion is based on existing law as of the date hereof and I assume no obligation to update this opinion

after the date hereof to reflect any future action, fact or circumstance, or change in law. Furthermore, I express no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than myself on the exclusion from gross income for Federal income tax purposes of interest on the Tax-Exempt Bonds, or under state and local law.

Ownership of the Tax-Exempt Bonds may have other collateral tax consequences, not discussed herein, concerning which no opinion is expressed.

I further advise you that this letter contains my only opinion as to the validity and binding effect of the Bonds.

Very truly yours,

ERIC T. SCHNEIDERMAN
Attorney General

PART I - EXHIBIT C

DESCRIPTION OF THE REFUNDED BONDS

<u>Series</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP</u>
2003A	3/25/2003	3/15/2016	\$5,645,000	4.000%	4/18/2013	100%	649787XG8
2003A	3/25/2003	3/15/2017	\$5,865,000	4.000%	4/18/2013	100%	649787XH6
2003A	3/25/2003	3/15/2018	\$6,105,000	4.100%	4/18/2013	100%	649787XJ2
2003A	3/25/2003	3/15/2019	\$6,355,000	4.200%	4/18/2013	100%	649787XK9
2003A	3/25/2003	3/15/2020	\$6,620,000	4.250%	4/18/2013	100%	649787XL7
2003A	3/25/2003	3/15/2021	\$6,905,000	4.375%	4/18/2013	100%	649787XM5
2003A	3/25/2003	3/15/2022	\$7,200,000	4.500%	4/18/2013	100%	649787XN3
2003A	3/25/2003	3/15/2023	\$7,530,000	4.500%	4/18/2013	100%	649787XP8
2003A	3/25/2003	3/15/2024	\$2,210,000	4.125%	4/18/2013	100%	649787XQ6
2003A	3/25/2003	3/15/2025	\$2,300,000	4.125%	4/18/2013	100%	649787XR4
2003A	3/25/2003	3/15/2028	\$7,510,000	4.500%	4/18/2013	100%	649787XS2
2003A	3/25/2003	3/15/2033	\$14,955,000	4.500%	4/18/2013	100%	649787XT0
2003C	5/14/2003	4/15/2014	\$135,000	3.800%	4/18/2013	100%	649787ZD3
2003C	5/14/2003	4/15/2014	\$7,660,000	5.000%	4/18/2013	100%	649787ZE1
2003C	5/14/2003	4/15/2015	\$500,000	3.900%	4/18/2013	100%	649787ZF8
2003C	5/14/2003	4/15/2015	\$8,370,000	5.000%	4/18/2013	100%	649787ZG6
2003C	5/14/2003	4/15/2016	\$2,195,000	4.000%	4/18/2013	100%	649787ZH4
2003C	5/14/2003	4/15/2016	\$6,955,000	5.000%	4/18/2013	100%	649787ZJ0
2003C	5/14/2003	4/15/2017	\$740,000	4.100%	4/18/2013	100%	649787ZK7
2003C	5/14/2003	4/15/2017	\$2,535,000	5.000%	4/18/2013	100%	649787ZL5
2003C	5/14/2003	4/15/2018	\$2,150,000	4.200%	4/18/2013	100%	649787ZM3
2003C	5/14/2003	4/15/2019	\$185,000	4.300%	4/18/2013	100%	649787ZN1
2003C	5/14/2003	4/15/2019	\$1,885,000	5.000%	4/18/2013	100%	649787ZP6
2003C	5/14/2003	4/15/2020	\$2,040,000	4.250%	4/18/2013	100%	649787ZQ4
2003C	5/14/2003	4/15/2021	\$2,060,000	4.400%	4/18/2013	100%	649787ZR2
2003C	5/14/2003	4/15/2022	\$2,055,000	4.500%	4/18/2013	100%	649787ZS0
2003C	5/14/2003	4/15/2023	\$1,030,000	4.600%	4/18/2013	100%	649787ZT8
2003C	5/14/2003	4/15/2024	\$235,000	4.625%	4/18/2013	100%	649787ZU5
2003C	5/14/2003	4/15/2025	\$245,000	4.625%	4/18/2013	100%	649787ZV3
2003D	6/26/2003	6/15/2015	\$1,565,000	4.000%	6/15/2013	100%	649787C63
2003D	6/26/2003	6/15/2016	\$1,625,000	4.000%	6/15/2013	100%	649787C71
2003D	6/26/2003	6/15/2017	\$1,695,000	4.000%	6/15/2013	100%	649787C89
2003D	6/26/2003	6/15/2018	\$1,765,000	4.000%	6/15/2013	100%	649787C97
2003D	6/26/2003	6/15/2019	\$1,550,000	4.000%	6/15/2013	100%	649787D21
2003D	6/26/2003	6/15/2020	\$1,615,000	4.000%	6/15/2013	100%	649787D39
2003D	6/26/2003	6/15/2021	\$1,680,000	4.000%	6/15/2013	100%	649787D47
2003D	6/26/2003	6/15/2022	\$1,750,000	4.000%	6/15/2013	100%	649787D54
2003D	6/26/2003	6/15/2023	\$1,820,000	4.000%	6/15/2013	100%	649787D62
2003F	6/26/2003	6/15/2014	\$21,125,000	4.500%	6/15/2013	100%	649787F94
2003F	6/26/2003	6/15/2015	\$21,245,000	4.500%	6/15/2013	100%	649787G28
2003F	6/26/2003	6/15/2016	\$12,665,000	4.500%	6/15/2013	100%	649787G36
2003F	6/26/2003	6/15/2019	\$245,000	4.000%	6/15/2013	100%	649787G44
2003F	6/26/2003	6/15/2020	\$255,000	4.100%	6/15/2013	100%	649787G51
2003F	6/26/2003	6/15/2021	\$265,000	4.100%	6/15/2013	100%	649787G69

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**STATE OF NEW YORK
GENERAL OBLIGATION BONDS
SERIES 2013A TAX-EXEMPT BONDS
SERIES 2013B TAXABLE BONDS
SERIES 2013C TAX-EXEMPT REFUNDING BONDS**

Dated March 19, 2013

**AGREEMENT TO PROVIDE CONTINUING DISCLOSURE
UNDER SEC RULE 15c2-12**

THIS AGREEMENT is made by the State acting by and through the Comptroller and the Director (all as defined below in Section 1).

In order to permit the initial purchasers of the Bonds to comply with the provisions of Rule 15c2-12(b)(5) in connection with the public offering of the Bonds, the State, in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agrees, for the sole and exclusive benefit of the Holders, as follows:

Section 1. Definitions. Capitalized terms used but not defined herein as follows shall have the meaning ascribed to them in any other document executed in connection with the issuance of the Bonds.

“Annual Information” shall mean the information specified in Section 3 hereof.

“Bonds” shall mean, collectively, \$348,065,000 General Obligation Bonds, Series 2013A Tax-Exempt Bonds, \$47,810,000 General Obligation Bonds, Series 2013B Taxable Bonds and \$170,685,000 General Obligation Bonds, Series 2013C Tax-Exempt Refunding Bonds of the State of New York, dated March 19, 2013.

“Comptroller” shall mean the Comptroller of the State of New York.

“Director” shall mean the Director of the Budget of the State of New York.

“DTC” shall mean The Depository Trust Company.

“EMMA” shall mean the Electronic Municipal Market Access system described in Securities Exchange Act Release No. 34-59062 (or any successor electronic information system) and maintained by the MSRB as the sole repository for the central filing of electronic disclosure pursuant to Rule 15c2-12.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“GAAS” shall mean generally accepted auditing standards as in effect from time to time in the United States.

“Holder” shall mean any registered owner of Bonds and, if the Bonds are registered in the name of Cede & Co. through DTC, any beneficial owner of Bonds, unless the staff of the Securities and

Exchange Commission determines that the Rule does not require the Agreement to be for the benefit of such beneficial owners.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Official Statement” shall mean the official statement dated March 7, 2013 issued in connection with the sale of the Bonds.

“Rule 15c2-12” shall mean Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended through the date of this Agreement, including any official interpretations thereof promulgated on or prior to the date of this Agreement.

“State” shall mean the State of New York, an “obligated person” with respect to the Bonds within the meaning of Rule 15c2-12, acting by and through the Director or the Comptroller, as the case may be.

Section 2. **Obligations to Provide Continuing Disclosure**

(a) Annual Information. The State, acting by and through the Director, hereby undertakes, for the benefit of Holders of the Bonds, to electronically file with the MSRB, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2013, the Annual Information relating to such fiscal year.

(b) Audited Financials. The State, acting by and through the Comptroller, hereby undertakes, for the benefit of the Holders of the Bonds, to electronically file with the MSRB, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2013, audited financial statements of the State for such fiscal year; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be so provided no later than 120 days after the end of the State’s fiscal year and such audited financial statements shall be electronically filed with the MSRB if and when they become available.

(c) Notice to Comptroller. The Director shall notify the Comptroller of the occurrence of any of the fourteen events listed in Section 2(d)(1) through (14) hereof promptly upon becoming aware of the occurrence of any such event, including, without limitation, any change in the State’s credit rating by any rating agency.

(d) Notification to the MSRB. The State, acting by and through the Comptroller, hereby undertakes, for the benefit of the Holders of the Bonds, to electronically file with the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of any of the fourteen events listed below, notice of the occurrence of any such event with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) a substitution of credit or liquidity providers, or their failure to perform;

- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) modifications to rights of security holders, if material;
- (8) bond calls, if material and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the securities, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of any obligated person;
- (13) the consummation of a merger, consolidation or acquisition involving any obligated person, or the sale of all or substantially all of the assets of any obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of trustee, if material, and

The State, acting by and through the Comptroller, also hereby agrees to electronically file with the MSRB, in a timely manner, notice of a failure by the State to comply with Section 2(a) or (b) hereof.

(e) Interpretation and Modification of Disclosure Obligation. The requirements contained in this Agreement under Section 3(a) are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of Section 3(a) call for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

(f) Other Information. Nothing herein shall be deemed to prevent the State from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the State should disseminate any such additional information, the State shall have no obligation hereunder to update such information or include it in any future materials disseminated hereunder.

(g) MSRB Prescribed Identifying Information. All documents provided to the MSRB pursuant to this Agreement shall be accompanied by identifying information as prescribed from time to time by the MSRB.

Section 3. **Annual Information**

(a) Specified Information. The Annual Information shall consist of the following:

- (i) financial and operating data of the type included in the Annual Information Statement of the State, which is included as Part II of the Official Statement for the Bonds, under the headings or sub-headings “Prior Fiscal Years”, “Debt and Other Financing Activities”, “State Government Employment”, “State Retirement Systems” and “Authorities and Localities”, including, more specifically, information consisting of:
 - (1) *for prior fiscal years*, an analysis of cash-basis results for the State’s three most recent fiscal years, and a presentation of the State’s results in accordance with GAAP for at least the two most recent fiscal years for which that information is then currently available;
 - (2) *for debt and other financing activities*, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning debt service requirements on that debt;
 - (3) *for authorities and localities*, information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and
 - (4) material information regarding State government employment and retirement systems; together with
- (ii) such *narrative explanation* as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning the State and in judging the financial information about the State.

(b) Cross Reference. All or any portion of the Annual Information may be incorporated in the Annual Information by cross-reference to any other documents which have been electronically filed with the MSRB or filed with the Securities and Exchange Commission; provided however, that if the document is an official statement, it shall have been electronically filed with the MSRB and need not have been filed elsewhere. The audited financial statements of the State may be provided in the same manner.

Section 4. **Financial Statements**

The annual financial statements of the State for each fiscal year shall be prepared in accordance with GAAP as in effect from time to time (unless applicable accounting principles are otherwise disclosed) and audited by an independent auditing firm in accordance with GAAS (but only if audited financial statements are otherwise available for such fiscal year).

Section 5. **Remedies**

If the State should fail to comply with any provision of this Agreement, then, and, as a direct or third-party beneficiary, as the case may be, any Holder of Bonds may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity,

this Agreement against the State and any of its officers, agents and employees, and may compel the State or any such officers, agents or employees to perform and carry out their duties under this Agreement; provided, that the sole and exclusive remedy for breach of this Agreement shall be an action to compel specific performance of the obligations of the State hereunder, and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances; and provided, further, that the rights of any Holder to challenge the adequacy of the information provided in accordance with Section 2 hereunder shall be subject to the same limitations and conditions applicable to enforcement of remedies of Holders with respect to any event of default. Failure by the State to perform its obligations hereunder shall not constitute an event of default under any agreement executed and delivered in connection with the issuance of the Bonds or under any statute or common law principle. In consideration of the third party beneficiary status of beneficial owners of Bonds pursuant to Section 6, beneficial owners shall be deemed to be Holders of Bonds for purposes of this Section 5.

Section 6. Parties in Interest

This Agreement is executed and delivered solely for the benefit of the Holders of the Bonds. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 7. Amendments

(a) Without the consent of any Holders of Bonds, the State, at any time and from time to time, may enter into amendments or changes to this Agreement for any purpose, if:

- (i) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, or nature, or status of the State or any type of business or affairs conducted by it;
- (ii) the undertakings set forth herein, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering of the Bonds, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any changes in circumstances; and
- (iii) the amendment does not materially impair the interests of the Holders, as determined by the Attorney General of the State of New York, as Bond Counsel with respect to issuance of the Bonds or by nationally recognized bond counsel. (In determining whether there is such a material impairment, the State may rely upon an opinion of the Attorney General of the State of New York or nationally recognized bond counsel.)

(b) Annual Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change in the type of operating data or financial information in the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such discussion shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible such comparison shall also be quantitative. A notice of any such change in accounting principles shall be electronically filed with the MSRB.

Section 8. **Termination**

This Agreement shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Bonds shall have been paid in full or the Bonds shall have otherwise been paid or legally defeased; provided, however, that if Rule 15c2-12 (or any successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided, further, that if and to the extent Rule 15c2-12 (or any successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any legal defeasance, the State shall electronically file notice of such defeasance with the MSRB, and such notice shall state whether the Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 9. **Governing Law**

This Agreement shall be governed by the Laws of the State of New York determined without regard to principles of conflict of Law; provided, however, that to the extent this Agreement addresses matters of Federal securities laws, including Rule 15c2-12, this Agreement shall be governed by such Federal securities laws and official interpretations thereof.

Section 10. **Counterparts**

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this Agreement as of the date first above written.

THE STATE OF NEW YORK

Obligated Person

THOMAS P. DINAPOLI

State Comptroller

By: _____

Name:

Title:

ROBERT L. MEGNA

Director of the Budget

By: _____

Name:

Title:

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Part II

INFORMATION CONCERNING THE STATE OF NEW YORK

Part II contains the Annual Information Statement of the State of New York ("Annual Information Statement" or "AIS"), as updated or supplemented to the date specified therein. The State intends to update and supplement that Annual Information Statement as described therein. It has been supplied by the State to provide information about the financial condition of the State.

The AIS set forth in this Part II is dated May 11, 2012. It was updated on February 27, 2013. The AIS was filed with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS can be accessed through the EMMA system at www.emma.msrb.org. An official copy of the AIS may be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. An informational copy of the AIS is available on the Internet at <http://www.budget.ny.gov>.

The Basic Financial Statements and Other Supplementary Information for the State fiscal year ended March 31, 2012 were prepared by the Office of the State Comptroller in accordance with accounting principles generally accepted in the United States of America and independently audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Basic Financial Statements and Other Supplementary Information were issued on July 27, 2012 and are referred to or set forth herein. The Basic Financial Statements and Other Supplementary Information, which are included in the Comprehensive Annual Financial Report, may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 Tel: (518) 474-4015.

The Annual Information Statement of the State of New York (including any and all updates and supplements thereto) may not be included in an Official Statement or included by reference in an Official Statement without the express written authorization of the State of New York, Division of the Budget, State Capitol, Albany, NY 12224.

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

February 27, 2013

NOTE TO READERS

State law requires the Division of the Budget (“DOB”) to issue quarterly updates to the State's Financial Plan. Such updates are typically issued approximately one month after the end of the first, second, and third quarters of the fiscal year. In general, updates to the State's Annual Information Statement (“AIS”) which are used in conjunction with the offering of State-supported debt and included in whole or in part in official statements and similar disclosure documents relating to such debt offering, are prepared and released to the public approximately two weeks following updates to the Financial Plan. At the end of October 2012, when updating of the Financial Plan would normally have been undertaken, , Superstorm Sandy¹ (“Superstorm Sandy” or the “Storm”), struck the East Coast of the United States on October 29, 2012, causing widespread infrastructure damage and economic losses in the greater New York region. When DOB issued the quarterly update to the Financial Plan in late November 2012, it noted:

The Storm’s adverse impact on the State’s finances remains highly uncertain and subject to a number of factors, including the scope and timing of federal aid, which are not possible to predict reliably at this time. Accordingly, this Mid-Year Update to the Financial Plan does not reflect an assessment of the Storm’s impact on the State’s multi-year financial projections. DOB expects to update the State’s multi-year financial projections in January 2013 with the Executive Budget Financial Plan for FY 2014, at which time it will provide a comprehensive assessment of the Storm. The Storm assessment may result in material and adverse changes to the Financial Plan projections set forth in this Mid-Year Update.

In light of the timing of the quarterly update to the Financial Plan, coupled with the fiscal uncertainties surrounding the impact of the Storm, and the then-developing “fiscal cliff” discussions at the Federal level, and the absence of any offering of State-supported debt during this period of time, DOB determined that it was advisable to deviate from its normal practice for updating the AIS, and resume its quarterly updating cycle with the Executive Budget Financial Plan.

¹ Superstorm Sandy, a category 1 hurricane, made landfall as a post-tropical cyclone.

INTRODUCTION

For the reasons noted above, this is the second update (the “AIS Update”) to the AIS dated May 11, 2012. This AIS Update contains information only through February 27, 2013 and should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. A summary of recent events and changes to the Financial Plan made since the last quarterly update to the AIS dated August 10, 2012 (the “Prior Quarterly Update”), including the estimated impact of the Governor’s Executive Budget proposal for FY 2014, as amended (the “Updated Financial Plan”) issued on February 25, 2013 and available on the DOB website at www.budget.ny.gov. The updated information includes (a) revised Financial Plan projections for fiscal years 2013 through 2016² and initial projections for FY 2017, (b) an updated economic forecast, (c) operating results through January 2013, (d) a discussion of issues and risks that may affect the Financial Plan during the State’s current fiscal year or in future years (under the heading “Other Matters Affecting the Financial Plan”), and (e) a summary of GAAP-basis results for the prior three fiscal years (reprinted as a convenience from the Prior Quarterly Update).
2. Updated information regarding the State Retirement Systems.
3. Updated information on certain public authorities and localities of the State.
4. The status of significant litigation and arbitration that has the potential to adversely affect the State’s finances.

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

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

The factors affecting the State’s financial condition are complex. This AIS Update contains forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts were prepared. Since many factors may materially affect fiscal and economic conditions in the State, the inclusion in this AIS Update of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. Forecasts, projections and estimates are not intended as representations of fact or guarantees of results. The words

² The fiscal year is identified by the calendar year in which it ends. For example, fiscal year 2013 (“FY 2013”) is the fiscal year that began on April 1, 2012 and will end on March 31, 2013.

“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, extreme weather events, changes in political, social and economic conditions, impediments to the implementation of gap-closing actions, regulatory initiatives and compliance with governmental regulations, litigation, national and international events, and various other events, conditions and circumstances, many of which are beyond the control of the State. These forward-looking statements speak only as of the date of this AIS Update.

In addition to 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 the EMMA at www.emma.msrb.org. An official copy of this AIS Update may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-2302.

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

USAGE NOTICE

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

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

See the Glossary of Acronyms at the end of this AIS Update for a list of certain defined terms and abbreviations used throughout 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.

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OVERVIEW OF THE UPDATED FINANCIAL PLAN

The State's **General Fund** — the fund that receives the majority of State taxes and all income not earmarked for a particular program or activity — is required to be balanced on a cash basis of accounting. The State Constitution and State Finance Law do not define budget balance. State law requires the Governor to submit an Executive Budget proposal that is balanced on a cash basis in the General Fund. In practice, the General Fund is considered balanced on a cash basis of accounting if sufficient resources are expected to be available during the fiscal year for the State to (a) make all required payments, including personal income tax ("PIT") refunds, without the issuance of deficit notes or bonds or extraordinary cash management actions, (b) restore the balances in the Tax Stabilization Reserve and Rainy Day Reserve to levels at or above the levels on deposit when the fiscal year began, and (c) maintain other reserves, as required by law.

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

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

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

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

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

EXECUTIVE BUDGET FINANCIAL PLAN OVERVIEW

The Governor submitted his Executive Budget proposal for FY 2014 on January 22, 2013, and amendments through February 21, 2013, as permitted by law. On February 25, 2013, DOB issued the Updated Financial Plan, extracts and summaries of which are included in this AIS Update. The Updated Financial Plan includes updated estimates for the current fiscal year (FY 2013), and projections for FY 2014 through FY 2017, which reflect the estimated impact of the Governor's Executive Budget proposals, as amended. References to the Executive Budget in this AIS Update refer to the Governor's Executive Budget, as amended.

The projections assume that the Legislature enacts the Governor's Executive Budget proposal in its entirety and without modification by the start of FY 2014, which begins on April 1, 2013. The Governor's proposal is awaiting action by the Legislature. There can be no assurance that the Legislature will adopt all or any portion of the Executive Budget as proposed. Accordingly, there can be no assurance that the fiscal impact of the budget for FY 2014, when adopted, will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan and as disclosed in this AIS Update.

CURRENT FISCAL YEAR (FY 2013)

DOB expects the State will end the current fiscal year in balance for the General Fund on a cash basis of accounting. General Fund receipts, including transfers from other funds, are expected to total \$59.1 billion, an increase of \$167 million from the Prior Quarterly Update. The estimate for annual tax receipts, before accounting for the impact of debt service revisions, has been lowered by \$226 million, reflecting relatively weak economic growth and the disruption to activity caused by Superstorm Sandy, offset in part by changes in taxpayer behavior in response to potential Federal tax law changes.³ In September 2012, the State received an unanticipated one-time payment pursuant to a settlement between the Department of Financial Services and Standard Chartered Bank that increased miscellaneous receipts by \$340 million. In addition, the estimate for miscellaneous receipts and non-tax transfers has been increased by \$53 million based on a review of collections to date. The reduction in tax receipts is offset in part by lower than expected costs for debt service, primarily for the State's Personal Income Tax bonds, which results in an increase in tax receipts transferred to the General Fund after payment of debt service, and modestly higher transfers from other funds to the General Fund.

General Fund disbursements, including transfers to other funds, are expected to total \$59.4 billion, an increase of \$167 million over the Prior Quarterly Update. The change is due to a number of factors. Estimated disbursements for local assistance have been increased by \$108 million, reflecting higher than expected spending for Medicaid expenses that are expected to be financed from the General Fund instead of HCRA (due to lower expected receipts in HCRA). The estimate for State Operations disbursements has been increased by \$89 million, due mainly to the costs related to Superstorm Sandy (these outlays are expected to be reimbursed by the Federal government in FY 2014). General State Charges costs have been revised upward due to litigation against the State, reduced escrow payments from State agencies to offset General Fund costs, and increases in Workers' Compensation payments. Estimated transfers for debt service and capital projects have been reduced, reflecting, among other things, savings from refundings, the timing and sizing of bond sales, and the financing mix for capital projects. The Financial

³ Estimated General Fund tax receipts are affected by changes in the estimated level of debt service needed for PIT Revenue Bonds, Local Government Assistance Corporation Bonds, and Clean Air/Clean Water bonds. The discussion of tax receipts excludes the impact of these debt service changes, since they are unrelated to tax liability.

Plan also assumes the prepayment in the current year of approximately \$183 million in debt service not due until FY 2014. The following table summarizes the revisions.

Note that total disbursements (\$59.4 billion) exceed total receipts (\$59.1 billion) by \$313 million, which is financed from existing fund balances as designated and planned for the purposes of settling prior year labor agreements, and funding community projects.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) ESTIMATE FOR FY 2013	
SUMMARY OF CHANGES FROM PRIOR QUARTERLY UPDATE	
SAVINGS/(COSTS)	
(millions of dollars)	
	<u>FY 2013</u>
PRIOR QUARTERLY UPDATE SURPLUS/(GAP) FORECAST	0
Receipts Revisions	<u>167</u>
Tax Receipts ¹	(226)
Miscellaneous Receipts: Standard Chartered Settlement	340
Other Miscellaneous Receipts/Non-Tax Transfers	53
Spending Revisions	<u>(167)</u>
Local Assistance	(108)
Agency Operations	(89)
General State Charges	(90)
Debt Service	104
Capital Projects	187
All Other Transfers	12
Planned Pre-Payment of Debt Service	(183)
REVISED BUDGET SURPLUS/(GAP) ESTIMATE	0
¹ Excludes impact of debt service reestimates.	

The State expects to end FY 2013 with a General Fund cash balance of \$1.47 billion. The balance consists of \$1.13 billion in the Tax Stabilization Reserve, \$175 million in the Rainy Day Reserve, \$57 million in the Community Projects Fund, \$21 million in the Contingency Reserve, and \$13 million reserved for debt management. In addition, the balance includes \$77 million set aside for potential retroactive costs of labor settlements with unions that have not agreed to contracts for prior contract periods (i.e., through FY 2011). The potential retroactive costs have been calculated using the terms agreed to by the major State employee unions that reached settlements for those periods.

Risks to budget balance remain in the current fiscal year. For example, actual tax receipts may fall below the revised estimates; the implementation of year-end transactions, such as the transfer of excess balances from other funds or payments from non-State entities, may occur at lower levels than assumed in the Financial Plan; disbursements in certain programs, especially economically-sensitive programs such as Medicaid, may vary from budgeted amounts; or the Federal government may take actions that adversely impact the State, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules (See “Other Matters Affecting the Financial Plan — Budget Risks and Uncertainties” herein).

MULTI-YEAR FINANCIAL PLAN REVISIONS (FY 2014 AND OUT-YEARS)

The budget gap that must be closed by the Executive Budget is projected at \$1.35 billion, an increase of \$370 million from the Prior Quarterly Update. The projected gaps in future years have also increased. DOB has revised the multi-year forecast of receipts and disbursements based on a review of operating results to date, updated forecasts for the State and national economies, and other information.

The following table summarizes the revisions, since the Prior Quarterly Update to the AIS, to the budget gaps estimated prior to the Executive Budget.

UPDATED GENERAL FUND BUDGETARY BASIS GAP PROJECTIONS FOR FISCAL YEARS 2014 THROUGH 2016¹			
BEFORE EXECUTIVE BUDGET PROPOSALS			
SUMMARY OF CHANGES FROM PRIOR QUARTERLY UPDATE TO AIS			
(millions of dollars)			
	FY 2014	FY 2015	FY 2016
PRIOR QUARTERLY UPDATE SURPLUS/(GAP) ESTIMATE	(982)	(3,590)	(4,370)
Receipts Forecast Revisions	(965)	(672)	(703)
Tax Receipts ²	(851)	(691)	(677)
Miscellaneous Receipts ³	(114)	19	(26)
Spending Forecast Revisions ³	595	283	(128)
Superstorm Sandy (Federally-Reimbursed)	200	0	0
HCRA: Medicaid Offset	(486)	(387)	(263)
Mental Hygiene	431	366	(140)
Federal TANF Offset	288	144	144
Human Services COLA Calculation	66	86	90
General State Charges	(173)	(145)	(99)
Debt Service	132	120	95
All Other Revisions	137	99	45
REVISED BUDGET SURPLUS/(GAP) ESTIMATE	<u>(1,352)</u>	<u>(3,979)</u>	<u>(5,201)</u>
¹ Gap estimate for FY2017 is published for the first time with the Executive Budget. ² Excludes impact of debt service reestimates. ³ Excludes the reclassification of certain mental hygiene and Medicaid activities between receipts and disbursements, which has no impact on net Financial Plan operating results.			

RECEIPTS

DOB has lowered the forecast for tax receipts in each year of the Financial Plan, consistent with the updated forecasts for the national and State economies, including the impact of Superstorm Sandy, and a review of receipts collections through January 2013. The estimates for miscellaneous receipts reflect adjustments based on updated information. (See "Financial Plan Projections Fiscal Years 2013 Through 2017 -- Receipts Overview" herein).

SPENDING

DOB has revised its multi-year spending projections across various agencies and programs to account for recent trends and experience, the continuing impact of cost-control measures imposed on discretionary spending, and other information. The most significant revisions include the following:

- **Superstorm Sandy Federally-Reimbursed Costs:** The Updated Financial Plan assumes that Federal aid under the Stafford Act, Community Development Block Grant Program, and other Federal programs, will reimburse the State for the entire cost of disaster response and recovery. The Updated Financial Plan assumes that State outlays for disaster response and recovery in FY 2013 (estimated at approximately \$200 million) will be reimbursed in their entirety in FY 2014.
- **HCRA: Medicaid Offset:** HCRA resources expected to be available to finance General Fund Medicaid costs have been reduced as a result of downward revisions to cigarette tax collections and other receipt collections, as well as programmatic spending estimates. The decline in HCRA resources results in Medicaid costs reverting to and relying upon resources in the General Fund.
- **Mental Hygiene:** Spending has been lowered in all years of the Updated Financial Plan period to reflect updated program data indicating lower costs associated with residential development, ongoing management initiatives, and revised estimates for operational costs.
- **Federal TANF:** Under the TANF program, Federal funds are allocated to the State to assist families on limited incomes including child care subsidies. In addition to the standard annual TANF block grant, the State periodically receives supplemental TANF funding. Additional TANF funds totaling \$144 million will be used to offset FY 2014 General Fund spending for child care subsidies.

In addition, the State's projected costs for public assistance have been reduced by \$144 million annually across the plan period to reflect current caseload levels and the distribution of cases between the Family Assistance and Safety Net programs.

- **Human Services COLA:** The scheduled cost-of-living adjustments for human services providers have been updated based on the formula in State law.
- **General State Charges:** Costs have been revised upward due to litigation against the State, reduced escrow payments from State agencies to offset General Fund costs, and increases in Workers' Compensation payments.
- **Debt Service:** Estimated spending has been lowered to reflect the timing of bond sales and expected interest rates.
- **Other Revisions:** DOB has revised its multi-year spending projections across a number of agencies and programs to account for recent trends and experience. Significant changes include: the write-down of amounts expected to be received from other funds, based on an assessment of transaction risks; lower estimated spending for the GPHW program based on the continued trend of reduced claims submitted by counties; School Aid, reflecting information contained in the November 2012 database update and updated estimates of personal income that are used in the calculation of the annual growth cap; and higher anticipated costs for, among things, preschool special education, the State takeover of Medicaid administration, higher transfers to subsidize the operations of the DHBTF due to a decline in estimated tax collections; and ESD local assistance commitments.

Projected Medicaid spending is reduced reflecting the decision by Monroe County to participate in the local cap contribution program, effective February 1, 2013. With the change, the State will no longer intercept a portion of Monroe County sales tax collections equal to its share of Medicaid costs, and the

county will now pay its share of Medicaid costs directly. The change has a minimal net Financial Plan impact, resulting in both lower State spending and lower State receipts.

FY 2014 EXECUTIVE BUDGET PROPOSAL

The Executive Budget proposes to eliminate the estimated General Fund budget gap of \$1.35 billion in FY 2014, and reduce the estimated out-year budget gaps to \$2.1 billion in FY 2015, \$3.6 billion in FY 2016, and \$4.2 billion in FY 2017. The budget gaps have increased in comparison to the projections in the Prior AIS Update, reflecting DOB's updated assessment of economic activity, the impact of Superstorm Sandy, and other factors.

The projected budget gaps represent the difference between the projected General Fund disbursements, including transfers to other funds, needed to maintain current services levels and specific commitments, and the expected level of resources to pay for them. The gaps are based on a number of assumptions and projections developed by DOB in conjunction with other State agencies. The assumptions reflect the impact of current statutory provisions on spending growth. Mandates and entitlements, combined with enrollment increases, account for a significant portion of projected spending increases.

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GAP-CLOSING PLAN

The Executive Budget includes a total of \$2.0 billion in gap-closing actions in FY 2014. These actions close the \$1.35 billion budget gap and finance new costs and the initiatives proposed in the Executive Budget. The table below summarizes the gap-closing plan.

GENERAL FUND GAP-CLOSING PLAN FOR FISCAL YEAR 2014 AND IMPACT ON OUT-YEAR GAPS (millions of dollars)				
	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
CURRENT SERVICES GAP ESTIMATES (BEFORE ACTIONS)	(1,352)	(3,979)	(5,201)	(5,663)
GAP-CLOSING PLAN				
Spending Control	1,123	811	738	747
Agency Operations	434	447	470	503
Executive Agencies	214	278	287	320
Independent Officials/University System	51	30	28	28
Health Insurance Rate Renewal	89	89	89	89
Fringe Benefits/Fixed Costs	80	50	66	66
Local Assistance	378	298	268	244
COLAs/Trends	71	85	88	95
Public Health/HCRA/Aging	161	126	149	143
Social Services/Housing	104	32	0	0
Education	61	52	52	52
All Other	(19)	3	(21)	(46)
Debt Management	311	66	0	0
Federal Revenue Reduction Plan	0	(35)	(13)	312
OPWDD Federal Rate Change*	(1,100)	(1,000)	(650)	(325)
State Savings Plan	500	510	302	302
Federal Resources	600	455	335	335
Extenders	331	671	671	395
18-A Utility Assessment	255	509	509	509
Limit on High Income Charitable Contributions	70	140	140	70
Film Credit	0	0	0	(165)
Historic Properties Rehabilitation Credit	0	0	0	(41)
Tax Modernization	6	22	22	22
Other Resources	18	539	242	48
Gross Resources	549	756	506	517
Workers' Compensation Reform	250	500	250	250
Annual Professional Performance Review	240	240	240	240
Wage Garnishment/Driver License Suspension Program	35	15	15	15
All Other	24	1	1	12
Proposed Investments	(531)	(217)	(264)	(469)
Debt Reduction Reserve Purposes	(250)	0	0	0
Fiscal Stabilization Aid	(143)	(61)	0	0
Thruway Authority	(84)	(86)	(87)	(89)
Capital Commitment Plan (Debt Service Impact)	(5)	(25)	(87)	(277)
Empire State Development	0	0	(36)	(36)
All Other	(49)	(45)	(54)	(67)
Tax Receipts (Reestimates)**	(120)	(100)	0	0
EXECUTIVE BUDGET SURPLUS/(GAP) ESTIMATE	0	(2,093)	(3,563)	(4,161)

* The current services gap estimates had assumed the phase-down of Federal rates for State-Operated disability services beginning in FY 2016.

** After the release of the Governor's initial Executive Budget proposal in January 2013.

The FY 2014 gap-closing actions are organized into four general categories: (a) actions that reduce current-services spending in the General Fund on a recurring basis (“Spending Control”); (b) actions that continue revenues on a recurring basis that would otherwise be reduced (“Extenders”); (c) actions that increase resources on a recurring basis (“Gross Resources”); and (d) new investments that increase spending or reduce resources (“Proposed Investments”).

The sections below provide details on the actions that are recommended in each category.

SPENDING CONTROL

Before the spending controls and management actions proposed in the Executive Budget, State Operating Funds spending was projected to total \$91.9 billion in FY 2014, an increase of \$2.3 billion, or 2.6 percent, over the current-year estimate. The FY 2014 Executive Budget would reduce State Operating Funds spending in FY 2014 to \$89.8 billion, an annual increase of 0.2 percent over the FY 2013 estimate.

AGENCY OPERATIONS

Agency Operations include salaries, wages, fringe benefits, and non-personal service costs (e.g., supplies, utilities). State Operating Funds spending for agency operations is estimated at \$24.8 billion in FY 2014, the same level as the current year. Reductions from the FY 2014 current-services forecast for agency operating costs contribute \$434 million to the General Fund gap-closing plan.

- **Executive Agencies:** Continued workforce management, annualization of savings from recent closures of facilities, elimination of excess capacity, and efforts to right-size State government are expected to result in lower personal service and fringe benefits costs. The size of the Executive State workforce is projected to remain roughly constant at 119,600 FTEs. Additional savings are expected through operational efficiencies as agencies continue to redesign operations to improve service delivery, reduce costs, and eliminate duplicative functions.
- **Independent Officials/University Systems:** The budgets for the Legislature, Judiciary, State Comptroller, and the Department of Law do not propose spending increases for FY 2014. In addition, funding for SUNY hospitals added in the FY 2013 Enacted Budget has been discontinued.
- **Health Insurance Rate Renewal:** Savings are expected to be achieved through a lower than anticipated 2014 rate renewal increase for the Empire Plan.
- **Fringe Benefits/Fixed Costs:** Lower spending is expected by making monthly payments (rather than a single payment in March) to the State’s pension system to realize annual interest savings, and by eliminating Federal Medicare Part B reimbursements for higher income retirees.

LOCAL ASSISTANCE

Local assistance spending includes financial aid to local governments and non-profit organizations, as well as entitlement payments to individuals. State Operating Funds spending for local assistance is estimated at \$59.2 billion in FY 2014, an increase of \$492 million (0.8 percent) from the current year. Reductions from the FY 2014 current-services forecast for local assistance include both targeted actions and additional savings from the continuation of prior-year cost containment actions, which together contribute \$378 million to the General Fund gap-closing plan. The most significant gap-closing actions in local assistance include the following:

- **Human Services Cost-of-Living Increases/Trends:** The Budget proposes eliminating the automatic 1.4 percent human services “cost-of-living” increase for FY 2014, and maintaining existing rates for mental hygiene programs, including various residential and day programs for individuals with developmental disabilities, and other health and human services programs.
- **Public Health/HCRA/Aging:** Savings are expected to be achieved through the consolidation of various public health programs, which is expected to generate programmatic and administrative efficiencies; reforms and reductions to the Excess Medical Malpractice program; and improvements in program administration. In addition, increased Federal funding under the ACA, will be used to achieve \$40 million in savings in FY 2014.
- **Social Services/Housing:** Savings are expected through the application of supplemental Federal TANF funding to Child Care that will provide General Fund relief in FY 2014. In addition, resources from SONYMA's excess Mortgage Insurance Fund (MIF) reserves will be used to support the Community Prevention Program (formally known as Neighborhood and Rural Preservation Programs) and the Rural Rental Assistance program in FY 2014 and FY 2015.
- **Education:** The Executive Budget proposes limiting growth in preschool special education through various initiatives including building county capacity to monitor providers and authorizing New York City to implement a process to select providers and set rates within State parameters. In addition, the Executive Budget proposes lottery changes that are expected to generate additional receipts for State aid for education.
- **Other Local Programs:** Savings will be achieved across multiple functions and program areas including: delays to certain plans associated with mental health bed development, and other construction projects; the establishment of fraud protection mechanisms related to the STAR program; and the elimination of certain legislative grants.

FEDERAL REVENUE REDUCTION PLAN

The Updated Financial Plan addresses reductions in Federal Medicaid revenue related to reimbursement for State-operated developmental disability services. (Also see "Other Matters Affecting the Financial Plan" herein.)

The Executive Budget includes actions that are expected to provide \$500 million in savings to offset the loss of Federal aid, including a proposed 6 percent Medicaid rate reduction for developmental disability providers which would eliminate COLA and other enhancements received by these providers in FY 2010 and FY 2011 (\$120 million). This would be consistent with all other human service providers who have not received a COLA since FY 2009. The State will also manage MRT initiatives to accelerate cost-saving reforms and delay certain new investments, which is expected to further reduce Medicaid costs (\$180 million). Lastly, the MRT process is continuing to reduce Medicaid costs below levels estimated in the Financial Plan (\$200 million).

The Updated Financial Plan also identifies \$600 million of additional Federal aid, including \$250 million for emergency Medicaid services and other expenses for which the State is eligible for reimbursement from the Federal government, \$250 million in Federal aid related to reforms to services for individuals with disabilities, and an additional \$100 million related to coverage of certain populations under the ACA.

The following table (a) summarizes the specific actions that are reflected in the Updated Financial Plan to address the decline in Federal funding and (b) illustrates the impact of those actions on State Operating Funds.

FEDERAL REVENUE REDUCTION PLAN SUMMARY	
SUMMARY OF ACTIONS	
(millions of dollars)	
	FY 2014
OPWDD Federal Rate Reduction	(1,100)
State Actions	500
6% Reduction to OPWDD Providers	120
Global Cap Underspending in FY 2013	200
MRT Investment Delays/Accelerated Reforms	180
Other Resources	600
Federal Aid for Emergency Medicaid/Other Costs	250
ACA Resources	100
Other Federal Aid	250
Impact of Actions on State Operating Funds Spending	
Change in Available SOF Resources Due to Aid Reduction	(850)
Change in SOF Disbursements	(850)
6% Reduction to OPWDD Providers	(120)
Transfer of Costs to DOH Medicaid	(730)
Global Cap Underspending	(200)
MRT Investment Delays/Reform Acceleration	(180)
State MA Costs Finance with Eligible Federal Resources	(350)

EXTENDERS

- **18-a Utility Assessment:** The current temporary 18-a assessment surcharge on public utilities, enacted in 2009, expires in FY 2014. The assessment is used to support ongoing State expenses. The Executive Budget proposes a five-year extension of the assessment.
- **High Income Charitable Contributions:** The Executive Budget recommends a three-year extension, starting with tax-year (i.e., calendar year) 2013, of the existing limitation on charitable contributions deductions for State and New York City taxpayers with adjusted gross income over \$10 million.
- **Film Credit:** Provides an additional film tax credit allocation of \$420 million per year for tax years 2015 through 2019. Enhancements include reducing restrictions on claiming the post production portion of the credit. Transparency improvements include increased employment reporting as well as required periodic audits and economic benefit studies.

- **Historic Commercial Properties Rehabilitation Credit:** To provide assurance to developers who are rehabilitating historic property, or are considering doing so, the Executive Budget proposes extending the existing \$5 million per project tax credit for five years (2015-2019) and making the credit refundable for projects completed in tax year 2015, or later.
- **Historic Residential Properties Rehabilitation Credit:** Provides for an extension of the current higher credit cap and refund-ability for five years (2015-2019).
- **Tax Modernization:** The Executive Budget proposes a permanent extension to provisions first enacted in FY 2011 that include mandatory e-filing and e-payment for preparers and taxpayers, sales tax payment requirements, and segregated accounts for noncomplying vendors.

OTHER RESOURCES

- **Workers' Compensation Reform:** The Executive Budget includes legislation to reform the State's complex and inefficient Workers' Compensation system. As a by-product of the reform legislation, the Executive Budget proposes that the State Insurance Fund (SIF), a State agency that provides Workers' Compensation insurance, release reserves that would no longer be required to fund future liabilities. The Executive Budget proposes using the released reserves over a period of four years to pay for new capital projects with cash rather than with debt, maintain Workers' Compensation rates at stable levels, cover new spending initiatives, and meet other Financial Plan needs. In FY 2014, the Executive Budget proposes the reserve release to be used for debt reduction (\$250 million) and capital projects (\$500 million) that otherwise would be financed with long-term bonds.
- **Annual Professional Performance Review:** Certain school districts were not in compliance with the Annual Professional Performance Review by the January 17, 2013 deadline, thereby forfeiting planned aid increases. This results in lower expected costs of \$240 million in FY 2014 and thereafter. A lawsuit has been initiated contesting the link of school aid spending increases to the submission by school districts of approvable teacher evaluation plans, and seeking to prevent the State from withholding aid increases due to lack of compliance. (Also see "Litigation and Arbitration - School Aid" section herein). In relation to this lawsuit, DOB expects a favorable judgment for the State.
- **Wage Garnishment:** The Department of Taxation and Finance (DTF) has the authority to garnish wages of delinquent taxpayers after filing a warrant with the Department of State or County Clerks. The Executive Budget proposes allowing DTF to garnish wages without filing a warrant, but only after a taxpayer has exhausted her rights to appeal. All taxpayer protections and appeal rights remain in place, and unlike when a warrant is filed, a warrantless garnishment would not appear on a person's credit history.
- **Driver License Suspension Program:** The program would authorize the revocation of driver licenses for individuals who surpass a threshold tax delinquency amount of \$10,000 or more. Individuals may settle within 30 days, or get a restricted license until the delinquency is satisfied.
- **All Other:** Additional revenue will be made available through several resources including transfers to the General Fund from public authorities and proceeds from bonding capital projects under the EPF; applying surcharges to lesser vehicle and traffic law violations to which speeding tickets are commonly pled down; and an increase in the penalty for possession of unstamped cigarettes.

PROPOSED INVESTMENTS

- **Debt Reduction Reserve Purposes:** The Executive Budget includes a proposal to reserve \$250 million to be used for DRRF purposes, which will be financed with \$250 million from the release of SIF reserves.
- **Fiscal Stabilization Aid:** The Executive Budget proposes a one-time, unallocated, fiscal stabilization increase of \$204 million (school year basis) to school districts in recognition of the fiscal constraints faced by districts as a result of a multi-year national recession and the recent significant growth in pension costs.
- **Thruway Authority:** The personnel and fringe benefit costs for a unit of the New York State Police that handles traffic enforcement for the Thruway Authority, as well as certain operating costs of the Thruway Authority, will be financed as costs of the State from general revenues of the State. The State's assumption of these costs, which were previously financed by revenues generated from Thruway toll collections, will help the Thruway Authority maintain fiscal stability without an immediate toll increase.
- **Empire State Development:** The Mitchell-Lama program provides affordable rental and cooperative housing to moderate- and middle-income families. The program will be restructured and transferred from ESD to DHCR in order to improve the housing stock. Once transferred, ESD will lose the HUD subsidy associated with the portfolio, and accordingly, the Updated Financial Plan includes additional support for ESD beginning in FY 2016.
- **19-A PILOT Payments to Albany:** The FY 2014 PILOT payment to be made by the State to the City of Albany is scheduled to decrease by \$8 million under the existing statutory schedule. To help alleviate the City's fiscal needs, the Executive Budget, as amended, proposes accelerating a PILOT payment due in a future year.
- **2014 Super Bowl:** New York and New Jersey will co-host Super Bowl XLVIII in February 2014. The Executive Budget, as amended, proposes \$5 million to support activities in New York State to promote tourism and stimulate economic development opportunities associated with this premier event.
- **Tribal State Compact:** The City of Salamanca has not received payments from the Seneca Nation pursuant to the Tribal State Compact for over three years. These annual payments represent nearly 40 percent of the City's budget. Accordingly, this lack of payment has left the City unable to meet its expenses. The Executive Budget, as amended, proposes providing \$2.5 million from the General Fund to the Tribal State Compact account, representing the amount required by the City of Salamanca for its 2013 fiscal year.
- **Other Changes:** The Updated Financial Plan assumes the payment in the current year of certain debt service that is not due until FY 2014, which has the effect of increasing expenses in the current year and reducing them in FY 2014. Other changes include technical adjustments to transfers and disbursements.

TAX RECEIPTS TIMING

A positive FY 2013 revision to tax receipts is the result of greater than anticipated capital gains realizations taken by taxpayers facing the possibility of Federal tax rate increases in tax year 2013. These gains are partially offset by lower than expected withholding and estate tax collections, as well as recognition of increased business tax refund inventories. The negative FY 2014 revision largely reflects the lower FY 2013 withholding base and higher expected refunds, partially offset by higher extension payments from the capital gains.

PROJECTED CLOSING BALANCES

If the Executive Budget is enacted as proposed, DOB estimates the State would end FY 2014 with a General Fund balance of \$1.6 billion. The balance is expected to increase by \$167 million from estimated FY 2013 levels, as described below. The following table summarizes the annual change in balances within the General Fund.

GENERAL FUND ESTIMATED CLOSING BALANCES			
(millions of dollars)			
	FY 2013 Current	Annual Change	FY 2014 Proposed
Projected Fund Balance	1,474	167	1,641
Statutory Reserves:			
Tax Stabilization Reserve Fund	1,131	0	1,131
Rainy Day Reserve Fund	175	0	175
Contingency Reserve Fund	21	0	21
Community Projects Fund	57	(57)	0
Reserved for:			
Prior Year Labor Agreements (2007-2011)	77	(26)	51
Debt Reduction	13	250	263

The Executive Budget proposes to reserve \$250 million in FY 2014 for debt management purposes. Funds are expected to be used to, among other things, defease higher-cost debt, reduce borrowing levels, and manage debt service costs.

The closing balance in both years includes amounts reserved to cover the costs of potential retroactive labor settlements with unions that have not agreed to terms for prior contract periods. The reserve is calculated based on the pattern settlement for the FY 2008 through FY 2011 period agreed to by the State's largest unions. In FY 2014, DOB estimates the reserve will be reduced by \$26 million to fund FY 2014 costs of a labor settlement reached with NYSCOPBA in FY 2013 for the prior contract period. Reserves will be reduced as labor agreements for prior periods are reached with other unions.

The Community Projects Fund, which finances discretionary grants allocated by the Legislature and Governor, is expected to decrease by \$57 million in FY 2014, reflecting the use of the balance and no planned future deposits.

Balances in the State's principal reserve funds are expected to remain unchanged in FY 2014.

ANNUAL SPENDING GROWTH

DOB estimates that State Operating Funds spending will total \$89.8 billion in FY 2014, an increase of \$202 million (0.2 percent) from the estimate for FY 2013. All Governmental Funds spending (excluding extraordinary Federal aid for Superstorm Sandy disaster assistance and the Affordable Care Act), which includes capital projects and Federal operating funds, would total \$134.9 billion, an increase of \$777 million (0.6 percent) from the current year.

TOTAL DISBURSEMENTS (millions of dollars)							
	FY 2013 Current	FY 2014 Current Services	Before Actions		FY 2014 Proposed	After Actions	
			Annual \$ Change	Annual % Change		Annual \$ Change	Annual % Change
State Operating Funds	89,621	91,926	2,305	2.6%	89,823	202	0.2%
General Fund (excluding other transfers)	52,459	53,878	1,419	2.7%	52,454	(5)	0.0%
Other State Funds	30,973	31,788	815	2.6%	31,496	523	1.7%
Debt Service Funds	6,189	6,260	71	1.1%	5,873	(316)	-5.1%
All Governmental Funds	134,142	137,094	2,952	2.2%	134,919	777	0.6%
State Operating Funds	89,621	91,926	2,305	2.6%	89,823	202	0.2%
Capital Projects Funds	8,025	7,834	(191)	-2.4%	8,242	217	2.7%
Federal Operating Funds	36,496	37,334	838	2.3%	36,854	358	1.0%
General Fund (including transfers)	59,375	61,684	2,309	3.9%	60,888	1,513	2.5%
State Funds	95,791	97,908	2,117	2.2%	96,225	434	0.5%

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

STATE SPENDING MEASURES: BEFORE AND AFTER BUDGET ACTIONS (millions of dollars)							
	FY 2013 Current	FY 2014 Base	Annual Change Before Actions		FY 2014 Proposed	Annual Change After Actions	
			\$	%		\$	%
Local Assistance	58,694	60,521	1,827	3.1%	59,186	492	0.8%
School Aid	20,056	20,566	510	2.5%	20,557	501	2.5%
Annual Professional Performance Review ¹	0	0	0	0.0%	(240)	(240)	0.0%
DOH Medicaid (Incl Operational Costs) ²	15,912	16,370	458	2.9%	16,421	509	3.2%
Transportation	4,344	4,718	374	8.6%	4,722	378	8.7%
Mental Hygiene	3,644	3,723	79	2.2%	2,799	(845)	-23.2%
STAR	3,276	3,420	144	4.4%	3,419	143	4.4%
Social Services	3,056	3,095	39	1.3%	3,010	(46)	-1.5%
Higher Education	2,628	2,783	155	5.9%	2,788	160	6.1%
Public Health/Aging	2,023	2,126	103	5.1%	2,053	30	1.5%
Special/Other Education	1,975	1,992	17	0.9%	2,083	108	5.5%
Local Government Assistance	763	767	4	0.5%	767	4	0.5%
All Other ³	1,017	961	(56)	-5.5%	807	(210)	-20.6%
State Operations/Fringe Benefits	24,790	25,140	350	1.4%	24,799	9	0.0%
State Operations	18,210	17,911	(299)	-1.6%	17,715	(495)	-2.7%
Personal Service:	<u>12,568</u>	<u>12,504</u>	<u>(64)</u>	<u>-0.5%</u>	<u>12,348</u>	<u>(220)</u>	<u>-1.8%</u>
Executive Agencies	7,202	7,084	(118)	-1.6%	6,988	(214)	-3.0%
University System	3,507	3,519	12	0.3%	3,504	(3)	-0.1%
Elected Officials	1,859	1,901	42	2.3%	1,856	(3)	-0.2%
Non-Personal Service:	<u>5,642</u>	<u>5,407</u>	<u>(235)</u>	<u>-4.2%</u>	<u>5,367</u>	<u>(275)</u>	<u>-4.9%</u>
Executive Agencies	2,963	2,671	(292)	-9.9%	2,630	(333)	-11.2%
University System	2,144	2,199	55	2.6%	2,199	55	2.6%
Elected Officials	535	537	2	0.4%	538	3	0.6%
Fringe Benefits/Fixed Costs	6,580	7,229	649	9.9%	7,084	504	7.7%
Pension Contribution	1,605	2,057	452	28.2%	2,013	408	25.4%
Employee Health Insurance	3,159	3,423	264	8.4%	3,301	142	4.5%
Other Fringe Benefits/Fixed Costs	1,816	1,749	(67)	-3.7%	1,770	(46)	-2.5%
Debt Service	6,132	6,260	128	2.1%	5,833	(299)	-4.9%
Capital Projects	5	5	0	0.0%	5	0	0.0%
TOTAL STATE OPERATING FUNDS	89,621	91,926	2,305	2.6%	89,823	202	0.2%

¹ Reflects the withholding of aid beginning in FY2014 due to non-compliance with the requirements concerning the Annual Professional Performance Review process.

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

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

OTHER MATTERS AFFECTING THE FINANCIAL PLAN

GENERAL

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

The Updated Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impact of: national and international events, such as continued or worsening strife in the Middle East, the Euro-zone financial crises, changes in consumer confidence, oil supplies, and oil prices; Federal statutory and regulatory changes concerning financial sector activities; changes concerning financial sector bonus payouts, as well as any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; financial and real estate market developments on bonus income and capital gains realizations; household debt reduction on consumer spending and State tax collections; Federal budgetary constraints; and severe storms or other natural disasters affecting the State.

Among other factors, the Updated Financial Plan is subject to various other uncertainties and contingencies relating to the extent, if any, to which wage increases for State employees exceed the annual wage costs assumed; changes in the size of the State workforce; the realization of the projected rate of return for pension fund assets and current assumptions with respect to wages for State employees affecting the State's required pension fund contributions; the willingness and ability of the Federal government to provide the aid contemplated by the Updated Financial Plan; the ability of the State to implement cost reduction initiatives, including the reduction in State agency operations, and the success with which the State controls expenditures; and the ability of the State and its public authorities to market securities successfully in the public credit markets. Some of these specific issues are described in more detail in this AIS Update. The projections and assumptions contained in the Updated Financial Plan are subject to revisions which may involve substantial change. No assurance can be given that these estimates and projections, which include actions the State expects to be taken but which are not within the State's control, will be realized.

BUDGET RISKS AND UNCERTAINTIES

There can be no assurance that the projected General Fund budget gaps will not increase materially from the levels currently projected. If such events were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to, additional reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid; delays in or suspension of capital maintenance and construction; extraordinary financing of operating expenses; or other measures. In some cases, the ability of the State to implement such actions requires the approval of the Legislature and cannot be implemented solely by the action of the Governor.

State law grants the Executive certain powers to achieve the Medicaid savings assumed in the Financial Plan. However, there can be no assurance that these powers will be sufficient to limit the rate

of annual growth in DOH State Funds Medicaid spending to the levels estimated in the Updated Financial Plan. In addition, savings are dependent upon timely Federal approvals, appropriate amendments to existing systems and processes, revenue performance in the State's HCRA fund, which provides support for approximately one-third of the DOH State-share of Medicaid, and the participation of health care industry stakeholders. In particular, funding resources that are expected to be generated through health care surcharges and other provider assessments may decline as a result of Medicaid Redesign initiatives which are expected to reduce expenditures and unnecessary utilization, as well as from the continued shift of fee-for-service delivery models to managed care. An inability to achieve these planned savings would reduce the funding for Medicaid available from HCRA, and could potentially require a commensurate level of additional General Fund support in order to meet program needs.

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

FEDERAL ACTIONS

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes. Any reduction in Federal funding levels could have a materially adverse impact on the State's 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.

FEDERAL REIMBURSEMENT FOR STATE MENTAL HYGIENE SERVICES

The Federal government is lowering Medicaid developmental center payment rates for New York City, effective April 1, 2013. This amendment has the impact of lowering Federal funding to New York State by approximately \$1.1 billion beginning in FY 2014. The Executive Budget includes a plan to address this loss in Federal aid. The plan is subject to implementation risks and is dependent, in part, on the approval of the Legislature and the Federal government. As described below, CMS may seek to retroactively recover Federal funds regarding this matter.

AUDIT DISALLOWANCE

On February 8, 2013, the Federal CMS, with the assistance of the Office of the Inspector General, began a review to determine allowable Medicaid costs for services provided to the Medicaid population in New York State-Operated Intermediate Care Facilities for the Developmentally Disabled (ICF/DD). The initial review period will include claims for services provided during the period April 1, 2009 through March 31, 2010. Pending the outcome of this audit, CMS may seek to recover Federal funds on any payments found in excess of Federal payment requirements. While New York State continues to work collaboratively with its Federal partners to resolve these concerns, adverse action by the Federal government relative to these claims could jeopardize a significant amount of Federal financial participation in the State Medicaid program. Any disallowances could have a materially adverse impact on the State's financial position.

BUDGET CONTROL ACT

The Federal Budget Control Act (BCA) of 2011 imposed annual caps on Federal discretionary spending over a ten-year period. The specific spending reductions necessary for Congress to remain within the caps will be decided through the annual Federal budget process, and therefore the magnitude of the impact on Federal aid for the State has yet to be determined. Further, unless additional deficit reduction is enacted, BCA directs that these additional savings be achieved through sequestration of FY 2013 funding, with across-the-board cuts to Federal programs originally scheduled for January 2013, but which Congress has delayed until March 2013, and lower discretionary caps in the following eight years. If the sequester and lower spending caps are implemented, DOB estimates that New York State and local governments could lose approximately \$5 billion in Federal funding over nine years, beginning in March 2013.

CLIMATE CHANGE ADAPTATION

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

HEALTH INSURANCE COMPANY CONVERSIONS

State law permits a health insurance company to convert its organizational status from a not-for-profit to a for-profit corporation (a "health care conversion"), subject to a number of terms, conditions, and approvals. Under State law, the State is entitled to proceeds from a health care conversion. The Updated Financial Plan assumes no proceeds from health care conversions in FY 2013; \$175 million in proceeds in FY 2014 and \$300 million annually in FYs 2015, 2016 and 2017. The proceeds are expected to be deposited into the HCRA account. If a conversion does not occur on the timetable or at the levels assumed in the Updated Financial Plan, the State may be required to take other actions to increase available resources, such as reduce planned spending in HCRA, or finance additional expenses in the General Fund, or both.

STATUS OF CURRENT LABOR NEGOTIATIONS

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

with the State have contingent layoff protection for FY 2013 and continuing protection for the full term of the agreements. Reductions in force due to management decisions to close or restructure facilities authorized by legislation, SAGE Commission determinations, or material or unanticipated changes in the State's fiscal circumstances are not covered by this protection.

The State is in negotiations with its other unsettled unions and recently reached a tentative agreement with the United University Professions (UUP), which represents faculty and non-teaching professional staff within the State University system. The contract is subject to ratification by union members in spring 2013. If ratified, approximately 10 percent of the unionized workforce would not have new contracts in place.

LABOR SETTLEMENTS FOR PRIOR/NEW CONTRACT PERIODS

The Updated Financial Plan continues to include a planned reserve to cover the costs of a pattern settlement with unions that have not agreed to contracts for prior contract periods. The amount of the reserve is calculated based on the general salary increases agreed to by the State's largest unions for the same period. There can be no assurance that actual settlements for prior periods will not exceed the amounts reserved. In addition, the State's ability to fund the amounts reserved in FY 2014 and beyond depends on the achievement of balanced budgets in those years. The Updated Financial Plan does not include reserves for settlements covering the current contract period (i.e., starting in FY 2012).

CURRENT CASH-FLOW PROJECTIONS

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

Based on current information, DOB expects that the State will have sufficient liquidity to make payments as they become due throughout the remainder of FY 2013, but that the General Fund may, from time to time, need to borrow resources temporarily from other funds in STIP. The State continues to reserve money on a quarterly basis for debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds, continues to be set aside as required by law and bond covenants.

Under the Executive Budget, DOB estimates that the State will have sufficient liquidity to make payments as they become due in FY 2014. DOB estimates that balances may reach relatively low levels at certain points in time. The following table provides an estimate of month-end balances for FY 2014 based upon the Executive Budget.

PROJECTED MONTH-END CASH BALANCES			
FY 2014			
(millions of dollars)			
	General Fund	Other Funds	All Funds
April	5,561	2,131	7,692
May	2,144	2,964	5,108
June	2,590	2,280	4,870
July	2,201	2,376	4,577
August	2,088	3,184	5,272
September	4,501	1,290	5,791
October	3,450	1,989	5,439
November	2,276	1,961	4,237
December	4,038	488	4,526
January	5,311	2,476	7,787
February	5,244	2,732	7,976
March	1,641	1,627	3,268

PENSION AMORTIZATION

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

The Updated Financial Plan assumes that the State will continue to amortize a portion of its pension costs, pursuant to the FY 2011 legislation. The State's minimum ERS pension contribution rate, as a percentage of payroll, was 9.5 percent in FY 2011 and 10.5 percent in FY 2012. The rate in FY 2013 is 11.5 percent, and in FY 2014, it will be 12.5 percent. DOB projects the rate to be 13.5 percent in FY 2015, 14.5 percent in FY 2016, and 15.5 percent in FY 2017. The FY 2018 amortization threshold is projected by DOB to equal the normal contribution rate of 15.6 percent of payroll. Therefore, no amortization of ERS costs will be required for FY 2018 and beyond.

The PFRS rate was 17.5 percent in FY 2011 and 18.5 percent in FY 2012. The rate in FY 2013 is 19.5 percent and the rate will be 20.5 percent in FY 2014. DOB projects the rate to be 21.5 percent in FY 2015, 22.5 percent in FY 2016, and 23.5 percent in FY 2017. The PFRS amortization threshold is also projected to equal the normal contribution rate of 23.7 percent by FY 2018, thereby eliminating the need for amortizations for that fiscal year and beyond.

These projected contribution rates, however, are a function of projected market returns and are subject to change.

The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization thresholds. In addition, the State is required to begin repayment of the amounts amortized beginning in the fiscal year immediately following the amortizations. Repayment of the amortized amounts is required to be made over a period of not more than ten years at an interest rate to be determined by the State Comptroller annually for amounts amortized in that year and with the rate fixed for the entire term of that amortization.

In February and March 2012, the State made pension payments that totaled \$1.321 billion for FY 2012, and amortized \$491 million. This payment included a \$118 million pre-payment of certain outstanding liabilities. In addition, the State's Office of Court Administration (OCA) made its pension payment of \$186 million, and amortized \$72 million. The \$563 million in total deferred payments will be repaid with interest over the next ten years, beginning in the current fiscal year, FY 2013.

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

The following table, which summarizes pension contributions and projections for future fiscal years, reflects the "Normal Costs" of pension contributions as the amount the State would contribute to fund pensions before amortization, along with actual "New Amortized Amounts" in prior years and assumed "New Amortized Amounts" in upcoming years. The repayment costs (principal and interest) associated with these amortizations are reflected as the "Amortization Payment." Consistent with these amortization assumptions, Part TT of Chapter 57 of the Laws of 2010 requires that (a) the State make additional contributions in upcoming fiscal years, above the actuarially required contribution, and (b) once all outstanding amortizations are paid off, additional contributions will be set aside as reserves for rate increases, to be invested by the State Comptroller and used to offset future rate increases.

As noted above, DOB's most recent pension contribution rate forecast assumes that the normal contribution rate will equal the amortization threshold in upcoming years. Therefore, the State will neither amortize any of its pension costs in these years nor will it be required to make additional contributions if these projections hold. Projections in the following table are based on certain DOB assumptions about actuarial factors on investment earnings and benefits to be paid, and while DOB believes such assumptions to be reasonable, actual results may vary from the projections provided in the following table, and such variances could be substantial.

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EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM¹				
PENSION CONTRIBUTIONS AND OUTYEAR PROJECTIONS				
(millions of dollars)				
Fiscal Year	Normal Costs²	New Amortized Amounts	Amortization Payment	Total
2011 Actual	1,552.8	(249.6)	0.0	1,303.2
2012 Actual	2,041.7	(562.9)	32.3	1,511.1
2013 Projected	2,085.3	(778.5)	100.9	1,407.7
2014 Projected	2,525.4	(858.0)	192.1	1,859.5
2015 Projected	2,509.9	(744.0)	292.7	2,058.6
2016 Projected	2,103.4	(262.7)	379.9	2,220.6
2017 Projected	1,883.4	(44.6)	410.7	2,249.5
2018 Projected	1,891.2	0.0	416.0	2,307.2
2019 Projected	1,904.1	0.0	416.0	2,320.1
2020 Projected	1,941.1	0.0	416.0	2,357.1
2021 Projected	1,967.0	0.0	416.0	2,383.0
2022 Projected	1,980.7	0.0	383.6	2,364.3
2023 Projected	1,968.1	0.0	315.1	2,283.2
2024 Projected	1,942.0	0.0	223.8	2,165.8
2025 Projected	1,913.3	0.0	123.2	2,036.5
2026 Projected	1,870.1	0.0	36.0	1,906.1

Source: NYS DOB.

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

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

CAPITAL COMMITMENT PLAN AND DEBT REFORM ACT LIMIT

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

The Debt Reform Act of 2000 ("Debt Reform Act") restricts the issuance of State-supported debt to capital purposes only and limits such debt to a maximum term of 30 years. The Debt Reform Act limits the amount of new State-supported debt to 4 percent of State personal income and new State-supported

debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued on and after April 1, 2000. The cap on new State-supported debt outstanding began at 0.75 percent of personal income in FY 2001 and was fully phased in at 4 percent of personal income during FY 2011, while the cap on new State-supported debt service costs began at 0.75 percent of All Funds receipts in FY 2001 and will increase until it is fully phased in at 5 percent during FY 2014.

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

As of March 31, 2012, the cumulative debt outstanding and debt service caps were 4.00 and 4.65 percent, respectively. In the most recent annual certification issued in December 2012, (as charted below), the State reported that it was in compliance with both debt caps, with (i) debt issued after March 31, 2000 and outstanding at March 31, 2012 totaling \$35.8 billion, or approximately \$4.0 billion below the statutory debt outstanding limitation, constituting 3.6 percent of personal income, and (ii) debt service on such debt totaling \$3.5 billion, or approximately \$2.7 billion below the statutory debt service limitation, constituting 2.62 percent of total governmental receipts.

DEBT OUTSTANDING CAP (millions of dollars)	
New Debt Outstanding	\$35,803
Personal Income (CY 2011)	\$995,185
Debt Outstanding (Percent of PI)	3.60%
Cap Imposed by Debt Reform Act	4.00%

DEBT SERVICE CAP (millions of dollars)	
New Debt Service	\$3,473
Governmental Funds Receipts	\$132,745
Debt Service (Percent of Gov't Fund Receipts)	2.62%
Cap Imposed by Debt Reform Act	4.65%

It is currently projected 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 \$2.7 billion in FY 2013 to \$71 million in FY 2017. This includes the estimated impact of the bond-financed portion of increased capital commitment levels included in the 10-year capital planning projections. 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.

The following charts reflect projections for FYs 2013 through 2018 of new debt outstanding and new debt service costs, and the extent to which the level of new debt is projected to remain within the existing caps.

NEW DEBT OUTSTANDING - CAPPED AT 4 PERCENT OF PERSONAL INCOME (millions of dollars)					
<u>Year</u>	<u>Personal Income</u>	<u>Cap %</u>	<u>Actual/ Recommended %</u>	<u>\$ (Above)/Below</u>	<u>% (Above)/Below</u>
FY 2013	1,028,549	4.00%	3.71%	2,957	0.29%
FY 2014	1,049,061	4.00%	3.86%	1,442	0.14%
FY 2015	1,114,497	4.00%	3.92%	923	0.08%
FY 2016	1,178,365	4.00%	3.99%	131	0.01%
FY 2017	1,243,389	4.00%	3.99%	71	0.01%
FY 2018	1,310,257	4.00%	3.93%	857	0.07%

NEW DEBT SERVICE COSTS - CAPPED AT 5 PERCENT OF ALL FUNDS RECEIPTS (millions of dollars)					
<u>Year</u>	<u>All Funds Receipts</u>	<u>Cap %</u>	<u>Actual/ Recommended %</u>	<u>\$ (Above)/Below</u>	<u>% (Above)/Below</u>
FY 2013	135,040	4.98%	2.73%	3,048	2.26%
FY 2014	140,943	5.00%	2.83%	3,052	2.17%
FY 2015	143,035	5.00%	2.95%	2,932	2.05%
FY 2016	146,800	5.00%	3.11%	2,767	1.89%
FY 2017	152,409	5.00%	3.29%	2,604	1.71%
FY 2018	155,215	5.00%	3.49%	2,344	1.51%

SECURED HOSPITAL PROGRAM

Under the Secured Hospital program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to issue debt. The contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by the New York State MCFFA and by DASNY through the Secured Hospital program. In the event there are shortfalls in revenues from other sources, which include hospital payments made under loan agreements between DASNY and the hospitals, and certain reserve funds held by the applicable trustees for the bonds, the State is liable for the debt service. As of January 1, 2013, there was approximately \$493 million of outstanding bonds for the program.

The financial condition of most hospitals in the State's Secured Hospital Program continues to deteriorate. Of the eight hospitals in the program, several are experiencing significant operating losses that are likely to impair their ability to remain current on their loan agreements with DASNY. In relation to the Secured Hospital Program, the Executive Budget projections reflect the assumption of additional costs of \$13 million in FY 2014, approximately \$30 million annually for FY 2015 through FY 2017, and \$17 million in FY 2018 as the bonds begin to be paid off. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for three hospitals that currently are not meeting the terms of their agreement with DASNY. The State has additional exposure of up to a maximum of \$44 million annually, if all additional hospitals in the program failed to meet the terms of their agreement with DASNY and if available reserve funds were depleted.

BOND MARKET

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

LITIGATION

Litigation against the State may include potential challenges to the constitutionality of various actions. The State may also be affected by adverse decisions that are the result of various lawsuits. Such adverse decisions may not meet the materiality threshold to warrant individual description but, in the aggregate, could still adversely affect the State's Financial Plan. For more information on litigation affecting the State, see the section entitled "Litigation and Arbitration" later in this AIS Update.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

In accordance with GASB 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 2012, the Annual Required Contribution represents the annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated with interest as part of the net OPEB obligation, after adjusting for amounts previously required.

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

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

GASB does not require the additional costs to be funded on the State's budgetary (cash) basis, and no funding is assumed for this purpose in the State fiscal years covered by the Updated Financial Plan.

The State continues to finance these costs, along with all other employee health care expenses, on a PAYGO basis.

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

BONDING PROPOSALS

Sales Tax Revenue Bond Program

Legislation submitted with the FY 2014 Executive Budget proposes the creation of a new sales tax revenue bond program. The legislation will create the Sales Tax Revenue Bond Tax Fund, an account within the General Debt Service Fund that will provide for the payment of these bonds. The new sales tax revenue bonds will be secured by the pledge of payments from this fund, which will receive one percent of the State's four percent sales and use tax receipts. Upon the satisfaction of all of the obligations and liabilities of LGAC, this will increase to two percent of sales tax receipts. Tax receipts in excess of debt service requirements will be transferred to the State's General Fund.

DOB expects that the sales tax revenue bonds will be used interchangeably with PIT bonds to finance State capital needs, and provide a vehicle to end the use of older, higher cost debt structures. Based on current projections and anticipated coverage requirements, the State expects to issue about \$1 billion of sales tax revenue bonds annually.

SUNY DORMITORY FACILITIES BONDING PROGRAM

Legislation included in the Executive Budget proposes a new bonding program for SUNY Dormitory Facilities. The new bonding program would be supported solely by third party revenues generated by student rents. The revenues would flow directly to DASNY for the payment of debt service without an appropriation. Unlike the existing program, the new program would not include a SUNY general obligation pledge, thereby eliminating recourse to the State. Accordingly, such bonds would not be classified as State-supported debt for purposes of the Debt Reform Act. It is expected that future SUNY Dormitory Facilities capital needs will be funded through the new credit. The existing SUNY Dormitory Facilities bonds would continue to be counted as State-supported debt until they are refunded into the new program or are paid off.

FINANCIAL PLAN PROJECTIONS

FISCAL YEARS 2013 THROUGH 2017

INTRODUCTION

This section presents the State's updated multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of the FY 2014 Executive Budget. The projections cover FY 2013 through FY 2017, with an emphasis on the FY 2014 projections.

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

- **Receipts:** The detailed discussion of tax receipts covers projections for both the General Fund and State Funds (including capital projects). The latter perspective reflects overall estimated tax receipts before their diversion among various funds and accounts, including tax receipts dedicated to capital projects funds (which fall outside of the General Fund and State Operating Funds accounting perspectives). DOB believes this presentation provides a clearer picture of projected receipts, trends and forecast assumptions, by factoring out the distorting effects of earmarking certain tax receipts.
- **Disbursements:** Over 40 percent of projected State-financed spending for operating purposes is accounted for outside of the General Fund and is concentrated primarily 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 the FY 2014 Executive Budget outyear projections (FY 2015 through FY 2017), FY 2015 is the most relevant from a planning perspective.

SUMMARY

DOB estimates that the Executive Budget, if enacted as proposed, would provide for a balanced General Fund Financial Plan in FY 2014, and leave projected gaps that total approximately \$2.1 billion in FY 2015, \$3.6 billion in FY 2016, and \$4.2 billion in FY 2017. The net operating shortfall in State Operating Funds is projected at \$2.0 billion in FY 2015, \$3.4 billion in FY 2016 and \$3.9 billion in FY 2017.

The imbalances projected for the General Fund and State Operating Funds in future years are similar because the General Fund is the financing source of last resort for many State programs. Imbalances in other funds are typically financed by the General Fund.

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

GENERAL FUND PROJECTIONS

GENERAL FUND PROJECTIONS (millions of dollars)					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Current	Proposed	Projected	Projected	Projected
Receipts					
Taxes (After Debt Service)	54,315	57,047	58,290	60,540	63,225
Miscellaneous Receipts/Federal Grants	3,784	3,103	3,030	2,836	2,844
Other Transfers	963	905	781	733	736
Total Receipts	59,062	61,055	62,101	64,109	66,805
Disbursements					
Local Assistance Grants	39,776	40,035	41,946	44,358	46,750
School Aid	17,003	17,173	17,934	18,777	20,020
Medicaid	11,053	11,099	11,316	12,032	12,556
All Other	11,720	11,763	12,696	13,549	14,174
State Operations	8,094	7,455	7,792	8,095	8,184
Personal Service	6,190	5,672	5,839	6,100	6,116
Non-Personal Service	1,904	1,783	1,953	1,995	2,068
General State Charges	4,589	4,964	5,341	5,600	5,867
Transfers to Other Funds	6,916	8,434	9,105	9,605	10,151
Debt Service	1,644	1,334	1,476	1,450	1,347
Capital Projects	868	1,256	1,369	1,381	1,772
Mental Hygiene State Share Medicaid	2,975	1,730	1,288	1,261	1,228
SUNY Operations	340	969	969	969	969
All Other	1,089	3,145	4,003	4,544	4,835
Total Disbursements	59,375	60,888	64,184	67,658	70,952
Change in Reserves					
	(313)	167	10	14	14
Prior-Year Labor Agreements (2007-11)	(206)	(26)	10	14	14
Community Projects Fund	(45)	(57)	0	0	0
Debt Reduction	0	250	0	0	0
Undesignated Fund Balance	(62)	0	0	0	0
Budget Surplus/(Gap) Projections	0	0	(2,093)	(3,563)	(4,161)

STATE OPERATING FUNDS PROJECTIONS

FY 2014 EXECUTIVE BUDGET - STATE OPERATING FUNDS PROJECTIONS (millions of dollars)					
	FY 2013 Current	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Receipts					
Taxes	64,569	67,706	69,498	72,353	75,669
Miscellaneous Receipts/Federal Grants	20,573	19,439	19,948	19,722	19,904
Total Receipts	85,142	87,145	89,446	92,075	95,573
Disbursements					
Local Assistance Grants	58,694	59,186	61,780	64,179	66,811
School Aid	20,056	20,317	21,077	21,925	23,166
STAR	3,276	3,419	3,602	3,704	3,805
Other Education Aid	1,975	2,083	2,110	2,176	2,307
Higher Education	2,628	2,788	2,865	2,948	3,020
Medicaid (DOH incl. administration)	15,860	16,230	16,780	17,591	18,289
Public Health/Aging	2,023	2,053	2,182	1,945	1,923
Mental Hygiene	3,644	2,799	3,390	3,878	4,082
Social Services	3,056	3,010	3,200	3,297	3,392
Transportation	4,344	4,722	4,820	4,919	5,020
Local Government Assistance	763	767	778	787	795
All Other	1,069	998	976	1,009	1,012
State Operations	18,210	17,715	18,254	18,873	19,174
Personal Service	12,568	12,348	12,640	13,090	13,223
Non-Personal Service	5,642	5,367	5,614	5,783	5,951
General State Charges	6,580	7,084	7,529	7,941	8,271
Pension Contribution	1,605	2,013	2,256	2,418	2,446
Health Insurance (Active Employees)	1,750	1,830	1,925	2,051	2,221
Health Insurance (Retired Employees)	1,409	1,471	1,550	1,651	1,788
All Other	1,816	1,770	1,798	1,821	1,816
Debt Service	6,132	5,833	6,136	6,465	6,816
Capital Projects	5	5	5	5	5
Total Disbursements	89,621	89,823	93,704	97,463	101,077
Net Other Financing Sources/(Uses)	4,249	2,759	2,258	2,010	1,585
Net Operating Surplus/(Deficit)	(230)	81	(2,000)	(3,378)	(3,919)
Reconciliation to General Fund Gap:					
Designated Fund Balances:	230	(81)	(93)	(185)	(242)
General Fund	313	(167)	(10)	(14)	(14)
Special Revenue Funds	(119)	92	(78)	(162)	(204)
Debt Service Funds	36	(6)	(5)	(9)	(24)
General Fund Budget Gap	0	0	(2,093)	(3,563)	(4,161)

RECEIPTS OVERVIEW

THE NATIONAL ECONOMY

The national economy slowed in the fourth quarter of calendar year 2012, but an unexpectedly steep decline in Federal government spending of 15 percent resulted in virtual stagnation during the quarter. Although the most recent high frequency data indicates an upward revision to the U.S. Bureau of Economic Analysis' initial estimate for the fourth quarter, growth for that quarter is still likely to have been the weakest since the first quarter of calendar year 2011. In addition, there is a great degree of uncertainty surrounding the Federal government spending sequester, which is scheduled to take effect on March 1 unless a compromise is reached before then. Weaker than expected inventory growth for the fourth quarter, and a discouraging industrial production report for January could be signaling anticipation of softer demand ahead among defense manufacturers. As a result, both government spending and inventory growth have been revised down for 2013. Real U.S. GDP growth of 1.8 percent is now projected for 2013, following growth of 2.2 percent for 2012.

Outside of government spending and inventory growth, domestic final demand displayed a healthy expansion during the fourth quarter. With household spending growing 2.2 percent in the fourth quarter as anticipated, the outlook for consumer spending remains unchanged from the Executive Budget forecast. Residential fixed investment exhibited real growth of 15.3 percent in the fourth quarter, while real nonresidential investment grew a healthy 8.4 percent. In late January, Congress passed the second of two installments of appropriations to fund the Superstorm Sandy recovery effort. Based on Congressional Budget Office estimates, almost \$60 billion in Federal funds is expected to be spent over 10 years on the recovery effort, with \$9.0 billion expected to be spent during the 2013 Federal fiscal year, and \$12.7 billion during 2014, before adjusting for inflation. These estimates represent less spending during the 2013 calendar year than anticipated in the Executive Budget forecast, but more in 2014 and the outyears. On balance, real growth in residential fixed investment for 2013 has been revised down to 14.6 percent, while real growth in nonresidential fixed investment has been revised up to 5.5 percent.

Based on the U.S. Bureau of Labor Statistics' recent release of its annual benchmark revision to national employment, it now appears that job growth for much of 2012 was stronger than originally estimated. For the final six months of 2012, private sector U.S. employment displayed monthly average growth of 183,500, revised up from 160,200 prior to the revision. Indeed, between January 2010 and December 2012, 622,000 more private sector jobs were added than pre-benchmark estimates suggested. As a result, employment growth has been revised up for both 2012 and 2013 to 1.7 percent and 1.5 percent, respectively. This forecast implies continued moderate but steady growth. Businesses accelerated a substantial volume of both wage and dividend payouts in advance of the January 1 tax hike for high income taxpayers.

U.S. ECONOMIC INDICATORS			
<i>(Percent change from prior calendar year)</i>			
	2012	2013	2014
	<u>(Estimated)</u>	<u>(Forecast)</u>	<u>(Forecast)</u>
Real U.S. Gross Domestic Product	2.2	1.8	3.1
Consumer Price Index (CPI)	2.1	2.1	2.1
Personal Income	3.5	3.1	6.2
Nonagricultural Employment	1.7	1.5	1.9
Source: Moody's Analytics; DOB staff estimates.			

A number of risks have intensified. With energy prices spiking yet again, it remains uncertain how gasoline price volatility will interact with the recent payroll tax hike. In addition, the sequester deadline is fast approaching and could result in a much larger decline in government spending than anticipated. Displays of political gridlock could extend the impact on overall economic activity well beyond those sectors directly affected by the cuts. Although the global economy is expected to improve, the Euro-area and Japan remain in recession. Slower export growth than expected could negatively affect growth in U.S. corporate profits, investment, and jobs. Alternatively, a stronger than expected pickup in the global economy could result in a faster upturn in the demand for U.S. exports, having the opposite effect. Finally, stronger than anticipated home and equity price growth present upside risks to household spending.

THE NEW YORK STATE ECONOMY

Despite Superstorm Sandy's devastating impact on the downstate region, the pace of New York private sector job growth has remained strong, bouncing back from a loss of almost 30,000 jobs in November. The State has continued to exhibit growth in professional and business services, private educational services, and tourism-related leisure and hospitality services. Private sector employment growth of 1.9 percent and 1.5 percent are projected for 2012 and 2013, respectively, virtually unchanged from the Executive Budget. Public sector employment is expected to continue to decline well into 2014. In contrast, wage growth has continued to lose momentum, as two of the State's high-wage sectors, finance and manufacturing, proceed to downsize. However, declining wage growth is estimated to have been mitigated in the fourth quarter by the accelerated payment of a sizeable portion of wages in advance of the tax increase. Wage growth for 2012 has been revised up to 3.1 percent, while growth for 2013 has been revised down to 3.3 percent. Similarly, personal income growth has been revised up to 3.4 percent for 2012, and down to 2.2 percent for 2013.

NEW YORK STATE ECONOMIC INDICATORS			
<i>(Percent change from prior calendar year)</i>			
	2012	2013	2014
	<u>(Estimated)</u>	<u>(Forecast)</u>	<u>(Forecast)</u>
Personal Income	3.4	2.2	5.9
Wages	3.1	3.3	5.0
Nonagricultural Employment	1.4	1.2	1.2
Source: Moody's Analytics; New York State Department of Labor; DOB staff estimates.			

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, the volume of financial market activity and equity market volatility pose a particularly

large degree of uncertainty for New York. In addition, with Wall Street still adjusting their compensation practices in the wake of the passage of financial reform, both the bonus and non-bonus components of employee pay are becoming increasingly difficult to estimate. Securities industry revenues have in the past been a useful predictor of bonus payouts, but that relationship has become much more erratic in recent years. A weaker labor market than projected could also result in lower wages, which in turn could result in weaker household consumption. Similarly, should financial and real estate markets be weaker than anticipated, taxable capital gains realizations could be negatively affected. These effects could ripple through the State economy, depressing employment, wage, and household spending growth. In contrast, stronger national and world economic growth, or a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities, could result in higher wage and bonuses growth than projected.

STATE REVENUES

All Funds tax receipts growth during the current fiscal year-to-date has been buoyed by capital gains realizations taken in late 2012 in anticipation of Federal tax rate increases and the apparent shift of some financial sector bonus payments from the first quarter of 2013 into December 2012 to ensure the benefit of lower Federal income tax rates. DOB's forecast calls for a 5.7 percent year-to-year increase in financial sector bonus payments for FY 2013. All Funds FY 2013 tax receipts were virtually unchanged through November when compared to the same period in FY 2012. This was consistent with the tepid year-over-year changes to New York economic indicators discussed above and law changes that reduced the MTA payroll tax, fully restored the clothing exemption, and reformed PIT. Through January 2013, however, growth for this measure has jumped to 3.3 percent, the result of the capital gains (and associated December and January estimated tax payments) and bonus income shifting noted above, and because of the impact of law changes that were relevant during the first three quarters of the fiscal year but are nearly irrelevant in the fourth. The initial quarter of 2012 was the first quarter to contain the impacts of PIT reform and the proportion of clothing and shoes purchased during the first quarter is small, thereby blunting the impact of the partial clothing exemption still in effect in 2012. All Funds FY 2013 tax receipts growth, as a whole, is estimated at 2.5 percent.

All Funds FY 2014 tax receipts growth is projected to be 4.8 percent. After slowing in FY 2013, average wage, total wage, and personal income growth are expected to recover and result in net growth in personal income FY 2014 tax receipts of 5.7 percent. Some of this increase can be attributed to final return payments associated with the capital gains realizations noted previously. A decline in projected corporate profits growth for the 2013 calendar year combined with the impact of a corporate and utilities tax refund should provide a slowdown in All Funds FY 2014 business tax receipts growth. Improved income and employment growth, combined with the expected impact of third-party reporting on audit receipts, is expected to produce All Funds FY 2014 sales tax growth of 4.5 percent.

Governmental Funds Actual and Base Tax Receipts Growth (percent growth)			
State Fiscal Year	Actual Receipts	Base Receipts	Inflation Adjusted Base Receipts
1989-90	6.8	8.3	2.7
1990-91	(0.8)	(3.8)	(8.9)
1991-92	7.2	1.4	(1.9)
1992-93	6.1	5.0	1.7
1993-94	4.3	0.7	(1.8)
1994-95	0.1	1.5	(1.0)
1995-96	2.6	3.6	0.7
1996-97	2.0	2.5	(0.1)
1997-98	3.7	5.6	3.8
1998-99	7.2	7.9	6.0
1999-00	7.5	9.1	6.1
2000-01	7.9	10.1	7.1
2001-02	(4.9)	(4.2)	(6.1)
2002-03	(6.7)	(8.0)	(10.8)
2003-04	8.2	5.8	2.8
2004-05	13.4	11.5	7.8
2005-06	10.2	9.4	5.4
2006-07	9.7	12.9	10.4
2007-08	3.7	6.3	2.0
2008-09	(0.8)	(3.1)	(3.5)
2009-10	(3.2)	(12.3)	(14.0)
2010-11	5.6	2.9	0.3
2011-12	5.6	7.3	5.0
2012-13*	2.5	5.1	3.3
2013-14**	4.8	5.1	2.9
2014-15**	2.6	4.9	2.5
2015-16**	4.1	2.8	0.3
2016-17**	4.5	3.5	0.9
	Actual Change	Base Change	Adjusted Base Change
Historical Average (1989-90 to 2011-12)	4.2	3.5	0.6
Forecast Average (2012-13 to 2016-17)	3.7	4.3	2.0
Forecast Average (2013-14 to 2016-17)	4.0	4.1	1.7
Recessions	1.3	(1.2)	(4.2)
Expansions	6.0	6.5	3.7
*Estimated Receipts			
**Projected Receipts			

TOTAL RECEIPTS (millions of dollars)							
	FY 2012 Results	FY 2013 Current	Annual \$ Change	Annual % Change	FY 2014 Proposed	Annual \$ Change	Annual % Change
General Fund	56,900	59,062	2,162	3.8%	61,055	1,993	3.4%
Taxes	41,754	43,047	1,293	3.1%	45,286	2,239	5.2%
Miscellaneous Receipts	3,162	3,724	562	17.8%	3,101	(623)	-16.7%
Federal Grants	60	60	0	0.0%	2	(58)	-96.7%
Transfers	11,924	12,231	307	2.6%	12,666	435	3.6%
State Funds	88,111	90,866	2,755	3.1%	92,895	2,029	2.2%
Taxes	64,297	65,922	1,625	2.5%	69,105	3,183	4.8%
Miscellaneous Receipts	23,669	24,799	1,130	4.8%	23,703	(1,096)	-4.4%
Federal Grants	145	145	0	0.0%	87	(58)	-40.0%
All Funds	132,745	135,038	2,293	1.7%	140,942	5,904	4.4%
Taxes	64,297	65,922	1,625	2.5%	69,105	3,183	4.8%
Miscellaneous Receipts	23,837	24,985	1,148	4.8%	23,889	(1,096)	-4.4%
Federal Grants	44,611	44,131	(480)	-1.1%	47,948	3,817	8.6%

FY 2013 OVERVIEW

- Total All Funds FY 2013 receipts are estimated to reach \$135 billion, an increase of nearly \$2.3 billion (1.7 percent) from FY 2012. All Funds tax receipts are estimated to increase by \$1.6 billion, or 2.5 percent. The majority of the increase in tax receipts is attributable to growth in personal income tax collections.
- Total State Funds FY 2013 receipts are estimated to reach nearly \$90.9 billion, an increase of \$2.8 billion (3.1 percent).
- Total General Fund FY 2013 receipts are estimated at \$59.1 billion, an increase of \$2.2 billion (3.8 percent). General Fund tax receipts are estimated to increase by 3.1 percent. General Fund miscellaneous receipts are estimated to increase by 17.8 percent, reflecting an increase in one-time payments such as the settlement from Standard Chartered Bank and payments from the Manhattan District Attorney.
- Factoring out the impact of past changes to tax policy and tax law, tax receipts in FY 2013 are estimated to increase by 5.1 percent, which represents the level of base tax revenue growth. The level of base tax revenue growth in FY 2012 was 7.3 percent.

FY 2014 OVERVIEW

- Total All Funds FY 2014 receipts are projected to reach \$140.9 billion, an increase of \$5.9 billion (4.4 percent) from FY 2013 estimates. All Funds tax receipts are projected to grow by \$3.2 billion (4.8 percent). This increase is attributable to continued positive economic growth.
- Total State Funds FY 2014 receipts are projected to be \$92.9 billion, an increase of \$2 billion (2.2 percent) from FY 2013 estimates.
- Total General Fund FY 2014 receipts are projected to be nearly \$61.1 billion, an increase of \$2 billion (3.4 percent) from FY 2013 estimates. General Fund tax receipts are projected to grow by 5.2 percent, while General Fund miscellaneous receipts are projected to decline by \$623 million (16.7 percent). Federal grants revenues are projected to decline by \$58 million.

- After controlling for the impact of policy changes, base tax revenue growth is estimated to increase by 5.1 percent for FY 2014.

FY 2015, FY 2016, AND FY 2017 OVERVIEW

TOTAL RECEIPTS (millions of dollars)							
	FY 2014 Proposed	FY 2015 Projected	Annual \$ Change	FY 2016 Projected	Annual \$ Change	FY 2017 Projected	Annual \$ Change
General Fund	61,055	62,101	1,046	64,109	2,008	66,805	2,696
Taxes	45,286	46,140	854	48,140	2,000	50,430	2,290
State Funds	92,895	95,192	2,297	98,144	2,952	100,754	2,610
Taxes	69,105	70,926	1,821	73,801	2,875	77,123	3,322
All Funds	140,942	143,036	2,094	146,799	3,763	152,409	5,610
Taxes	69,105	70,926	1,821	73,801	2,875	77,123	3,322

Overall, tax receipts growth in the three fiscal years following FY 2014 is expected to remain in the range of 2.6 percent to 4.5 percent. This is consistent with projected modest economic growth in the New York economy during this period and the payback of deferred tax credits.

- Total All Funds FY 2015 receipts are projected to be \$143 billion, an increase of \$2.1 billion from the prior year. All Funds FY 2016 receipts are expected to increase by \$3.8 billion from FY 2015 projections. In FY 2017, receipts are expected to increase by \$5.6 billion from FY 2016 projections.
- Total State Funds receipts are projected to be \$95.2 billion in FY 2015, \$98.1 billion in FY 2016, and \$100.8 billion in FY 2017.
- Total General Fund receipts are projected to reach \$62.1 billion in FY 2015, \$64.1 billion in FY 2016, and \$66.8 billion in FY 2017.

BASE GROWTH

Adjusted for law changes, base tax receipts for both FY 2013 and FY 2014 are expected to grow 5.1 percent. Overall base growth in tax receipts is dependent on a multitude of factors.

Estimated base receipts growth in FY 2013 results from:

- Strong corporate profits growth and moderate insurance premium growth; and
- Increased consumption resulting from improved wage and employment growth.

Projected base growth in FY 2014 results from:

- The impact of accelerating wage growth on PIT receipts;
- Moderate corporate profits growth; and
- Improved consumer spending growth resulting from faster wage growth and trend employment growth.

PERSONAL INCOME TAX

PERSONAL INCOME TAX (millions of dollars)							
	FY 2012 Results	FY 2013 Current	Annual \$ Change	Annual % Change	FY 2014 Proposed	Annual \$ Change	Annual % Change
General Fund¹	25,843	26,818	975	3.8%	28,396	1,578	5.9%
Gross Collections	46,030	47,352	1,322	2.9%	49,898	2,546	5.4%
Refunds	(7,263)	(7,226)	37	-0.5%	(7,478)	(252)	3.5%
STAR	(3,233)	(3,276)	(43)	1.3%	(3,419)	(143)	4.4%
RBTF	(9,691)	(10,032)	(341)	3.5%	(10,605)	(573)	5.7%
State/All Funds	38,767	40,126	1,359	3.5%	42,420	2,294	5.7%
Gross Collections	46,030	47,352	1,322	2.9%	49,898	2,546	5.4%
Refunds	(7,263)	(7,226)	37	-0.5%	(7,478)	(252)	3.5%

¹Excludes Transfers

All Funds FY 2013 receipts are estimated to be \$40.1 billion, an increase of \$1.4 billion (3.5 percent) from FY 2012 results. This primarily reflects modest increases in withholding, current estimated payments for tax year 2012, higher delinquent collections, higher final returns, and a decrease in total refunds, partially offset by a decrease in extension (i.e., prior year estimated) payments for tax year 2011.

Withholding in FY 2013 is projected to increase \$619 million (2.0 percent) from the prior year. This reflects the net impact of modest wage growth (2.7 percent) and additional withholding generated by the December 2011 reform, offset by lower withholding due to the expiration of the temporary high income surcharge in place for 2009 to 2011. Total estimated payments are expected to increase \$560 million (4.8 percent). Estimated payments for tax year 2012 are projected to be \$899 million (11.1 percent) higher. However, as noted above, extension payments (i.e., prior year estimated) for tax year 2011 are projected to fall 9.6 percent (\$338 million) compared to the inflated base of extensions for tax year 2010, which reflected the one-time realization of capital gains caused by uncertainty surrounding the late extension of the lower Federal tax rates on capital gains and high-income taxpayers in December of 2010. Delinquent collections and final return payments are projected to be \$87 million (8.0 percent) and \$56 million (2.6 percent) higher, respectively.

The decrease in total refunds of \$37 million mostly reflects a \$108 million (2.3 percent) decrease in prior year refunds related to tax year 2011 and a \$98 million (26.8 percent) decrease in the State-City offset, partly reduced by a \$169 million (37 percent) increase in previous years refunds related to tax years prior to 2011.

The following table summarizes, by component, actual receipts for FY 2012 and forecast amounts through FY 2016.

PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS					
ALL FUNDS					
(millions of dollars)					
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
	(Actual)	(Estimated)	(Projected)	(Projected)	(Projected)
Receipts					
Withholding	31,199	31,818	33,466	35,111	37,051
Estimated Payments	11,628	12,188	12,958	13,442	13,500
Current Year	8,096	8,995	8,918	10,283	9,963
Prior Year*	3,532	3,194	4,041	3,159	3,537
Final Returns	2,116	2,172	2,266	2,151	2,251
Current Year	223	227	241	242	242
Prior Year*	1,893	1,945	2,025	1,909	2,009
Delinquent	1,087	1,174	1,208	1,245	1,295
Gross Receipts	46,030	47,352	49,898	51,949	54,097
Refunds					
Prior Year*	4,693	4,585	4,954	5,627	6,304
Previous Years	454	623	551	569	553
Current Year*	1,750	1,750	1,750	1,750	1,751
State-City Offset*	366	268	223	148	148
Total Refunds	7,263	7,226	7,478	8,093	8,755
Net Receipts	38,767	40,126	42,420	43,856	45,342
*These components, collectively, are known as the "settlement" on the prior year's tax liability.					

All Funds FY 2014 receipts are projected to be \$42.4 billion, an increase of \$2.3 billion (5.7 percent) from FY 2013.

This increase primarily reflects increases of \$1.6 billion (5.2 percent) in withholding and \$770 million (6.3 percent) in total estimated payments. The increase in total estimated payments mostly represents a projected increase in extension (i.e., prior year estimated) payments of \$847 million (26.5 percent) for tax year 2012 reflecting a taxpayer response related to Federal law changes partially reduced by a \$77 million decrease in estimated payments related to tax year 2013. The strong projection for extension payments for tax year 2012 reflects a projected 40.8 percent increase in capital gains and a 15.4 percent increase in dividend income. This is due to the early realization of capital gains and dividends due to sunset of lower Federal marginal tax rates on capital gains and dividends and the scheduled increase in Federal tax rates on investment income starting with tax year 2013 as a part of the Federal Affordable Care Act. Alternatively, the reduction in estimated taxes associated with tax year 2013 partially reflects the timing shift of incomes from tax year 2013 into 2012, as discussed above. Compared to the previous fiscal year, current year estimated payments for tax year 2013 also include \$70 million from the legislative proposal to extend for three more years the 25 percent itemized deduction limitation on charitable contributions of high income taxpayers.

Payments from final returns are expected to increase \$94 million (4.3 percent). Likewise, delinquent collections are projected to increase by \$34 million (2.9 percent) compared to the prior year, with most of the increase (\$25 million) coming from proposals to allow warrantless wage garnishment and the suspension of driver's licenses of taxpayers with past-due tax debts. The increase in total refunds of \$252 million primarily reflects a \$369 million (8 percent) increase in prior year refunds for tax year 2012 partially offset by a \$72 million (11.6 percent) drop in previous years refunds related to tax years prior to 2012 and a \$45 million decrease in the State-City offset.

General Fund FY 2013 receipts of \$26.8 billion are expected to increase by \$975 million (3.8 percent) from the prior year, mainly reflecting the increase in All Funds receipts noted above. The RBTF deposit is projected to be \$10 billion while the STAR transfer is projected to be \$3.3 billion.

General Fund FY 2014 income tax receipts of \$28.4 billion are projected to increase by \$1.6 billion (5.9 percent). The RBTF deposit is projected to be \$10.6 billion while the STAR transfer is projected to be \$3.4 billion.

PERSONAL INCOME TAX (millions of dollars)							
	FY 2014 Proposed	FY 2015 Projected	Annual \$ Change	FY 2016 Projected	Annual \$ Change	FY 2017 Projected	Annual \$ Change
General Fund¹	28,396	29,290	894	30,303	1,013	32,057	1,754
Gross Collections	49,898	51,949	2,051	54,097	2,148	57,056	2,959
Refunds	(7,478)	(8,093)	(615)	(8,755)	(662)	(9,239)	(484)
STAR	(3,419)	(3,602)	(183)	(3,704)	(102)	(3,805)	(101)
RBTF	(10,605)	(10,964)	(359)	(11,335)	(371)	(11,955)	(620)
State/All Funds	42,420	43,856	1,436	45,342	1,486	47,817	2,475
Gross Collections	49,898	51,949	2,051	54,097	2,148	57,056	2,959
Refunds	(7,478)	(8,093)	(615)	(8,755)	(662)	(9,239)	(484)

¹Excludes Transfers

All Funds FY 2015 income tax receipts of \$43.9 billion are projected to increase \$1.4 billion (3.4 percent) from the prior year. Gross receipts are projected to increase 4.1 percent (\$2.1 billion) and reflect withholding that is projected to grow by \$1.6 billion (4.9 percent) and current year estimated payments related to tax year 2014 that are projected to grow by \$1.4 billion (15.3 percent).

The increase in withholding reflects moderate wage growth. The increase in estimated payments from tax year 2014 includes an additional \$70 million compared to the prior year from the three-year extension of the 25 percent itemized deduction limitation. Payments from final returns are expected to decrease \$115 million (5.1 percent). Delinquencies are projected to increase \$37 million (3 percent) from the prior year. Total refunds are projected to increase by \$615 million (8.2 percent) from the prior year, mostly reflecting a \$673 million increase in prior year refunds due to partial payback of the deferral of business tax credits.

General Fund FY 2015 income tax receipts of \$29.3 billion are projected to increase by \$894 million (3.1 percent). RBTF deposits are projected to be \$11 billion, and the STAR transfer is projected to be \$3.6 billion.

All Funds income tax receipts are projected to be \$45.3 billion in FY 2016 and \$47.8 billion in FY 2017. General Fund receipts are projected at \$30.3 billion and \$32.1 billion, respectively.

USER TAXES AND FEES

USER TAXES AND FEES (millions of dollars)							
	FY 2012 Results	FY 2013 Current	Annual \$ Change	Annual % Change	FY 2014 Proposed	Annual \$ Change	Annual % Change
General Fund¹	9,055	9,127	72	0.8%	9,492	365	4.0%
Sales Tax	8,346	8,430	84	1.0%	8,802	372	4.4%
Cigarette and Tobacco Taxes	471	448	(23)	-4.9%	441	(7)	-1.6%
Alcoholic Beverage Taxes	238	249	11	4.6%	249	0	0.0%
State/All Funds	14,571	14,630	59	0.4%	15,167	537	3.7%
Sales Tax	11,876	11,994	118	1.0%	12,533	539	4.5%
Cigarette and Tobacco Taxes	1,633	1,561	(72)	-4.4%	1,535	(26)	-1.7%
Motor Fuel Tax	501	490	(11)	-2.2%	500	10	2.0%
Highway Use Tax	132	141	9	6.8%	140	(1)	-0.7%
Alcoholic Beverage Taxes	238	249	11	4.6%	249	0	0.0%
Taxicab Surcharge	87	86	(1)	-1.1%	96	10	11.6%
Auto Rental Tax	104	109	5	4.8%	114	5	4.6%

¹Excludes Transfers

All Funds FY 2013 user taxes and fees receipts are estimated to be \$14.6 billion, an increase of \$59 million (0.4 percent) from the prior year. Sales tax receipts are expected to increase by \$118 million (1 percent) from the prior year due to base growth (i.e., absent law changes) of 3.4 percent, offset partly by a return of the clothing exemption at a \$110 per item threshold. Cigarette and tobacco tax and motor fuel tax collections are estimated to decrease by \$72 million and \$11 million, respectively, due to lower consumption.

General Fund FY 2013 user taxes and fees receipts are estimated to total \$9.1 billion, an increase of \$72 million (0.8 percent) from the prior year. The increase reflects growth in sales tax receipts (\$84 million) and alcoholic beverage taxes (\$11 million), offset slightly by a decline in cigarette and tobacco taxes (\$23 million).

All Funds FY 2014 user taxes and fees receipts are projected to be nearly \$15.2 billion, an increase of \$537 million (3.7 percent) from the prior year. The increase in sales tax receipts of \$539 million (4.5 percent) reflects sales tax base growth of 3.2 percent, proposed law changes of \$21 million, and an estimated \$83 million in incremental audit recoveries due to 2010 third party reporting legislation.

General Fund FY 2014 user taxes and fees receipts are projected to total \$9.5 billion, an increase of \$365 million (4 percent) from the prior year. This increase largely reflects the projected increases in All Funds sales tax receipts discussed above, offset slightly by a decline in cigarette and tobacco tax receipts.

USER TAXES AND FEES (millions of dollars)							
	FY 2014 Proposed	FY 2015 Projected	Annual \$ Change	FY 2016 Projected	Annual \$ Change	FY 2017 Projected	Annual \$ Change
General Fund¹	9,492	9,890	398	10,309	419	10,585	276
Sales Tax	8,802	9,202	400	9,624	422	9,901	277
Cigarette and Tobacco Taxes	441	435	(6)	428	(7)	421	(7)
Alcoholic Beverage Taxes	249	253	4	257	4	263	6
State/All Funds	15,167	15,730	563	16,315	585	16,684	369
Sales Tax	12,533	13,104	571	13,697	593	14,089	392
Cigarette and Tobacco Taxes	1,535	1,508	(27)	1,478	(30)	1,448	(30)
Motor Fuel Tax	500	503	3	507	4	510	3
Highway Use Tax	140	143	3	151	8	149	(2)
Alcoholic Beverage Taxes	249	253	4	257	4	263	6
Taxicab Surcharge	96	100	4	101	1	101	0
Auto Rental Tax	114	119	5	124	5	124	0

¹Excludes Transfers

All Funds user taxes and fees receipts are projected to increase by \$563 million (3.7 percent) in FY 2015, \$585 million (3.7 percent) in FY 2016, and \$369 million (2.3 percent) in FY 2017. This outyear growth is due to projected trends in retail consumption growth and declines in cigarette consumption.

General Fund user taxes and fees receipts are projected to increase by \$398 million (4.2 percent) in FY 2015, \$419 million (4.2 percent) in FY 2016, and \$276 million (2.7 percent) in FY 2017. This outyear growth is consistent with the same trends associated with All Funds, noted above.

BUSINESS TAXES

BUSINESS TAXES (millions of dollars)							
	FY 2012 Results	FY 2013 Current	Annual \$ Change	Annual % Change	FY 2014 Proposed	Annual \$ Change	Annual % Change
General Fund	5,760	6,038	278	4.8%	6,244	206	3.4%
Corporate Franchise Tax	2,724	2,570	(154)	-5.7%	2,881	311	12.1%
Corporation and Utilities Tax	617	655	38	6.2%	633	(22)	-3.4%
Insurance Tax	1,257	1,291	34	2.7%	1,364	73	5.7%
Bank Tax	1,161	1,522	361	31.1%	1,366	(156)	-10.2%
Petroleum Business Tax	1	0	(1)	-100.0%	0	0	0.0%
State/All Funds	7,877	8,181	304	3.9%	8,460	279	3.4%
Corporate Franchise Tax	3,176	2,946	(230)	-7.2%	3,310	364	12.4%
Corporation and Utilities Tax	797	839	42	5.3%	811	(28)	-3.3%
Insurance Tax	1,413	1,448	35	2.5%	1,531	83	5.7%
Bank Tax	1,391	1,823	432	31.1%	1,618	(205)	-11.2%
Petroleum Business Tax	1,100	1,125	25	2.3%	1,190	65	5.8%

All Funds FY 2013 business tax receipts are estimated at \$8.2 billion, an increase of \$304 million (3.9 percent) from the prior year. This increase is mainly driven by the bank tax. Growth in bank tax gross receipts and audits offsets lower corporate franchise tax receipts. The decline in corporate franchise tax receipts is driven mainly by lower audit collections. The corporation and utilities, and insurance tax receipts are moderately higher than the prior year. All Funds FY 2013 receipts include \$384 million from the tax deferral of certain tax credits, an incremental increase of \$71 million.

All Funds FY 2013 corporate franchise tax receipts are estimated to be \$2.9 billion, a decrease of \$230 million (7.2 percent) from FY 2012. The year-to-year decrease is mainly attributable to lower audit receipts. Fewer large cases are expected to be closed in FY 2013 compared to FY 2012. Non-audit receipts are expected to increase \$105 million from the prior year as gross receipts increase from the prior year and fewer cash refunds are paid.

All Funds FY 2013 corporation and utilities tax receipts are estimated to be \$839 million, an increase of \$42 million (5.3 percent) from FY 2012. The main driver for the year-to-year increase is a large telecommunications audit that was received in April 2012. Gross FY 2013 receipts are estimated to decline 1 percent from FY 2012 as the telecommunications sector continues to erode from consumers continuing to shift to Internet-based communication tools from landline telecommunications. Softness in the utilities sector is also apparent in FY 2013 as personal consumption expenditures for electricity and natural gas declined from FY 2012.

All Funds FY 2013 insurance tax receipts are estimated to be \$1.4 billion, an increase of \$35 million (2.5 percent) from last year. This increase is driven by higher calendar year 2012 liability. Gross receipts are expected to grow moderately (3.1 percent) as economic growth continues.

All Funds FY 2013 bank tax receipts are estimated to be \$1.8 billion, an increase of \$432 million (31.1 percent) from FY 2012. This increase is mainly attributable to strong 2012 payments from commercial banks and higher audit receipts. Throughout calendar year 2012 banks have reported healthy profits from reductions in loan loss reserves and increased refinancing activity due to low mortgage rates. A large bank audit was received in December 2012 that contributed to higher year-to-year audit receipts.

All Funds FY 2013 PBT receipts are estimated to be \$1.1 billion, an increase of \$25 million (2.3 percent) above last year. This increase is mainly attributable to the 5 percent increase in the PBT index effective January 2012 and the 5 percent increase effective January 2013, offset by declines in gasoline and highway diesel fuel consumption.

General Fund FY 2013 business tax receipts of just over \$6 billion are estimated to increase by \$278 million (4.8 percent) from FY 2012. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

ALL FUNDS BUSINESS TAX AUDIT AND NON-AUDIT RECEIPTS (millions of dollars)					
	FY 2010 (Actual)	FY 2011 (Actual)	FY 2012 (Actual)	FY 2013 (Estimated)	FY 2014 (Projected)
Corporate Franchise Tax	2,511	2,846	3,176	2,946	3,310
Audit	698	810	1,080	745	1,003
Non-Audit	1,813	2,036	2,096	2,201	2,307
Corporation and Utilities Taxes	954	813	797	839	811
Audit	52	13	30	60	76
Non-Audit	902	800	767	779	735
Insurance Taxes	1,491	1,351	1,413	1,448	1,531
Audit	35	38	21	32	21
Non-Audit	1,456	1,313	1,392	1,416	1,510
Bank Taxes	1,399	1,179	1,391	1,823	1,618
Audit	290	239	125	382	193
Non-Audit	1,109	940	1,266	1,441	1,425
Petroleum Business Taxes	1,104	1,090	1,100	1,125	1,190
Audit	10	7	6	6	6
Non-Audit	1,094	1,083	1,094	1,119	1,184
Total Business Taxes	7,459	7,279	7,877	8,181	8,460
Audit	1,085	1,107	1,262	1,225	1,299
Non-Audit	6,374	6,172	6,615	6,956	7,161

All Funds FY 2014 business tax receipts of nearly \$8.5 billion are projected to increase by \$279 million (3.4 percent) from the prior year. Corporation franchise tax FY 2014 receipts are projected to increase by \$364 million (12.4 percent) from the previous year, driven by growth in audit receipts (\$258 million or 34.7 percent). Included in FY 2014 is an incremental increase of \$14 million (from \$384 million in FY 2013 to \$398 million in FY 2014) in receipts from the deferral of certain tax credits.

Corporation and utilities taxes are projected to decline by \$28 million (3.3 percent). Gross FY 2014 receipts are expected to be flat compared to the prior year as lower 186-e receipts are offset with higher 186-a receipts. Receipts in FY 2014 include a large telecommunications refund (\$30 million) and higher audit receipts (an incremental increase of \$22 million).

Insurance taxes are forecast to increase by \$83 million (5.7 percent). The year-to-year increase reflects trend growth in the insurance tax as the economy registers steady growth.

Bank tax FY 2014 receipts are projected to decline by \$205 million (11.2 percent) from the previous year. The unusually high commercial bank calendar year filer payments seen in FY 2013 are not expected to be repeated in FY 2014, resulting in a decline in projected gross receipts. Additionally, audit receipts are expected to be lower (a decrease of \$189 million) in FY 2014 as fewer large cases are settled.

The projected petroleum business tax increase of \$65 million (5.8 percent) is due to an increase in the PBT rate index of 5 percent effective in January 2013 and the projected increase in the petroleum business tax rate index of 3 percent effective in January 2014. Motor and diesel fuel taxable consumption are also projected to grow compared to the prior fiscal year.

General Fund FY 2014 business tax receipts of \$6.2 billion are projected to increase \$206 million (3.4 percent) from the prior year. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

BUSINESS TAXES (millions of dollars)							
	FY 2014	FY 2015	Annual \$	FY 2016	Annual \$	FY 2017	Annual \$
	Proposed	Projected	Change	Projected	Change	Projected	Change
General Fund	6,244	5,736	(508)	6,294	558	6,544	250
Corporate Franchise Tax	2,881	2,225	(656)	2,618	393	2,757	139
Corporation and Utilities Tax	633	660	27	679	19	700	21
Insurance Tax	1,364	1,408	44	1,484	76	1,499	15
Bank Tax	1,366	1,443	77	1,513	70	1,588	75
Petroleum Business Tax	0	0	0	0	0	0	0
State/All Funds	8,460	8,039	(421)	8,665	626	8,980	315
Corporate Franchise Tax	3,310	2,690	(620)	3,115	425	3,277	162
Corporation and Utilities Tax	811	838	27	863	25	895	32
Insurance Tax	1,531	1,580	49	1,662	82	1,683	21
Bank Tax	1,618	1,706	88	1,790	84	1,880	90
Petroleum Business Tax	1,190	1,225	35	1,235	10	1,245	10

All Funds FY 2015, FY 2016 and FY 2017 business tax receipts reflect trend growth that is determined, in part, by the expected level of corporate profits, the expected profitability of banks, the change in taxable insurance premiums, residential energy expenditures and the consumption of telecommunications services. Business tax receipts are estimated to decline to \$8 billion (5 percent) in FY 2015, increase to \$8.7 billion (7.8 percent) in FY 2016, and increase to \$9 billion (3.6 percent) in FY 2017. The decline in FY 2015 reflects the first year of the credit deferral payback to taxpayers. General Fund business tax receipts projections reflect the factors outlined above, and are projected to decline to \$5.7 billion (8.1 percent) in FY 2015, increase to \$6.3 billion (9.7 percent) in FY 2016, and increase to \$6.5 billion (4 percent) in FY 2017.

OTHER TAXES

OTHER TAXES (millions of dollars)							
	FY 2012 Results	FY 2013 Current	Annual \$ Change	Annual % Change	FY 2014 Proposed	Annual \$ Change	Annual % Change
General Fund¹	1,096	1,064	(32)	-2.9%	1,154	90	8.5%
Estate Tax	1,078	1,045	(33)	-3.1%	1,135	90	8.6%
Gift Tax	0	0	0	0.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Pari-Mutuel Taxes	17	18	1	5.9%	18	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	1,706	1,819	113	6.6%	1,839	20	1.1%
Estate Tax	1,078	1,045	(33)	-3.1%	1,135	90	8.6%
Gift Tax	0	0	0	0.0%	0	0	5.8%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Real Estate Transfer Tax	610	755	145	23.8%	685	(70)	-9.3%
Pari-Mutuel Taxes	17	18	1	5.9%	18	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

¹Excludes Transfers

All Funds FY 2013 other tax receipts are estimated to be just over \$1.8 billion, an increase of \$113 million (6.6 percent) from FY 2012 receipts, reflecting a decrease of \$33 million (3.1 percent) in the estate tax, as a result of fewer large and extra-large payments and an increase of \$145 million (23.8 percent) in real estate transfer tax receipts, as a result of the real estate market continuing to recover and a spin-up of collections caused by uncertainty regarding the late 2012 Federal fiscal cliff negotiations.

General Fund FY 2013 other tax receipts are expected to total approximately \$1.1 billion, a decrease of \$33 million (2.9 percent), due to a decrease in the estate tax, partially offset by higher pari-mutuel tax receipts.

All Funds FY 2014 other tax receipts are projected to be over \$1.8 billion, up \$20 million (1.1 percent) from FY 2013 reflecting growth in estate tax collections partially offset by a decline in real estate transfer tax collections, due to a shift of collections from FY 2014 into FY 2013 caused by the uncertainty of the aforementioned fiscal cliff negotiations.

General Fund FY 2014 other tax receipts are expected to total under \$1.2 billion, an increase of \$90 million (8.5 percent) from FY 2013, which is attributable to a projected increase in estate tax receipts due to an expected increase in household net worth.

OTHER TAXES (millions of dollars)							
	FY 2014 Proposed	FY 2015 Projected	Annual \$ Change	FY 2016 Projected	Annual \$ Change	FY 2017 Projected	Annual \$ Change
General Fund¹	1,154	1,224	70	1,234	10	1,244	10
Estate Tax	1,135	1,205	70	1,215	10	1,225	10
Gift Tax	0	0	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0	0	0
Pari-Mutuel Taxes	18	18	0	18	0	18	0
All Other Taxes	1	1	0	1	0	1	0
State/All Funds	1,839	1,984	145	2,069	85	2,134	65
Estate Tax	1,135	1,205	70	1,215	10	1,225	10
Gift Tax	0	0	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0	0	0
Real Estate Transfer Tax	685	760	75	835	75	890	55
Pari-Mutuel Taxes	18	18	0	18	0	18	0
All Other Taxes	1	1	0	1	0	1	0

¹Excludes Transfers

All Funds FY 2015, FY 2016 and FY 2017 other tax receipts reflect growth driven by two major economic variables, household net worth (estate tax) and the value of real property transfers (real estate transfer tax). All Funds other tax receipts are estimated to increase to just under \$2 billion (7.9 percent) in FY 2015, increase to nearly \$2.1 billion (4.3 percent) in FY 2016, and increase to well over \$2.1 billion (3.1 percent) in FY 2017. General Fund other tax receipts will reflect the expected increase in household net worth noted above, and are projected to increase to just over \$1.2 billion (6.1 percent) in FY 2015, increase by \$10 million (0.8 percent) in FY 2016, and increase by \$10 million (0.8 percent) in FY 2017.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)							
	FY 2012 Results	FY 2013 Current	Annual \$ Change	Annual % Change	FY 2014 Proposed	Annual \$ Change	Annual % Change
General Fund	3,222	3,784	562	17.4%	3,103	(681)	-18.0%
Miscellaneous Receipts	3,162	3,724	562	17.8%	3,101	(623)	-16.7%
Federal Grants	60	60	0	0.0%	2	(58)	-96.7%
State Funds	23,814	24,944	1,130	4.7%	23,790	(1,154)	-4.6%
Miscellaneous Receipts	23,669	24,799	1,130	4.8%	23,703	(1,096)	-4.4%
Federal Grants	145	145	0	0.0%	87	(58)	-40.0%
All Funds	68,448	69,116	668	1.0%	71,837	2,721	3.9%
Miscellaneous Receipts	23,837	24,985	1,148	4.8%	23,889	(1,096)	-4.4%
Federal Grants	44,611	44,131	(480)	-1.1%	47,948	3,817	8.6%

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds FY 2013 miscellaneous receipts are projected to reach \$25 billion, an increase of \$1.1 billion from FY 2012. Augmenting General Fund growth of \$562 million, as described in more detail below, are growth in SUNY income (\$213 million), growth in HCRA financing sources (\$171 million), and growth in bond proceeds funding for several capital improvement projects (\$212 million).

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, school aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans that 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 Financial Plan. All Funds FY 2013 Federal grants are projected to total \$44.1 billion, a decline of \$480 million from the prior year, reflecting a decrease in Federal ARRA funding.

General Fund FY 2013 miscellaneous receipts and Federal grants collections are estimated to be nearly \$3.8 billion, an increase of \$562 million from FY 2012 receipts. This increase is primarily attributable to one-time payments including: a settlement from Standard Chartered Bank, payments from the Manhattan District Attorney, and payments from the State of New York Mortgage Agency.

All Funds FY 2014 miscellaneous receipts are projected to total \$23.9 billion, a decrease of \$1.1 billion from FY 2013, largely due to the decline in General Fund miscellaneous receipts (\$623 million), described in more detail below, and the decline in debt service receipts that is largely associated with the proposed restructuring of the SUNY Dormitory bonding program which moves associated receipts and spending from the State's All Governmental Funds budget (\$526 million).

All Funds FY 2014 Federal grants are projected to total \$47.9 billion, an increase of \$3.8 billion over the current year, driven primarily by the timing of Federal funding for disaster assistance costs.

General Fund FY 2014 miscellaneous receipts and Federal grants collections are projected to decrease by \$681 million, primarily due to the loss of one-time receipts in FY 2013 mentioned above.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)							
	FY 2014 Proposed	FY 2015 Projected	Annual \$ Change	FY 2016 Projected	Annual \$ Change	FY 2017 Projected	Annual \$ Change
General Fund	3,103	3,030	(73)	2,836	(194)	2,844	8
Miscellaneous Receipts	3,101	3,030	(71)	2,836	(194)	2,844	8
Federal Grants	2	0	(2)	0	0	0	0
State Funds	23,790	24,266	476	24,343	77	23,631	(712)
Miscellaneous Receipts	23,703	24,181	478	24,258	77	23,546	(712)
Federal Grants	87	85	(2)	85	0	85	0
All Funds	71,837	72,110	273	72,998	888	75,286	2,288
Miscellaneous Receipts	23,889	24,367	478	24,444	77	23,732	(712)
Federal Grants	47,948	47,743	(205)	48,554	811	51,554	3,000

All Funds FY 2015 miscellaneous receipts are projected to total \$24.4 billion, an increase of \$478 million from FY 2014, driven by additional receipts from HCRA financing sources (\$263 million) and growth in SUNY income (\$144 million), partially offset by declines in other miscellaneous receipts. All Funds FY 2016 miscellaneous receipts are projected to total \$24.4 billion, an increase of \$77 million from FY 2015. All Funds FY 2017 miscellaneous receipts are projected to total \$23.7 billion, a decline of \$712 million from FY 2016, due largely to decreases in miscellaneous receipts projections for programs financed with authority bond proceeds.

All Funds Federal grants are projected at \$47.7 billion in FY 2015; \$48.6 billion in FY 2016; and \$51.6 billion in FY 2017. The multi-year projections for Federal grants are in part driven by the timing of Federal funding for disaster assistance costs which are expected to be received by the State during FY 2014. The larger-than-usual annual increase to Federal Grants in FY 2017, by \$3 billion, primarily reflects increased Federal support for Medicaid due to the impact of the Affordable Care Act.

General Fund FY 2015 miscellaneous receipts and Federal grants are estimated to be \$3 billion, down \$73 million from FY 2014 projections, primarily due to the loss of one-time payments such as payments from the Manhattan District Attorney.

General Fund FY 2016 miscellaneous receipts and Federal grants are projected to be \$2.8 billion, down \$194 million from FY 2015, resulting from the loss of certain receipts from the State Insurance Fund which are partially offset by increased receipts from the New York Power Authority.

General Fund FY 2017 miscellaneous receipts and Federal grants remain virtually unchanged from the prior year.

DISBURSEMENTS

The multi-year disbursements projections take into account agency staffing levels, program caseloads, funding formulas contained in State and Federal law, inflation and other factors. Factors that affect spending estimates vary by program. For example, welfare spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends and projected economic conditions. Projections account for the timing of payments, since not all of the amounts appropriated in the Budget are disbursed in the same fiscal year. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agencies) in Special Revenue Funds have been adjusted downward in all fiscal years based on typical spending patterns and the observed variance between estimated and actual results over time.

Total disbursements in FY 2014 are estimated at \$60.9 billion in the General Fund and \$89.8 billion in State Operating Funds. Over the multi-year Financial Plan, State Operating Funds spending projections assume Medicaid and School Aid will grow at their statutorily-indexed rates. The projections do not reflect any potential impact of automatic spending reductions that would be triggered if the Federal government fails to amend existing deficit reduction legislation.

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

LOCAL ASSISTANCE GRANTS

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. State-funded local assistance spending is estimated at \$59.2 billion in FY 2014 and accounts for over 65 percent of total State Operating Funds spending. Education and health care spending account for approximately two-thirds of local assistance spending.

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES					
	FY 2012 Results	Forecast			
		FY 2013 Updated	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Medicaid					
Medicaid Coverage	4,579,206	4,812,715	5,176,084	6,110,639	6,169,418
- Family Health Plus Caseload	423,614	446,259	467,246	0	0
- Child Health Plus Caseload	390,556	344,000	356,000	368,000	380,000
State Takeover of County/NYC Costs	<u>\$1,535</u>	<u>\$1,613</u>	<u>\$1,690</u>	<u>\$1,665</u>	<u>\$1,800</u>
- Family Health Plus	\$403	\$477	\$528	\$219	\$0
- Medicaid	\$1,132	\$1,136	\$1,162	\$1,446	\$1,800
Education					
School Aid (School Year)	\$19,615	\$20,196	\$20,807	\$21,493	\$22,482
Education Personal Income Growth Index	N/A	3.0	3.0	3.3	4.6
Higher Education					
Public Higher Education Enrollment (FTEs)	575,229	567,473	566,707	565,941	565,078
Tuition Assistance Program Recipients	310,140	309,921	310,065	310,065	310,065
Public Assistance					
Family Assistance Program	262,153	256,566	249,528	243,345	238,262
Safety Net Program - Families	120,899	122,368	118,706	115,450	112,747
Safety Net Program - Singles	183,863	187,254	185,777	184,815	184,361
Mental Hygiene					
Total Mental Hygiene Community Beds	<u>87,895</u>	<u>90,844</u>	<u>93,363</u>	<u>97,595</u>	<u>100,051</u>
- OMH Community Beds	36,179	38,778	40,707	44,644	46,778
- OPWDD Community Beds	39,012	39,352	39,843	40,068	40,293
- OASAS Community Beds	12,704	12,714	12,813	12,883	12,980
Prison Population (Corrections)	55,944	55,100	54,300	54,000	53,800

* Dollar amounts in table are in millions.

EDUCATION

SCHOOL AID

School Aid helps support elementary and secondary education for New York pupils enrolled in 676 major school districts throughout the State. State funding is provided to districts based on statutory aid formulas and through reimbursement of categorical expenses. State funding for schools assists districts in meeting locally defined needs, supports the construction of school facilities, and finances school transportation for nearly three million students statewide.

School Year (July 1 — June 30)

The FY 2013 Enacted Budget included a two-year appropriation and continued Education Law provisions to tie future increases in School Aid to the rate of growth in New York State personal income. Under this limit, School Aid funding will increase by \$611 million in School Year (SY) 2014, a 3.0 percent increase from SY 2013.⁴

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

Based on updated estimates of personal income growth, School Aid is projected to increase by an additional \$686 million in SY 2015 and \$989 million in SY 2016. School Aid is projected to reach an annual total of \$23.8 billion in SY 2017.

TOTAL SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30)								
(millions of dollars)								
<u>SY 2013</u>	<u>SY 2014</u>	<u>Change</u>	<u>SY 2015</u>	<u>Change</u>	<u>SY 2016</u>	<u>Change</u>	<u>SY 2017</u>	<u>Change</u>
\$20,196	\$20,807	\$611	\$21,493	\$686	\$22,482	\$989	\$23,831	\$1,349
		3.0%		3.3%		4.6%		6.0%

STATE FISCAL YEAR

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

⁴ Actual cash disbursements are expected to be affected by the withholding of aid for noncompliance with the requirements of the Annual Professional Performance Review process.

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

TOTAL SCHOOL AID - STATE FISCAL YEAR BASIS (millions of dollars)									
	FY 2013 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	20,056	20,317	1.3%	21,077	3.7%	21,925	4.0%	23,166	5.7%
General Fund Local Assistance	17,003	17,173	1.0%	17,934	4.4%	18,777	4.7%	20,020	6.6%
Core Lottery Aid	2,192	2,242	2.3%	2,249	0.3%	2,251	0.1%	2,249	-0.1%
VLT Lottery Aid	862	881	2.2%	894	1.5%	897	0.3%	897	0.0%
Lottery Aid Guarantee	20	0	N/A	0	N/A	0	0.0%	0	0.0%
VLT Aid Balance Roll	(21)	21	N/A	0	N/A	0	0.0%	0	0.0%

State spending for School Aid is projected to total \$20.3 billion in FY 2014. In future years, receipts available to finance School Aid from core lottery sales are projected to grow marginally, while VLT receipts are anticipated to increase through FY 2015 as a result of the recent implementation of the VLT facility at the Aqueduct Racetrack. In addition to State aid, school districts receive approximately \$3 billion annually in Federal categorical aid.

OTHER EDUCATION AID

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

Major programs under the Office of Prekindergarten through Grade 12 education address specialized student needs or reimburse school districts for education-related services, including the school breakfast and lunch programs, non-public School Aid, and various special education programs. In special education, New York provides a full spectrum of services to over 400,000 students from ages 3 to 21. Higher and professional education programs monitor the quality and availability of postsecondary education programs and regulate the licensing and oversight of 48 professions.

OTHER EDUCATION (millions of dollars)									
	FY 2013 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	1,975	2,083	5.5%	2,110	1.3%	2,176	3.1%	2,307	6.0%
Special Education	1,358	1,401	3.2%	1,515	8.1%	1,626	7.3%	1,751	7.7%
All Other Education	617	539	-12.6%	534	-0.9%	550	3.0%	556	1.1%
Fiscal Stabilization Aid	0	143	0.0%	61	-57.3%	0	0.0%	0	0.0%

Special education growth is primarily driven by an increase in program costs and enrollment for preschool special education, summer school special education, and State-supported schools for the blind and deaf. The decline in other education spending from FY 2014 over FY 2013 is driven primarily by the

expiration of targeted aid and grants, which are not projected to continue in FY 2014. In recognition of extraordinary school district cost increases, including pension contributions, the FY 2014 Executive Budget also provides \$204 million in one-time fiscal stabilization to school districts during SY 2014.

SCHOOL TAX RELIEF PROGRAM

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

SCHOOL TAX RELIEF (STAR)									
(millions of dollars)									
	FY 2013	FY 2014		FY 2015		FY 2016		FY 2017	
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
Total State Operating Funds	3,276	3,419	4.4%	3,602	5.4%	3,704	2.8%	3,805	2.7%
Basic Exemption	1,829	1,896	3.7%	1,997	5.3%	2,052	2.8%	2,106	2.6%
Enhanced (Seniors)	859	912	6.2%	986	8.1%	1,014	2.8%	1,040	2.6%
New York City PIT	588	611	3.9%	619	1.3%	638	3.1%	659	3.3%

The STAR program exempts the first \$30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens will receive a \$63,300 exemption in FY 2014. Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues.

The annual increase in a qualifying homeowner's STAR exemption benefit is limited to 2 percent. Homeowners who earn more than \$500,000 a year are not eligible for the STAR property tax exemption. New York City personal income taxpayers with annual income over \$500,000 have a reduced benefit.

The FY 2014 Executive Budget proposes to establish a STAR reregistration and anti-fraud program. This proposal will eliminate waste, fraud and abuse in the STAR exemption by (1) authorizing the Department of Taxation and Finance to require all recipients of a Basic STAR exemption to be registered with the Department, and (2) strengthening the penalties for fraud while tightening the standards and procedures for determining eligibility.

HIGHER EDUCATION

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

The State also provides a sizeable benefit to SUNY and CUNY through the debt service it pays on bond-financed capital projects at the universities. This is not reflected in the annual spending totals for

the universities. State debt service payments for capital projects at SUNY and CUNY are expected to total about \$1.4 billion in FY 2014.

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

Annual growth by CUNY in FY 2014 reflects the net impact of enrollment changes at community colleges, additional fringe benefit costs, and the timing of aid payments across State fiscal years.

HIGHER EDUCATION									
(millions of dollars)									
	FY 2013	FY 2014	FY 2015		FY 2016		FY 2017		Change
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	
Total State Operating Funds	2,628	2,788	6.1%	2,865	2.8%	2,948	2.9%	3,020	2.4%
City University	1,219	1,332	9.3%	1,386	4.1%	1,455	5.0%	1,533	5.4%
Operating Aid to NYC (Senior Colleges)	1,025	1,128	10.0%	1,184	5.0%	1,253	5.8%	1,331	6.2%
Community College Aid	194	204	5.2%	202	-1.0%	202	0.0%	202	0.0%
Higher Education Services	947	1,004	6.0%	1,018	1.4%	1,032	1.4%	1,026	-0.6%
Tuition Assistance Program	894	948	6.0%	959	1.2%	972	1.4%	966	-0.6%
Aid for Part Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
Scholarships/Awards	41	44	7.3%	47	6.8%	48	2.1%	48	0.0%
State University	462	452	-2.2%	461	2.0%	461	0.0%	461	0.0%
Community College Aid ¹	457	448	-2.0%	457	2.0%	457	0.0%	457	0.0%
Other	5	4	-20.0%	4	0.0%	4	0.0%	4	0.0%

¹ State support for SUNY 4-year institutions is funded through State operations rather than local assistance.

HEALTH CARE

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. The DOH works with the local health departments and social services departments, including New York City, to coordinate and administer statewide health insurance programs and activities. The majority of government-financed health care programs are included under DOH, but many programs are supported through multi-agency efforts. The Medicaid program finances inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care, FHP (a State-administered program to provide comprehensive health insurance for low-income families which do not meet certain Medicaid-eligibility thresholds), and services provided in a variety of community-based settings (including mental health, substance abuse treatment, developmental disabilities services, school-based services and foster care services). The State share of Medicaid spending is budgeted and expended principally through DOH, but State share Medicaid spending also appears in the mental hygiene agencies, child welfare programs and DOCCS.

MEDICAID

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers.

The Medicaid program is financed jointly by the State, the Federal government, and local governments (including New York City). New York's Medicaid spending is projected to total approximately \$57.6 billion in FY 2014, including the local contribution.⁵

The Executive Budget reflects continuation of the Medicaid spending cap enacted in FY 2012, and recommends funding consistent with its provisions. The cap is based on the ten-year average change in the medical component of the CPI. Statutory changes approved with the FY 2012 Enacted Budget grant the Executive certain administrative powers to help hold Medicaid spending to the capped level. The statutory changes, currently set to expire at the end of FY 2014, are expected to be extended through FY 2015, pursuant to authorization being recommended in the Executive Budget. The cap itself remains in place, and the Updated Financial Plan assumes that statutory authority will be extended in subsequent years.

Based on updated data, the allowable growth under the cap is 3.9 percent. The FY 2014 Executive Budget also proposes to eliminate the FHP program effective January 1, 2015. The majority of population receiving health care benefits through FHP will begin receiving more robust health care benefits through the Medicaid program, pursuant to new Medicaid eligibility thresholds and increased Federal payments pursuant to the ACA. The remaining FHP population, those above Medicaid levels, will be eligible for Federal tax credits in the ACA exchange and the State will pay all additional out-of-pocket costs for these individuals. The proposed elimination is expected to provide savings to the State of \$38.5 million in FY 2015, and \$29.0 million thereafter.

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS¹					
(millions of dollars)					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Current	Proposed	Projected	Projected	Projected
Department of Health					
DOH State Share	<u>15,912</u>	<u>16,421</u>	<u>16,978</u>	<u>17,805</u>	<u>18,515</u>
Local Assistance	15,860	16,230	16,780	17,591	18,289
State Operations ²	52	191	198	214	226
Annual \$ Change - DOH Only		509	557	827	710
Annual % Change - DOH Only		3.2%	3.4%	4.9%	4.0%
Other State Authorities					
Mental Hygiene	5,785	5,074	5,593	6,215	6,338
Foster Care	87	89	92	96	100
Corrections	0	12	12	13	13
Total State Share (All Agencies)	21,784	21,596	22,675	24,129	24,966
Annual \$ Change - Total State Share		(188)	1,079	1,454	837
Annual % Change - Total State Share		-0.9%	5.0%	6.4%	3.5%
¹ Medicaid services growth is indexed to the 10-year average of CPI Medical, currently 3.9 percent. Financial Plan spending is adjusted for the inclusion of Medicaid State Operations spending (formerly outside the Medicaid Cap), which is supporting expanded functions pursuant to the phased-in takeover of local administrative responsibilities, and the decision of Monroe County to participate in the Medicaid local cap program, rather than continuing the sales tax intercept option. Finally, the State Share of Medicaid is adjusted for increased Federal financial participation beginning in January 2014.					
² Assumes transfer of the Office of Health Insurance Programs to Medicaid from Public Health without new spending (\$91 million).					

⁵ The local contribution to the Medicaid program is not included in the State's Financial Plan. Since January 2006, the State has paid the entire non-Federal share of the FHP program and any annual Medicaid increases above a fixed level for local social services districts. The FY 2013 Enacted Budget amended these statutory indexing provisions by implementing a three-year phased-takeover of the local share of growth above the previous year's enacted levels beginning in April 2013 for county (i.e., calendar) fiscal year 2013, with the State assuming all growth in county fiscal year 2015. This initiative is expected to save local governments nearly \$1.2 billion between FY 2013 and FY 2017, as compared to levels assumed under the previous statute.

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

Total State Share Medicaid, which includes costs associated with other State agencies, has been revised downward in the Executive Budget in FY 2014 by \$850 million, \$565 million in FY 2015, and \$387 million thereafter. This revision is attributable to the impact of reduced Federal revenue associated with the reimbursement of Medicaid costs at State-operated facilities providing developmental disability services. To compensate for the reduced Federal reimbursement for services provided, the State is undertaking various actions to reduce overall costs while minimizing any impact on service delivery. These actions include shifting a portion of OPWDD Medicaid costs to DOH, the impact of which is expected to be managed on a neutral Financial Plan basis through the implementation of several actions, including comprehensive program reforms consistent with other states to generate Federal reimbursement for services already being provided, and the management of certain MRT investment initiatives. These savings are valued at \$730 million in FY 2014, \$445 million in FY 2015, and \$267 million in each of FY 2016 and FY 2017. These savings are part of the Mental Hygiene Stabilization Fund within the DOH global spending cap. In addition, \$120 million of savings will be achieved in OPWDD through rate reductions to eliminate cost-of-living adjustments and other rate enhancements received by providers during FYs 2010 and 2011.

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

As allowed under the FY 2013 Enacted Budget legislation, Monroe County, which had previously authorized a State intercept of sales tax in lieu of payment for its portion of the local share of Medicaid, chose to enter the Medicaid program effective February 1, 2013. Monroe County is expected to benefit in the long-term from entering the local cap program, as future costs associated with its Medicaid growth will be paid for by the State under the phased-in takeover initiative.

The State share of DOH Medicaid spending is funded from the General Fund, HCRA, provider assessment revenue, and indigent care revenue. The chart below provides information on the financing sources for State Medicaid spending.

DEPARTMENT OF HEALTH MEDICAID*									
(millions of dollars)									
	FY 2013	FY 2014		FY 2015		FY 2016		FY 2017	
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
State Operating Funds	15,912	16,421	3.2%	16,978	3.4%	17,805	4.9%	18,515	4.0%
Total General Fund - Local	11,053	11,099	0.4%	11,316	2.0%	12,032	6.3%	12,556	4.4%
Total General Fund - State Operations	52	191	267.3%	198	3.7%	214	8.1%	226	5.6%
Other State Funds Support	4,807	5,131	6.7%	5,464	6.5%	5,559	1.7%	5,733	3.1%
HCRA Financing	3,222	3,529	9.5%	3,862	9.4%	3,957	2.5%	4,131	4.4%
Indigent Care Support	792	817	3.2%	817	0.0%	817	0.0%	817	0.0%
Provider Assessment Revenue	793	785	-1.0%	785	0.0%	785	0.0%	785	0.0%

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

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

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

PUBLIC HEALTH/AGING PROGRAMS

Public Health includes the EPIC program that provides prescription drug insurance to low-income seniors, the CHP program that finances health insurance coverage for children of low-income families up to the age of 19, the GPHW program that reimburses local health departments for the cost of providing certain public health services, the EI program that pays for services to infants and toddlers under the age of three with disabilities or developmental delays, and other HCRA and State-supported programs.

SOFA promotes and administers programs and services for New Yorkers 60 years of age and older. SOFA primarily oversees community-based services, including but not limited to in-home services and nutrition assistance, provided through a network of county Area Agencies on Aging and local providers.

Many public health programs, such as the EI and GPHW programs, are run by county health departments and reimbursed by the State for a share of program costs. The State spending projections do not include the county share of public health funding. In addition, a significant portion of HCRA spending is included under the public health budget. For more information on HCRA projections, see the following section entitled "HCRA Financial Plan".

PUBLIC HEALTH AND AGING									
(millions of dollars)									
	FY 2013	FY 2014		FY 2015		FY 2016		FY 2017	
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
Total State Operating Funds	2,023	2,053	1.5%	2,182	6.3%	1,945	-10.9%	1,923	-1.1%
Public Health	1,907	1,940	1.7%	2,063	6.3%	1,819	-11.8%	1,792	-1.5%
Child Health Plus	356	375	5.3%	440	17.3%	369	-16.1%	303	-17.9%
General Public Health Work	247	215	-13.0%	237	10.2%	233	-1.7%	238	2.1%
EPIC	116	196	69.0%	217	10.7%	237	9.2%	258	8.9%
Early Intervention	164	163	-0.6%	163	0.0%	166	1.8%	166	0.0%
HCRA Program Account	452	373	-17.5%	377	1.1%	377	0.0%	377	0.0%
F-SHRP	175	205	17.1%	205	0.0%	0	-100.0%	0	0.0%
All Other	397	413	4.0%	424	2.7%	437	3.1%	450	3.0%
Aging	116	113	-2.6%	119	5.3%	126	5.9%	131	4.0%

Spending growth through FY 2015 largely reflects costs associated with the CHP program, including the expectation of additional caseload growth under the ACA. As CHP enrollment increases, initial costs to the State are expected; however, these costs are expected to decrease beginning in FY 2016 when enhanced Federal participation rates become effective. To reduce the State share of the CHP program costs, the Executive Budget proposes to transfer the rate-setting responsibility from the DFS to the DOH effective April 1, 2013, which will lower spending growth relative to previous models by temporarily maintaining the existing rate packages over nine months until the new rate setting methodology is implemented concurrently with the New York State Health Benefit Insurance Exchange on January 1, 2014, as required by the ACA.

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

Spending growth in FY 2014 from the F-SHRP program, which represents funding provided to the State on a time-limited basis through a Federal waiver under terms and conditions aimed at improving the delivery of health care services, reflects the anticipation of peak utilization prior to the expiration of funding. The year-over-year decrease for GPHW in FY 2014 reflects a reestimate of anticipated spending. Other public health programs are being consolidated in order to enhance programmatic and administrative efficiencies, the impact of which is expected to provide savings to the General Fund of approximately \$40 million in each year of the Updated Financial Plan.

HCRA FINANCIAL PLAN

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

HCRA receipts include surcharges and assessments on hospital revenues, a “covered lives” assessment paid by insurance carriers, a portion of cigarette tax revenues, and other revenues dedicated by statute, as well as potential future proceeds from insurance company conversions. Estimated growth in total HCRA revenues, approximately 1.5 percent annually, reflects downward adjustments of approximately \$200 million to surcharge revenues.

HCRA helps fund Medicaid, EPIC, CHP, FHP and Indigent Care (which provide funds to hospitals serving a disproportionate share of individuals without health insurance). HCRA also provides funding for workforce recruitment and retention and rate adjustments to health facilities, physician excess medical malpractice, and HEAL NY for capital improvements to health care facilities. The Executive Budget proposes to consolidate various public health programs to enhance programmatic and administrative efficiencies, as well as to implement other programmatic changes. Such changes are expected to lower spending in HCRA by approximately \$200 million annually.

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

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

HCRA FINANCIAL PLAN FY 2013 THROUGH FY 2017					
(millions of dollars)					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Current	Proposed	Projected	Projected	Projected
Opening Balance	3	0	0	0	0
Total Receipts	5,438	5,644	5,886	5,981	6,081
Surcharges	2,815	2,778	2,871	2,957	3,046
Covered Lives Assessment	1,045	1,045	1,045	1,045	1,045
Cigarette Tax Revenue	1,113	1,094	1,073	1,050	1,027
Conversion Proceeds	0	175	300	300	300
Hospital Assessments	394	417	444	469	495
NYC Cigarette Tax Transfer/Other	71	135	153	160	168
Total Disbursements	5,441	5,644	5,886	5,981	6,081
Medicaid Assistance Account	<u>3,228</u>	<u>3,529</u>	<u>3,863</u>	<u>3,957</u>	<u>4,131</u>
<i>Medicaid Costs</i>	1,840	2,230	2,775	3,308	3,482
<i>Family Health Plus</i>	689	650	439	0	0
<i>Workforce Recruitment & Retention</i>	211	197	197	197	197
<i>All Other</i>	488	452	452	452	452
HCRA Program Account	476	392	396	396	396
Hospital Indigent Care	792	817	817	817	817
Elderly Pharmaceutical Insurance Coverage	127	209	230	250	271
Child Health Plus	362	381	447	377	310
Public Health Programs	129	0	0	0	0
All Other	327	316	133	184	156
Annual Operating Surplus/(Deficit)	(3)	0	0	0	0
Closing Balance	0	0	0	0	0

MENTAL HYGIENE

MENTAL HYGIENE (millions of dollars)									
	FY 2013	FY 2014		FY 2015		FY 2016		FY 2017	
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
Total State Operating Funds	3,644	2,799	-23.2%	3,390	21.1%	3,878	14.4%	4,082	5.3%
People with Developmental Disabilities	2,234	1,384	-38.0%	1,826	31.9%	2,121	16.2%	2,184	3.0%
Residential Services	1,577	1,492	-5.4%	1,604	7.5%	1,687	5.2%	1,731	2.6%
Day Programs	570	539	-5.4%	579	7.4%	609	5.2%	625	2.6%
Clinic	23	22	-4.3%	23	4.5%	24	4.3%	25	4.2%
Other Local	64	61	-4.7%	65	6.6%	68	4.6%	70	2.9%
Mental Hygiene Stabilization Fund	0	(730)	0.0%	(445)	-39.0%	(267)	-40.0%	(267)	0.0%
Mental Health	1,094	1,099	0.5%	1,232	12.1%	1,408	14.3%	1,535	9.0%
Adult Local Services	913	918	0.5%	1,025	11.7%	1,188	15.9%	1,311	10.4%
Children Local Services	181	181	0.0%	207	14.4%	220	6.3%	224	1.8%
Alcohol and Substance Abuse	315	315	0.0%	331	5.1%	348	5.1%	362	4.0%
Outpatient/Methadone	135	135	0.0%	141	4.4%	150	6.4%	155	3.3%
Residential	106	106	0.0%	112	5.7%	117	4.5%	122	4.3%
Prevention	44	44	0.0%	45	2.3%	48	6.7%	51	6.3%
Crisis	17	17	0.0%	18	5.9%	18	0.0%	19	5.6%
Program Support	8	8	0.0%	10	25.0%	10	0.0%	10	0.0%
LGU Administration	5	5	0.0%	5	0.0%	5	0.0%	5	0.0%
CQCAPD/Justice Center	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%

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

Legislation enacted in FY 2013 established the Justice Center for the Protection of People with Special Needs, which will have the primary responsibility for tracking, investigating and pursuing serious abuse/neglect complaints at facilities and provider settings operated, certified, or licensed by six State agencies. The activities of CQCAPD will be subsumed by the Justice Center when it becomes operational on June 30, 2013.

Local assistance spending in mental hygiene accounts for nearly half of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 5.2 percent annually. This growth is attributable to increases in the projected State share of Medicaid costs and projected expansion of the various mental hygiene service systems including: increases primarily associated with developing new OPWDD residential and non-residential services and supports; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline. Additional outyear spending is assumed in Updated Financial Plan estimates for costs associated with efforts to move individuals in nursing homes and other settings to the least restrictive setting possible, as well as several chemical dependence treatment and prevention initiatives for individuals receiving services through OASAS.

The Executive Budget includes proposals to lower spending growth by eliminating automatic inflationary factors in FY 2014, including the 1.4 percent Human Services COLA and Medicaid trend adjustment, which provides rate reimbursement adjustments for eligible providers of services to the developmentally disabled, and scaling back existing plans to provide new residential, day program and other support services to the developmentally disabled, and mental health bed development.

OPWDD's Medicaid-related spending estimates have been revised downward in the Executive Budget by \$850 million in FY 2014, \$565 million in FY 2015, and \$387 million thereafter. This revision is attributable to the impact of reduced Federal revenue associated with the reimbursement of Medicaid costs at State-operated facilities providing developmental disability services. To compensate for the reduced Federal reimbursement for services provided, the State is undertaking various actions to reduce overall costs in the least disruptive manner possible for service delivery. These actions include shifting a portion of OPWDD Medicaid costs to DOH, the impact of which is expected to be managed on a neutral Financial Plan basis through the implementation of several actions, including comprehensive program reforms consistent with other states to generate Federal reimbursement for services already being provided, and the management of certain MRT investment initiatives. These savings are valued at \$730 million in FY 2014, \$445 million in FY 2015, and \$267 million in each of FY 2016 and FY 2017. These savings are part of Mental Hygiene Stabilization Fund within the DOH global spending cap. In addition, \$120 million of savings will be achieved in OPWDD through rate reductions to eliminate cost-of-living adjustments and other rate enhancements received by providers during FYs 2010 and 2011.

SOCIAL SERVICES

TEMPORARY AND DISABILITY ASSISTANCE									
(millions of dollars)									
	FY 2013	FY 2014	FY 2015		FY 2016		FY 2017		
	<u>Current</u>	<u>Proposed</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	
Total State Operating Funds	1,513	1,390	-8.1%	1,288	-7.3%	1,316	2.2%	1,326	0.8%
SSI	741	766	3.4%	664	-13.3%	691	4.1%	700	1.3%
Public Assistance Benefits ¹	620	503	-18.9%	503	0.0%	503	0.0%	503	0.0%
Welfare Initiatives	19	18	-5.3%	18	0.0%	18	0.0%	18	0.0%
All Other	133	103	-22.6%	103	0.0%	104	1.0%	105	1.0%

¹ Reflects additional spending in FY 2013 that is the result of FY 2012 timing delays.

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

The annual decline in OTDA spending from FY 2013 is driven primarily by the State's projected costs for public assistance caseload. The average public assistance caseload is projected to total 554,011 recipients in FY 2014, a decrease of 2.2 percent from FY 2013 levels. Approximately 249,528 families are expected to receive benefits through the Family Assistance program, a decrease of 2.7 percent from the current year. In the Safety Net program an average of 118,706 families are expected to be helped in

FY 2014, a decrease of 3.0 percent. The caseload for single adults/childless couples supported through the Safety Net program is projected at 185,777, a decrease of 0.8 percent.

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

CHILDREN AND FAMILY SERVICES									
(millions of dollars)									
	FY 2013	FY 2014		FY 2015		FY 2016		FY 2017	
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
Total State Operating Funds	1,543	1,620	5.0%	1,912	18.0%	1,980	3.6%	2,066	4.3%
Child Welfare Service	336	481	43.2%	512	6.4%	545	6.4%	594	9.0%
Foster Care Block Grant	436	437	0.2%	456	4.3%	473	3.7%	491	3.8%
Adoption	175	167	-4.6%	169	1.2%	172	1.8%	176	2.3%
Day Care	220	140	-36.4%	354	152.9%	354	0.0%	354	0.0%
Youth Programs	125	148	18.4%	163	10.1%	164	0.6%	164	0.0%
Medicaid	87	89	2.3%	92	3.4%	96	4.3%	100	4.2%
Committees on Special Education	39	38	-2.6%	42	10.5%	47	11.9%	51	8.5%
Adult Protective/Domestic Violence	34	41	20.6%	45	9.8%	51	13.3%	58	13.7%
All Other	91	79	-13.2%	79	0.0%	78	-1.3%	78	0.0%

Updated Financial Plan growth is driven by increases in claims-based programs and an increase in General Fund spending on Day Care beginning in FY 2015, in order to keep spending on this program constant after a projected decrease in Federal funding. Growth in Child Welfare Services and Adult Protective/Domestic Violence reflects anticipated growth in local claims and flat Federal funding. The reduction in All Other OCFS spending reflects the elimination of the human services COLA in FY 2014.

TRANSPORTATION

In FY 2014, the DOT will provide \$4.7 billion in local assistance to support statewide mass transit systems. This funding, financed through the collection of dedicated taxes and fees, is provided to mass transit operators throughout the State to support operating costs. The MTA, due to the size and scope of its transit system, receives the majority of the statewide mass transit operating aid. Additionally, the MTA receives operating support from the Mobility Tax and MTA Aid Trust Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District. The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA to support the transit system. Operating aid to the MTA and other transit systems is expected to increase in FY 2014 by approximately 9 percent, reflecting spending adjustments made in conjunction with upward revisions in the receipts forecast.

TRANSPORTATION									
(millions of dollars)									
	FY 2013	FY 2014		FY 2015		FY 2016		FY 2017	
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
Total State Operating Funds	4,344	4,722	8.7%	4,820	2.1%	4,919	2.1%	5,020	2.1%
Mass Transit Operating Aid:	<u>1,907</u>	<u>2,105</u>	<u>10.4%</u>	<u>2,101</u>	<u>-0.2%</u>	<u>2,101</u>	<u>0.0%</u>	<u>2,101</u>	<u>0.0%</u>
Metro Mass Transit Aid	1,762	1,964	11.5%	1,960	-0.2%	1,960	0.0%	1,960	0.0%
Public Transit Aid	93	89	-4.3%	89	0.0%	89	0.0%	89	0.0%
18-B General Fund Aid	27	27	0.0%	27	0.0%	27	0.0%	27	0.0%
School Fare	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Mobility Tax and MTA Aid Trust	1,724	1,884	9.3%	1,975	4.8%	2,070	4.8%	2,168	4.7%
Dedicated Mass Transit	667	687	3.0%	698	1.6%	702	0.6%	706	0.6%
AMTAP	45	45	0.0%	45	0.0%	45	0.0%	45	0.0%
All Other	1	1	0.0%	1	0.0%	1	0.0%	0	0.0%

LOCAL GOVERNMENT ASSISTANCE

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

LOCAL GOVERNMENT ASSISTANCE									
(millions of dollars)									
	FY 2013	FY 2014	Annual %	FY 2015	Annual %	FY 2016	Annual %	FY 2017	Annual %
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
Total State Operating Funds	763	767	0.5%	778	1.4%	787	1.2%	795	1.0%
AIM:									
Big Four Cities	429	429	0.0%	429	0.0%	429	0.0%	429	0.0%
Other Cities	218	218	0.0%	218	0.0%	218	0.0%	218	0.0%
Towns and Villages	68	68	0.0%	68	0.0%	68	0.0%	68	0.0%
Efficiency Incentives	14	19	35.7%	33	73.7%	44	33.3%	52	18.2%
All Other Local Aid	34	33	-2.9%	30	-9.1%	28	-6.7%	28	0.0%

ALL OTHER LOCAL ASSISTANCE SPENDING

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

AGENCY OPERATIONS

Agency operating costs include personal service, non-personal service, and GSCs. Personal service includes salaries of State employees of the Executive, Legislative, and Judicial branches, as well as overtime payments and costs for temporary employees. Non-personal service generally accounts for the cost of operating State agencies, including real estate rental, utilities, contractual payments (i.e., consultants, information technology, and professional business services), supplies and materials, equipment, and telephone service. GSCs account for the costs of fringe benefits (e.g., pensions, health insurance) provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State. In addition, certain agency operations of Transportation and Motor Vehicles are included in the capital projects fund type and not reflected in the State Operating Funds personal service or non-personal service totals.

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

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS					
	FY 2012 Results	Forecast			
		FY 2013 Current	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected
Negotiated Base Salary Increases ¹					
CSEA/NYSCOPBA/Council 82	0	0	0	2%	2%
PEF / NYSPBA	0	0	0	2%	TBD
State Workforce ²	119,579	119,728	119,601	119,697	119,697
ERS Pension Contribution Rate ³					
Before Amortization (Normal/Admin/GLIP)	16.5%	19.4%	21.7%	21.5%	18.0%
After Amortization	10.5%	11.5%	12.5%	13.5%	14.5%
PFRS Pension Contribution Rate ³					
Before Amortization (Normal/Admin/GLIP)	22.3%	26.6%	30.1%	30.1%	26.2%
After Amortization	18.5%	19.5%	20.5%	21.5%	22.5%
Employee/Retiree Health Insurance Growth Rates	7.2%	3.1%	5.4%	8.5%	8.5%
PS/Fringe as % of Receipts (All Funds Basis)	14.4%	14.6%	14.2%	14.5%	14.8%
¹ Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated workforce agreements.					
² Reflects workforce that is Subject to Direct Executive Control.					
³ As Percent of Salary.					

Growth in agency operating spending is concentrated in agencies that operate large facilities, such as the State University, the mental hygiene agencies, and Corrections and Community Supervision. The main causes of growth include inflationary increases in payroll and operating costs expected for food, medical care and prescription drugs, and energy costs in State facilities, offset by expected savings from enterprise procurement efforts. In most years, there are 26 bi-weekly pay periods. In FY 2016, there is one additional State institutional payroll, which results in higher spending mainly in mental hygiene and

corrections. In addition, the State will begin repayment to State employees of certain amounts withheld pursuant to the DRP in FY 2012 and FY 2013 beginning in the last pay period in FY 2015.

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

STATE OPERATING FUNDS - AGENCY OPERATIONS¹					
(millions of dollars)					
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Current	Proposed	Projected	Projected	Projected
Subject to Direct Executive Control	10,165	9,618	9,882	10,256	10,401
Mental Hygiene	2,957	2,851	2,862	2,995	2,949
Corrections and Community Supervision	2,743	2,557	2,615	2,751	2,706
State Police	641	645	650	664	670
Public Health	540	424	431	413	414
Tax and Finance	380	359	366	372	381
Children and Family Services	313	276	251	248	252
Environmental Conservation	234	229	230	233	235
Financial Services	202	203	205	208	208
Temporary and Disability Assistance	191	185	195	192	196
Parks, Recreation and Historic Preservation	175	174	177	179	180
Disaster Assistance	145	(165)	0	0	0
Workers' Compensation Board	152	149	153	156	158
Lottery	161	172	176	177	177
General Services	156	159	141	143	145
Information Technology Services	59	143	156	160	160
All Other	1,116	1,257	1,274	1,365	1,570
University System	5,651	5,703	5,838	5,976	6,108
State University	5,537	5,612	5,745	5,882	6,012
City University	114	91	93	94	96
Independent Agencies	304	302	310	319	323
Law	165	163	167	171	173
Audit & Control	139	139	143	148	150
Total, excluding Legislature and Judiciary	16,120	15,623	16,030	16,551	16,832
Judiciary	1,871	1,873	2,000	2,095	2,111
Legislature	219	219	224	227	231
Statewide Total	18,210	17,715	18,254	18,873	19,174
Personal Service	12,568	12,348	12,640	13,090	13,223
	4.3%	-1.8%	2.4%	3.6%	1.0%
Non-Personal Service	5,642	5,367	5,614	5,783	5,951
	4.4%	-4.9%	4.6%	3.0%	2.9%

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

GENERAL STATE CHARGES

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

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

GENERAL STATE CHARGES									
(millions of dollars)									
	FY 2013	FY 2014		FY 2015		FY 2016		FY 2017	
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
Total State Operating Funds	6,580	7,084	7.7%	7,529	6.3%	7,941	5.5%	8,271	4.2%
Fringe Benefits	6,150	6,685	8.7%	7,128	6.6%	7,541	5.8%	7,871	4.4%
Health Insurance	<u>3,159</u>	<u>3,301</u>	<u>4.5%</u>	<u>3,475</u>	<u>5.3%</u>	<u>3,702</u>	<u>6.5%</u>	<u>4,009</u>	<u>8.3%</u>
Employee Health Insurance	1,750	1,830	4.6%	1,925	5.2%	2,051	6.5%	2,221	8.3%
Retiree Health Insurance	1,409	1,471	4.4%	1,550	5.4%	1,651	6.5%	1,788	8.3%
Pensions	1,605	2,013	25.4%	2,256	12.1%	2,418	7.2%	2,446	1.2%
Social Security	960	959	-0.1%	964	0.5%	982	1.9%	999	1.7%
All Other Fringe	426	412	-3.3%	433	5.1%	439	1.4%	417	-5.0%
Fixed Costs	430	399	-7.2%	401	0.5%	400	-0.2%	400	0.0%

GSCs are projected to increase at an average annual rate of 6.0 percent over the Updated Financial Plan period. This is due to projected growth in health insurance and pension costs, offset by revenue collected from fringe benefit assessments, particularly from the mental hygiene agencies.

TRANSFERS TO OTHER FUNDS (GENERAL FUND BASIS)

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

GENERAL FUND TRANSFERS TO OTHER FUNDS					
(millions of dollars)					
	FY 2013 Current	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Total Transfers to Other Funds	6,916	8,434	9,105	9,605	10,151
Mental Hygiene Medicaid State Share	2,975	1,730	1,288	1,261	1,228
Debt Service	1,644	1,334	1,476	1,450	1,347
Capital Projects	868	1,256	1,369	1,381	1,772
Dedicated Highway and Bridge Trust Fund	519	568	578	589	697
All Other Capital	349	688	791	792	1,075
All Other Transfers	1,429	4,114	4,972	5,513	5,804
Mental Hygiene	0	1,952	2,841	3,400	3,687
SUNY - University Operations	340	969	969	969	969
Department of Transportation (MTA Tax)	279	332	334	334	334
SUNY - Disproportionate Share	228	228	228	228	228
Judiciary Funds	107	107	108	109	109
SUNY - Hospital Operations	81	67	60	60	60
Banking Services	57	65	65	65	65
Statewide Financial System	48	53	55	55	55
Indigent Legal Services	40	40	40	40	40
Mass Transportation Operating Assistance	37	37	37	37	37
Alcoholic Beverage Control	17	18	20	20	20
Information Technology Services	10	40	14	6	10
Public Transportation Systems	12	12	12	12	12
Correctional Industries	10	10	10	10	10
All Other	163	184	179	168	168

A significant portion of the capital and operating expenses of DOT and DMV are funded from the DHBTF. The Fund receives dedicated tax and fee revenue from the Petroleum Business Tax, Motor Fuel Tax, Auto Rental Tax, highway use taxes, transmission taxes and motor vehicle fees administered by DMV. The Updated Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the fund – capital and operating expenses of DOT and DMV, debt service on DHBTF bonds and transfers for debt service on bonds that fund CHIPs and local transportation programs – exceed current and projected revenue deposits and bond proceeds.

The projected decreases for Mental Hygiene Medicaid State Share agencies reflect the impact of reduced Federal revenue for services provided at state operated facilities offset partially by personnel costs from recent contractual agreements between the State and employee bargaining units.

General Fund transfers to other funds are expected to total \$8.4 billion in FY 2014 - a \$1.5 billion (or 22 percent) increase from FY 2013. This increase is a function of the re-categorization of SUNY operating support; the additional support provided to the MTA to offset the recent payroll tax reduction; and the higher costs associated with operating mental hygiene facilities in lieu of reduced Federal revenue.

DEBT SERVICE

The State pays debt service on all outstanding State-supported bonds. These include general obligation bonds, for which the State is constitutionally obligated to pay debt service, as well as certain bonds issued by State public authorities (e.g., ESD, DASNY, and the NYSTA, subject to an appropriation). Depending on the credit structure, debt service is financed by transfers from the General Fund, dedicated taxes and fees, and other resources, such as patient income revenues.

DEBT SERVICE SPENDING PROJECTIONS				
(millions of dollars)				
	FY 2013 Current	FY 2014 Proposed	Annual Change	Percent Change
General Fund	1,644	1,334	(310)	-18.9%
Other State Support	4,488	4,499	11	0.2%
State Operating Funds	6,132	5,833	(299)	-4.9%
Total All Funds	6,132	5,833	(299)	-4.9%

Total debt service is projected at \$5.8 billion in FY 2014, of which \$1.3 billion is paid from the General Fund through transfers, and \$4.5 billion from other State funds. The General Fund transfer finances debt service payments on general obligation and service contract bonds. Debt service is paid directly from other State funds for the State's revenue bonds, including PIT bonds, DHBTF bonds, and mental health facilities bonds.

Executive Budget projections for debt service spending have been revised to reflect a number of factors, including actual bond sale results to date, assumed debt management savings of \$128 million in FY 2014, increased debt service costs associated with proposed additional capital commitment levels, as well as the assumed prepayment of \$183 million of debt service otherwise due during FY 2014.

FISCAL YEAR 2013 TEN-MONTH OPERATING RESULTS (APRIL 2012 - JANUARY 2013)

This section provides a summary of operating results for April 2012 through January 2013 compared to (1) the initial projections set forth in the FY 2013 Enacted Budget; (2) the Prior Quarterly Update to the AIS; and (3) the prior year results through January 2012 (FY 2012).

GENERAL FUND RESULTS

The State ended January 2013 with a closing balance of \$7.1 billion in the General Fund, \$1.1 billion higher than initially estimated, when the FY 2013 budget was enacted, due to higher than anticipated receipts (\$384 million) and lower than anticipated spending (\$734 million). Compared to the Prior Quarterly Update projections, the General Fund balance was \$1.7 billion higher than estimated.

GENERAL FUND OPERATING RESULTS THROUGH JANUARY 2013 (millions of dollars)					
	Enacted Plan	Prior AIS Update	Results	Above/(Below) Variance	
				Enacted Plan	Prior AIS Update
Opening Balance	1,787	1,787	1,787	0	0
Total Receipts	47,981	47,885	48,365	384	480
Taxes:	<u>45,452</u>	<u>45,237</u>	<u>45,603</u>	<u>151</u>	<u>366</u>
<i>Personal Income Tax</i> ¹	29,853	29,699	30,251	398	552
<i>User Taxes and Fees</i> ¹	10,050	9,945	9,861	(189)	(84)
<i>Business Taxes</i>	4,198	4,218	4,108	(90)	(110)
<i>Other Taxes</i> ¹	1,351	1,375	1,383	32	8
Receipts and Grants	2,328	2,393	2,573	245	180
Transfers From Other Funds	201	255	189	(12)	(66)
Total Spending	43,807	44,333	43,073	(734)	(1,260)
Education	11,455	11,710	11,449	(6)	(261)
Health Care	9,972	9,734	9,470	(502)	(264)
Social Services	2,515	2,501	2,458	(57)	(43)
All Other Local Assistance	4,597	4,540	4,382	(215)	(158)
Personal Service	5,050	5,304	5,326	276	22
Non-Personal Service	1,454	1,410	1,289	(165)	(121)
General State Charges	2,925	3,013	3,104	179	91
Debt Service Transfer	1,745	1,728	1,625	(120)	(103)
Capital Projects Transfer	562	579	409	(153)	(170)
State Share Medicaid Transfer	2,341	2,629	2,334	(7)	(295)
SUNY Operations Transfer	340	340	340	-	-
All Other Transfers	851	845	887	36	42
Change in Operations	4,174	3,552	5,292	1,118	1,740
Closing Balance	5,961	5,339	7,079	1,118	1,740

¹ Includes transfers from other funds after debt service.

RECEIPTS

Total receipts through January 2013 exceeded initial projections by \$384 million, reflecting the combined impact of higher tax collections (\$151 million) and higher non-tax receipts and transfers (\$233

million). The variance in tax collections is largely attributable to higher than anticipated personal income tax collections (\$398 million) which are mainly the result of taxpayers realizing capital gains in advance of potentially higher Federal tax rates, partially offset by lower than expected withholding, sales tax receipts, and gross business tax receipts. The increase in non-tax receipts is primarily a reflection of a \$340 million payment to the State in a settlement agreement between Standard Chartered Bank and DFS regarding claims that the bank did not comply with financial regulations, and payment from the Manhattan District Attorney

Total receipts were \$480 million above the Prior Quarterly Update projection, most notably due to higher than anticipated personal income tax collections and the unanticipated settlement payment to the State from Standard Chartered Bank, partly offset by lower than expected sales tax receipts and gross business tax receipts.

SPENDING

General Fund spending through January 2013 was \$734 million below initial projections. Local assistance spending was \$780 million lower than planned and was mainly comprised of lower spending for health care (\$502 million) and other local assistance (\$215 million), partially offset by higher than anticipated personal services costs (\$276 million). The health care variance is a factor of delayed Federal approval of retroactive Medicaid rate packages. The variance in other local assistance spending reflects slower than anticipated disbursements across multiple agencies and programs, including Council on the Arts grant awards, economic development programs and general municipal aid.

Personal service spending exceeded initial estimates by \$276 million, due almost exclusively to retroactive payments pursuant to labor settlements for periods prior to FY 2011, consistent with agreement reached between the State and two public employee unions after enactment of the FY 2013 budget, and financed from General Fund balances designated for this purpose. Non-personal service spending fell below initial projections by \$165 million and was distributed across many State agencies.

GSCs were \$179 million higher than initially projected, due mainly to delayed reimbursement from non-General Fund accounts and higher Workers' Compensation payments.

General Fund transfers to other funds to support various activities were below initial estimates, due mainly to slower than anticipated transfers for debt service (\$120 million) and support of capital projects (\$153 million). These results reflect savings from refundings, the timing and size of bond sales, and the financing mix for capital projects, which have been reflected as downward revisions to FY 2013 annual estimates in the Updated Financial Plan.

For context, total FY 2013 General Fund spending has been increased since the initial projection by roughly \$500 million. The most notable spending increases include higher Medicaid spending due to a financing swap between the General Fund and HCRA, resulting in no change in Medicaid spending on a State Operating Funds basis (\$450 million); payment of retroactive labor agreements (\$345 million); initial State outlays related to Superstorm Sandy (\$200 million); and higher GSC costs (\$185 million) related to workers' compensation payments and litigation costs. These increases in spending are partly offset by downward spending adjustments to annual estimates that reflect operating results to date described above.

Compared to the Prior Quarterly Update projection, General Fund spending was \$1.3 billion below projections, most notably due to slower than expected payments for special education and other education programs (\$294 million), Medicaid (\$197 million), State-operated mental hygiene facilities (\$295

million), and General Fund transfers in support of capital projects (\$170 million) and debt service (\$103 million).

GENERAL FUND YEAR-OVER-YEAR RESULTS

GENERAL FUND OPERATING RESULTS YEAR-OVER-YEAR THROUGH JANUARY (millions of dollars)				
	FY 2012	FY 2013	Increase/(Decrease)	
	Results	Results	\$	%
Opening Balance	1,376	1,787	411	
Receipts	46,476	48,365	1,889	4.1%
Personal Income Tax ¹	28,953	30,251	1,298	4.5%
User Taxes and Fees ¹	9,812	9,861	49	0.5%
Business Taxes	3,920	4,108	188	4.8%
Other Taxes ¹	1,299	1,383	84	6.5%
Non-Tax Revenue	2,492	2,762	270	10.8%
Disbursements	41,227	43,073	1,846	4.5%
Education	10,940	11,449	509	4.7%
Health Care	9,687	9,470	(217)	-2.2%
Social Services	2,283	2,458	175	7.7%
All Other Local Assistance	4,377	4,382	5	0.1%
Personal Service	4,982	5,326	344	6.9%
Non-Personal Service	1,346	1,289	(57)	-4.2%
General State Charges	2,912	3,104	192	6.6%
Transfers To Other Funds	4,700	5,595	895	19.0%
Change in Operations	5,249	5,292	43	
Closing Balance	6,625	7,079	454	

¹ Includes transfers from other funds after debt service.

Total receipts through January 2013 were \$1.9 billion (4.1 percent) higher than in the prior fiscal year for the same period. Tax receipts through January 2013 were \$1.6 billion (3.7 percent) higher than in the prior fiscal year. The personal income tax receipts increase is a function of higher estimated payments for the 2012 tax year; and modest increase in withholding; and a reduction in refunds. The business tax increase reflects stronger liability year payments in 2012 relative to the prior year, as well as higher audit receipts and lower refunds for all business taxes combined. Higher non-tax receipts are mainly due to a legal settlement received in the current year.

Through January 2013, disbursements were \$1.8 billion (4.5 percent) higher than the prior year due largely to School Aid growth consistent with the spending cap (\$342 million), growth in social services spending (\$175 million) that is driven by increases to the public assistance grants and caseload, growth in personal service costs (\$344 million) related to retroactive labor settlements with the NYSCOBPA and Council 82 employee unions, GSCs (\$192 million) due to increases in health insurance costs, and increased transfers in support of SUNY operations that is attributable to an accounting change (\$340 million), increased transfers in support of State-operated mental hygiene facilities (\$202 million), and increased transfers in support of capital projects (\$182 million).

STATE OPERATING FUNDS RESULTS

The State ended January 2013 with a closing balance of \$10.8 billion in State Operating Funds, \$1.2 billion above the initial projections comprised of lower spending (\$1.2 billion), lower receipts (\$219 million) and higher net financing sources (\$230 million). Compared to the Prior Quarterly Update projections, the State Operating Funds balance was \$1.7 billion higher.

STATE OPERATING FUNDS RESULTS THROUGH JANUARY 2013					
(millions of dollars)					
	Enacted Plan	Prior AIS Update	Results	Above/(Below) Variance	
				Enacted Plan	Prior AIS Update
Opening Balance	3,847	3,847	3,847	0	0
Total Receipts	70,902	70,446	70,683	(219)	237
Taxes:	<u>54,681</u>	<u>54,469</u>	<u>54,807</u>	<u>126</u>	<u>338</u>
<i>Personal Income Tax</i>	34,963	34,798	35,361	398	563
<i>User Taxes and Fees</i>	12,003	11,890	11,752	(251)	(138)
<i>Business Taxes</i>	5,334	5,350	5,239	(95)	(111)
<i>Other Taxes</i>	2,381	2,431	2,455	74	24
Miscellaneous/Federal Receipts	16,221	15,977	15,876	(345)	(101)
Total Spending	68,365	68,501	67,172	(1,193)	(1,329)
Education	14,266	14,520	14,259	(7)	(261)
Health Care	15,107	14,828	14,430	(677)	(398)
Social Services	2,518	2,506	2,466	(52)	(40)
All Other Local Assistance	13,357	13,352	13,184	(173)	(168)
Personal Service	10,241	10,541	10,565	324	24
Non-Personal Service	4,387	4,264	4,052	(335)	(212)
General State Charges	4,567	4,638	4,418	(149)	(220)
Debt Service	3,922	3,848	3,791	(131)	(57)
Capital Projects	-	4	7	7	3
Other Financing Sources	3,243	3,382	3,473	230	91
Change in Operations	5,780	5,327	6,984	1,204	1,657
Closing Balance	9,627	9,174	10,831	1,204	1,657

RECEIPTS

Total receipts in State Operating Funds were \$219 million lower than initial projections, comprised of \$345 million in lower than estimated non-tax receipts partly offset by \$126 million in higher tax collections, consistent with the General Fund operating results. The variance in miscellaneous receipts is mainly due to lower than expected HCRA receipts largely attributable to the surcharge revenue due to the combined impact of industry cost containment and service delivery goals implemented through MRT efficiency initiatives.

Total receipts were \$237 million above the Prior Quarterly Update projection due to higher than anticipated personal income tax collections, partly offset by lower than anticipated revenues from other taxes and miscellaneous receipts.

SPENDING

Compared to the initial projections, total State Operating Funds spending was \$1.2 billion lower than planned. In addition to the General Fund variances described above, the most notable variances include lower than expected spending in the areas of GSCs, largely due to administrative processing delays associated with the reimbursement of agency fringe benefit costs (\$328 million); public health programs; and non-personal service costs.

Total State Operating Funds spending was \$1.3 billion below the First Quarterly Update estimates, consistent with the General Fund results described earlier.

FINANCING SOURCES

Other financing sources, which represent the difference between transfers to and from other funds within the fund types that comprise State Operating Funds, were \$230 million higher than initial projections. This variance was driven primarily by the combined impact of lower than planned transfers from the General Fund to the Capital Projects Fund (\$153 million) due to the postponement of certain bond sales.

STATE OPERATING FUNDS YEAR-OVER-YEAR RESULTS

APRIL THROUGH JANUARY STATE OPERATING FUNDS RESULTS YEAR-OVER-YEAR (millions of dollars)				
	FY 2012 Results	FY 2013 Results	Increase/(Decrease)	
			\$	%
Opening Balance	3,969	3,847	(122)	-3.1%
Receipts	68,483	70,683	2,200	3.2%
Personal Income Tax	33,782	35,361	1,579	4.7%
User Taxes and Fees	11,753	11,752	(1)	0.0%
Business Taxes	5,020	5,239	219	4.4%
Other Taxes	2,508	2,455	(53)	-2.1%
Miscellaneous/Federal Receipts	15,420	15,876	456	3.0%
Disbursements	65,640	67,172	1,532	2.3%
Education	13,630	14,259	629	4.6%
Health Care	14,617	14,430	(187)	-1.3%
Social Services	2,294	2,466	172	7.5%
All Other Local Assistance	12,898	13,184	286	2.2%
Personal Service	9,919	10,565	646	6.5%
Non-Personal Service	4,179	4,052	(127)	-3.0%
General State Charges	4,313	4,418	105	2.4%
Debt Service	3,784	3,791	7	0.2%
Capital Projects	6	7	1	16.7%
Other Financing Sources	3,853	3,473	(380)	
Change in Operations	6,696	6,984	288	
Closing Balance	10,665	10,831	166	

Total receipts through January 2013 were \$2.2 billion higher (3.2 percent) than in the prior fiscal year for the same period. Tax receipts through January 2013 were \$1.7 billion higher than the FY 2012 level. Non-tax receipts through January 2013 were \$456 million above results in the prior fiscal year. Disbursements through January 2013 were \$1.5 billion (2.3 percent) above the prior year. The annual growth in receipts and spending in State Operating Funds is consistent with General Fund annual changes described earlier in this section.

GAAP-BASIS RESULTS FOR PRIOR FISCAL YEARS

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

The following table summarizes recent governmental funds results on a GAAP basis. The State issued the Basic Financial Statements for FY 2012 in July 2012.

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

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

Summary of Net Assets (millions of dollars)

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

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

STATE RETIREMENT SYSTEMS

GENERAL

This section summarizes key information regarding the New York State and Local Retirement System (“NYSLRS” or the “Systems”) and the Common Retirement Fund (“CRF”), a pooled investment vehicle in which the assets of the Systems are held and invested. Greater detail, including the independent auditor’s report for the fiscal year ending March 31, 2012, is included in NYSLRS’ Comprehensive Annual Financial Report (“NYSLRS’ CAFR”) for the fiscal year ended March 31, 2012. 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 2012, as well as NYSLRS’ CAFR and Asset Listing, the NYSLRS’ CAFR for each of the eight prior fiscal years, and benefit plan booklets describing how each of the Systems’ tiers works are all available and can be accessed at www.osc.state.ny.us/retire/publications. The audited Financial Statements for the fiscal year ending March 31, 2012 were completed in July 2012 and can also be accessed at this link.

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

THE SYSTEMS

The Systems provide pension benefits to public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). State employees made up about 34 percent of the membership during FY 2012. There were 3,039 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees), and many public authorities.

As of March 31, 2012, approximately 656,000 persons were members of the Systems and, in addition, approximately 403,000 pensioners or beneficiaries were receiving pension benefits. Article 5,

section 7 of the State Constitution considers membership in any State pension or retirement system to be “a contractual relationship, the benefits of which shall not be diminished or impaired.”

COMPARISON OF BENEFITS BY TIER

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

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

2010 RETIREMENT INCENTIVE PROGRAM

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

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

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

CONTRIBUTIONS AND FUNDING

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

The CRF experienced significant investment losses in FY 2009. These investment losses negatively impacted the value of assets held by the CRF for the Systems. In order to protect employers from potentially volatile contributions tied directly to the value of the Systems' assets held by the CRF, the Systems utilize a multi-year smoothing procedure. One of the factors used to calculate employer contribution requirements is the assumed investment rate of return used by the Systems Actuary, which is currently 7.5 percent. The current actuarial smoothing method spreads the impact of gains or losses above or below the 7.5 percent assumed investment rate of return over a 5-year period. Thus, because of the significant investment loss in FY 2009, employer contribution rates increased for FY 2011, FY 2012, FY 2013 and FY 2014 and further increases are expected for FY 2015. The amount of such future increases will depend, in part, on the value of the assets held by the CRF as of each April 1, as well as on the present value of the anticipated benefits to be paid by the Systems as of each April 1. Final contribution rates for FY 2014 were released in early September 2012. The average ERS rate increased from 18.9 percent of salary in FY 2013 to 20.9 percent of salary in FY 2014, while the average PFRS rate increased from 25.8 percent of salary in FY 2013 to 28.9 percent of salary in FY 2014. Information regarding average rates for FY 2014 may be found in the 2012 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at www.osc.state.ny.us/retire/publications.

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

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

penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the State Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in fiscal year 2011, the State Comptroller set an interest rate of 5 percent. For amounts amortized in fiscal year 2012, the interest rate is 3.75 percent. For amounts amortized in fiscal year 2013, the rate is 3 percent. The first payment is due in the fiscal year following the decision to amortize pension costs. When contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, it is expected that this will reduce the budgetary volatility of employer contributions. As of March 31, 2012, the amortized amount receivable for the 2011 amortization is \$230.67 million from the State and \$40.39 million from participating employers. In FY 2012, the State elected to amortize \$562.9 million and 134 participating employers amortized a total of \$216.33 million.

The estimated State payment (including Judiciary) for FY 2013 is \$2,186.1 million. The State has prepaid \$37 million and has been credited with the related interest adjustment. If the State (including Judiciary) opts to amortize the maximum amount permitted, it would reduce the required March 1, 2013 payment to \$1,370.6 million. The State payment for FY 2013 is an estimate. If this amount changes, then the amount that can be amortized would also change. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF.

The Executive Budget includes a proposal which, if enacted, would give the State Comptroller the authority to offer a stable pension contribution option to local governments and school districts. The stated purpose of this proposal is to 1) provide long-term stability and predictability in local pension budgeting, and 2) accelerate anticipated estimated local savings from the implementation of Tiers V and VI, which are less costly than the previous Tiers I through IV.

Under the stable rate proposal, the State Comptroller may allow counties, cities, towns, villages, school districts, boards of cooperative educational services, and the health care centers of Nassau, Westchester and Erie Counties, the option to elect stable employer contribution rates of 12 percent of salary for ERS members and 18.5 percent of salary for PFRS members. The proposal assumes that the stable rate would need to be in place for approximately 25 years to assure adequate funding of the pension systems. The State Comptroller may increase the stable rates by up to 2 percent of salary at the five and ten-year marks and may also adjust the program length to assure adequate pension system funding. Eligible participating employers would only be authorized to opt into the stable rate beginning with fiscal year 2014. The State Comptroller is currently reviewing this Executive Budget proposal.

PENSION ASSETS AND LIABILITIES

Assets are held by the CRF for the exclusive benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the State Comptroller as trustee of the CRF. The Systems report that the net assets available for benefits as of March 31, 2012 were \$153.4 billion (including \$3.5 billion in receivables, which consist of employer contributions, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), an increase of \$3.9 billion or 2.6 percent from the FY 2011 level of \$149.5 billion. The increase in net assets available for benefits from FY 2011 to FY 2012 reflects, in large part, equity market performance. The valuation used by the

Systems Actuary will be based on audited net assets available for benefits as of March 31, 2012 and will be included in the NYSLRS' CAFR for that fiscal year.

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

The Systems report that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from \$194.3 billion on April 1, 2011 to \$198.6 billion (including \$89.3 billion for current retirees and beneficiaries) on April 1, 2012. The funding method used by the Systems anticipates that the net assets, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from net assets on April 1, 2012 in that amortized cost was used instead of market value for bonds and mortgages, and the non-fixed investments utilized a smoothing method which recognized 20 percent of unexpected loss for FY 2012, 40 percent of the unexpected gain for the FY 2011, 60 percent of the unexpected gain for FY 2010 and 80 percent of the unexpected loss for FY 2009.⁷ Actuarial assets decreased from \$148.6 billion on April 1, 2011 to \$147.8 billion on April 1, 2012. The funded ratio, as of April 1, 2012, calculated by the System Actuary in August 2012 using the entry age normal funding method and actuarial assets, was 87 percent.⁸

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⁶ More detail on the CRF's asset allocation, long-term policy allocation and transition target allocation can be found on page 72 of the NYSLRS CAFR for the fiscal year ending March 31, 2012.

⁷ The current actuarial smoothing method spreads the impact of gains or losses above or below the 7.5 percent assumed investment rate of return over a 5-year period.

⁸ Detail on the funded ratios of ERS and PFRS as of April 1 for each of the 5 years previous to the fiscal year ended March 31, 2012 can be found on page 54 of the NYSLRS' CAFR for the fiscal year ending March 31, 2012. Detail regarding employers Annual Required Contributions for FY 2012 and each of the 5 previous fiscal years can be found on page 55 of the NYSLRS' CAFR for the fiscal year ending March 31, 2012.

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

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

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

Sources: State and Local Retirement Systems.

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

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

Fiscal Year Ended	Net Assets	Percent Increase/ (Decrease) From Prior Year
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Sources: State and Local Retirement Systems.

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

AUTHORITIES AND LOCALITIES

PUBLIC AUTHORITIES

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

The State has numerous public authorities with various responsibilities, including those which finance, construct and/or operate revenue-producing public facilities. These entities generally pay their own operating expenses and debt service costs from revenues generated by the projects they finance or operate, such as tolls charged for the use of highways, bridges or tunnels; charges for public power, electric and gas utility services; tuition and fees; rentals charged for housing units; and charges for occupancy at medical care facilities. In addition, State legislation also authorizes several financing structures, which may be utilized for the financings. The FY 2013 Enacted Budget authorizes any public benefit corporation to make voluntary contributions to the State’s General Fund at any time from any funds as deemed feasible and advisable by the public benefit corporation’s governing board after due consideration of the public benefit corporation’s legal and financial obligations, and deems such payment a “valid and proper purpose” for such funds.

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

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As of December 31, 2011 (New York Job Development Authority or “NYJDA” is as of March 31, 2012), each of the 18 authorities listed in the following table had outstanding debt of \$100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately \$170 billion, only a portion of which constitutes State-supported or State-related debt. The following table summarizes the outstanding debt of these authorities. Note that while the following table reflects revised information, including adjustment of certain authority debt between categories since reported with the AIS in May 2012, and the addition of the NYJDA to this list, the total debt outstanding for the authorities has not changed materially since the AIS.

Outstanding Debt of Certain Authorities (1) (2) (3)
As of December 31, 2011 (4)
(millions of dollars)

Authority	State- Related Debt Bonding	Authority and Conduit Bonding	Total
Dormitory Authority (5)	22,953	22,246	45,199
Metropolitan Transportation Authority	2,034	21,601	23,635
Port Authority of NY & NJ	0	19,515	19,515
Thruway Authority	11,071	3,085	14,156
Housing Finance Agency	1,077	9,528	10,605
UDC/ESD (6)	9,426	1,004	10,430
Triborough Bridge and Tunnel Authority	9	8,544	8,553
Environmental Facilities Corporation	896	7,258	8,154
Long Island Power Authority (7)	0	6,631	6,631
New York Job Development Authority (4)	19	6,611	6,630
Energy Research and Development Authority (7)	0	3,836	3,836
State of New York Mortgage Agency	0	3,217	3,217
Local Government Assistance Corporation	3,119	0	3,119
Tobacco Settlement Financing Corporation	2,690	0	2,690
Power Authority	0	1,784	1,784
Battery Park City Authority	0	1,053	1,053
Municipal Bond Bank Agency	368	353	721
Niagara Frontier Transportation Authority	0	170	170
TOTAL OUTSTANDING	53,662	116,436	170,098

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

(1) Includes only authorities with \$100 million or more in outstanding debt which are reported as component units or joint ventures of the State in the Comprehensive Annual Financial Report (CAFR).

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

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

(4) All Job Development Authority (JDA) debt outstanding reported as of March 31, 2012. 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 PANYNJ) and \$511 million issued by the Brooklyn Arena Local Development Corporation. In addition, JDA has \$19 million in State-Guaranteed bonds outstanding.

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

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

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

THE CITY OF NEW YORK

The fiscal demands on the State may be affected by the fiscal condition of the 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 the City, and certain entities issuing debt for the benefit of the City, to market securities successfully in the public credit markets. The official financial disclosure of the City of New York and the financing entities issuing debt on its behalf is available by contacting Raymond J. Orlando, City Director of Investor Relations, (212) 788-5875, or contacting the City Office of Management and Budget, 255 Greenwich Street, 8th Floor, New York, NY 10007. The State assumes no liability or responsibility for any financial information reported by the City of New York. The following table summarizes the debt of New York City.

Debt of New York City (1)
as of June 30 of each year
(millions of dollars)

Year	General		Obligations of		Hudson Yards		Other (3)	Treasury	Total
	Obligation	Obligations	Municipal	Obligations	Obligations	Infrastructure			
	Bonds	of TFA (1)	Assistance	of STAR	of TSASC, Inc.	Corporation	Obligations	Obligations	
			Corporation	Corp. (2)					
2003	29,679	13,134 (4)	2,151	0	1,258	0	2,328	(64)	48,486
2004	31,378	13,364	1,758	0	1,256	0	2,561	(52)	50,265
2005	33,903	12,977	0	2,551	1,283	0	3,746	(39)	54,421
2006	35,844	12,233	0	2,470	1,334	0	3,500	0	55,381
2007	34,506	14,607	0	2,368	1,317	2,100	3,394	0	58,292
2008	36,100	14,828	0	2,339	1,297	2,067	2,556	0	59,187
2009	39,991	16,913	0	2,253	1,274	2,033	2,442	0	64,906
2010	41,555	20,094	0	2,178	1,265	2,000	2,402	0	69,494
2011	41,785	23,820	0	2,117	1,260	2,000	2,556	0	73,538
2012	42,286	26,268	0	2,054	1,253	3,000	2,457	0	77,318

Source: Office of the State Comptroller.

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

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

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

(4) Includes \$1.11 billion of bond anticipation notes issued to finance the City's capital expenditures.

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

The Buffalo Fiscal Stability Authority has exercised Control Period powers with respect to the City of Buffalo since the City's 2004 fiscal year, but 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 would incur a major operating funds deficit of 1 percent or more during the County's 2011 fiscal year. Nassau County challenged NIFA's determination and authority to impose a Control Period in State Supreme Court and did not prevail. NIFA is now exercising Control Period powers over Nassau County.

On February 14, 2013, the U.S. District Court for the Eastern District of New York issued an opinion in *Carver, et al. v. Nassau County Interim Finance Authority, et al.* granting the plaintiffs' motion for summary judgment seeking to nullify NIFA's imposition of a wage freeze during the control period in 2011. The court stated that the operation of its judgment shall be stayed pending an appeal, if any, by NIFA to the United States Court of Appeals for the Second Circuit. The County has announced its intent to appeal.

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

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control, 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. And, in some cases, these delays have necessitated short-term borrowing at the local level. More recent developments 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; new constraints (for local governments other than in New York City and school districts outside New York City and the four other largest cities in New York State) on raising property tax revenues given legislation that now limits growth in the tax levy, subject to override; 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, and 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 Executive Budget includes a proposal which, if enacted, would give the State Comptroller and the Board of the Teachers' Retirement System (TRS) the authority to offer a stable pension contribution option to local governments and school districts. The stated purpose of this proposal is to 1) provide long-term stability and predictability in local pension budgeting, and 2) accelerate anticipated local savings from the implementation of Tiers V and VI, which are less costly than the previous Tiers I through IV.

Under the stable rate proposal, the State Comptroller may allow counties, cities, towns, villages, school districts, boards of cooperative educational services, and the health care centers of Nassau, Westchester and Erie Counties, the option to elect stable employer contribution rates of 12 percent of salary for ERS members and 18.5 percent of salary for PFRS members. School districts and boards of cooperative educational services may elect a stable employer contribution rate of 12.5 percent if the Board of the Teachers' Retirement System approves the option for TRS. The proposal assumes that the stable rate would need to be in place for approximately 25 years to assure adequate funding of the pension systems. The State Comptroller and the Board of Teachers' Retirement System may increase the stable rates by up to 2 percent of salary at the five and ten-year marks and they may also adjust the program length to assure adequate pension system funding. Eligible participating employers would only be authorized to opt into the stable rate beginning with fiscal year 2014. Both the State Comptroller and the Board of the Teachers' Retirement System are currently reviewing this Executive Budget proposal.

The following table summarizes the debt of New York City and all other New York State localities.

Debt of New York Localities(1)
(millions of dollars)

Locality Fiscal Year Ending	Combined		Other Localities Debt(3)		Total Locality Debt(3)	
	New York City Debt (2)					
	Bonds	Notes	Bonds(4)	Notes(4)	Bonds(3)(4)	Notes(4)
1980	12,995	0	6,835	1,793	19,830	1,793
1990	20,027	0	10,253	3,082	30,280	3,082
2000	39,244	515	19,082	4,005	58,326	4,520
2001	40,305	0	20,303	4,745	60,608	4,745
2002	42,721	2,200	21,721	5,184	64,442	7,384
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	30,752	4,755	86,133	4,755
2007	58,192	100	32,270	4,567	90,462	4,667
2008	59,120	67	33,569	5,474	92,689	5,541
2009	64,873	33	34,522	6,907	99,395	6,940
2010	69,494	0	36,093	7,359	105,587	7,359
2011	73,538	0	35,976	7,227	109,514	7,227

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

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

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

LITIGATION AND ARBITRATION

REAL PROPERTY CLAIMS

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

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

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

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

In *Canadian St. Regis Band of Mohawk Indians, et al. v. State of New York, et al.* (NDNY), plaintiffs seek ejectment and monetary damages for their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. The defendants' motion for judgment on the pleadings, relying on the decisions in *Sherrill*, *Cayuga*, and *Oneida*, is pending in District Court. A Report and Recommendation was issued by the Magistrate on September 28, 2012 recommending that all claims be dismissed except those over an area known as the Hogsburg Triangle, which claims the Magistrate recommends should proceed through discovery and additional motion practice. The parties are in the midst of filing objections to the Report, after which a decision will be issued by the District Judge.

In *The Onondaga Nation v. The State of New York, et al.* (NDNY), plaintiff seeks a judgment declaring that certain lands allegedly constituting the aboriginal territory of the Onondaga Nation within the State are the property of the Onondaga Nation and the Haudenosaunee, or "Six Nations Iroquois Confederacy," and that conveyances of portions of that land during the period 1788 to 1822 are null and void. The "aboriginal territory" described in the complaint consists of an area or strip of land running generally north and south from the St. Lawrence River in the north, along the east side of Lake Ontario, and south as far as the Pennsylvania border, varying in width from about 10 miles to more than 40 miles, including the area constituting the City of Syracuse. On September 22, 2010, the District Court granted defendants' motion to dismiss the action for laches, based on the *Oneida*, *Sherrill* and *Cayuga* decisions. That decision was affirmed by the Second Circuit Court of Appeals on October 19, 2012. The Plaintiff's motion for rehearing or rehearing *en banc* was denied by the Second Circuit on December 21, 2012.

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

WEST VALLEY LITIGATION

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

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

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

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

The Consent Decree also does not resolve two claims raised in the State's lawsuit - the State's natural resource damages claim and its Nuclear Waste Policy Act claim. The first claim, which the Federal government has agreed to toll, will be pursued by the New York State Department of Environmental Conservation (DEC) (as trustee of the State's natural resources) and the Attorney General's office. Regarding the latter claim, the State asserts that the Federal government bears sole responsibility for the cost of disposing of the 275 canisters of vitrified HLRW waste remaining at the Site at a Federal repository once one becomes available. This claim was neither settled nor dismissed and remains in litigation. The parties have agreed on a briefing schedule for competing motions to dismiss the Nuclear Waste Policy Act claim, with opening briefs to be submitted in March 2013.

METROPOLITAN TRANSPORTATION AUTHORITY

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

The defendants sought to change the venue of all of these cases to Albany County or New York County and venue was changed in most of the cases. In *Vanderhoef, Huntington, Floyd, Brookhaven, Southampton/Southold* and *Hampton*, the defendants moved for judgment in their favor. The plaintiffs in *Hampton* then voluntarily stipulated to discontinue their case, as did the plaintiff in *Floyd* after legislative amendment of the applicable statute that exempted school districts from the "mobility tax" imposed by this statute on employers in the Metropolitan Commuter Transportation District. The Supreme Court, Albany County issued decisions granting summary judgment to defendants in *Brookhaven, Huntington, Southampton/Southold* and *Vanderhoef*. The plaintiffs in *Brookhaven, Huntington* and *Vanderhoef* appealed from those decisions in their cases but failed to perfect their appeals within nine months after the date of their notices of appeal, which, pursuant to the Rules of the Third Department, means their appeals are deemed abandoned. The plaintiffs in *Vanderhoef* belatedly attempted to file an appellate brief, which was rejected by the Appellate Division, Third Department, as untimely. They then moved for leave to perfect their appeal notwithstanding their delay and that motion has been fully briefed and is *sub judice*. In *Mangano*, the Supreme Court, Nassau County denied defendants' motion for change of venue. All parties moved for summary judgment in Supreme Court, Nassau County. By decision dated August 22, 2012, the Supreme Court (a) granted summary judgment to the defendants to the extent of dismissing the claims against certain of the individual State defendants on the ground of legislative immunity, but (b) granted summary judgment to Plaintiffs to the extent that it held the MTA payroll tax unconstitutionally impinged on the home rule powers guaranteed under Article IX of the New York State Constitution. Judgment in accordance with that decision was entered October 1, 2012 and all defendants have appealed.

The defendant-appellants' briefs on appeal and plaintiff-respondent's briefs have been filed in the Appellate Division, Second Department. On February 20, 2013, the Appellate Division granted leave to file an *amicus curiae* brief in support of the State's position to New York State AFL-CIO, Transport Workers Union Local 100 and New York State Transport Union Conference. On or about October 26, 2012, the Towns of Southampton and Southold, whose previous litigation challenging the tax had been decided against them, commenced an action in the New York Court of Claims entitled *The Town of Southampton and the Town of Southold v. The State of New York, et al.*, in which they seek, based on the Supreme Court decision in *Mangano*, refund of all monies they have paid under the payroll tax, as well as a declaration and injunction barring further collection of the tax from them. The State's motion to dismiss the claim in the Court of Claims has been fully briefed and is awaiting decision.

SCHOOL AID

In *Becker et al. v. Paterson, et al. (Sup. Ct., Albany Co.)*, plaintiffs seek a judgment declaring that the governor's determination to delay payment of school aid due by statute on December 15, 2009 violated State constitutional provisions related to, among other things, the separation of powers doctrine. Since the commencement of the suit, the moneys at issue were released. Following a February 3, 2010 conference with the court to discuss the status of the case, plaintiffs amended their complaint to reflect late payment of the moneys at issue. Pursuant to a Court-directed schedule, following defendants' answer, plaintiffs moved for summary judgment on March 5, 2010. Defendants cross-moved for summary judgment on April 15, 2010.

In a second case involving the parties, plaintiffs seek a judgment declaring that the governor's determination to delay payment of school aid from March 31, 2010 to June 1, 2010 also violated State constitutional provisions related to, among other things, the separation of powers doctrine. Since the commencement of the suit, the moneys at issue were also released. The defendants answered, claiming that the statute in question, Education Law §3609-a, permitted payment on June 1, 2010, and that March 31, 2010 was merely an authorized pre-payment date. Plaintiffs moved for summary judgment on July 21, 2010 and defendants responded and cross-moved for summary judgment on September 16, 2010.

On January 14, 2011, the Court issued a joint order and decision dismissing both actions as moot because of the payments made after the commencement of the actions. On February 25, 2011, plaintiffs appealed to the Appellate Division, Third Department. The appeal was never perfected and, under the Appellate Division's rules, is deemed abandoned.

In *Hussein v. State of New York*, plaintiffs seek a judgment declaring that the State's system of financing public education violates section 1 of article 11 of the State Constitution, on the ground that it fails to provide a sound basic education (SBE). In a decision and order dated July 21, 2009, Supreme Court, Albany County, denied the State's motion to dismiss the action. On January 13, 2011, the Appellate Division, Third Department, affirmed the denial of the motion to dismiss. On May 6, 2011, the Third Department granted defendants leave to appeal to the Court of Appeals. On September 15, 2011, the Court of Appeals placed the appeal on track for full briefing and oral argument. The appeal was argued April 26, 2012. On June 26, 2012, the Court of Appeals affirmed the denial of the State's motion to dismiss.

On August 18, 2011, Supreme Court, Albany County granted the State's motion to stay all proceedings in the case until further order of the court or a decision from the Court of Appeals. The plaintiffs have filed a motion to have the stay vacated or modified to permit the continuation of depositions and the filing of a motion for partial summary judgment. In a Decision/Order dated December 6, 2011, Supreme Court, Albany County, granted plaintiffs' motion for renewal and modified

the stay to the extent of permitting discovery to continue, but refused to allow plaintiffs to file a motion for partial summary judgment or any other dispositive motion. Depositions are being conducted. The discovery deadline is March 1, 2013.

In *Aristy-Farer, et al. v. The State of New York, et al. (Sup. Ct., N.Y. Co.)*, commenced February 6, 2013, plaintiffs seek a judgment declaring that the provisions of L. 2012, Chapter 53 and L. 2012, Chapter 57, Part A § 1, linking payment of State school aid increases for 2012-2013 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.

In *New York State United Teachers, et al. v. The State of New York, et al. (Sup. Ct., Albany Co.)*, commenced February 20, 2013, plaintiffs seek a judgment declaring that the provisions of Education Law § 2023-a, which imposes a limitation on the tax that school districts can levy on the real property subject to tax within their borders violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the statute would prevent students from receiving a sound basic education 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.

REPRESENTATIVE PAYEES

In *Weaver et ano. v. State of New York*, filed in the New York State Court of Claims on July 17, 2008 and subsequently amended, two claimants allege that the executive directors of the Office of Mental Health facilities in which the claimants were hospitalized, acting as representative payees under the Federal Social Security Act, improperly received benefits due them and improperly applied those benefits to the cost of their in-patient care and maintenance and, in the case of one of the claimants, also to the cost of her care and maintenance in a State-operated community residence.

The first named claimant initially sought benefits on her own behalf as well as certification of a class of claimants. However, the class claims were dismissed by the Court of Claims on February 10, 2010 for failure to comply with Court of Claims Act § 11(b), which provides that a claim must state when and where the claim arose, the nature of the claim, the items of damage, and the total sum claimed. By decision and order dated March 8, 2011, the Appellate Division, Second Department, affirmed the decision of the Court of Claims.

On June 4, 2010, the State moved for summary judgment against the individual claims on various grounds. By decision and order dated September 27, 2010, the Court of Claims (Ruderman, J.), granted the State’s motion for summary judgment and dismissed the individual claims. The Court held that the State statutes relied on by claimants do not apply to Social Security benefits and that executive directors of OMH facilities are acting properly in accordance with the Social Security Act and applicable Federal regulations. Claimants served a notice of appeal on November 23, 2010. By decision and order dated January 17, 2012, the Appellate Division, Second Department, affirmed the decision of the Court of Claims. On May 8, 2012, the Court of Appeals denied claimants motion for leave. As a result, the case has been concluded in the State’s favor and the claim has been dismissed.

SALES TAX

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

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

In *Day Wholesale Inc., et al. v. State, et al. (Sup. Ct., Erie Co.)*, plaintiffs also seek to enjoin the collection of taxes on cigarettes sold to or by reservation retailers. On August 31, 2010, the Supreme Court, Erie County issued an order vacating two earlier preliminary injunctions of that court barring the collection of such taxes until defendants had taken certain steps to comply with prior law. The Court also denied plaintiffs' motion for a preliminary injunction enjoining enforcement of the provisions of Chapters 134 and 186 of the Laws of 2010.

The plaintiffs in *Day Wholesale* appealed. On September 14, 2010 the Appellate Division, Fourth Department denied plaintiffs' motion for a preliminary injunction pending appeal. Pursuant to the rules of the Appellate Division, Fourth Department, the appeal is deemed abandoned because plaintiffs failed to perfect the appeal within nine months of the filing of the notice of appeal.

On February 10, 2011, the Seneca Nation of Indians commenced *Seneca Nation of Indians v. State of New York, et al., (Sup. Ct., Erie Co.)*, challenging the promulgation of regulations to implement the statutory voucher system intended to enable the State to collect taxes on certain sales of cigarettes on Indian reservations. Plaintiffs seek declaratory judgment that the regulations are void and temporary and permanent injunctions against enforcing both the regulations and the statutory provisions authorizing the voucher system. On June 8, 2011, Supreme Court, Erie County, issued an order granting defendants' motion for summary judgment and dismissing the complaint. On November 18, 2011, the Appellate Division, Fourth Department, affirmed. Plaintiffs' motion for leave to appeal to the Court of Appeals was denied on February 21, 2012.

In July 2011, plaintiffs commenced *Akwesasne Convenience Store Association et al. v. State of New York, (Sup. Ct., Erie Co.)*, against the State of New York and other defendants, seeking a declaration that the statutory voucher system impermissibly burdens Indian commerce and is preempted by Federal law and further seeking to enjoin the implementation, administration or enforcement of the system. The court denied plaintiffs' request for a temporary restraining order and, by decision dated August 18, 2011, also

denied plaintiffs' subsequent motion for a preliminary injunction. Plaintiffs appealed to the Appellate Division, Fourth Department, which denied plaintiffs' motion for a preliminary injunction pending appeal on September 14, 2011. The appeal is pending. By decision dated August 2, 2012, the Supreme Court, Erie County, granted defendants' motion for summary judgment dismissing the complaint and denied plaintiffs' cross motion for summary judgment. Plaintiffs appealed directly to the Court of Appeals by notice of appeal filed on October 12, 2012. On January 15, 2013, the Court of Appeals transferred the appeal to the Appellate Division, Fourth Department, on the grounds that a direct appeal to the Court of Appeals does not lie.

CIVIL SERVICE LITIGATION

In *Simpson v. New York State Department of Civil Service et ano.*, plaintiffs have brought a class action under 42 U.S.C 2000d et seq., claiming that a civil service test administered between 1996 and 2006 resulted in a disparate impact upon the class. This case was settled on December 29, 2010, for \$45 million in damages and fees, payable in four equal annual installments, starting on or about April 1, 2011 or upon passage of the State budget. The settlement was approved following an April 15, 2011 fairness hearing. Payment of the annual installments of the settlement proceeds is proceeding.

EMINENT DOMAIN

In *Gyrodyne Company of America, Inc. v. State of New York (Court of Claims)*, claimant sought compensation under the Eminent Domain Procedures Law in connection with the appropriation by the State of 245 acres of land in connection with the expansion of SUNY Stony Brook. By decision dated June 21, 2010, the Court of Claims awarded claimant \$125 million as compensation for the appropriation. On September 13, 2010, the State appealed from the decision. In a decision dated November 22, 2011, the Appellate Division, Second Department, affirmed the decision of the Court of Claims. The State's motion for reargument or, in the alternative, leave to appeal to the Court of Appeals, was denied by the Second Department on February 17, 2012. On June 5, 2012, the Court of Appeals denied the State's motion for leave to appeal. The Division of the Budget advises that the State paid approximately \$167 million on July 5, 2012, representing the (i) judgment for damages of \$125 million, plus statutory interest at an annual rate of 9 percent from November 2005 on the unpaid balance of \$98.7 million, and (ii) associated costs, disbursements and expenses of \$1.5 million plus interest thereon.

INSURANCE DEPARTMENT ASSESSMENTS

In *New York Insurance Association, Inc. v. State (Sup. Ct., Albany Co.)*, several insurance companies and an association of insurance companies seek a declaration that certain assessments issued against the plaintiff insurance companies by the Insurance Department pursuant to Insurance Law § 332 violate the Insurance Law and the State and Federal Constitutions. The plaintiff insurance companies argue, among other things, that these assessments constitute an unlawful tax because they include amounts for items that are not the legitimate direct and indirect costs of the Insurance Department. The State filed its answer on May 4, 2010. On June 9, 2010, the State filed a motion for summary judgment. By decision dated March 10, 2011, plaintiffs' motion for permission to conduct discovery prior to responding to the State's motion for summary judgment was granted. Plaintiffs have since filed an amended complaint adding challenges to assessments issued after the commencement of this action and the State has withdrawn its motion for summary judgment without prejudice. The State has filed its answer to the amended complaint and is engaged in the discovery process. The discovery deadline is April 2, 2013.

TOBACCO MASTER SETTLEMENT AGREEMENT (MSA)

In 1998, the attorneys general of 46 states, including New York, and several territories (collectively the “Settling States”) and the then four largest United States tobacco manufacturers (the “Original Participating Manufacturers” or “OPMs”), entered into a Master Settlement Agreement (the “MSA”) to resolve cigarette smoking-related litigation between the Settling States and the OPMs. Approximately 30 additional tobacco companies have entered into the settlement (the “Subsequent Participating Manufacturers” or “SPMs”; together they are the “Participating Manufacturers” or “PMs”). The MSA released the PMs from past and present smoking-related claims by the Settling States, and provided for a continuing release of future smoking-related claims, in exchange for certain payments to be made to the Settling States, and the imposition of certain tobacco advertising and marketing restrictions among other things.

ARBITRATION

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

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

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

In December 2012, the PMs and 19 states (collectively the “Signatory Parties”) agreed to a term sheet purportedly settling the NPM Adjustment disputes for 2003-2012. New York and 32 other states and territories rejected the term sheet. The Signatory Parties have 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 object to approval of the term sheet because its terms negatively impact New York and the other 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. If the Signatory States are removed from the calculation, they still have to be treated as either diligent or not diligent for purposes of allocation of the NPM Adjustment. The term sheet is silent as to how the reallocation provision should apply. The non-joining states seek to have the signatory states treated as non-diligent for purposes of allocation of the NPM Adjustment. The Signatory Parties object. Depending on how the Panel rules, this could have a very significant impact on New York State’s annual

payments. The Panel held a status conference on January 22, 2013, to discuss the term sheet and has scheduled a hearing for March 7, 2013 at which it will hear arguments from both the Signatory Parties and the non-joining states. If the Panel decides to deem the 19 states (collectively the “Signatory States”) “diligent” for purposes of allocation of the NPM Adjustment, and New York is then found to have been “not diligent” in its enforcement of its escrow statute in 2003, New York would have liability not only for its share of the NPM Adjustment but also for its proportionate share of the NPM Adjustment attributable to the Signatory States. In the event of an arbitration ruling against New York State’s interests, New York State could challenge the ruling by moving to set aside an arbitral award in New York State courts.

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FINANCIAL PLAN TABLES

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

General Fund - Total Budget

Financial Plan, Annual Change from FY 2012 to FY 2013
Financial Plan Projections FY 2013 through FY 2016
Update to FY 2013
Update to FY 2014
Update to FY 2015
Update to FY 2016

General Fund - Revenue Detail (Excluding Transfers)

Financial Plan Projections FY 2013 through FY 2016

State Operating Funds Budget

FY 2013
FY 2014
FY 2015
FY 2016

All Governmental Funds - Total Budget

FY 2013
FY 2014
FY 2015
FY 2016

Cashflow - FY 2013 Monthly Results and Projections

General Fund

Generally Accepted Accounting Principles - General Fund Basis

Update of FY 2013 (Change from AIS)
Projections FY 2014 through FY 2017

Corrected Table

CASH FINANCIAL PLAN GENERAL FUND ANNUAL CHANGE FROM PRIOR YEAR TO CURRENT YEAR (millions of dollars)

	FY 2012 Results	FY 2013 Current	Annual \$ Change	Annual % Change
Opening Fund Balance	1,376	1,787	411	29.9%
Receipts:				
Taxes:				
Personal Income Tax	25,843	26,818	975	3.8%
User Taxes and Fees	9,055	9,127	72	0.8%
Business Taxes	5,760	6,038	278	4.8%
Other Taxes	1,096	1,064	(32)	-2.9%
Miscellaneous Receipts	3,162	3,724	562	17.8%
Federal Receipts	60	60	0	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,097	8,312	215	2.7%
Sales Tax in Excess of LGAC Debt Service	2,396	2,416	20	0.8%
Real Estate Taxes in Excess of CW/CA Debt Service	387	540	153	39.5%
All Other Transfers	1,044	963	(81)	-7.8%
Total Receipts	<u>56,900</u>	<u>59,062</u>	<u>2,162</u>	<u>3.8%</u>
Disbursements:				
Local Assistance Grants	38,419	39,776	1,357	3.5%
Departmental Operations:				
Personal Service	5,781	6,190	409	7.1%
Non-Personal Service	1,713	1,904	191	11.2%
General State Charges	4,720	4,589	(131)	-2.8%
Transfers to Other Funds:				
Debt Service	1,516	1,644	128	8.4%
Capital Projects	798	868	70	8.8%
State Share Medicaid	2,722	2,975	253	9.3%
SUNY Operations	0	340	340	N/A
Other Purposes	820	1,089	269	32.8%
Total Disbursements	<u>56,489</u>	<u>59,375</u>	<u>2,886</u>	<u>5.1%</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves	<u>411</u>	<u>(313)</u>	<u>(724)</u>	<u>-176.2%</u>
Closing Fund Balance	<u>1,787</u>	<u>1,474</u>	<u>(313)</u>	<u>-17.5%</u>
Statutory Reserves				
Tax Stabilization Reserve Fund	1,131	1,131	0	
Rainy Day Reserve Fund	175	175	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	102	57	(45)	
Reserved For				
Prior-Year Labor Agreements (2007-2011)	283	77	(206)	
Debt Reduction	13	13	0	
Undesignated Fund Balance	62	0	(62)	

Source: NYS DOB

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

	<u>FY 2014 Proposed</u>	<u>FY 2015 Projected</u>	<u>FY 2016 Projected</u>	<u>FY 2017 Projected</u>
Receipts:				
Taxes:				
Personal Income Tax	28,396	29,290	30,303	32,057
User Taxes and Fees	9,492	9,890	10,309	10,585
Business Taxes	6,244	5,736	6,294	6,544
Other Taxes	1,154	1,224	1,234	1,244
Miscellaneous Receipts	3,101	3,030	2,836	2,844
Federal Receipts	2	0	0	0
Transfers from Other Funds:				
PTT in Excess of Revenue Bond Debt Service	8,739	8,929	8,960	9,184
Sales Tax in Excess of LGAC Debt Service	2,546	2,665	2,809	2,922
Real Estate Taxes in Excess of CW/CA Debt Service	476	556	631	689
All Other Transfers	905	781	733	736
Total Receipts	<u>61,055</u>	<u>62,101</u>	<u>64,109</u>	<u>66,805</u>
Disbursements:				
Local Assistance Grants	40,035	41,946	44,358	46,750
Departmental Operations:				
Personal Service	5,672	5,839	6,100	6,116
Non-personal Service	1,783	1,953	1,995	2,068
General State Charges	4,964	5,341	5,600	5,867
Transfers to Other Funds:				
Debt Service	1,334	1,476	1,450	1,347
Capital Projects	1,256	1,369	1,381	1,772
State Share Medicaid	1,730	1,288	1,261	1,228
SUNY Operations	969	969	969	969
Other Purposes	3,145	4,003	4,544	4,835
Total Disbursements	<u>60,888</u>	<u>64,184</u>	<u>67,658</u>	<u>70,952</u>
Reserves:				
Community Projects Fund	(57)	0	0	0
Prior-Year Labor Agreements (2007-2011)	(26)	10	14	14
Debt Reduction Reserve	250	0	0	0
Undesignated Fund Balance	0	0	0	0
Increase (Decrease) in Reserves	<u>167</u>	<u>10</u>	<u>14</u>	<u>14</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves	<u>0</u>	<u>(2,093)</u>	<u>(3,563)</u>	<u>(4,161)</u>

Source: NYS DOB

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

	AIS Enacted Budget	Change	Prior AIS Update	Change	Current AIS Update
Receipts:					
Taxes:					
Personal Income Tax	26,916	0	26,916	(98)	26,818
User Taxes and Fees	9,271	(75)	9,196	(69)	9,127
Business Taxes	6,038	(3)	6,035	3	6,038
Other Taxes	1,144	2	1,146	(82)	1,064
Miscellaneous Receipts	3,229	125	3,354	370	3,724
Federal Receipts	60	0	60	0	60
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	8,272	(22)	8,250	62	8,312
Sales Tax in Excess of LGAC Debt Service	2,456	(26)	2,430	(14)	2,416
Real Estate Taxes in Excess of CW/CA Debt Service	444	25	469	71	540
All Other	1,070	(31)	1,039	(76)	963
Total Receipts	58,900	(5)	58,895	167	59,062
Disbursements:					
Local Assistance Grants	39,645	23	39,668	108	39,776
Departmental Operations:					
Personal Service	5,892	278	6,170	20	6,190
Non-Personal Service	1,844	(9)	1,835	69	1,904
General State Charges	4,403	96	4,499	90	4,589
Transfers to Other Funds:					
Debt Service	1,580	(16)	1,564	80	1,644
Capital Projects	1,055	0	1,055	(187)	868
State Share Medicaid	2,978	(3)	2,975	0	2,975
SUNY Operations	340	0	340	0	340
Other Purposes	1,131	(29)	1,102	(13)	1,089
Total Disbursements	58,868	340	59,208	167	59,375
Reserves:					
Community Projects Fund	(45)	0	(45)	0	(45)
Undesignated Fund Balance	(62)	0	(62)	0	(62)
Prior-Year Labor Agreements (2007-2011)	139	(345)	(206)	0	(206)
Increase (Decrease) in Reserves	32	(345)	(313)	0	(313)
Excess (Deficiency) of Receipts Over Disbursements and Reserves					
	0	0	0	0	0

Source: NYS DOB

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

	<u>AIS Enacted Budget</u>	<u>Change</u>	<u>Prior AIS Update</u>	<u>Change</u>	<u>Current AIS Update</u>
Receipts:					
Taxes:					
Personal Income Tax	28,920	0	28,920	(524)	28,396
User Taxes and Fees	9,626	(56)	9,570	(78)	9,492
Business Taxes	6,208	0	6,208	36	6,244
Other Taxes	1,137	2	1,139	15	1,154
Miscellaneous Receipts	2,829	50	2,879	222	3,101
Federal Receipts	2	0	2	0	2
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	8,842	(44)	8,798	(59)	8,739
Sales Tax in Excess of LGAC Debt Service	2,579	(19)	2,560	(14)	2,546
Real Estate Taxes in Excess of CW/CA Debt Service	500	25	525	(49)	476
All Other	862	4	866	39	905
Total Receipts	<u>61,505</u>	<u>(38)</u>	<u>61,467</u>	<u>(412)</u>	<u>61,055</u>
Disbursements:					
Local Assistance Grants	41,872	(1)	41,871	(1,836)	40,035
Departmental Operations:					
Personal Service	5,370	117	5,487	185	5,672
Non-Personal Service	1,637	(7)	1,630	153	1,783
General State Charges	4,834	55	4,889	75	4,964
Transfers to Other Funds:					
Debt Service	1,653	(36)	1,617	(283)	1,334
Capital Projects	1,293	(6)	1,287	(31)	1,256
State Share Medicaid	2,772	(5)	2,767	(1,037)	1,730
SUNY Operations	982	1	983	(14)	969
Other Purposes	1,980	21	2,001	1,144	3,145
Total Disbursements	<u>62,393</u>	<u>139</u>	<u>62,532</u>	<u>(1,644)</u>	<u>60,888</u>
Reserves:					
Community Projects Fund	(56)	(1)	(57)	0	(57)
Prior-Year Labor Agreements (2007-2011)	118	(144)	(26)	0	(26)
Debt Reduction	0	0	0	250	250
Increase (Decrease) in Reserves	<u>62</u>	<u>(145)</u>	<u>(83)</u>	<u>250</u>	<u>167</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves					
	<u>(950)</u>	<u>(32)</u>	<u>(982)</u>	<u>982</u>	<u>0</u>

Source: NYS DOB

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

	<u>AIS</u> <u>Enacted Budget</u>	<u>Change</u>	<u>Prior</u> <u>AIS Update</u>	<u>Change</u>	<u>Current</u> <u>AIS Update</u>
Receipts:					
Taxes:					
Personal Income Tax	29,612	1	29,613	(323)	29,290
User Taxes and Fees	10,042	(56)	9,986	(96)	9,890
Business Taxes	5,713	(27)	5,686	50	5,736
Other Taxes	1,222	2	1,224	0	1,224
Miscellaneous Receipts	2,297	0	2,297	733	3,030
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	8,981	(33)	8,948	(19)	8,929
Sales Tax in Excess of LGAC Debt Service	2,706	(17)	2,689	(24)	2,665
Real Estate Taxes in Excess of CW/CA Debt Service	576	25	601	(45)	556
All Other	770	4	774	7	781
Total Receipts	<u>61,919</u>	<u>(101)</u>	<u>61,818</u>	<u>283</u>	<u>62,101</u>
Disbursements:					
Local Assistance Grants	43,227	(2)	43,225	(1,279)	41,946
Departmental Operations:					
Personal Service	5,496	136	5,632	207	5,839
Non-Personal Service	1,722	49	1,771	182	1,953
General State Charges	5,179	56	5,235	106	5,341
Transfers to Other Funds:					
Debt Service	1,585	(71)	1,514	(38)	1,476
Capital Projects	1,408	(5)	1,403	(34)	1,369
State Share Medicaid	2,626	(5)	2,621	(1,333)	1,288
SUNY Operations	1,001	1	1,002	(33)	969
Other Purposes	2,972	23	2,995	1,008	4,003
Total Disbursements	<u>65,216</u>	<u>182</u>	<u>65,398</u>	<u>(1,214)</u>	<u>64,184</u>
Reserves:					
Prior-Year Labor Agreements (2007-2011)	118	(108)	10	0	10
Increase (Decrease) in Reserves	<u>118</u>	<u>(108)</u>	<u>10</u>	<u>0</u>	<u>10</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves	<u>(3,415)</u>	<u>(175)</u>	<u>(3,590)</u>	<u>1,497</u>	<u>(2,093)</u>

Source: NYS DOB

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

	<u>AIS Enacted Budget</u>	<u>Change</u>	<u>Prior AIS Update</u>	<u>Change</u>	<u>Current AIS Update</u>
Receipts:					
Taxes:					
Personal Income Tax	30,614	0	30,614	(311)	30,303
User Taxes and Fees	10,406	(55)	10,351	(42)	10,309
Business Taxes	6,291	(54)	6,237	57	6,294
Other Taxes	1,222	2	1,224	10	1,234
Miscellaneous Receipts	2,389	0	2,389	447	2,836
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	9,195	(68)	9,127	(167)	8,960
Sales Tax in Excess of LGAC Debt Service	2,832	(16)	2,816	(7)	2,809
Real Estate Taxes in Excess of CW/CA Debt Service	651	25	676	(45)	631
All Other	760	4	764	(31)	733
Total Receipts	<u>64,360</u>	<u>(162)</u>	<u>64,198</u>	<u>(89)</u>	<u>64,109</u>
Disbursements:					
Local Assistance Grants	45,490	(1)	45,489	(1,131)	44,358
Departmental Operations:					
Personal Service	5,753	162	5,915	185	6,100
Non-Personal Service	1,806	15	1,821	174	1,995
General State Charges	5,470	57	5,527	73	5,600
Transfers to Other Funds:					
Debt Service	1,559	(71)	1,488	(38)	1,450
Capital Projects	1,301	(2)	1,299	82	1,381
State Share Medicaid	2,526	(5)	2,521	(1,260)	1,261
SUNY Operations	1,021	1	1,022	(53)	969
Other Purposes	3,446	26	3,472	1,072	4,544
Total Disbursements	<u>68,372</u>	<u>182</u>	<u>68,554</u>	<u>(896)</u>	<u>67,658</u>
Reserves:					
Prior-Year Labor Agreements (2007-2011)	118	(104)	14	0	14
Increase (Decrease) in Reserves	<u>118</u>	<u>(104)</u>	<u>14</u>	<u>0</u>	<u>14</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves					
	<u>(4,130)</u>	<u>(240)</u>	<u>(4,370)</u>	<u>807</u>	<u>(3,563)</u>

Source: NYS DOB

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

	<u>FY 2013</u> <u>Current</u>	<u>FY 2014</u> <u>Proposed</u>	<u>FY 2015</u> <u>Projected</u>	<u>FY 2016</u> <u>Projected</u>
Taxes:				
Withholdings	31,818	33,466	35,111	37,051
Estimated Payments	12,188	12,958	13,442	13,500
Final Payments	2,172	2,266	2,151	2,251
Other Payments	1,174	1,208	1,245	1,295
Gross Collections	<u>47,352</u>	<u>49,898</u>	<u>51,949</u>	<u>54,097</u>
State/City Offset	(268)	(223)	(148)	(148)
Refunds	(6,958)	(7,255)	(7,945)	(8,607)
Reported Tax Collections	<u>40,126</u>	<u>42,420</u>	<u>43,856</u>	<u>45,342</u>
STAR (Dedicated Deposits)	(3,276)	(3,419)	(3,602)	(3,704)
RBTF (Dedicated Transfers)	(10,032)	(10,605)	(10,964)	(11,335)
Personal Income Tax	<u>26,818</u>	<u>28,396</u>	<u>29,290</u>	<u>30,303</u>
Sales and Use Tax	11,239	11,736	12,269	12,833
Cigarette and Tobacco Taxes	448	441	435	428
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	249	249	253	257
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and Fees	<u>11,936</u>	<u>12,426</u>	<u>12,957</u>	<u>13,518</u>
LGAC Sales Tax (Dedicated Transfers)	(2,809)	(2,934)	(3,067)	(3,209)
User Taxes and Fees	<u>9,127</u>	<u>9,492</u>	<u>9,890</u>	<u>10,309</u>
Corporation Franchise Tax	2,570	2,881	2,225	2,618
Corporation and Utilities Tax	655	633	660	679
Insurance Taxes	1,291	1,364	1,408	1,484
Bank Tax	1,522	1,366	1,443	1,513
Petroleum Business Tax	0	0	0	0
Business Taxes	<u>6,038</u>	<u>6,244</u>	<u>5,736</u>	<u>6,294</u>
Estate Tax	1,045	1,135	1,205	1,215
Real Estate Transfer Tax	755	685	760	835
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	<u>1,819</u>	<u>1,839</u>	<u>1,984</u>	<u>2,069</u>
Real Estate Transfer Tax (Dedicated)	(755)	(685)	(760)	(835)
Other Taxes	<u>1,064</u>	<u>1,154</u>	<u>1,224</u>	<u>1,234</u>
Payroll Tax	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Taxes	<u>43,047</u>	<u>45,286</u>	<u>46,140</u>	<u>48,140</u>
Licenses, Fees, Etc.	763	680	647	638
Abandoned Property	715	650	655	655
Motor Vehicle Fees	99	26	26	26
ABC License Fee	56	54	50	55
Reimbursements	272	272	272	272
Investment Income	5	5	30	30
Other Transactions	1,814	1,414	1,350	1,160
Miscellaneous Receipts	<u>3,724</u>	<u>3,101</u>	<u>3,030</u>	<u>2,836</u>
Federal Grants	<u>60</u>	<u>2</u>	<u>0</u>	<u>0</u>
Total	<u>46,831</u>	<u>48,389</u>	<u>49,170</u>	<u>50,976</u>

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2013
(millions of dollars)

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>State Operating Funds Total</u>
Opening Fund Balance	1,787	1,632	428	3,847
Receipts:				
Taxes	43,047	8,046	13,476	64,569
Miscellaneous Receipts	3,724	15,713	996	20,433
Federal Receipts	60	1	79	140
Total Receipts	<u>46,831</u>	<u>23,760</u>	<u>14,551</u>	<u>85,142</u>
Disbursements:				
Local Assistance Grants	39,776	18,918	0	58,694
Departmental Operations:				
Personal Service	6,190	6,378	0	12,568
Non-Personal Service	1,904	3,681	57	5,642
General State Charges	4,589	1,991	0	6,580
Debt Service	0	0	6,132	6,132
Capital Projects	0	5	0	5
Total Disbursements	<u>52,459</u>	<u>30,973</u>	<u>6,189</u>	<u>89,621</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	12,231	7,716	6,353	26,300
Transfers to Other Funds	(6,916)	(384)	(14,751)	(22,051)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>5,315</u>	<u>7,332</u>	<u>(8,398)</u>	<u>4,249</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	<u>(313)</u>	<u>119</u>	<u>(36)</u>	<u>(230)</u>
Closing Fund Balance	<u>1,474</u>	<u>1,751</u>	<u>392</u>	<u>3,617</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>State Operating Funds Total</u>
Receipts:				
Taxes	45,286	8,315	14,105	67,706
Miscellaneous Receipts	3,101	15,739	517	19,357
Federal Receipts	2	1	79	82
Total Receipts	<u>48,389</u>	<u>24,055</u>	<u>14,701</u>	<u>87,145</u>
Disbursements:				
Local Assistance Grants	40,035	19,151	0	59,186
Departmental Operations:				
Personal Service	5,672	6,676	0	12,348
Non-Personal Service	1,783	3,544	40	5,367
General State Charges	4,964	2,120	0	7,084
Debt Service	0	0	5,833	5,833
Capital Projects	0	5	0	5
Total Disbursements	<u>52,454</u>	<u>31,496</u>	<u>5,873</u>	<u>89,823</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	12,666	7,728	4,952	25,346
Transfers to Other Funds	(8,434)	(379)	(13,774)	(22,587)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>4,232</u>	<u>7,349</u>	<u>(8,822)</u>	<u>2,759</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses				
	<u>167</u>	<u>(92)</u>	<u>6</u>	<u>81</u>
Designated General Fund Reserves:				
Community Projects Fund	(57)			
Prior-Year Labor Agreements (2007-2011)	(26)			
Debt Reduction	250			
Increase (Decrease) in Reserves	<u>167</u>			
Net General Fund Deficit	<u>0</u>			

Source: NYS DOB

**CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2015
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>State Operating Funds Total</u>
Receipts:				
Taxes	46,140	8,686	14,672	69,498
Miscellaneous Receipts	3,030	16,149	689	19,868
Federal Receipts	0	1	79	80
Total Receipts	<u>49,170</u>	<u>24,836</u>	<u>15,440</u>	<u>89,446</u>
Disbursements:				
Local Assistance Grants	41,946	19,834	0	61,780
Departmental Operations:				
Personal Service	5,839	6,801	0	12,640
Non-Personal Service	1,953	3,621	40	5,614
General State Charges	5,341	2,188	0	7,529
Debt Service	0	0	6,136	6,136
Capital Projects	0	5	0	5
Total Disbursements	<u>55,079</u>	<u>32,449</u>	<u>6,176</u>	<u>93,704</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	12,931	7,844	4,578	25,353
Transfers to Other Funds	(9,105)	(153)	(13,837)	(23,095)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>3,826</u>	<u>7,691</u>	<u>(9,259)</u>	<u>2,258</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses				
	<u>(2,083)</u>	<u>78</u>	<u>5</u>	<u>(2,000)</u>
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	10			
Increase (Decrease) in Reserves	<u>10</u>			
Net General Fund Deficit	<u>(2,093)</u>			

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>State Operating Funds Total</u>
Receipts:				
Taxes	48,140	8,953	15,260	72,353
Miscellaneous Receipts	2,836	16,275	531	19,642
Federal Receipts	0	1	79	80
Total Receipts	<u>50,976</u>	<u>25,229</u>	<u>15,870</u>	<u>92,075</u>
Disbursements:				
Local Assistance Grants	44,358	19,821	0	64,179
Departmental Operations:				
Personal Service	6,100	6,990	0	13,090
Non-Personal Service	1,995	3,748	40	5,783
General State Charges	5,600	2,341	0	7,941
Debt Service	0	0	6,465	6,465
Capital Projects	0	5	0	5
Total Disbursements	<u>58,053</u>	<u>32,905</u>	<u>6,505</u>	<u>97,463</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	13,133	8,147	4,511	25,791
Transfers to Other Funds	(9,605)	(309)	(13,867)	(23,781)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>3,528</u>	<u>7,838</u>	<u>(9,356)</u>	<u>2,010</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses				
	<u>(3,549)</u>	<u>162</u>	<u>9</u>	<u>(3,378)</u>
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	14			
Increase (Decrease) in Reserves	<u>14</u>			
Net General Fund Deficit	<u>(3,563)</u>			

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2013
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	1,787	1,594	(449)	428	3,360
Receipts:					
Taxes	43,047	8,046	1,353	13,476	65,922
Miscellaneous Receipts	3,724	15,899	4,366	996	24,985
Federal Receipts	60	41,797	2,195	79	44,131
Total Receipts	<u>46,831</u>	<u>65,742</u>	<u>7,914</u>	<u>14,551</u>	<u>135,038</u>
Disbursements:					
Local Assistance Grants	39,776	55,013	2,115	0	96,904
Departmental Operations:					
Personal Service	6,190	7,030	0	0	13,220
Non-Personal Service	1,904	4,644	0	57	6,605
General State Charges	4,589	2,277	0	0	6,866
Debt Service	0	0	0	6,132	6,132
Capital Projects	0	5	5,910	0	5,915
Total Disbursements	<u>52,459</u>	<u>68,969</u>	<u>8,025</u>	<u>6,189</u>	<u>135,642</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	12,231	7,717	1,185	6,353	27,486
Transfers to Other Funds	(6,916)	(4,371)	(1,466)	(14,751)	(27,504)
Bond and Note Proceeds	0	0	400	0	400
Net Other Financing Sources (Uses)	<u>5,315</u>	<u>3,346</u>	<u>119</u>	<u>(8,398)</u>	<u>382</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	<u>(313)</u>	<u>119</u>	<u>8</u>	<u>(36)</u>	<u>(222)</u>
Closing Fund Balance	<u>1,474</u>	<u>1,713</u>	<u>(441)</u>	<u>392</u>	<u>3,138</u>
Source: NYS DOB					

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>All Funds Total</u>
Receipts:					
Taxes	45,286	8,315	1,399	14,105	69,105
Miscellaneous Receipts	3,101	15,925	4,346	517	23,889
Federal Receipts	2	45,646	2,221	79	47,948
Total Receipts	<u>48,389</u>	<u>69,886</u>	<u>7,966</u>	<u>14,701</u>	<u>140,942</u>
Disbursements:					
Local Assistance Grants	40,035	60,009	2,073	0	102,117
Departmental Operations:					
Personal Service	5,672	7,357	0	0	13,029
Non-Personal Service	1,783	4,679	0	40	6,502
General State Charges	4,964	2,442	0	0	7,406
Debt Service	0	0	0	5,833	5,833
Capital Projects	0	5	6,169	0	6,174
Total Disbursements	<u>52,454</u>	<u>74,492</u>	<u>8,242</u>	<u>5,873</u>	<u>141,061</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	12,666	7,729	1,513	4,952	26,860
Transfers to Other Funds	(8,434)	(3,215)	(1,526)	(13,774)	(26,949)
Bond and Note Proceeds	0	0	338	0	338
Net Other Financing Sources (Uses)	<u>4,232</u>	<u>4,514</u>	<u>325</u>	<u>(8,822)</u>	<u>249</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses					
	<u>167</u>	<u>(92)</u>	<u>49</u>	<u>6</u>	<u>130</u>
Designated General Fund Reserves:					
Community Projects Fund	(57)				
Prior-Year Labor Agreements (2007-2011)	(26)				
Debt Reduction	250				
Increase (Decrease) in Reserves	<u>167</u>				
Net General Fund Deficit	<u>0</u>				
Carry-Forward Potential FY 2013 Shortfall					
Proposed Cash Surplus/(Gap)	<u>0</u>				

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2015
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>All Funds Total</u>
Receipts:					
Taxes	46,140	8,686	1,428	14,672	70,926
Miscellaneous Receipts	3,030	16,335	4,313	689	24,367
Federal Receipts	0	45,636	2,028	79	47,743
Total Receipts	<u>49,170</u>	<u>70,657</u>	<u>7,769</u>	<u>15,440</u>	<u>143,036</u>
Disbursements:					
Local Assistance Grants	41,946	61,396	1,786	0	105,128
Departmental Operations:					
Personal Service	5,839	7,475	0	0	13,314
Non-Personal Service	1,953	4,603	0	40	6,596
General State Charges	5,341	2,509	0	0	7,850
Debt Service	0	0	0	6,136	6,136
Capital Projects	0	5	6,481	0	6,486
Total Disbursements	<u>55,079</u>	<u>75,988</u>	<u>8,267</u>	<u>6,176</u>	<u>145,510</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	12,931	7,845	1,432	4,578	26,786
Transfers to Other Funds	(9,105)	(2,436)	(1,480)	(13,837)	(26,858)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	<u>3,826</u>	<u>5,409</u>	<u>258</u>	<u>(9,259)</u>	<u>234</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses					
	<u>(2,083)</u>	<u>78</u>	<u>(240)</u>	<u>5</u>	<u>(2,240)</u>
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	10				
Increase (Decrease) in Reserves	<u>10</u>				
Net General Fund Deficit	<u>(2,093)</u>				

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>All Funds Total</u>
Receipts:					
Taxes	48,140	8,953	1,448	15,260	73,801
Miscellaneous Receipts	2,836	16,461	4,616	531	24,444
Federal Receipts	0	46,815	1,660	79	48,554
Total Receipts	<u>50,976</u>	<u>72,229</u>	<u>7,724</u>	<u>15,870</u>	<u>146,799</u>
Disbursements:					
Local Assistance Grants	44,358	62,852	1,516	0	108,726
Departmental Operations:					
Personal Service	6,100	7,693	0	0	13,793
Non-Personal Service	1,995	4,625	0	40	6,660
General State Charges	5,600	2,678	0	0	8,278
Debt Service	0	0	0	6,465	6,465
Capital Projects	0	5	7,204	0	7,209
Total Disbursements	<u>58,053</u>	<u>77,853</u>	<u>8,720</u>	<u>6,505</u>	<u>151,131</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	13,133	8,148	1,444	4,511	27,236
Transfers to Other Funds	(9,605)	(2,362)	(1,482)	(13,867)	(27,316)
Bond and Note Proceeds	0	0	120	0	120
Net Other Financing Sources (Uses)	<u>3,528</u>	<u>5,786</u>	<u>82</u>	<u>(9,356)</u>	<u>40</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses					
	<u>(3,549)</u>	<u>162</u>	<u>(914)</u>	<u>9</u>	<u>(4,292)</u>
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	14				
Increase (Decrease) in Reserves	<u>14</u>				
Net General Fund Deficit	<u>(3,563)</u>				

Source: NYS DOB

**CASHFLOW
GENERAL FUND
FY 2013
(dollars in millions)**

	2012 April Results	May Results	June Results	July Results	August Results	September Results	October Results	November Results	December Results	2013 January Results	February Projected	March Projected	Total
OPENING BALANCE	<u>1,787</u>	<u>5,637</u>	<u>2,018</u>	<u>2,935</u>	<u>2,404</u>	<u>1,546</u>	<u>4,282</u>	<u>3,649</u>	<u>2,453</u>	<u>4,629</u>	<u>7,079</u>	<u>7,445</u>	<u>1,787</u>
RECEIPTS:													
Personal Income Tax	3,851	1,236	2,486	1,768	1,824	2,774	1,908	1,339	2,871	3,205	1,867	1,689	26,818
User Taxes and Fees	652	681	899	703	693	920	695	675	919	762	636	892	9,127
Business Taxes	205	42	1,044	80	68	1,019	155	101	1,174	220	81	1,849	6,038
Other Taxes	114	84	77	80	116	68	120	70	83	93	79	80	1,064
Total Taxes	<u>4,822</u>	<u>2,043</u>	<u>4,506</u>	<u>2,631</u>	<u>2,701</u>	<u>4,781</u>	<u>2,878</u>	<u>2,185</u>	<u>5,047</u>	<u>4,280</u>	<u>2,663</u>	<u>4,510</u>	<u>43,047</u>
Licenses, Fees, etc.	40	35	85	65	54	109	2	4	49	46	100	174	763
Abandoned Property	39	(21)	45	14	17	72	(1)	129	24	24	20	353	715
ABC License Fee	6	6	5	5	5	4	5	4	5	6	4	44	99
Motor vehicle fees	6	(6)	(1)	13	(11)	0	0	4	13	28	17	(7)	56
Reimbursements	2	5	38	4	(14)	48	16	14	35	16	40	68	272
Investment Income	1	0	0	0	1	0	0	0	0	0	2	1	5
Other Transactions	23	74	244	66	66	710	84	28	80	56	39	344	1,814
Total Miscellaneous Receipts	<u>117</u>	<u>93</u>	<u>416</u>	<u>167</u>	<u>118</u>	<u>943</u>	<u>106</u>	<u>183</u>	<u>206</u>	<u>176</u>	<u>222</u>	<u>977</u>	<u>3,724</u>
Federal Grants	4	14	0	0	16	0	0	13	0	0	0	13	60
PIT in Excess of Revenue Bond Debt Service	1,282	270	964	415	361	1,054	388	141	1,010	1,105	405	917	8,312
Sales Tax in Excess of LGAC Debt Service	190	55	430	212	149	289	213	206	287	232	3	150	2,416
Real Estate Taxes in Excess of CW/CA Debt Service	57	45	33	49	47	38	42	33	51	81	44	20	540
All Other	1	40	23	5	20	9	39	21	2	30	99	674	963
Total Transfers from Other Funds	<u>1,530</u>	<u>410</u>	<u>1,450</u>	<u>681</u>	<u>577</u>	<u>1,390</u>	<u>682</u>	<u>401</u>	<u>1,350</u>	<u>1,448</u>	<u>551</u>	<u>1,761</u>	<u>12,231</u>
TOTAL RECEIPTS	<u>6,473</u>	<u>2,560</u>	<u>6,372</u>	<u>3,479</u>	<u>3,412</u>	<u>7,114</u>	<u>3,666</u>	<u>2,782</u>	<u>6,603</u>	<u>5,904</u>	<u>3,436</u>	<u>7,261</u>	<u>59,062</u>
DISBURSEMENTS:													
School Aid	133	2,730	1,705	135	581	1,283	705	1,085	1,469	313	405	6,459	17,003
Higher Education	16	18	379	295	356	60	146	320	79	138	100	689	2,596
All Other Education	3	61	332	88	100	344	89	27	216	52	308	341	1,961
Medicaid - DOH	931	1,029	712	918	1,195	590	1,047	843	795	945	1,234	814	11,053
Public Health	1	11	29	37	163	75	21	57	34	33	61	137	659
Mental Hygiene	1	0	379	2	1	396	167	1	381	96	132	389	1,945
Children and Families	3	14	130	107	220	210	68	68	76	191	73	382	1,542
Temporary & Disability Assistance	61	327	145	167	140	114	99	121	99	100	15	121	1,509
Transportation	0	24	0	0	24	0	0	24	15	0	10	1	98
Unrestricted Aid	0	12	294	1	2	89	11	1	204	1	4	144	763
All Other	2	(8)	195	92	16	107	(71)	22	63	31	54	144	647
Total Local Assistance Grants	<u>1,151</u>	<u>4,218</u>	<u>4,300</u>	<u>1,842</u>	<u>2,798</u>	<u>3,268</u>	<u>2,282</u>	<u>2,569</u>	<u>3,431</u>	<u>1,900</u>	<u>2,396</u>	<u>9,621</u>	<u>39,776</u>
Personal Service	596	631	549	416	594	437	654	465	434	550	402	462	6,190
Non-Personal Service	52	146	142	113	177	143	126	89	158	143	194	421	1,904
Total State Operations	<u>648</u>	<u>777</u>	<u>691</u>	<u>529</u>	<u>771</u>	<u>580</u>	<u>780</u>	<u>554</u>	<u>592</u>	<u>693</u>	<u>596</u>	<u>883</u>	<u>8,094</u>
General State Charges	413	442	90	433	434	398	186	329	112	265	(175)	1,662	4,589
Debt Service	506	0	(55)	458	(40)	(119)	506	(17)	(2)	388	(18)	37	1,644
Capital Projects	(116)	113	102	214	(46)	0	137	(146)	27	124	15	444	868
State Share Medicaid	8	441	248	289	249	214	232	392	221	43	218	420	2,975
SUNY Operations	0	0	0	180	0	0	0	160	0	0	0	0	340
Other Purposes	13	188	79	65	104	37	176	137	46	41	38	165	1,089
Total Transfers to Other Funds	<u>411</u>	<u>742</u>	<u>374</u>	<u>1,206</u>	<u>267</u>	<u>132</u>	<u>1,051</u>	<u>526</u>	<u>292</u>	<u>596</u>	<u>253</u>	<u>1,066</u>	<u>6,916</u>
TOTAL DISBURSEMENTS	<u>2,623</u>	<u>6,179</u>	<u>5,455</u>	<u>4,010</u>	<u>4,270</u>	<u>4,378</u>	<u>4,299</u>	<u>3,978</u>	<u>4,427</u>	<u>3,454</u>	<u>3,070</u>	<u>13,232</u>	<u>59,375</u>
Excess/(Deficiency) of Receipts over Disbursements	<u>3,850</u>	<u>(3,619)</u>	<u>917</u>	<u>(531)</u>	<u>(858)</u>	<u>2,736</u>	<u>(633)</u>	<u>(1,196)</u>	<u>2,176</u>	<u>2,450</u>	<u>366</u>	<u>(5,971)</u>	<u>(313)</u>
CLOSING BALANCE	<u>5,637</u>	<u>2,018</u>	<u>2,935</u>	<u>2,404</u>	<u>1,546</u>	<u>4,282</u>	<u>3,649</u>	<u>2,453</u>	<u>4,629</u>	<u>7,079</u>	<u>7,445</u>	<u>1,474</u>	<u>1,474</u>

Source: NYS DOB

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

	<u>AIS Enacted Budget</u>	<u>Change</u>	<u>Current AIS Update</u>
Revenues:			
Taxes:			
Personal income tax	26,972	(96)	26,876
User taxes and fees	9,284	(282)	9,002
Business taxes	6,047	119	6,166
Other taxes	1,139	(113)	1,026
Miscellaneous revenues	7,017	434	7,451
Federal grants	60	0	60
Total revenues	<u>50,519</u>	<u>62</u>	<u>50,581</u>
Expenditures:			
Grants to local governments	42,345	31	42,376
State operations	11,876	466	12,342
General State charges	5,845	61	5,906
Debt service	0	0	0
Capital projects	0	0	0
Total expenditures	<u>60,066</u>	<u>558</u>	<u>60,624</u>
Other financing sources (uses):			
Transfers from other funds	15,061	89	15,150
Transfers to other funds	(6,034)	68	(5,966)
Proceeds from financing arrangements/ advance refundings	0	(75)	0
	403	(75)	328
Net other financing sources (uses)	<u>9,430</u>	<u>82</u>	<u>9,512</u>
Operating Surplus/(Deficit)	<u>(117)</u>	<u>(414)</u>	<u>(531)</u>

Source: NYS DOB

**GAAP FINANCIAL PLAN
GENERAL FUND
FY 2013 THROUGH FY 2017
(millions of dollars)**

	<u>FY 2013 Current</u>	<u>FY 2014 Proposed</u>	<u>FY 2015 Projected</u>	<u>FY 2016 Projected</u>	<u>FY 2017 Projected</u>
Revenues:					
Taxes:					
Personal income tax	26,876	27,174	29,120	30,992	33,081
User taxes and fees	9,002	9,512	9,912	10,333	10,600
Business taxes	6,166	6,151	5,966	6,156	6,498
Other taxes	1,026	1,203	1,231	1,241	1,251
Miscellaneous revenues	7,451	5,968	5,988	5,568	5,545
Federal grants	60	2	0	0	0
Total revenues	<u>50,581</u>	<u>50,010</u>	<u>52,217</u>	<u>54,290</u>	<u>56,975</u>
Expenditures:					
Grants to local governments	42,376	41,840	43,675	45,765	47,989
State operations	12,342	11,805	12,378	12,669	12,940
General State charges	5,906	6,609	7,003	7,316	7,654
Debt service	0	0	0	0	0
Capital projects	0	0	0	0	0
Total expenditures	<u>60,624</u>	<u>60,254</u>	<u>63,056</u>	<u>65,750</u>	<u>68,583</u>
Other financing sources (uses):					
Transfers from other funds	15,150	14,552	14,317	14,345	14,584
Transfers to other funds	(5,966)	(5,886)	(6,205)	(6,235)	(6,597)
Proceeds from financing arrangements/ advance refundings	328	403	400	400	400
Net other financing sources (uses)	<u>9,512</u>	<u>9,069</u>	<u>8,512</u>	<u>8,510</u>	<u>8,387</u>
Operating Surplus/(Deficit)	<u>(531)</u>	<u>(1,175)</u>	<u>(2,327)</u>	<u>(2,950)</u>	<u>(3,221)</u>

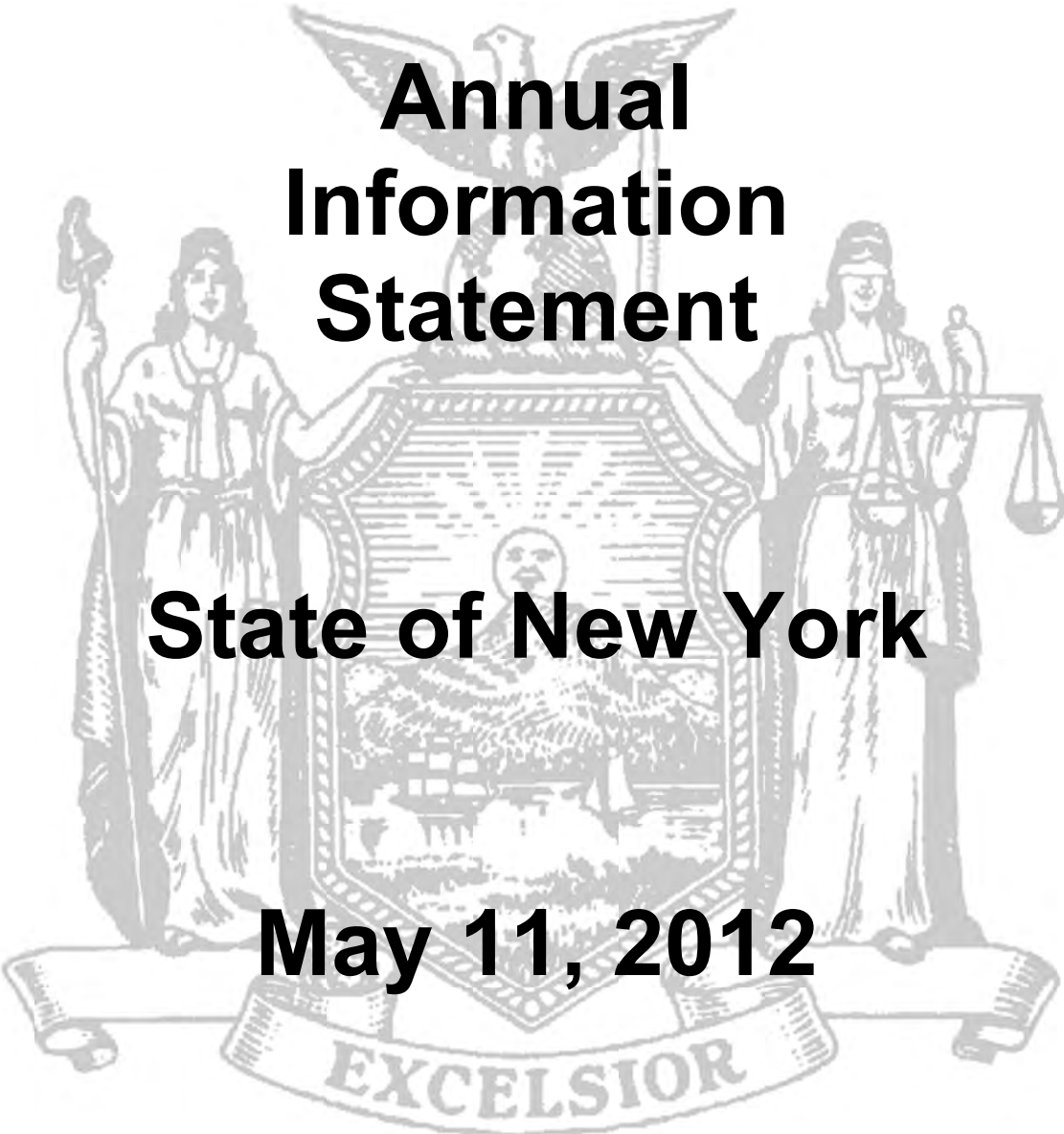
Source: NYS DOB

GLOSSARY OF ACRONYMS

ACA	Affordable Care Act
AIM	Aid and Incentive for Municipalities
ALES	Agency Law Enforcement Services
AMTAP	Additional Mass Transportation Operations Assistance Program
APSU	Agency Police Services Unit
ARC	Annual Required Contribution
ARRA	American Recovery and Reinvestment Act of 2009
BANs	Bond Anticipation Notes
BCA	Budget Control Act
BCI	New York State Police Investigators Unit
BIC	Bond Issuance Charge
CAFR	Comprehensive Annual Financial Report
CDA	Continuing Disclosure Agreement
CDT	Continuing Day Treatment Clinic
CEFAP	Community Enhancement Facilities Assistance Program
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act
CFY	City Fiscal Year
CHIPs	Consolidated Highway Improvement Programs
CHP	Child Health Plus
CMS	Centers for Medicare and Medicaid Services
COLA	Cost of Living Adjustment
CPI	Consumer Price Index
CQCAPD	Commission on Quality of Care and Advocacy for Persons with Disabilities
CRF	Common Retirement Fund
CSEA	Civil Service Employees Association
CUNY	City University of New York
CUNY DC-37	City University of New York District Council 37
CW/CA	Clean Water/Clean Air
DASNY	Dormitory Authority of the State of New York
DEC	Department of Environmental Conservation
DDPC	Developmental Disabilities Planning Council
DFS	Department of Financial Services
DHBTf	Dedicated Highway and Bridge Trust Fund
DHCR	Division of Homes and Community Renewal
DMNA	Division of Military and Naval Affairs
DMV	Department of Motor Vehicles
DOB	Division of the Budget
DOCCS	Department of Corrections and Community Supervision
DOH	Department of Health
DOT	Department of Transportation
DRL	Deficit Reduction Leave
DRP	Deficit Reduction Program
DRRF	Debt Reduction Reserve Fund
DSFs	Debt Service Funds
DTF	Department of Taxation and Finance
EFC	Environmental Facilities Corporation
EI	Early Intervention
EIS	Environmental Impact Statement
EPF	Environmental Projection Fund
EMMA	Electronic Municipal Market Access
ENI	Entire Net Income
EPF	Environmental Protection Fund
EPIC	Elderly Pharmaceutical Insurance Coverage

ERDA	Energy Research and Development Authority
ERI	Early Retirement Incentive
ERS	Employees' Retirement System
ESD	Empire State Development
EXCEL	Expanding our Children's Education and Learning
FCB	Financial Control Board
FHP	Family Health Plus
FMAP	Federal Medical Assistance Percentage
FMP	Fiscal Management Plan
F-SHRP	Federal-State Health Reform Partnership
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GEA	Gap Elimination Adjustment
GDP	Gross Domestic Product
GLIP	Group Life Insurance Fund
GOER	Governor's Office of Employee Relations
GPHW	General Public Health Work
GSCs	General State Charges
GSEU	Graduate Student Employees Union
HCRA	Health Care Reform Act
HEAL NY	Health Care Efficiency and Affordability Law for New Yorkers
HESC	Higher Education Services Corporation
HFA	Housing Finance Agency
HLRW	High-Level Radioactive Waste
HMO	Health Maintenance Organization
HUD	Housing and Urban Development
IBO	Independent Budget Office
ICF/DD	Intermediate Care Facilities for the Developmentally Disabled
ITS	Information Technology Services
JDA	Job Development Authority
LGAC	Local Government Assistance Corporation
LIBOR	London Inter-Bank Offered Rates
LICH	Long Island College Hospital
LGU	Local Government Unit
LTRO	Long-Term Refinancing Operation
MA	Medicaid
MBBA	Municipal Bond Bank Agency
M/C	Managerial/Confidential
MCFFA	Medical Care Facilities Financing Agency
MD&A	Management Discussion & Analysis
MIF	Mortgage Insurance Fund
MMIS	Medicaid Management Information System
MRT	Medicaid Redesign Team
MSA	Master Settlement Agreement
MTA	Metropolitan Transportation Authority
NAICS	North American Industry Classification System
NIFA	Nassau County Interim Finance Authority
NPM	Non-Participating Manufacturers
NYS-CARES	New York State - Creating Alternatives in Residential Environments and Services
NYSOPBA	New York State Correctional Officers and Police Benevolent Association
NY-HELPS	New York Higher Education Loan Program
NYSHIP	New York State Health Insurance Plan
NYSLRS	New York State Local Retirement System
NYSPBA	New York State Police Benevolent Association

NYSTA.....	New York State Thruway Authority
NYSTAR.....	Office of Science, Technology, and Academic Research
OASAS.....	Office of Alcoholism and Substance Abuse Services
OCA.....	Office of Court Administration
OCFS.....	Office of Children and Family Services
OFT.....	Office for Technology
OGS.....	Office of General Services
OMB.....	Office of Management and Budget
OMH.....	Office of Mental Health
OPEB.....	Other Post-Employment Benefits
OPM.....	Original Participating Manufacturer
OPWDD.....	Office for People with Developmental Disabilities
OSC.....	Office of the State Comptroller
OSDC.....	Office of the State Deputy Controller
OTB.....	Off Track Betting
OTDA.....	Office of Temporary and Disability Assistance
PACB.....	Public Authorities Control Board
PAYGO.....	Pay-As-You-Go
PBA.....	Police Benevolent Association of New York State Troopers
PBT.....	Petroleum Business Tax
PEF.....	Public Employees Federation
PFRS.....	Police and Fire Retirement System
PILOT.....	Payment in Lieu of Taxes
PIT.....	Personal Income Tax
PM.....	Participating Manufacturers
QPAI.....	Qualified Production Activity Income
RIC.....	Regulated Investment Company
RBTF.....	Revenue Bond Tax Fund
SAGE.....	Spending and Government Efficiency Commission
SBE.....	Sound Basic Education
SED.....	State Education Department
SFS.....	Statewide Financial System
SIF.....	State Insurance Fund
SIP.....	Strategic Investment Program
SOF.....	State Operating Funds
SOFA.....	State Office for the Aging
SONYMA.....	State of New York Mortgage Agency
SPM.....	Subsequent Participating Manufacturers
SRFs.....	Special Revenue Funds
SSI.....	Supplemental Security Income
STAR.....	School Tax Relief
STARC.....	Sales Tax Asset Receivable Corporation
STIP.....	Short-Term Investment Pool
SUNY.....	State University of New York
SY.....	School Year
TA.....	Thruway Authority
TANF.....	Temporary Assistance for Needy Families
TAP.....	Tuition Assistance Program
TRANS.....	Tax and Revenue Anticipation Notes
TSFC.....	Tobacco Settlement Financing Corporation
UDC.....	Urban Development Corporation
UUP.....	United University Professions
VLT.....	Video Lottery Terminal
WHTI.....	Western Hemisphere Travel Initiative

The seal of the State of New York is centered in the background. It features a shield with a landscape scene, flanked by two female figures: Liberty on the left holding a staff with a Phrygian cap, and Justice on the right holding scales. Above the shield is an eagle with wings spread. A banner at the bottom of the shield contains the word "EXCELSIOR".

**Annual
Information
Statement**

State of New York

May 11, 2012

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**ANNUAL INFORMATION STATEMENT
STATE OF NEW YORK
DATED: MAY 11, 2012**

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INTRODUCTION

This Annual Information Statement (the “AIS”) is dated May 11, 2012 and contains information only through that date. This AIS constitutes the official disclosure regarding the financial position of the State of New York (the “State”) and replaces the AIS dated May 24, 2011 and all updates and supplements issued in connection therewith. This AIS is scheduled to be updated on a quarterly basis and may be supplemented from time to time as developments warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any current updates and supplements that may be issued during the fiscal year.

In this AIS, readers will find:

1. Information on the State’s current financial projections, including summaries and extracts from the State’s Enacted Budget Financial Plan (the “Financial Plan” or “Enacted Budget”) for fiscal year 2013¹ (“FY 2013”) issued by the Division of the Budget (“DOB”) in April 2012. The Enacted Budget Financial Plan sets forth the State’s official Financial Plan projections for FYs 2013 through 2016. It includes, among other things, the major components of the gap-closing plan approved for FY 2013, projected annual spending growth, future potential budget gaps, and detailed information on projected total receipts and disbursements in the State’s governmental funds.
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 Financial Plan”).
3. Information on other subjects relevant to the State’s finances, including summaries of: (a) operating results for the three prior fiscal years (presented on a cash basis of accounting), (b) the State’s revised economic forecast and a profile of the State economy, (c) the State’s debt and other financing activities, (d) the organization of State government, and (e) activities of public authorities and localities.
4. The status of significant litigation and arbitration that has the potential to adversely affect the State’s finances.

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

¹ The fiscal year is identified by the calendar year in which it ends. For example, fiscal year 2013 is the fiscal year that began on April 1, 2012 and ends on March 31, 2013.

INTRODUCTION

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

The factors affecting the State's financial position are complex. This AIS contains forecasts, projections, and estimates that are based on expectations and assumptions which existed at the time they were prepared. Since many factors may materially affect fiscal and economic conditions in the State, the inclusion in this AIS of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. Forecasts, projections, and estimates are not intended as representations of fact or guarantees of results. The words "expects", "forecasts", "projects", "intends", "anticipates", "estimates", and analogous expressions are intended to identify forward-looking statements in the AIS. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, impediments to the implementation of gap-closing actions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the State. These forward-looking statements speak only as of the date of this AIS. Note that all FY 2012 financial results contained within this AIS are unaudited and preliminary.

The annual independent audit of the State's Basic Financial Statements will be completed in July 2012. Pursuant to statute, the Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting and the State's Basic Financial Statements are due by July 29, 2012, at which time the FY 2012 financial results will be final.

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

OSC issued the Basic Financial Statements for FY 2011 in July 2011. The Basic Financial Statements for FY 2012 are expected to be available in late July 2012. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236. The Basic Financial Statements for FY 2011 are available in electronic form at www.osc.state.ny.us and at www.emma.msrb.org.

USAGE NOTICE

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

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

Neither this AIS nor any portion thereof may be (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 or any portion thereof in a Preliminary Official Statement, Official Statement, or other offering document or continuing disclosure filing without such consent and agreement by DOB is unauthorized and the State expressly disclaims any responsibility with respect to the inclusion, intended use, and updating of this AIS if so misused.

BUDGETARY AND ACCOUNTING BACKGROUND

TO HELP THE READER UNDERSTAND THE FINANCIAL PLAN PROJECTIONS, THIS SECTION PROVIDES A BRIEF OVERVIEW OF THE STATE'S BUDGET PROCESS AND BUDGETARY AND ACCOUNTING PRACTICES. SEE "*EXHIBIT A - SELECTED STATE GOVERNMENT SUMMARY*" HEREIN FOR MORE INFORMATION ON BUDGETARY AND ACCOUNTING PRACTICES.

THE STATE BUDGET PROCESS

The requirements of the State budget process are set forth in Article VII of the State Constitution, the State Finance Law, and the Legislative Law. The process begins with the Governor's submission of the Executive Budget to the Legislature each January, in preparation for the start of the fiscal year on April 1. (The submission date is February 1 in years following a gubernatorial election.) The Executive Budget must contain a complete plan of estimated available receipts and projected disbursements for the ensuing fiscal year ("State Financial Plan"). The General Fund must be balanced on a cash basis, as described below, and must be accompanied by bills that: (i) set forth all proposed appropriations and reappropriations, (ii) provide for any new or modified revenue measures, and (iii) make any other changes to existing law necessary to implement the budget recommended by the Governor.

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

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

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

SIGNIFICANT BUDGETARY/ACCOUNTING PRACTICES

The State's General Fund receives the majority of State taxes and all income not earmarked for a particular program or activity. State law requires the Governor to submit, and the Legislature to enact, a 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 on a cash basis of accounting if sufficient resources are, or are expected to be, available during the fiscal year for the State to (a) make all planned payments, including PIT refunds, without the issuance of deficit notes or bonds or extraordinary cash management actions, (b) restore the balances in the Tax Stabilization Reserve and Rainy Day Reserve to levels at or above the levels on deposit when the fiscal year began, and (c) maintain other reserves, as required by law.

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

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

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

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

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

FINANCIAL PLAN INFORMATION

FISCAL YEAR 2012 (ENDING MARCH 31, 2012) SUMMARY RESULTS

Based on preliminary, unaudited results, the State ended FY 2012 in balance on a cash basis in the General Fund. Receipts, including transfers from other funds, totaled \$56.9 billion. Disbursements, including transfers to other funds, totaled \$56.5 billion. The State ended FY 2012 with a General Fund balance of \$1.79 billion, an increase of \$411 million from FY 2011 results. The closing balance consisted of \$1.1 billion in the Tax Stabilization Reserve, \$175 million in the Rainy Day Reserve, \$102 million in the Community Projects Fund, \$21 million in the Contingency Reserve, \$75 million in an undesignated fund balance, and \$283 million reserved for potential retroactive labor settlements. The State made a \$100 million deposit to the Tax Stabilization Reserve at the close of the fiscal year, the first deposit to “rainy day” reserves since FY 2008.

Receipts for FY 2012 fell \$314 million below projections reflected in the February 2012 AIS Update. Tax receipts were \$182 million lower than expected, with stronger than anticipated Personal Income Tax (“PIT”) collections (\$166 million) more than offset by lower receipts from user taxes (\$114 million), business taxes (\$108 million), and other taxes (\$126 million). Other sources of General Fund receipts (including transfers of balances from other funds of the State, miscellaneous receipts, and Federal grants) were \$132 million below planned levels. This was due in part to the timing of receipts related to legal settlements (\$75 million) and other transactions that did not occur at the levels expected in the Financial Plan. All planned tax refunds were made according to schedule.

Disbursements were \$426 million lower than projections reflected in the February 2012 AIS Update. Disbursements for local assistance, agency operations, and debt service were below planned levels, reflecting the continuing impact of cost control measures imposed on discretionary spending, the conservative estimation of General Fund costs, and routine forecasting variances. The February 2012 AIS Update reflected assumptions that the State would pre-pay in FY 2012 certain debt service and pension costs (totaling approximately \$235 million) that were due in FY 2013 and these pre-payments occurred as planned. See the description of FY 2012 in “Prior Fiscal Years” section herein for more information. Note that FY 2012 financial results included in this AIS are preliminary and unaudited.

FISCAL YEAR 2013 (ENDING MARCH 31, 2013) SUMMARY OUTLOOK

BUDGET GAPS BEFORE BUDGET ADOPTION (“BASE” OR “CURRENT SERVICES” GAPS)

Prior to the enactment of the FY 2013 budget, the State faced a projected General Fund budget gap of \$3.5 billion for FY 2013, and the budget gap in future years was projected at \$3.6 billion in FY 2014, \$5.0 billion in FY 2015, and \$4.2 billion in FY 2016. Budget gaps represent the difference between (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain anticipated service levels and specific commitments, and (b) the expected level of resources to pay for them.² The gap estimates are based on a number of assumptions and projections developed by DOB in consultation with other State agencies.

²Typically referred to as the “current services” or “base” gaps.

FINANCIAL PLAN OVERVIEW

PROJECTED SPENDING MEASURES AT-A-GLANCE *

TOTAL DISBURSEMENTS (millions of dollars)				
	FY 2012 Results	FY 2013 Enacted	Annual \$ Change	Annual % Change
State Operating Funds	87,181	88,919	1,738	2.0%
General Fund (excluding transfers)	50,633	51,784	1,151	2.3%
Other State Funds	30,639	31,024	385	1.3%
Debt Service Funds	5,909	6,111	202	3.4%
All Governmental Funds	133,504	133,393	(111)	-0.1%
State Operating Funds	87,181	88,919	1,738	2.0%
Capital Projects Funds	7,836	7,971	135	1.7%
Federal Operating Funds	38,487	36,503	(1,984)	-5.2%
General Fund with Transfers	56,489	58,868	2,379	4.2%
State Funds	93,193	95,039	1,846	2.0%

PROJECTED RECEIPTS AT-A-GLANCE*

TOTAL RECEIPTS (millions of dollars)				
	FY 2012 Results	FY 2013 Enacted	Annual \$ Change	Annual % Change
Total Receipts	132,745	133,272	527	0.4%
Taxes	64,297	66,370	2,073	3.2%
Miscellaneous Receipts	23,837	24,269	432	1.8%
Federal Grants	44,611	42,633	(1,978)	-4.4%

* Note that All Governmental Funds disbursements may exceed total receipts in a given fiscal year as the State draws down other available resources held in its various governmental fund balances.

PROJECTED ECONOMIC INDICATORS AT-A-GLANCE

NEW YORK STATE ECONOMIC INDICATORS PERCENT ANNUAL CHANGE		
	2012	2013
State Fiscal Year		
Inflation (CPI)	3.3%	2.2%
Calendar Year		
Personal Income	3.4%	4.3%
Wages	3.1%	5.1%
Nonagricultural Employment	1.1%	1.0%

Source: Moody's Analytics; NYS Department of Labor; and DOB.

FINANCIAL PLAN INFORMATION

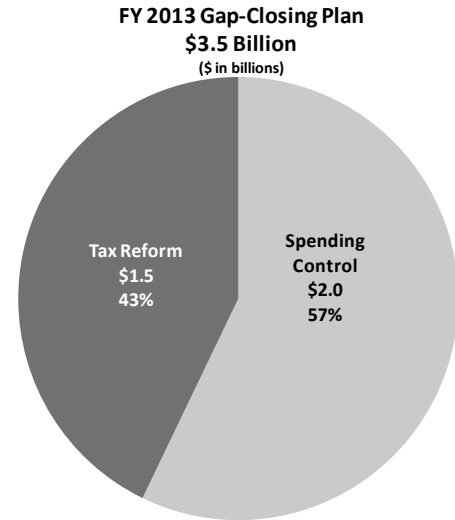
OTHER KEY FINANCIAL MEASURES AT-A-GLANCE

OTHER FINANCIAL PLAN MEASURES (millions of dollars)		
	FY 2012	FY 2013
	Results	Enacted
Total General Fund Reserves	<u>\$1,787</u>	<u>\$1,819</u>
Rainy Day Reserves	\$1,306	\$1,306
All Other Reserves	\$481	\$513
State Workforce (Subject to Direct Executive Control)¹	119,579	121,841
Debt		
State Related Debt Outstanding	\$56,375	\$57,737
Debt Service as % All Funds Receipts	4.9%	5.0%
All Governmental Funds Spending	<u>\$133,504</u>	<u>\$133,393</u>
Medicaid (State Share)	\$20,892	\$21,826
School Aid (SFY)	\$19,662	\$20,039
All Other	\$16,719	\$16,913
Agency Operations	\$24,044	\$24,077
Debt Service	\$5,864	\$6,064
Capital Projects (State Funded)	\$6,012	\$6,120
Federal Funds	\$40,311	\$38,354
All Funds Spending (Including "Off-Budget" Capital)²	\$134,979	\$135,083
<p>¹ Workforce results are through February 2012.</p> <p>² "Off-Budget" Capital reflects spending that is financed directly from bond proceeds and not recorded in the State's accounting system (\$1.48 billion in FY 2012 and \$1.69 billion in FY 2013).</p>		

ENACTED BUDGET FOR FISCAL YEAR 2013

On March 27, 2012, the Governor and legislative leaders announced agreement on a budget for FY 2013. On March 30, 2012, the Legislature completed action on the appropriations and accompanying legislation needed to complete the budget. Consistent with past practice, the Legislature enacted the annual debt service appropriations without amendment in advance of the other appropriations (the debt service appropriations were passed on March 20, 2012). The Governor completed his review of all enacted budget bills, including the veto of certain line items which had no material impact on the Financial Plan, in early April.

DOB estimates that the gap-closing plan authorized in the Enacted Budget and the December 2011 legislative session, if implemented successfully, is sufficient to eliminate the General Fund budget gap of \$3.5 billion in FY 2013, and leaves budget gaps of approximately \$950 million in FY 2014, \$3.4 billion in FY 2015, and \$4.1 billion in FY 2016. The authorized gap-closing plan consists of approximately \$2 billion in savings that DOB characterizes as spending control and \$1.5 billion in net new resources from tax reform initiatives approved in December 2011.



The following table summarizes the multi-year impact of the authorized gap-closing plan.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS SUMMARY OF CHANGES FROM "CURRENT SERVICES" GAP PROJECTIONS (millions of dollars)				
	FY 2013	FY 2014	FY 2015	FY 2016
"CURRENT SERVICES" GAP PROJECTIONS	(3,500)	(3,624)	(5,044)	(4,246)
FY 2013 Enacted Budget Actions	3,500	2,674	1,629	116
Spending Control	1,954	1,207	1,183	1,000
Agency Operations	1,282	1,058	779	791
Local Assistance	777	471	728	609
Debt Management	190	40	40	40
Initiatives/Investments	(295)	(362)	(364)	(440)
Tax Reform	1,546	1,697	1,028	(178)
Tax Reform (Gross Impact)	1,931	2,034	1,335	79
MTA Payroll Tax Small Business Relief	(250)	(250)	(250)	(250)
Tax Credits/Other Initiatives	(135)	(87)	(57)	(7)
Other Changes	0	(230)	(582)	(706)
TANF Child Care Replacement	(71)	(215)	(215)	(215)
Mental Hygiene System Funding	0	(100)	(200)	(300)
Tax Receipts Forecast	(106)	(40)	(140)	(140)
All Other	177	125	(27)	(51)
ENACTED BUDGET SURPLUS/(GAP) PROJECTIONS	0	(950)	(3,415)	(4,130)

FINANCIAL PLAN INFORMATION

SPENDING CONTROL

The Enacted Budget gap-closing plan reflects \$2 billion in anticipated savings (compared to the current services projections) from the following:

- Savings from State agency operations are expected to total \$1.3 billion. Savings are expected to be achieved through additional redesign and cost-control efforts begun in FY 2012. These include further reductions in State agency operations through attrition and strict controls on hiring; enterprise-wide consolidation of procurement, information technology, real estate, and workforce management functions; and a range of operational measures to improve efficiency. The total cost of State Operating Funds agency operations, which consist of personal service, fringe benefit, and non-personal service costs, is estimated at \$24.1 billion in FY 2013, virtually unchanged from FY 2012 results.
- Savings actions in local assistance are expected to total \$777 million. The most significant action repeals the automatic “cost-of-living” increases and trend factors in FY 2013 for all human service providers. Other savings consist primarily of the continuation of programmatic cost controls. Disbursements for State Operating Funds local assistance are projected to total \$58.8 billion in FY 2013, an annual increase of 2.6 percent.
- The Enacted Budget funds School Aid (on a school year basis) at a level consistent with the growth in State personal income, and Medicaid at the long-term average of the medical component of the CPI. In FY 2013, State funding for both programs is expected to increase by approximately 4 percent from their 2012 levels.
- In FY 2012, the State paid \$135 million in debt service that was due in FY 2013. This had the effect of lowering the gap in FY 2013 by the amount of the prepayment. Additional savings are expected across the plan period through a range of debt management actions, including refundings that meet DOB’s savings criteria.
- The Enacted Budget Financial Plan includes local government mandate relief, including a three-year phased-in State takeover of the full cost of annual growth in the Medicaid program, and responsibilities for Medicaid administration over a period of five years.

As in any year, the gap-closing plan is subject to a number of risks, including the State’s ability to implement the substantial reductions (from current services levels) expected in agency operations. See “Other Matters Affecting the Enacted Budget Financial Plan” herein.

TAX REFORM

The tax reform legislation approved in December 2011 is expected to generate an estimated \$1.5 billion in net resources to help close the FY 2013 budget gap. The tax code changes are expected to provide approximately \$1.9 billion in additional receipts in FY 2013. Of this amount, approximately \$250 million will be used to mitigate the impact on the MTA from New York State tax law changes to the MTA mobility tax, and \$135 million will be used for tax credits and employment initiatives.

OTHER CHANGES

The Financial Plan provides sufficient resources in FY 2013 to cover essential new costs. These costs include funding to maintain child care slots that would otherwise be lost due to a reduction in Federal aid and ongoing efforts to allow individuals currently residing in State-operated Developmental

FINANCIAL PLAN INFORMATION

Centers to be placed in more clinically appropriate settings, starting in FY 2014, as Federal aid declines due, in part, to revised census and rate projections. In addition, the Enacted Budget Financial Plan assumes the State will increase its annual pension contribution, starting in FY 2014, above the minimum level required under the amortization legislation,³ thereby lowering long-term interest costs. In FY 2013, these costs are expected to be fully offset by other savings. In addition, DOB has marginally reduced its forecast for tax receipts over the multi-year Financial Plan period. This reflects the impact of year-end results for FY 2012 and input from the consensus revenue forecasting process that took place in March 2012.

PROJECTED CLOSING BALANCES

DOB estimates that the General Fund will end FY 2013 with a balance of \$1.8 billion. The closing balance depends on successful implementation of the gap-closing plan. The following table summarizes the change in balances within the General Fund over the past two fiscal years.

GENERAL FUND ESTIMATED CLOSING BALANCES (millions of dollars)					
	FY 2011 Results	Change	FY 2012 Results	Change	FY 2013 Estimated
Projected Fund Balance	1,376	411	1,787	32	1,819
Statutory Reserves:					
Tax Stabilization Reserve Fund	1,031	100	1,131	0	1,131
Rainy Day Reserve Fund	175	0	175	0	175
Contingency Reserve Fund	21	0	21	0	21
Community Projects Fund	136	(34)	102	(45)	57
Reserved for:					
Prior Year Labor Agreements (2007-2011)	0	283	283	139	422
Undesignated Fund Balance	13	62	75	(62)	13

The Financial Plan includes the use of \$62 million of the undesignated fund balance for gap-closing purposes in FY 2013. The remaining \$13 million is expected to be available for debt management, consistent with prior years.

The Community Projects Fund, which finances discretionary (“member item”) grants allocated by the Legislature and the Governor, is expected to decrease by \$45 million, reflecting the spend-down of the balance in this fund, and no additional deposits to this fund.

The closing balances in each year include amounts reserved to cover the costs of potential retroactive labor settlements with unions that have not agreed to terms for prior contract periods. The amounts are calculated based on the general salary increase pattern settlement for the FY 2008 through FY 2011 period agreed to by the State’s largest unions. Reserves will be reduced when labor agreements for prior periods are reached.

Balances in the State’s principal reserve funds (Tax Stabilization Reserve, Rainy Day Reserve, and Contingency Reserve) are expected to remain unchanged at FY 2013 year-end from the FY 2012 level.

³ Pension amortization legislation (Chapter 57 of the Laws of 2010) authorized the State to amortize a portion of its annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute.

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ANNUAL SPENDING GROWTH

DOB estimates that State Operating Funds spending will total \$88.9 billion in FY 2013, an increase of \$1.7 billion (2.0 percent) from the preliminary FY 2012 results. All Governmental Funds spending is projected to total \$133.4 billion, a decrease of \$111 million (-0.1 percent) from the prior year.

STATE SPENDING MEASURES				
(millions of dollars)				
	FY 2012 Results	FY 2013 Enacted	Annual Change	
			Dollar	Percent
State Operating Funds:				
Local Assistance	57,267	58,773	1,506	2.6%
School Aid	19,662	20,039	377	1.9%
Medicaid (DOH)	15,297	15,860	563	3.7%
Transportation	4,230	4,378	148	3.5%
Mental Hygiene	3,756	3,640	(116)	-3.1%
STAR	3,233	3,276	43	1.3%
Social Services	3,017	3,031	14	0.5%
Higher Education	2,608	2,618	10	0.4%
All Other	5,464	5,931	467	8.5%
State Operations/Fringe Benefits	24,044	24,077	33	0.1%
State Operations	17,451	17,655	204	1.2%
Executive Agencies:	<u>9,593</u>	<u>9,652</u>	<u>59</u>	<u>0.6%</u>
Personal Service	6,822	6,860	38	0.6%
Non-Personal Service	2,771	2,792	21	0.8%
State University	5,430	5,521	91	1.7%
City University	108	103	(5)	-4.6%
Elected Officials	2,320	2,379	59	2.5%
Fringe Benefits/Fixed Costs	6,593	6,422	(171)	-2.6%
Pension Contribution	1,697	1,600	(97)	-5.7%
Employee/Retiree Health Insurance	3,275	3,202	(73)	-2.2%
Other Fringe Benefits/Fixed Costs	1,621	1,620	(1)	-0.1%
Debt Service	5,864	6,064	200	3.4%
Capital Projects	6	5	(1)	-16.7%
TOTAL STATE OPERATING FUNDS	87,181	88,919	1,738	2.0%
Capital Projects (State Funded)	6,012	6,120	108	1.8%
TOTAL STATE FUNDS	93,193	95,039	1,846	2.0%
Federal Aid (Including Capital Grants)	40,311	38,354	(1,957)	-4.9%
TOTAL ALL GOVERNMENTAL FUNDS	133,504	133,393	(111)	-0.1%

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Local assistance spending in FY 2013 is expected to increase by \$1.5 billion, or 2.6 percent, over FY 2012 results. In FY 2013, State funding for School Aid (on a school year basis) and Medicaid are expected to increase by approximately 4 percent from 2012 levels, consistent with caps enacted in FY 2012. Medicaid spending increases by 4 percent, excluding the impact of the State's takeover of Medicaid administration (the growth rate in the table above reflects this impact). Transportation spending growth is the result of increased dedicated tax receipts and a State subsidy that are passed on to the MTA. Growth in other local assistance includes actions that temporarily reduced special education spending in FY 2012, as well as increases across several programs and activities. The annual reduction in mental hygiene programs reflects the expected impact of ongoing cost-containment efforts.

Agency spending on personal and non-personal service is expected to remain nearly flat on an annual basis. This reflects ongoing efforts to redesign State agency operations initiated in FY 2012. Spending on fringe benefits is projected to decline by \$171 million (-2.6 percent). The decline reflects lower pension costs due mainly to a \$117 million prepayment of certain pension obligations in FY 2012 and a revision (or "reconciliation") of the State's FY 2011 pensionable salary base that will lower the State's pension bill in FY 2013, and lower employer contributions for employee and retiree health insurance costs due to the annualization of employee and retiree premium increases that were effective in mid-FY 2012. The State is continuing to amortize a portion of its annual pension costs above certain levels, consistent with legislation enacted in FY 2011.

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

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FISCAL YEAR 2013 ENACTED BUDGET GAP-CLOSING PLAN

The table below summarizes the Enacted Budget gap-closing plan.

GENERAL FUND GAP-CLOSING PLAN FOR FY 2013 (millions of dollars)				
	FY 2013	FY 2014	FY 2015	FY 2016
CURRENT SERVICES GAP PROJECTIONS	(3,500)	(3,624)	(5,044)	(4,246)
Spending Control	1,954	1,207	1,183	1,000
Agency Operations	1,282	1,058	779	791
Agencies	679	350	(50)	52
Independent Officials	252	310	424	330
Enterprise/Consolidation	109	175	180	180
Health Insurance Rate Renewal	130	130	130	130
Fringe Benefits	112	93	95	99
Local Assistance	777	471	728	609
COLAs/Trends	150	170	170	120
Mental Hygiene	170	92	59	(8)
Social Services/Housing	162	77	190	180
Public Health	119	60	29	19
All Other	176	72	280	298
Debt Management	190	40	40	40
Initiatives/Investments	(295)	(362)	(364)	(440)
Local Medicaid Growth/Administrative Takeover	16	(23)	(83)	(181)
Agency Redesign - Enterprise Services	(43)	(65)	(26)	(16)
SSI Administration Takeover From Federal Government	(11)	(13)	(21)	(16)
Protection of Vulnerable Populations	(5)	(30)	(30)	(30)
Rural Rental Assistance	(6)	(6)	(6)	(6)
Joint Legislative Additions	(246)	(225)	(198)	(191)
Tax Reform	1,546	1,697	1,028	(178)
Tax Code Reform	1,931	2,034	1,335	79
MTA Payroll Tax Small Business Relief	(250)	(250)	(250)	(250)
Reduce Corporate Tax on Manufacturers	(25)	(25)	(25)	0
New York Youth Works Tax Credit	(10)	(10)	(5)	0
Economic Development Initiatives	(32)	(32)	(13)	(3)
Inner-City Summer Youth Employment	(25)	0	0	0
Disaster Relief Package	(20)	(15)	(10)	0
Educational Opportunities	(11)	(4)	(4)	(4)
All Other	(12)	(1)	0	0
Other Changes	0	(230)	(582)	(706)
TANF Child Care Replacement	(71)	(215)	(215)	(215)
Mental Hygiene System Funding	0	(100)	(200)	(300)
Tax Receipts Forecast	(106)	(40)	(140)	(140)
All Other	177	125	(27)	(51)
ENACTED BUDGET SURPLUS/(GAP) PROJECTIONS	0	(950)	(3,415)	(4,130)

The sections below provide details on spending control and new costs in the Enacted Budget Financial Plan.

SPENDING CONTROL

The Enacted Budget authorizes \$2.0 billion in savings from spending control. State Operating Funds spending in FY 2013 is expected to total \$88.9 billion, an increase of 2.0 percent over the FY 2012 results.

STATE AGENCY OPERATIONS

Agency Operations include salaries, wages, fringe benefits, and non-personal service costs (i.e., utilities). State Operating Funds spending for agency operations is estimated at \$24.1 billion in FY 2013, an increase of \$33 million (0.1 percent) from the prior year. Reductions from the FY 2013 current-services forecast for agency operating costs contribute \$1.3 billion to the General Fund gap-closing plan.

- **Agencies:** Continued workforce management through a hiring freeze, annualization of savings from recent closures of facilities and elimination of excess capacity, and efforts to downsize State government are expected to result in lowered personal service and fringe benefit costs. The size of the State's workforce that is subject to Executive control declined from 125,787 FTEs in FY 2011 to 119,579 FTEs in FY 2012. This reduction of over 6,200 FTEs has led to declines in certain fringe benefit costs. In addition, a revision to the State's pensionable salary base in FY 2011 has lowered the State's estimated pension bill in FY 2013 by \$77 million.

Additional savings are expected through operational efficiencies as agencies continue to redesign operations to improve service delivery, reduce costs, and eliminate duplicative functions.

- **Independent Officials:** The budgets for the Legislature, Judiciary, State Comptroller, and the Department of Law do not include spending increases for FY 2013 (compared to the levels estimated at the time of the FY 2013 Executive Budget). The Judiciary budget includes pay increases for judges, as recommended by the Judicial Compensation Commission. This spending increase is offset by commensurate reductions achieved through the streamlining of administrative functions and reductions in funding for non-essential programs.
- **Enterprise/Consolidation:** Efforts to centralize and coordinate enterprise services, such as procurement of information technology services, software and mobile communications, office supplies, health services and pharmaceutical supplies, as well as rent reductions from statewide office space consolidations, are expected to reduce operational costs over the multi-year Financial Plan period. Specific actions for FY 2013 include: procurement savings through strategic sourcing of goods and services such as vehicles, software, food and office supplies (\$100 million); and real estate savings through the relocation of State agencies from leased space into State-owned office space (\$9 million). Longer-term projects are also underway in information technology, grants management, call centers, business services, fleet management, and enterprise-wide licensing and permitting.
- **Fringe Benefits:** Savings are achieved by pre-paying certain pension obligations in FY 2012 to avoid annual interest costs (\$35 million); increasing Federal Medicare Part D reimbursements through the conversion of the retiree drug coverage program from the current Retiree Drug Subsidy to an Employer Group Waiver Plan (\$26 million); requiring public

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authority employees and retirees with NYSHIP coverage to contribute toward the cost of Medicare Part B premium reimbursement (\$11 million); and downward reductions to health insurance and workers' compensation spending estimates (\$40 million).

LOCAL ASSISTANCE

Local assistance spending includes financial aid to local governments and non-profit organizations, as well as entitlement payments to individuals. State Operating Funds spending for local assistance is estimated at \$58.8 billion in FY 2013, an increase of \$1.5 billion (2.6 percent) from the prior year. Reductions from the FY 2013 current-services forecast for local assistance include both targeted actions and additional savings from the continuation of prior-year cost containment actions, which together contribute \$777 million to the General Fund gap-closing plan.

The most significant gap-closing actions in local assistance include the following:

- **Human Services Cost-of-Living Increases/Trends:** The Enacted Budget Financial Plan eliminates the planned FY 2013 3.6 percent human services "cost-of-living" increase and maintains existing rates for other programs, including OMH residential treatment facilities, community residences, family-based treatment, and various residential and day programs for individuals with developmental disabilities.
- **Mental Hygiene:** Savings are expected through continued programmatic reviews of OMH providers; expanded efforts to recover State funds through enhanced audit activities and financial reviews of not-for-profit providers; stringent cost controls and reduced use of institutional services and investments in community-based OPWDD programs; restructuring the Continuing Day Treatment program by shifting funding to more effective program models; and converting residential pipeline units to lower-cost alternatives.
- **Social Services/Housing:** Savings are expected through streamlining and restructuring the financing of child support administration; eliminating funding for a shelter supplement initiative; and phasing in the planned 10 percent increase in public assistance grants planned over two periods (5 percent in July 2012 and 5 percent in October 2012).
- **Public Health:** Disbursement projections have been adjusted to reflect claims by municipalities in the GPHW program and other trends.
- **Other Local Programs:** Savings are expected across multiple functions and programs. These include cost-based revisions to School Aid based on updated claiming information from school districts and the estimated growth in State personal income; updated payment schedules for the Local Government Performance and Efficiency Program; and updated cost estimates for certain other programs. Savings are partially offset by increases in TAP funding driven by tuition increases and updated participation trends and funding for the Close to Home Juvenile Justice Initiative.

In addition, changes in General Fund Medicaid spending reflect reduced HCRA financing due to downward revisions to cigarette tax forecasts, the financing for capital improvements at health care facilities throughout the State, and multi-year revisions to estimated spending for the EPIC program and other HCRA programs. Projected Medicaid spending has also been updated for the estimated impact of enhanced Federal Financial Participation for individuals and couples without children, pursuant to Federal Health Care Reform, which is expected to lower the State share of Medicaid spending in FYs 2015 and 2016.

INITIATIVES/INVESTMENTS

- **Local Government Medicaid Growth/Administrative Takeover:** The Enacted Budget phases in a State takeover of growth in the local share of the Medicaid program and caps spending on local Medicaid administration at FY 2012 appropriated levels.
- **Agency Redesign - Enterprise Services:** The Enacted Budget reflects investments intended to improve State operations. Specifically, State support for OFT and OGS has been increased to cover costs associated with the more centralized role these agencies are expected to take in providing shared business services, which are now decentralized across many State agencies. These services include management of the State's assets, the streamlining of procurement processes, and the consolidation of technical and administrative resources. The greater centralization of these services is expected to achieve statewide savings and allow agencies to better focus on their core missions. These investments are expected to generate significant statewide savings over the multi-year Financial Plan from cost reductions, increased efficiency, and business transformation.
- **SSI Administration Takeover:** The State will take over administration of the State SSI benefit currently administered by the Federal government, eliminating the associated cost of living increase, which is expected to generate multi-year savings.
- **Protection of Vulnerable Populations:** Pursuant to recommendations of the Governor's Special Advisor on Vulnerable Persons, a new agency is expected to be established for receiving allegations of abuse and neglect of vulnerable persons in certain programs operated by State agencies, including Mental Hygiene, Children and Family Services, Health and Education. The new agency will also be responsible for investigating, prosecuting and implementing other disciplinary actions.
- **Rental Assistance Program:** Increased funding is included for the Rural Rental Assistance Program that provides State-funded rental subsidies to approximately 4,700 low income occupants of rural housing projects financed by the Federal Department of Agriculture.
- **Joint Legislative Additions:** Relative to the Executive Budget proposal, the Enacted Budget includes increased financing for education, social services, economic development, environmental and agricultural programs, SUNY- and CUNY-operated community colleges, SUNY hospitals, mental hygiene, criminal justice, transportation construction, and other capital projects. In addition, the Executive and Legislature agreed to certain restorations and reductions of Executive Budget proposals, which are accounted for in the gap-closing plan under "Agency Operations" and "Local Assistance" in the table above.

OTHER CHANGES

- **TANF Child Care Replacement:** Less Federal TANF funding is expected to be available in FY 2013. Therefore, State General Fund support has been increased to maintain current funding levels in the child care program.
- **Mental Hygiene System Funding:** Ongoing de-institutionalization efforts, which will allow individuals currently residing in State-operated Developmental Centers to be placed in more clinically appropriate settings based on their needs and abilities, are expected to reduce Federal Medicaid revenues.

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- **Tax Receipts Forecast:** Tax receipts have been adjusted downward based on FY 2012 results and revised economic forecast assumptions. See “Financial Plan Projections Fiscal Years 2013 through 2016- Receipts” herein.

OTHER MATTERS AFFECTING THE ENACTED BUDGET FINANCIAL PLAN

GENERAL

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

The Enacted Budget Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impact of: national and international events, such as the Euro-zone financial crisis, consumer confidence, oil supplies, and oil prices; Federal statutory and regulatory changes concerning financial sector activities; changes concerning financial sector bonus payouts, as well as any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; financial and real estate market developments on bonus income and capital gains realizations; and the impact of household debt reduction on consumer spending and State tax collections.

Among other factors, the Enacted Budget is subject to various other uncertainties and contingencies relating to the extent, if any, to which wage increases for State employees exceed projected annual wage costs; realization of the projected rate of return for pension fund assets and current assumptions with respect to wages for State employees affecting the State’s required pension fund contributions; the willingness and ability of the Federal government to provide the aid contemplated by the Enacted Budget; the ability of the State to implement cost reduction initiatives, including reductions in State agency operations, and the success with which the State controls expenditures; and the ability of the State and its public authorities to market securities successfully in the public credit markets. Some of these specific issues are described in more detail herein. The projections and assumptions contained in the Enacted Budget Financial Plan are subject to revisions which may include substantial adverse changes. 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 General Fund will end the current fiscal year in balance on a budgetary (cash) basis of accounting, or that the budget gaps will not increase materially from current projections. If such events were to occur, the State would be required to take additional gap-closing actions. These may include, but are not limited to, additional reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid; delays in or suspension of capital maintenance and construction; extraordinary financing of operating expenses; or other measures. In some cases, the ability of the State to implement such actions requires the approval of the Legislature and cannot be implemented solely by the action of the Governor.

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State law grants the Executive certain powers to achieve the Medicaid savings assumed in the Financial Plan. However, there can be no assurance that these powers will be sufficient to limit the rate of annual growth in DOH State Funds Medicaid spending to the levels estimated in the Enacted Budget Financial Plan. In addition, savings are dependent upon timely Federal approvals, appropriate amendments to existing systems and processes, and the participation of health care industry stakeholders. In FY 2012, State-share Medicaid disbursements were consistent with DOB expectations.

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

STATUS OF CURRENT LABOR NEGOTIATIONS

The State has a five-year labor contract (FYs 2012 through 2016) with the State's largest union, CSEA, and a four-year labor contract (FYs 2012 through 2015) with the State's second-largest State employee union, PEF. Under both PEF and CSEA labor contracts, there are no general salary increases for three years. Employee compensation during FY 2013 will be temporarily reduced through a Deficit Reduction program, as was the case during FY 2012. CSEA-represented employees will receive a \$1,000 lump sum payment (\$775 paid in FY 2014 and \$225 paid in FY 2015). Employees will receive a 2 percent salary increase in FY 2015 under both agreements, and CSEA-represented employees will receive a 2 percent increase in FY 2016. Employees represented by CSEA will be repaid the value of FY 2013 reductions in equal consecutive installments starting in FY 2017, and employees represented by PEF will be repaid the value of FY 2012 and FY 2013 reductions in equal consecutive installments starting in FY 2016. The agreements also include substantial increases paid by employees for insurance costs.

Under the agreements, employees in these unions were provided contingent layoff protection for FYs 2012 and 2013 and continuing protection for the full term of the agreements. Workforce reductions due to management decisions to close or restructure facilities authorized by legislation, SAGE Commission recommendations, or material or unanticipated changes in the State's fiscal circumstances are not covered by this protection. Similar agreements have been reached with NYSPBA (representing the APSU bargaining unit, formerly ALES) for FY 2006 through FY 2015; NYSCOPBA (non-arbitration eligible members) for FY 2010 through FY 2016; and Council 82 for FY 2010 through FY 2016.

The State is currently engaged in negotiations with other unions, which represent approximately 35 percent of the State workforce. The two largest of these unions are UUP, which represents faculty and non-teaching professional staff within the State University system, and NYSCOPBA (arbitration eligible members), which represents the State's correction officers.

LABOR SETTLEMENTS FOR PRIOR CONTRACT PERIODS

The Enacted Budget Financial Plan continues to include a reserve to cover the costs of a pattern settlement with all unions that have not agreed to contracts through FY 2012. The pattern is based on the general salary increases agreed to by the State's largest unions for the same period. There can be no assurance that actual settlements, some of which are subject to binding arbitration, will not exceed the amounts reserved.

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In August 2011, a statutorily authorized judicial compensation commission authorized a multi-year plan to provide salary increases for judges beginning in FY 2013, which will automatically take effect barring action by the Legislature and the Governor to obviate the increases. The Enacted Budget reflects assumed salary increases, at the level set forth in the commission's multi-year plan, in the Judiciary's current budget projections.

CURRENT CASH-FLOW PROJECTIONS

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

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

Based on current information, DOB expects that the State will have sufficient liquidity to make payments as they become due throughout FY 2013, but that the General Fund may, from time to time, need to borrow resources temporarily from other funds in STIP. The State continues to reserve money on a quarterly basis for debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds, continues to be set aside as required by law and bond covenants. Consistent with prior years, DOB estimates that General Fund balances will reach relatively low levels in May, June, August, and December 2012.

The following table provides an estimate of month-end balances for FY 2013.

PROJECTED ALL FUNDS MONTH-END CASH BALANCES			
FY 2013			
(millions of dollars)			
	General Fund	Other Funds	All Funds
April	4,332	2,507	6,839
May	1,293	3,146	4,439
June	2,121	2,364	4,485
July	2,206	2,994	5,200
August	1,242	3,853	5,095
September	4,271	1,419	5,690
October	3,440	1,925	5,365
November	2,555	2,810	5,365
December	2,051	1,346	3,397
January	5,961	2,911	8,872
February	6,108	3,464	9,572
March	1,819	1,813	3,632

PENSION AMORTIZATION

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

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

In February and March 2012, the State made pension payments that totaled \$1.321 billion for FY 2012, and amortized \$491 million. This payment included a \$118 million pre-payment of certain outstanding liabilities. In addition, the State's Office of Court Administration (OCA) made its pension payment of \$190 million, and amortized \$72 million. The \$563 million in total deferred payments will be repaid with interest over the next ten years, beginning in the current fiscal year, FY 2013. For amounts amortized in FY 2011, the State Comptroller set an interest rate of 5 percent, and has set an interest rate of 3.75 percent for amounts amortized for FY 2012. The Enacted Budget Financial Plan assumes that both the State and OCA will elect to amortize pension costs in future years, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB to be 3.75 percent over ten years from the date of each deferred payment.

The following table, which summarizes pension contributions and projections for future fiscal years, reflects the "Normal Costs" of pension contributions as the amount the State would contribute to fund pensions before amortization, along with "New Amortized Amounts" assumed in upcoming years. The repayment costs associated with these amortizations are reflected as the "Amortization Payment." Consistent with these amortization assumptions, Part TT of Chapter 57 of the Laws of 2010 requires that (a) the State make "Additional Contributions" in upcoming fiscal years, above the actuarially required contribution, and (b) once all outstanding amortizations are paid off, additional contributions will be set aside as "Reserves for Rate Increases," to be invested by the State Comptroller and used to offset future rate increases. Projections in the following table are based on certain DOB assumptions about actuarial factors on investment earnings and benefits to be paid, and actual results may vary from the projections provided in the following table.

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EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM ¹ PENSION CONTRIBUTIONS AND OUTYEAR PROJECTIONS (millions of dollars)							
Fiscal Year	Normal Costs ²	New Amortized Amounts	Amortization Payment	Additional Contributions	Total	Reserves for Rate Increases	Plus Interest at 3.75%
2011 Actual	1,552.8	(249.6)	0.0	0.0	1,303.2	0.0	0.0
2012 Actual	2,041.7	(562.9)	32.3	0.0	1,511.1	0.0	0.0
2013 Projected	2,088.5	(781.9)	100.9	0.0	1,407.5	0.0	0.0
2014 Projected	2,388.6	(770.6)	196.1	0.0	1,814.1	0.0	0.0
2015 Projected	2,683.7	(915.5)	289.9	0.0	2,058.1	0.0	0.0
2016 Projected	2,421.1	(553.9)	401.4	0.0	2,268.6	0.0	0.0
2017 Projected	2,317.1	(435.3)	468.8	0.0	2,350.6	0.0	0.0
2018 Projected	2,399.3	(343.4)	521.8	0.0	2,577.7	0.0	0.0
2019 Projected	2,434.4	(195.7)	563.6	0.0	2,082.3	0.0	0.0
2020 Projected	2,510.3	(93.2)	587.4	0.0	3,004.5	0.0	0.0
2021 Projected	2,649.7	(34.9)	598.8	0.0	3,213.6	0.0	0.0
2022 Projected	2,197.4	0.0	570.7	362.7	3,130.8	0.0	0.0
2023 Projected	1,989.2	0.0	313.2	510.4	2,812.8	0.0	0.0
2024 Projected	1,766.6	0.0	84.9	666.6	2,518.1	340.3	353.0
2025 Projected	1,528.9	0.0	0.0	831.8	2,360.7	1,172.1	1,229.2
2026 Projected	1,125.9	0.0	0.0	1,155.8	2,281.7	2,327.9	2,474.5

Source: NYS DOB.
1. Pension contribution values do not include pension costs related to the Optional Retirement Program and Teachers' Retirement System for SUNY and SED, whereas the projected pension disbursements in the Financial Plan tables presented in this AIS include these costs.
2. Includes payments from amortization prior to FY2011. Such prior amortization payments will end in FY2016.

FEDERAL ACTIONS

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes. Any reduction in Federal funding levels could have a materially adverse impact on the State's Enacted Budget Financial Plan.

The Federal Budget Control Act (the "BCA") established a Joint Select Committee for Deficit Reduction to achieve \$1.2 trillion in deficit reduction over ten years. On November 21, 2011, the Joint Select Committee announced that it failed to reach agreement on actions to reduce the deficit. Pursuant to the BCA, deficit reduction will now be achieved through the sequestration process, with automatic reductions scheduled to begin in January 2013. The BCA prescribes that approximately 18 percent of the \$1.2 trillion in deficit reduction can be attributed to assumed debt service savings, while the remainder must be achieved through spending reductions, divided evenly between the Defense Department and non-Defense spending.

The State is analyzing the potential impact of the BCA on the Enacted Budget Financial Plan and State economy, and the likelihood that it will be implemented in its current form. DOB estimates that, if the sequestration process were to operate as set forth in the BCA and without any further modification by Congress, New York State and local governments could lose approximately \$5 billion in Federal funding over nine years, beginning in FY 2013. This does not account for potential declines in other revenues that

may occur as a result of lost Federal funding. DOB may make adjustments to the Financial Plan as more definitive information becomes available.

In addition, the Enacted Budget may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules. For example, all Medicaid claims are subject to audit and review by the Federal government, and, although no official audit commenced, the New York State OPWDD is working collaboratively with the Federal government to resolve concerns over reimbursement for services provided to individuals in developmental centers, and to create a contemporary and sustainable system of service funding and delivery for individuals with developmental disabilities. The rates paid for these services are established in full accordance with the methodology set forth in the approved State Plan, but adverse action by the Federal government relative to these claims could jeopardize a significant amount of Federal financial participation in the State Medicaid program.

HEALTH INSURANCE COMPANY CONVERSIONS

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

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. Litigation that meets the State’s materiality threshold is described in “Litigation and Arbitration” herein. In addition, the State may be affected by adverse decisions that may not meet the materiality threshold to warrant individual description but that could, in the aggregate, adversely affect the State’s Financial Plan.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

State employees become eligible for post-employment benefits (health insurance) if they reach retirement while working for the State with at least ten years of eligibility for membership in NYSHIP. In accordance with GASBS 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 2011, the Annual Required Contribution (ARC) represents the annual level of funding that, if set-aside on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded liabilities of the plan over a period not to exceed thirty 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 2011, an actuarial valuation of OPEB liabilities was performed as of April 1, 2008, with results projected to April 1, 2010 for the fiscal year ended March 31, 2011. The valuation calculated the present value of the actuarial accrued total liability for OPEB as of March 31, 2011 at \$55.9 billion (\$46.3 billion for the State and \$9.6 billion for SUNY),

FINANCIAL PLAN INFORMATION

determined using the Frozen Entry Age actuarial cost method, and is amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

The net OPEB liability for FY 2011 totaled \$3.7 billion (\$3.1 billion for the State and \$0.6 billion for SUNY) under the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. This was \$2.5 billion (\$2.1 billion for the State and \$0.4 billion for SUNY) above the payments for retiree OPEB actually made by the State in FY 2011. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASBS 45 reduced the State's currently positive net asset condition at the end of FY 2011 by \$2.5 billion.

The State's actuarial consultant has provided an updated calculation of the ARC and annual OPEB costs as of April 1, 2010. The updated calculation will ultimately be reflected in the financial statements for the State and SUNY for FY 2012. The updated calculation shows the present value of the actuarial accrued total liability for benefits at \$72.2 billion (\$59.9 billion for the State and \$12.3 billion for SUNY).

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

As noted, there is no provision in the Enacted Budget Financial Plan to pre-fund the GASBS 45 liability. If such liability were pre-funded at this time, the additional cost above the PAYGO amounts would be lowered. The State's Health Insurance Council, which consists of GOER, Civil Service, and DOB, will continue to review this matter and seek input from the State Comptroller, the legislative fiscal committees and other outside parties. However, it is not expected that the State will alter its planned funding practices in light of existing fiscal conditions.

BOND MARKET

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

DEBT REFORM ACT LIMIT

The Debt Reform Act of 2000 restricts the issuance of State-supported debt to capital purposes only and limits such debt to a maximum term of 30 years. The Act limits the amount of new State-supported debt to 4 percent of State personal income and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued on and after April 1, 2000. The cap on new State-supported debt outstanding began at 0.75 percent of personal income in FY 2001 and was fully phased in at 4 percent of personal income during FY 2011, while the cap on new State-supported debt service costs began at 0.75 percent of All Funds receipts in FY 2001 and will increase until it is fully phased in at 5 percent during FY 2014. The State was in compliance with the statutory caps for the most recent calculation period (October 2011).

FINANCIAL PLAN INFORMATION

Current projections estimate that debt outstanding and debt service will continue to remain below the limits imposed by the Debt Reform Act. However, the State is continuing through a period of relatively limited debt capacity. Based on the most recent personal income and debt outstanding forecasts, the available capacity under the debt outstanding cap is expected to decline from \$3.6 billion in FY 2012 to \$602 million in FY 2014. The State is continuing to implement measures to address capital spending priorities and debt financing practices.

NEW DEBT OUTSTANDING - CAPPED AT 4 PERCENT OF PERSONAL INCOME (millions of dollars)						
Year	Personal Income	Cap %	Actual/ Recommended %	\$ (Above)/Below	% (Above)/Below	
FY 2012	983,868	4.00%	3.64%	3,552	0.36%	
FY 2013	1,017,103	4.00%	3.85%	1,492	0.15%	
FY 2014	1,061,148	4.00%	3.94%	602	0.06%	
FY 2015	1,122,828	4.00%	3.92%	866	0.08%	
FY 2016	1,183,444	4.00%	3.88%	1,408	0.12%	
FY 2017	1,243,645	4.00%	3.79%	2,585	0.21%	

NEW DEBT SERVICE COSTS - CAPPED AT 5 PERCENT OF ALL FUNDS RECEIPTS (millions of dollars)						
Year	All Funds Receipts	Cap %	Actual/ Recommended %	\$ (Above)/Below	% (Above)/Below	
FY 2012	132,745	4.65%	2.65%	2,652	2.00%	
FY 2013	133,270	4.98%	2.85%	2,845	2.13%	
FY 2014	138,792	5.00%	2.95%	2,848	2.05%	
FY 2015	143,060	5.00%	3.03%	2,813	1.97%	
FY 2016	147,856	5.00%	3.11%	2,793	1.89%	
FY 2017	154,109	5.00%	3.15%	2,844	1.85%	

SECURED HOSPITAL PROGRAM

Under the Secured Hospital program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to issue debt. The contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by the New York State MCFFA and by DASNY through the Secured Hospital program. In the event there are shortfalls in revenues from other sources, which include hospital payments made under loan agreements between DASNY and the hospitals, and certain reserve funds held by the applicable trustees for the bonds, the State is liable for the debt service. As of March 31, 2012, there was approximately \$503 million of outstanding bonds for the program.

The financial condition of most hospitals in the State's Secured Hospital Program continues to deteriorate. Of the eight hospitals in the program, several are experiencing significant operating losses that are likely to impair their ability to remain current on their loan agreements with DASNY. In relation to the Secured Hospital Program, the Enacted Budget Financial Plan projections reflect the assumption of additional costs of \$3 million in FY 2013, \$32 million in FY 2014, and \$39 million annually thereafter. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for four hospitals that currently are not meeting the terms of their agreement with DASNY. The State has additional exposure of up to a maximum of \$39 million annually, if all additional hospitals in the program failed to meet the terms of their agreement with DASNY and if available reserve funds were depleted.

FINANCIAL PLAN PROJECTIONS

FISCAL YEARS 2013 THROUGH 2016

INTRODUCTION

This section presents the State's updated multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of the FY 2013 Enacted Budget actions. The section includes preliminary FY 2012 results and projections for FYs 2013 through 2016, with an emphasis on the FY 2013 projections.

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

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

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates and projections as a predictor of the State's future financial position is likely to diminish the further removed such estimates and projections are from the date of this AIS. Accordingly, in terms of the outyear projections, the first outyear of the FY 2013 budget, FY 2014, is the most relevant from a planning perspective.

SUMMARY

DOB estimates that the Enacted Budget provides for a balanced General Fund Financial Plan in FY 2013 and leaves projected gaps that total approximately \$950 million in FY 2014, \$3.4 billion in FY 2015, and \$4.1 billion in FY 2016. The net operating shortfalls in State Operating Funds is projected at \$495 million in FY 2014, \$2.8 billion in FY 2015, and \$3.6 billion in FY 2016.

The annual imbalances projected for the General Fund and State Operating Funds in future years are similar because the General Fund is the financing source of last resort for many State programs. Imbalances in other funds are typically financed by the General Fund.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

GENERAL FUND PROJECTIONS

GENERAL FUND PROJECTIONS (millions of dollars)					
	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Receipts					
Taxes (After Debt Service)	52,634	54,541	57,812	58,852	61,211
Miscellaneous Receipts/Federal Grants	3,222	3,289	2,831	2,297	2,389
Other Transfers	1,044	1,070	862	770	760
Total Receipts	56,900	58,900	61,505	61,919	64,360
Disbursements					
Local Assistance Grants	38,419	39,645	41,872	43,227	45,490
School Aid	16,778	16,986	17,832	18,641	19,585
Medicaid	10,301	10,604	11,158	11,454	12,332
All Other	11,340	12,055	12,882	13,132	13,573
State Operations	7,494	7,736	7,007	7,218	7,559
Personal Service	5,781	5,892	5,370	5,496	5,753
Non-Personal Service	1,713	1,844	1,637	1,722	1,806
General State Charges	4,720	4,403	4,834	5,179	5,470
Gross State Pension Contribution	1,697	1,600	2,012	2,257	2,467
Gross State Employee Health Insurance	3,275	3,202	3,411	3,670	3,951
Fringe Benefit Escrow Offset/Fixed Costs	(252)	(399)	(589)	(748)	(948)
Transfers to Other Funds	5,856	7,084	8,680	9,592	9,853
Debt Service	1,516	1,580	1,653	1,585	1,559
Capital Projects	798	1,055	1,293	1,408	1,301
State Share Medicaid	2,722	2,978	2,772	2,626	2,526
Mental Hygiene	0	8	803	1,732	2,320
School Aid - Lottery/VLT Aid Guarantee	55	45	0	0	0
SUNY - Disproportionate Share/Medicaid	225	228	228	228	228
SUNY - University Operations	0	340	982	1,001	1,021
SUNY - Hospital Operations Subsidy	60	81	88	88	88
Department of Transportation (MTA Tax)	22	279	332	334	334
Judiciary Funds	123	115	116	117	118
All Other	335	375	413	473	358
Total Disbursements	56,489	58,868	62,393	65,216	68,372
Change in Reserves	411	32	62	118	118
Budget Surplus/(Gap) Projections	0	0	(950)	(3,415)	(4,130)

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

STATE OPERATING FUNDS PROJECTIONS

STATE OPERATING FUNDS PROJECTIONS (millions of dollars)					
	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Receipts					
Taxes	62,960	64,969	68,717	70,266	73,036
Miscellaneous Receipts/Federal Grants	19,656	20,072	20,306	20,124	20,384
Total Receipts	82,616	85,041	89,023	90,390	93,420
Disbursements					
Local Assistance Grants	57,267	58,773	61,879	63,915	66,264
School Aid	19,662	20,039	20,911	21,725	22,671
STAR	3,233	3,276	3,459	3,642	3,744
Other Education Aid	1,698	1,961	1,999	2,065	2,141
Higher Education	2,608	2,618	2,812	2,888	2,967
Medicaid (DOH incl. administration)	15,297	15,860	16,513	17,049	17,895
Public Health/Aging	2,104	2,041	2,219	2,315	2,169
Mental Hygiene	3,756	3,640	4,047	4,308	4,500
Social Services	3,017	3,031	3,434	3,431	3,563
Transportation	4,230	4,378	4,556	4,650	4,745
Local Government Assistance	754	777	789	801	803
All Other ¹	908	1,152	1,140	1,041	1,066
State Operations	17,451	17,655	17,900	18,400	19,057
Personal Service	12,047	12,165	12,366	12,683	13,188
Non-Personal Service	5,404	5,490	5,534	5,717	5,869
General State Charges	6,593	6,422	7,001	7,500	7,974
Pension Contribution	1,697	1,600	2,012	2,257	2,467
Health Insurance (Active Employees)	2,052	1,987	2,132	2,294	2,469
Health Insurance (Retired Employees)	1,223	1,215	1,279	1,376	1,482
All Other	1,621	1,620	1,578	1,573	1,556
Debt Service	5,864	6,064	6,401	6,522	6,655
Capital Projects	6	5	5	5	5
Total Disbursements	87,181	88,919	93,186	96,342	99,955
Net Other Financing Sources/(Uses)	4,443	4,127	3,668	3,173	2,981
Net Operating Surplus/(Deficit)	(122)	249	(495)	(2,779)	(3,554)
Reconciliation to General Fund Gap:					
Designated Fund Balances	122	(249)	(455)	(636)	(576)
General Fund	(411)	(32)	(62)	(118)	(118)
Special Revenue Funds	507	(82)	(281)	(382)	(452)
Debt Service Funds	26	(135)	(112)	(136)	(6)
General Fund Budget Gap	0	0	(950)	(3,415)	(4,130)

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

PRELIMINARY FY 2012 RESULTS AND FY 2013 FORECAST OVERVIEW

RECEIPTS

Financial Plan receipts comprise a variety of taxes, fees, and charges for State-provided services, Federal grants, and other miscellaneous receipts. The receipts estimates and projections have been prepared by DOB on a multi-year basis with the assistance of the Department of Taxation and Finance and other agencies responsible for the collection of State receipts. 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., personal income tax receipts in excess of amount transferred for debt service on revenue bonds). For a detailed description of revenue sources, see “Exhibit D - Principal State Taxes and Fees” herein.

OVERVIEW OF THE RECEIPTS FORECAST

- New York’s recovery continued in FY 2012, but has been buffeted by double digit declines in financial sector bonus payments during the most recent bonus season, and a slowdown in taxable spending late in FY 2012, likely due to mild weather and high gas prices. The combination of the personal income tax reform enacted in December 2011 and trend economic growth are expected to yield a third consecutive year of receipts growth in FY 2013.
- After inching up 2.9 percent in FY 2011, base receipts adjusted for tax law changes grew by 7.4 percent in FY 2012 and are expected to increase by 6.2 percent in FY 2013.
- Corporate profits are expected to record a fourth consecutive year of growth in calendar year 2012, but growth will be at a lower trend rate when compared to the robust growth rates of recent years.
- Personal income tax liability growth is expected to slow somewhat in tax year 2012. Although the December 2011 tax law changes are expected to generate more revenue than the 2008 permanent law, they will generate less annual revenue than the high income surcharge in effect in tax year 2011. Double digit declines in financial sector bonus payments during the first quarter of 2012 will also contribute to the slowdown in liability growth.
- After accounting for law changes, consumer and business spending on taxable goods and services rose for the second consecutive year in FY 2012, growing 6.7 percent, and is estimated to rise 4 percent in FY 2013.
- The surge in oil prices presents a downside risk to the receipts forecast. The uncertainty surrounding fuel prices over the near-term horizon could result in slower receipts growth than anticipated.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

All Funds receipts are projected to total \$133.3 billion, an increase of \$527 million from FY 2012 results. The table below summarizes the receipts projections for FY 2013 and FY 2014.

TOTAL RECEIPTS (millions of dollars)							
	FY 2012 Results	FY 2013 Enacted	Annual \$ Change	Annual % Change	FY 2014 Projected	Annual \$ Change	Annual % Change
General Fund	56,900	58,900	2,000	3.5%	61,505	2,605	4.4%
Taxes	41,754	43,369	1,615	3.9%	45,891	2,522	5.8%
Miscellaneous Receipts	3,162	3,229	67	2.1%	2,829	(400)	-12.4%
Federal Grants	60	60	0	0.0%	2	(58)	-96.7%
Transfers	11,924	12,242	318	2.7%	12,783	541	4.4%
State Funds	88,111	90,598	2,487	2.8%	94,509	3,911	4.3%
Taxes	64,297	66,370	2,073	3.2%	70,138	3,768	5.7%
Miscellaneous Receipts	23,669	24,083	414	1.7%	24,284	201	0.8%
Federal Grants	145	145	0	0.0%	87	(58)	-40.0%
All Funds	132,745	133,272	527	0.4%	138,794	5,522	4.1%
Taxes	64,297	66,370	2,073	3.2%	70,138	3,768	5.7%
Miscellaneous Receipts	23,837	24,269	432	1.8%	24,470	201	0.8%
Federal Grants	44,611	42,633	(1,978)	-4.4%	44,186	1,553	3.6%

Base growth of 6.2 percent in tax receipts is estimated for FY 2013, after adjusting for law changes, and is projected to be 5.6 percent in FY 2014. These projected increases in overall base growth in tax receipts are dependent on many factors:

- Continued growth in a broad range of economic activities;
- Improving profitability and compensation gains, particularly among financial services companies;
- Recovery in the overall real estate market, particularly the residential market; and
- Increases in consumer spending as a result of wage and employment gains.

PERSONAL INCOME TAX

PERSONAL INCOME TAX (millions of dollars)							
	FY 2012 Results	FY 2013 Enacted	Annual \$ Change	Annual % Change	FY 2014 Projected	Annual \$ Change	Annual % Change
General Fund¹	25,843	26,916	1,073	4.2%	28,920	2,004	7.4%
Gross Collections	46,030	47,702	1,672	3.6%	50,930	3,228	6.8%
Refunds/Offsets	(7,263)	(7,446)	(183)	2.5%	(7,757)	(311)	4.2%
STAR	(3,233)	(3,276)	(43)	1.3%	(3,460)	(184)	5.6%
RBTF	(9,691)	(10,064)	(373)	3.8%	(10,793)	(729)	7.2%
State/All Funds	38,767	40,256	1,489	3.8%	43,173	2,917	7.2%
Gross Collections	46,030	47,702	1,672	3.6%	50,930	3,228	6.8%
Refunds	(7,263)	(7,446)	(183)	2.5%	(7,757)	(311)	4.2%

¹ Excludes Transfers.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

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

All Funds income tax receipts for FY 2014 of \$43.2 billion are projected to increase \$2.9 billion (7.2 percent) from the prior year. This increase primarily reflects increases of \$2.1 billion (6.6 percent) in withholding, \$842 million (30.9 percent) in extension payments related to tax year 2012 and \$219 million (2.5 percent) in estimated payments related to tax year 2013 partially offset by a \$311 million (4.2 percent) increase in total refunds. The strong projection for extension payments for tax year 2012 reflects an assumption of early realization of capital gains due to the projected sunset of the Bush tax cuts as scheduled starting with tax year 2013. Payments from final returns are expected to increase \$49 million (2.5 percent) while delinquencies are projected to increase \$35 million (3.2 percent) from the prior year.

General Fund income tax receipts for FY 2014 of \$28.9 billion are projected to increase by \$2 billion (7.4 percent). The RBTF deposit is projected to increase by \$729 million.

PERSONAL INCOME TAX (millions of dollars)					
	FY 2014 Projected	FY 2015 Projected	Annual \$ Change	FY 2016 Projected	Annual \$ Change
General Fund¹	28,920	29,612	692	30,614	1,002
Gross Collections	50,930	53,120	2,190	55,044	1,924
Refunds/Offsets	(7,757)	(8,781)	(1,024)	(9,233)	(452)
STAR	(3,460)	(3,642)	(182)	(3,744)	(102)
RBTF	(10,793)	(11,085)	(292)	(11,453)	(368)
State/All Funds	43,173	44,339	1,166	45,811	1,472
Gross Collections	50,930	53,120	2,190	55,044	1,924
Refunds	(7,757)	(8,781)	(1,024)	(9,233)	(452)

¹ Excludes Transfers.

All Funds income tax receipts for FY 2015 of \$44.3 billion are projected to increase \$1.2 billion (2.7 percent) from the prior year. This change primarily reflects increases of \$1.2 billion (3.5 percent) in withholding, \$1 billion (11.5 percent) in estimated payments related to tax year 2014 partially offset by a \$1 billion (13.2 percent) increase in total refunds and a \$115 million decrease in final returns payments for tax year 2013. Extension payments for tax year 2013 are almost flat from the prior year with a \$7 million (0.2 percent) decrease while delinquencies are projected to increase \$51 million (4.7 percent) from the prior year. The increase in total refunds of \$1 billion almost entirely reflects an increase in current refunds for tax year 2013.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

General Fund income tax receipts for FY 2015 of \$29.6 billion are projected to increase by \$692 million (2.4 percent). The increases in the All Funds receipts are partially offset by a \$292 million increase in RBFT deposits and \$182 million increase in STAR payments.

All Funds income tax receipts are projected to increase by nearly \$1.5 billion (3.4 percent) in FY 2016 to reach \$45.8 billion while General Fund receipts are projected to be \$30.6 billion.

USER TAXES AND FEES

USER TAXES AND FEES (millions of dollars)							
	FY 2012 Results	FY 2013 Enacted	Annual \$ Change	Annual % Change	FY 2014 Projected	Annual \$ Change	Annual % Change
General Fund*	9,055	9,271	216	2.4%	9,626	355	3.8%
Sales Tax	8,346	8,561	215	2.6%	8,922	361	4.2%
Cigarette and Tobacco Taxes	471	469	(2)	-0.4%	462	(7)	-1.5%
Alcoholic Beverage Taxes	238	241	3	1.3%	242	1	0.4%
State/All Funds	14,571	14,921	350	2.4%	15,413	492	3.3%
Sales Tax	11,876	12,205	329	2.8%	12,717	512	4.2%
Cigarette and Tobacco Taxes	1,633	1,615	(18)	-1.1%	1,585	(30)	-1.9%
Motor Fuel	501	515	14	2.8%	517	2	0.4%
Highway Use Tax	132	147	15	11.4%	142	(5)	-3.4%
Alcoholic Beverage Taxes	238	241	3	1.3%	242	1	0.4%
Taxicab Surcharge	87	89	2	2.3%	96	7	7.9%
Auto Rental Tax	104	109	5	4.8%	114	5	4.6%

*Excludes Transfers.

All Funds user taxes and fees receipts for FY 2013 are estimated to be \$14.9 billion, an increase of \$350 million (2.4 percent) from FY 2012. Sales tax receipts are expected to increase by \$329 million (2.8 percent) from the prior year due to base growth (i.e., absent law changes) of 4 percent partially offset by a loss of \$210 million from an increase in the clothing and footwear exemption threshold from \$55 to \$110. The remaining estimated increase of \$21 million from FY 2012 is mainly from an increase in motor fuel and highway use tax collections offset by a decline in cigarette and tobacco collections. Motor fuel collections are expected to rebound with an increase in gasoline and diesel gallonage due to an improving economy. Highway use tax collections are estimated to increase due to the issuance of decals and a triennial registration year. The estimated decline in cigarette and tobacco tax collections reflects trend declines in taxable consumption.

General Fund user taxes and fees receipts are expected to total nearly \$9.3 billion in FY 2013, an increase of \$216 million (2.4 percent) from FY 2012. This increase mainly reflects growth in sales tax receipts (\$215 million).

All Funds user taxes and fees receipts for FY 2014 are projected to be \$15.4 billion, an increase of \$492 million (3.3 percent) from FY 2013. The increase in sales tax receipts of \$512 million (4.2 percent) reflects sales tax base growth of 3.4 percent. Cigarette and tobacco tax receipts primarily reflect the long-term trend decline from this revenue source.

General Fund user taxes and fees receipts are projected to total \$9.6 billion in FY 2014, an increase of \$355 million (3.8 percent) from FY 2013. This increase largely reflects the projected increases in All Funds sales tax receipts discussed above.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

USER TAXES AND FEES (millions of dollars)					
	FY 2014 Projected	FY 2015 Projected	Annual \$ Change	FY 2016 Projected	Annual \$ Change
General Fund*	9,626	10,042	416	10,406	364
Sales Tax	8,922	9,340	418	9,712	372
Cigarette and Tobacco Taxes	462	455	(7)	447	(8)
Alcoholic Beverage Taxes	242	247	5	247	0
State/All Funds	15,413	15,989	576	16,502	513
Sales Tax	12,717	13,303	586	13,829	526
Cigarette and Tobacco Taxes	1,585	1,556	(29)	1,526	(30)
Motor Fuel	517	520	3	523	3
Highway Use Tax	142	144	2	152	8
Alcoholic Beverage Taxes	242	247	5	247	0
Taxicab Surcharge	96	100	4	101	1
Auto Rental Tax	114	119	5	124	5
*Excludes Transfers.					

All Funds user taxes and fees are projected to be nearly \$16.0 billion in FY 2015 and \$16.5 billion in FY 2016, representing increases of \$576 million (3.7 percent) and \$513 million (3.2 percent) respectively. These increases represent base growth in sales tax receipts, offset slightly by trend declines in cigarette tax collections.

BUSINESS TAXES

BUSINESS TAXES (millions of dollars)							
	FY 2012 Results	FY 2013 Enacted	Annual \$ Change	Annual % Change	FY 2014 Projected	Annual \$ Change	Annual % Change
General Fund	5,760	6,038	278	4.8%	6,208	170	2.8%
Corporate Franchise Tax	2,724	2,905	181	6.6%	3,009	104	3.6%
Corporation & Utilities Tax	617	652	35	5.7%	696	44	6.7%
Insurance Tax	1,257	1,322	65	5.2%	1,373	51	3.9%
Bank Tax	1,161	1,159	(2)	-0.2%	1,130	(29)	-2.5%
Petroleum Business Tax	1	0	(1)	-100.0%	0	0	0.0%
State/All Funds	7,877	8,229	352	4.5%	8,463	234	2.8%
Corporate Franchise Tax	3,176	3,360	184	5.8%	3,511	151	4.5%
Corporation & Utilities Tax	797	847	50	6.3%	894	47	5.5%
Insurance Tax	1,413	1,479	66	4.7%	1,539	60	4.1%
Bank Tax	1,391	1,381	(10)	-0.7%	1,319	(62)	-4.5%
Petroleum Business Tax	1,100	1,162	62	5.6%	1,200	38	3.3%

All Funds business tax receipts for FY 2013 are estimated at \$8.2 billion, an increase of \$352 million, or 4.5 percent from the prior year. The estimate reflects base growth across all taxes from an improving economy as well as an incremental increase of \$71 million from the deferral of certain tax

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

credits that was part of the FY 2011 Enacted Budget. Adjusted for this deferral, All Funds growth is 3.6 percent.

General Fund business tax receipts for FY 2013 of \$6.0 billion are estimated to increase by \$278 million (4.8 percent) from FY 2012 results. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

All Funds business tax receipts for FY 2014 of \$8.5 billion are projected to increase \$234 million (2.8 percent) from the prior year, reflecting growth across all business taxes except the bank tax. The decline in FY 2014 bank tax receipts is driven by an expected decrease in audit receipts.

General Fund business tax receipts for FY 2014 of \$6.2 billion are projected to increase \$170 million (2.8 percent) from the prior year.

BUSINESS TAXES (millions of dollars)					
	FY 2014 Projected	FY 2015 Projected	Annual \$ Change	FY 2016 Projected	Annual \$ Change
General Fund	6,208	5,713	(495)	6,291	578
Corporate Franchise Tax	3,009	2,320	(689)	2,726	406
Corporation & Utilities Tax	696	718	22	741	23
Insurance Tax	1,373	1,414	41	1,487	73
Bank Tax	1,130	1,261	131	1,337	76
State/All Funds	8,463	8,038	(425)	8,676	638
Corporate Franchise Tax	3,511	2,855	(656)	3,289	434
Corporation & Utilities Tax	894	918	24	947	29
Insurance Tax	1,539	1,587	48	1,666	79
Bank Tax	1,319	1,472	153	1,562	90
Petroleum Business Tax	1,200	1,206	6	1,212	6

All Funds business tax receipts for FY 2015 and FY 2016 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, the consumption of taxable telecommunications services, and automobile fuel consumption and fuel prices. Business tax receipts are projected to decline to \$8.0 billion (5.0 percent) in FY 2015, and increase to \$8.7 billion (7.9 percent) in FY 2016. The decline in FY 2015 reflects the first year of the repayment of deferred tax credits to taxpayers. General Fund business tax receipts over this period are expected to decline to \$5.7 billion (8.0 percent) in FY 2015 and increase to \$6.3 billion (10.1 percent) in FY 2016.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

OTHER TAXES

OTHER TAXES (millions of dollars)							
	FY 2012 Results	FY 2013 Enacted	Annual \$ Change	Annual % Change	FY 2014 Projected	Annual \$ Change	Annual % Change
General Fund¹	1,096	1,144	48	4.4%	1,137	(7)	-0.6%
Estate Tax	1,078	1,127	49	4.5%	1,120	(7)	-0.6%
Gift Tax	0	0	0	NA	0	0	0.0%
Real Property Gains Tax	0	0	0	NA	0	0	0.0%
Pari-Mutuel Taxes	17	16	(1)	-5.9%	16	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	1,706	1,804	98	5.7%	1,847	43	2.4%
Estate Tax	1,078	1,127	49	4.5%	1,120	(7)	-0.6%
Gift Tax	0	0	0	NA	0	0	0.0%
Real Property Gains Tax	0	0	0	NA	0	0	0.0%
Real Estate Transfer Tax	610	660	50	8.2%	710	50	7.6%
Pari-Mutuel Taxes	17	16	(1)	-5.9%	16	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

¹ Excludes Transfers.

All Funds other tax receipts for FY 2013 are estimated to be \$1.8 billion, an increase of \$98 million (5.7 percent) from FY 2012. This mainly reflects a rise of \$49 million (4.5 percent) in estate tax receipts and \$50 million (8.2 percent) in the real estate transfer tax, which are the result of expected large estate payments in FY 2013 and strong commercial activity and improving vacancy rates in NYC, respectively.

General Fund other tax receipts are expected to be \$1.1 billion in FY 2013, an increase of \$48 million (4.4 percent) from FY 2012. This reflects the changes in the estate tax and pari-mutuel taxes noted above.

All Funds other tax receipts for FY 2014 are projected to be \$1.8 billion, an increase of \$43 million (2.4 percent) from FY 2013. This reflects growth in the real estate transfer tax slightly offset by a decline in estate tax receipts. General Fund other tax receipts are expected to total approximately \$1.1 billion in FY 2014. This reflects a decrease of \$7 million in estate tax receipts due to a forecast decrease in estate payments of \$25 million or more (“super large” payments).

OTHER TAXES (millions of dollars)					
	FY 2014 Projected	FY 2015 Projected	Annual \$ Change	FY 2016 Projected	Annual \$ Change
General Fund¹	1,137	1,222	85	1,222	0
Estate Tax	1,120	1,205	85	1,205	0
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Pari-Mutuel Taxes	16	16	0	16	0
All Other Taxes	1	1	0	1	0
State/All Funds	1,847	2,002	155	2,077	75
Estate Tax	1,120	1,205	85	1,205	0
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Real Estate Transfer Tax	710	780	70	855	75
Pari-Mutuel Taxes	16	16	0	16	0
All Other Taxes	1	1	0	1	0

¹ Excludes Transfers.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

The FY 2015 All Funds receipts projection for other taxes is \$2.0 billion, an increase of \$155 million (8.4 percent) from FY 2014. Modest growth in the estate tax is projected to follow expected increases in household net worth. Receipts from the real estate transfer tax are projected to increase slightly, reflecting the continuing rebound in the residential and commercial markets.

The FY 2016 All Funds receipts projection for other taxes is nearly \$2.1 billion, an increase of \$75 million (3.7 percent) from FY 2015. The forecast reflects continued increases in the real estate transfer tax as a result of increases in the value of real property transfers.

General Fund other tax receipts for FY 2015 and FY 2016 are expected to increase by \$85 million and remain flat, respectively, consistent with the All Funds trends noted above.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)							
	FY 2012 Results	FY 2013 Enacted	Annual \$ Change	Annual % Change	FY 2014 Projected	Annual \$ Change	Annual % Change
General Fund	3,222	3,289	67	2.1%	2,831	(458)	-13.9%
Miscellaneous Receipts	3,162	3,229	67	2.1%	2,829	(400)	-12.4%
Federal Grants	60	60	0	0.0%	2	(58)	-96.7%
State Funds	23,814	24,228	414	1.7%	24,371	143	0.6%
Miscellaneous Receipts	23,669	24,083	414	1.7%	24,284	201	0.8%
Federal Grants	145	145	0	0.0%	87	(58)	-40.0%
All Funds	68,448	66,902	(1,546)	-2.3%	68,656	1,754	2.6%
Miscellaneous Receipts	23,837	24,269	432	1.8%	24,470	201	0.8%
Federal Grants	44,611	42,633	(1,978)	-4.4%	44,186	1,553	3.6%

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total nearly \$24.3 billion in FY 2013, an increase of \$432 million from FY 2012, largely driven by growth in HCRA, SUNY, and lottery receipts, partially offset by a decline in mental hygiene receipts.

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, School Aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans for Federal reimbursement to be received in the State fiscal year in which spending occurs, but timing sometimes varies. All Funds Federal grants are projected to total \$42.6 billion in FY 2013, a decline of nearly \$2.0 billion from the current year, reflecting the expiration of certain Federal ARRA moneys.

General Fund miscellaneous receipts and Federal grants collections are estimated to be \$3.3 billion, an increase of \$67 million (2.1 percent) from FY 2012 results.

All Funds miscellaneous receipts are projected to increase by \$201 million in FY 2014, driven by increases in HCRA resources (\$286 million) and SUNY Income Fund revenues (\$232 million), partially offset by the General Fund decline that reflects the loss of certain one-time resources.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

All Funds Federal grants are projected to increase by \$1.6 billion in FY 2014, driven primarily by Medicaid spending.

General Fund miscellaneous receipts and Federal grants for FY 2014 are projected to decline by \$458 million from FY 2013, and primarily reflect the loss of certain one-time sweeps and payments expected in FY 2013, including SONYMA and the 18-A utility assessment.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS					
(millions of dollars)					
	FY 2014	FY 2015	Annual \$	FY 2016	Annual \$
	Projected	Projected	Change	Projected	Change
General Fund	2,831	2,297	(534)	2,389	92
Miscellaneous Receipts	2,829	2,297	(532)	2,389	92
Federal Grants	2	0	(2)	0	0
State Funds	24,371	24,008	(363)	24,244	236
Miscellaneous Receipts	24,284	23,923	(361)	24,159	236
Federal Grants	87	85	(2)	85	0
All Funds	68,656	71,362	2,706	73,371	2,009
Miscellaneous Receipts	24,470	24,109	(361)	24,345	236
Federal Grants	44,186	47,253	3,067	49,026	1,773

All Funds miscellaneous receipts decrease by \$361 million in FY 2015, driven by the decline in General Fund resources, partially offset by increases in HCRA (\$141 million) and SUNY Income Fund revenues (\$161 million).

All Funds miscellaneous receipts increase by \$236 million in FY 2016, driven by the increase in General Fund resources, augmented by increases in SUNY Income Fund revenues (\$161 million).

Annual Federal grants growth of \$3.1 billion in FY 2015 and \$1.8 billion in FY 2016 is primarily due to growth in Medicaid spending.

General Fund miscellaneous receipts and Federal grants are projected to total \$2.3 billion in FY 2015, and increase to \$2.4 billion in FY 2016.

DISBURSEMENTS

General Fund disbursements in FY 2013 are estimated to total \$58.9 billion, an increase of \$2.4 billion (4.2 percent) over preliminary FY 2012 results. State Operating Funds disbursements for FY 2013 are estimated to total \$88.9 billion, an increase of \$1.7 billion (2 percent) over preliminary FY 2012 results.

The multi-year disbursement projections take into account agency staffing levels, program caseloads, formulas contained in State and Federal law, inflation and other factors. The factors that affect spending estimates vary by program. For example, welfare spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends and projected economic conditions. Projections account for the timing of payments, since not all of the amounts appropriated in the Budget are disbursed in the same fiscal year. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agencies) in special revenue funds have been adjusted downward in all fiscal years based on typical spending patterns and the observed variance between estimated and actual results over time.

Over the multi-year Financial Plan, State Operating Funds spending is expected to increase by an average annual rate of 3.5 percent. The projections reflect spending at the capped growth rates for Medicaid and School Aid, and contemplate the effect of national health care reform on State health care costs. The projections do not reflect any potential impact of automatic spending reductions that would be triggered if changes are implemented by the Federal government as part of its deficit reduction plan.

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

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

LOCAL ASSISTANCE GRANTS

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. State-funded local assistance spending is estimated at \$58.8 billion in FY 2013 and accounts for over 65 percent of total State Operating Funds spending. Education and health care spending account for three-quarters of local assistance spending.

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

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

¹ FY 2012 results are subject to revision.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

EDUCATION

SCHOOL AID

School Aid helps support elementary and secondary education for New York pupils enrolled in 676 major school districts throughout the State. State funding is provided to districts based on statutory aid formulas and through reimbursement of categorical expenses. State funding for schools assists districts in meeting locally defined needs, supports the construction of school facilities, and finances school transportation for nearly three million students statewide.

School Year (July 1 -June 30)

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

Over the multi-year financial plan, School Aid funding is expected to be a function of both a personal income growth index used to determine allowable growth and future legislation to allocate the allowable increases. Current law prescribes that allowable growth shall include spending for new competitive performance grant programs which reward school districts that demonstrate significant student performance improvements or those that undertake long-term structural changes to reduce costs and improve efficiency. Allowable growth also includes increases in expense-based aid programs (e.g., Building Aid, Transportation Aid) and certain other aid categories under existing statutory provisions. Any remaining amount of allowable growth can be allocated pursuant to a chapter of law for purposes including, but not limited to, additional spending for competitive grants, phase-in increases in Foundation Aid or restoration of the GEA.

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

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

TOTAL SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30)								
(millions of dollars)								
<u>SY 2012</u>	<u>SY 2013</u>	<u>Change</u>	<u>SY 2014</u>	<u>Change</u>	<u>SY 2015</u>	<u>Change</u>	<u>SY 2016</u>	<u>Change</u>
\$19,542	\$20,347	\$805	\$21,059	\$712	\$21,901	\$842	\$22,908	\$1,007
		4.1%		3.5%		4.0%		4.6%

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

State Fiscal Year

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

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

TOTAL SCHOOL AID - STATE FISCAL YEAR BASIS										
(millions of dollars)										
	FY 2012	FY 2013								
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change	
Total State Operating Funds	19,662	20,039	1.9%	20,911	4.4%	21,725	3.9%	22,671	4.4%	
General Fund Local Assistance	16,778	16,986	1.2%	17,832	5.0%	18,641	4.5%	19,585	5.1%	
Core Lottery Aid	2,147	2,187	1.9%	2,200	0.6%	2,195	-0.2%	2,197	0.1%	
VLT Lottery Aid	682	821	20.4%	879	7.1%	889	1.1%	889	0.0%	
General Fund Lottery/VLT Guarantee	55	45	-18.2%	0	-100.0%	0	0.0%	0	0.0%	

State spending for School Aid is projected to total \$20 billion in FY 2013. In future years, receipts available to finance School Aid from core lottery sales is projected to remain relatively flat while VLT receipts are anticipated to increase through FY 2015 as a result of the new VLT facility at the Aqueduct Racetrack.

SCHOOL TAX RELIEF PROGRAM

The STAR program provides school tax relief to taxpayers. The three components of STAR and their approximate shares in FY 2013 are: the basic school property tax exemption for homeowners with income under \$500,000 (57 percent), the enhanced school property tax exemption for senior citizen homeowners with income under \$79,050 (25 percent), and a flat refundable credit and rate reduction for New York City resident personal-income taxpayers (18 percent).

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

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

The STAR program exempts the first \$30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens receive a \$62,200 exemption. Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues.

The annual increase in a qualifying homeowner's STAR exemption benefit is limited to 2 percent. Homeowners who earn more than \$500,000 per household per year are not eligible for the STAR property tax exemption. New York City personal income taxpayers with annual income over \$500,000 have a reduced benefit.

The multi-year Financial Plan includes a new policy whereby the Department of Taxation and Finance will instruct local assessors to withhold the STAR exemption benefit from taxpayers who have a State-imposed and State-administered tax liability of \$4,500 or more, and own a home that is STAR-eligible. New York City residents who are similarly in arrears would lose their City PIT rate-reduction benefit, as well as the State School Tax Reduction Credit.

OTHER EDUCATION AID

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

Major programs under the Office of Prekindergarten through Grade 12 Education address specialized student needs or reimburse school districts for education-related services, including the school breakfast and lunch programs, non-public school aid, and various special education programs. In special education, New York provides a full spectrum of services to over 400,000 students from ages 3 to 21. Higher and professional education programs monitor the quality and availability of postsecondary education programs and regulate the licensing and oversight of 48 professions.

Spending for special education is expected to increase as program costs and enrollment rise. In FY 2012, school districts financed the costs associated with schools for the blind and deaf in the first instance and will be reimbursed by the State in FY 2013, which drives a significant annual increase in FY 2013 spending.

OTHER EDUCATION (millions of dollars)									
	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	1,698	1,961	15.5%	2,000	2.0%	2,065	3.3%	2,141	3.7%
Special Education	1,176	1,358	15.5%	1,456	7.2%	1,529	5.0%	1,604	4.9%
All Other Education	522	603	15.5%	544	-9.8%	536	-1.5%	537	0.2%

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

HIGHER EDUCATION

Local assistance for higher education spending includes funding for CUNY, SUNY and HESC. The State provides reimbursements to New York City for costs associated with CUNY's senior college operations, and works in conjunction with the City of New York to support CUNY's community colleges. The CUNY system is the largest urban public university system in the nation. Funding for SUNY supports 30 community colleges across multiple campuses. HESC administers the TAP program that provides awards to income-eligible students and provides centralized processing for other student financial aid programs. The financial aid programs that HESC administers are funded by the State and the Federal government.

The State also provides a sizeable benefit to SUNY and CUNY through the debt service it pays on bond-financed capital projects at the universities, not reflected in the annual local assistance spending totals for the universities provided in the table below. State debt service payments for higher education are expected to total over \$1.2 billion in FY 2013.

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

¹ State support for SUNY 4-year institutions is funded through State operations rather than local assistance.

² Beginning in academic year 2011-12, the SUNY hospital subsidy will be funded as a transfer from General Fund State operations rather than local assistance.

Growth in spending for higher education over the multi-year Financial Plan period largely reflects aid to New York City for reimbursement of CUNY senior college operating expenses associated with the rising contribution rates for fringe benefits, and increased support for the TAP program..

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

HEALTH CARE

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. The DOH works with the local health departments and social services departments, including New York City, to coordinate and administer statewide health insurance programs and activities. The majority of government-financed health care programs are included under DOH, but many programs are supported through multi-agency efforts. The Medicaid program finances inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care, FHP, and services provided in a variety of community-based settings (including mental health, substance abuse treatment, developmental disabilities services, school-based services, foster care services and inpatient hospital services provided to inmates on medical leave from State correctional facilities). The State share of Medicaid spending is budgeted and expended principally through DOH, but State share Medicaid spending also appears in the mental hygiene agencies, child welfare programs, School Aid and DOCCS.

MEDICAID

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers. The Medicaid program is financed jointly by the State, the Federal government, and local governments (including New York City). New York's Medicaid spending is projected to total approximately \$54.0 billion in FY 2013, including the local contribution.⁴

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

⁴ The local contribution to the Medicaid program is not included in the State's Financial Plan. Since January 2006, the State has paid the entire non-Federal share of the FHP program and any annual Medicaid increases above a fixed level for local social services districts. The FY 2013 Enacted Budget amends these statutory indexing provisions by implementing a three-year phased-takeover of the local share of growth above the previous year's enacted levels beginning in April 2013 for County Fiscal Year 2013 (the county fiscal year is on a calendar year basis), with the State assuming all growth in County Fiscal Year 2015. This initiative is expected to save local governments nearly \$1.2 billion through the next five State fiscal years.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS ¹					
(millions of dollars)					
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
	<u>Results</u>	<u>Enacted</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Department of Health:					
State Share Without FMAP	16,000	15,606	16,513	17,049	17,895
Enhanced FMAP	<u>(703)</u>	<u>254</u>	<u>0</u>	<u>0</u>	<u>0</u>
DOH State Share With FMAP	15,297	15,860	16,513	17,049	17,895
Annual \$ Change - DOH Only		563	653	536	846
Annual % Change - DOH Only		3.7%	4.1%	3.2%	5.0%
Other State Agencies:					
Mental Hygiene	5,403	5,810	6,206	6,508	6,868
Education	64	0	0	0	0
Foster Care	113	93	117	122	127
Corrections	0	12	12	12	13
State Operations - Contractual Expenses ²	15	51	56	56	55
Total State Share (All Agencies)	20,892	21,826	22,904	23,747	24,958
Annual \$ Change - Total State Share		934	1,078	843	1,211
Annual % Change - Total State Share		4.5%	4.9%	3.7%	5.1%
¹ To conform the Financial Plan classification of State Operating Funds spending to the classification followed by the State Comptroller, approximately \$3 billion in Medicaid spending supported by a transfer from Federal Funds to the State Mental Hygiene Patient Income Account is now classified as State spending.					
² Includes operational costs that support contracts related to the management of the Medicaid program and various activities to ensure appropriate utilization.					

Factors affecting Medicaid spending over the Financial Plan period include Medicaid enrollment, costs of provider health care services (particularly in managed care), levels of service utilization and the expiration of enhanced Federal aid.⁵ The number of Medicaid recipients, including FHP, is expected to total approximately 5.1 million at the end of FY 2013, an increase of 2.4 percent from the FY 2012 caseload. The expiration of the enhanced FMAP contributes to an increase in State-share spending of nearly \$1 billion from FY 2012 to FY 2013, and includes costs associated with the Federal funding reconciliation between the State and counties. Pursuant to Federal Health Care Reform, the Federal

⁵ In August 2010, the U.S. Congress approved a six-month extension through June 30, 2011 of the enhanced FMAP benefit, as provided through the American Recovery and Reinvestment Act (ARRA). Under enhanced FMAP (which covered the period from October 2008 through June 30, 2011), the Federal match rate increased from 50 percent to approximately 57 percent, which resulted in a concomitant decrease in the State and local share.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

government is expected to finance a greater share of Medicaid costs for individuals and couples without children, which is expected to lower growth in State-share Medicaid costs beginning in FY 2015.

The FY 2013 Enacted Budget includes authorization to establish a phased-takeover of local government administration of the Medicaid program, and to cap spending on local Medicaid administration at FY 2012 appropriation levels. The FY 2013 Enacted Budget also provides Medicaid spending relief for all counties and New York City by reducing the growth in local Medicaid payments. These changes are expected to further provide fiscal and administrative relief to local governments, consistent with other legislation the State has enacted in recent years to reduce the tax burden on its citizens.

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

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

¹ Does not include Medicaid spending in other State agencies, DOH State operations spending, or the local government share of total Medicaid program spending.
² Excludes benefits realized in other State agencies. Costs in FY 2013 reflect the reconciliation of the local share benefit for FY 2012 that will occur in FY 2013.

PUBLIC HEALTH/AGING PROGRAMS

Public Health includes the EPIC program that provides prescription drug insurance to low-income seniors, the CHP program that finances health insurance coverage for children of low-income families up to the age of 19, the GPHW program that reimburses local health departments for the cost of providing certain public health services, the EI program that pays for services to infants and toddlers under the age of three with disabilities or developmental delays, and other HCRA and State-supported programs.

The SOFA promotes and administers programs and services for New Yorkers 60 years of age and older. The Office primarily oversees community-based services, including but not limited to in-home services and nutrition assistance, provided through a network of county Area Agencies on Aging and local providers.

Many public health programs, such as the EI and GPHW programs, are run by county health departments and reimbursed by the State for a share of program costs. The State spending projections do not include the county share of public health funding. In addition, a significant portion of HCRA spending is included under the public health budget. For more information on HCRA projections, see the following section entitled "HCRA".

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

PUBLIC HEALTH AND AGING									
(millions of dollars)									
	FY 2012	FY 2013		FY 2014		FY 2015		FY 2016	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
Total State Operating Funds	2,104	2,041	-3.0%	2,219	8.7%	2,315	4.3%	2,169	-6.3%
Public Health	1,992	1,925	-3.4%	2,101	9.1%	2,190	4.2%	2,037	-7.0%
Child Health Plus	344	334	-2.9%	369	10.5%	395	7.0%	409	3.5%
General Public Health Work	247	247	0.0%	270	9.3%	283	4.8%	288	1.8%
EPIC	169	151	-10.7%	231	53.0%	255	10.4%	267	4.7%
Early Intervention	167	164	-1.8%	164	0.0%	167	1.8%	171	2.4%
HCRA Program Account	435	452	3.9%	476	5.3%	478	0.4%	478	0.0%
F-SHRP	234	175	-25.2%	205	17.1%	205	0.0%	0	-100.0%
All Other	396	402	1.5%	386	-4.0%	407	5.4%	424	4.2%
Aging	112	116	3.6%	118	1.7%	125	5.9%	132	5.6%

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

The decline in FY 2013 spending is due in large part to decreased Federal aid. The F-SHRP program was provided to the State on a time-limited basis (expiring March 31, 2014) through a Federal waiver under certain terms and conditions aimed at improving the delivery and access of community health care services. EPIC spending is projected to temporarily decline in FY 2013, since the more expansive coverage authorized in the FY 2013 Enacted Budget does not take effect until January 1, 2013. After FY 2014, EPIC coverage is expected to stabilize, while spending is projected to increase due to the rising costs of prescription medication.

HCRA

HCRA was established in 1996 to help finance a portion of State health care activities in various areas of the budget: Medicaid, Public Health, and the Department of Financial Services. Extensions and modifications to HCRA continue to finance new health care programs, including CHP and FHP.

HCRA receipts include surcharges and assessments on hospital revenues, a “covered lives” assessment paid by insurance carriers, a portion of cigarette tax revenues, and other revenues dedicated by statute, as well as potential future proceeds from insurance company conversions.

HCRA spending primarily finances Medicaid, EPIC, CHP, FHP and Indigent Care payments, which provide funds to hospitals that serve a disproportionate share of individuals without health insurance. HCRA also provides funding for Workforce Recruitment and Retention to health facilities, physician excess medical malpractice insurance, and HEAL NY for capital improvements to health care facilities.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

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

HCRA FINANCIAL PLAN FY 2012 THROUGH FY 2016					
(millions of dollars)					
	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Opening Balance	159	3	0	0	0
Total Receipts	5,317	5,921	6,184	6,303	6,281
Surcharges	2,711	3,016	3,171	3,263	3,239
Covered Lives Assessment	1,018	1,045	1,045	1,045	1,045
Cigarette Tax Revenue	1,162	1,146	1,123	1,101	1,079
Conversion Proceeds	0	250	300	300	300
Hospital Assessments	367	394	417	444	469
NYC Cigarette Tax Transfer/Other	59	70	128	150	149
Total Disbursements	5,473	5,924	6,184	6,303	6,281
Medicaid Assistance Account	<u>3,398</u>	<u>3,679</u>	<u>3,785</u>	<u>4,025</u>	<u>3,993</u>
<i>Medicaid Costs</i>	2,176	2,290	2,464	2,704	2,672
<i>Family Health Plus</i>	602	690	657	657	657
<i>Workforce Recruitment & Retention</i>	184	211	197	197	197
<i>All Other</i>	436	488	467	467	467
HCRA Program Account	461	476	499	501	501
Hospital Indigent Care	777	792	792	792	792
Elderly Pharmaceutical Insurance Coverage	102	162	246	270	282
Child Health Plus	350	342	377	403	417
Public Health Programs	137	129	129	129	129
All Other	248	344	356	183	167
Annual Operating Surplus/(Deficit)	(156)	(3)	0	0	0
Closing Balance	3	0	0	0	0

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

MENTAL HYGIENE

The Department of Mental Hygiene is comprised of four independent agencies, OMH, OPWDD, OASAS, and DDPC, which is funded entirely by Federal aid, as well as one oversight agency, the CQCAPD. Services are administered to adults with serious and persistent mental illness; children with serious emotional disturbances; individuals with developmental disabilities and their families; and persons with chemical dependence. These agencies provide services directly to their patients through State-operated facilities and indirectly through community service providers. The costs associated with providing these services are funded by reimbursements from Medicaid, Medicare, third-party insurance and State funding. Patient care revenues are pledged first to the payment of debt service on outstanding mental hygiene bonds, which are issued to finance improvements to infrastructure at mental hygiene facilities throughout the State, with the remaining revenue used to support State operating costs.

MENTAL HYGIENE (millions of dollars)									
	FY 2012	FY 2013	FY 2014		FY 2015		FY 2016		
	<u>Results</u>	<u>Enacted</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>
Total State Operating Funds	3,756	3,640	-3.1%	4,047	11.2%	4,308	6.4%	4,500	4.5%
People with Developmental Disabilities	2,324	2,235	-3.8%	2,461	10.1%	2,571	4.5%	2,642	2.8%
Residential Services	1,600	1,535	-4.1%	1,699	10.7%	1,779	4.7%	1,831	2.9%
Day Programs	613	588	-4.1%	650	10.5%	681	4.8%	700	2.8%
Clinic	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Other	86	87	1.2%	87	0.0%	86	-1.1%	86	0.0%
Mental Health	1,124	1,090	-3.0%	1,247	14.4%	1,381	10.7%	1,486	7.6%
Adult Local Services	938	909	-3.1%	1,042	14.6%	1,154	10.7%	1,242	7.6%
Children Local Services	186	181	-2.7%	205	13.3%	227	10.7%	244	7.5%
Alcohol and Substance Abuse	307	314	2.3%	338	7.6%	355	5.0%	371	4.5%
Outpatient/Methadone	131	135	3.1%	142	5.2%	148	4.2%	155	4.7%
Residential	112	116	3.6%	125	7.8%	132	5.6%	139	5.3%
Prevention	32	33	3.1%	38	15.2%	40	5.3%	41	2.5%
Crisis	17	17	0.0%	19	11.8%	20	5.3%	21	5.0%
Program Support	8	8	0.0%	9	12.5%	10	11.1%	10	0.0%
LGU Administration	7	5	-28.6%	5	0.0%	5	0.0%	5	0.0%
CQCAPD	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%

Local assistance spending in mental hygiene accounts for nearly half of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 4.6 percent annually. This growth is attributable to increases in the projected State share of Medicaid costs and projected expansion of the mental hygiene service systems, including: increases primarily associated with the OPWDD NYS-CARES program; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline. Additional outyear spending is assumed in Financial Plan estimates for costs associated with efforts to move individuals in nursing

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

homes and other settings to the least restrictive setting possible, as well as several chemical dependence treatment and prevention initiatives for individuals receiving services through OASAS.

SOCIAL SERVICES

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

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

¹ Reflects additional spending in FY 2013 that is the result of FY 2012 payment delays.

The average public assistance caseload is projected to total 553,029 recipients in FY 2013, a decrease of 2.2 percent from FY 2012 levels. Approximately 255,031 families are expected to receive benefits through the Family Assistance program, a decrease of 2.6 percent from the FY 2012 level. In the Safety Net Families program, an average of 119,791 families are expected to receive aid in FY 2013, an annual decrease of 2.9 percent. The caseload for single adults/childless couples supported through the Safety Net Families program is projected at 178,207, an annual decrease of 1.2 percent.

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

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CHILDREN AND FAMILY SERVICES									
(millions of dollars)									
	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	1,604	1,543	-3.8%	1,891	22.6%	1,990	5.2%	2,094	5.2%
Child Welfare Service	446	330	-26.0%	463	40.3%	508	9.7%	556	9.4%
Foster Care Block Grant	436	436	0.0%	464	6.4%	492	6.0%	521	5.9%
Adoption	181	175	-3.3%	182	4.0%	190	4.4%	199	4.7%
Day Care	143	220	53.8%	355	61.4%	354	-0.3%	354	0.0%
Youth Programs	109	125	14.7%	150	20.0%	155	3.3%	156	0.6%
Medicaid	113	93	-17.7%	117	25.8%	122	4.3%	127	4.1%
Committees on Special Education	64	39	-39.1%	42	7.7%	46	9.5%	51	10.9%
Adult Protective/Domestic Violence	33	34	3.0%	39	14.7%	44	12.8%	51	15.9%
All Other	79	91	15.2%	79	-13.2%	79	0.0%	79	0.0%

OCFS spending reflects expected growth in claims-based programs and an increase in child care General Fund spending to offset a reduction in available TANF dollars.

TRANSPORTATION

In FY 2013, the DOT will provide \$4.4 billion in local assistance to support statewide mass transit systems. This funding, financed through the collection of dedicated taxes and fees, is provided to mass transit operators throughout the State to support operating costs. The MTA, due to the size and scope of its transit system, receives the majority of the statewide mass transit operating aid, within which the MTA receives operating support from the Mobility Tax and MTA Aid Trust Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District. The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA to support the transit system. Spending from this fund is projected to grow between 5 percent and 10 percent each year from FY 2014 to FY 2016.

TRANSPORTATION									
(millions of dollars)									
	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	4,230	4,378	3.5%	4,556	4.1%	4,650	2.1%	4,745	2.0%
Mass Transit Operating Aid:	<u>1,784</u>	<u>1,907</u>	<u>6.9%</u>	<u>1,907</u>	<u>0.0%</u>	<u>1,907</u>	<u>0.0%</u>	<u>1,907</u>	<u>0.0%</u>
Metro Mass Transit Aid	1,645	1,762	7.1%	1,762	0.0%	1,762	0.0%	1,762	0.0%
Public Transit Aid	87	93	6.9%	93	0.0%	93	0.0%	93	0.0%
18-B General Fund Aid	27	27	0.0%	27	0.0%	27	0.0%	27	0.0%
School Fare	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Mobility Tax and MTA Aid Trust	1,725	1,742	1.0%	1,915	9.9%	2,007	4.8%	2,100	4.6%
Dedicated Mass Transit	674	683	1.3%	689	0.9%	691	0.3%	693	0.3%
AMTAP	45	45	0.0%	45	0.0%	45	0.0%	45	0.0%
All Other	2	1	-50.0%	0	-100.0%	0	0.0%	0	0.0%

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Legislation enacted in December 2011 eliminates the MTA payroll tax for all elementary and secondary schools as well as for certain small businesses. The State is expected to compensate the MTA for the decrease in receipts from the December 2011 tax reduction which is expected to result in a net cost to the State of approximately \$250 million per year.

LOCAL GOVERNMENT ASSISTANCE

Direct aid to local governments primarily includes the AIM program, which was created in FY 2006 to consolidate various unrestricted local aid funding streams. Along with AIM, the State provides incentive grants to local governments. Other direct aid to local governments includes VLT impact aid, Small Government Assistance and Miscellaneous Financial Assistance.

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

ALL OTHER LOCAL ASSISTANCE SPENDING

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

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

AGENCY OPERATIONS

Agency operating costs include personal service, non-personal service, and GSCs. Personal service includes salaries of State employees of the Executive, Legislative, and Judicial branches, as well as overtime payments and costs for temporary employees. Non-personal service generally accounts for the cost of operating State agencies, including real estate rental, utilities, contractual payments (i.e., consultants, information technology, and professional business services), supplies and materials, equipment, telephone service and employee travel. GSCs account for the costs of fringe benefits (i.e., pensions, health insurance) provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State. In addition, certain agency operations of Transportation and Motor Vehicles are included in the capital projects fund type and not reflected in the State Operating Funds personal service or non-personal service totals.

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

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS					
	Forecast				
	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Negotiated Base Salary Increases ¹					
CSEA	0	0	0	2%	2%
PEF	0	0	0	2%	TBD
State Workforce ²	119,579	121,841	122,142	122,142	122,142
ERS Pension Contribution Rate ³					
Before Amortization	16.5%	19.4%	21.6%	23.1%	20.6%
After Amortization	10.5%	11.5%	12.5%	13.5%	14.5%
PFRS Pension Contribution Rate ³					
Before Amortization	22.3%	26.9%	29.2%	31.3%	28.5%
After Amortization	18.5%	19.5%	20.5%	21.5%	22.5%
Employee/Retiree Health Insurance Growth Rates	6.0%	-2.7%	7.2%	8.3%	8.3%
PS/Fringe as % of Receipts (All Funds Basis)	14.7%	14.6%	14.6%	14.7%	14.9%
¹ Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated workforce agreements.					
² Subject to direct Executive control. This table reflects State workforce counts through February 2012.					
³ As Percent of Salary.					

Growth in agency operating spending over the multi-year Financial Plan is concentrated in agencies that operate large facilities, such as the State University, the mental hygiene agencies, and the Department of Corrections and Community Supervision. The main causes of growth include inflationary increases in operating costs expected for food, medical care and prescription drugs, and energy costs in State facilities, offset by expected savings from enterprise procurement efforts.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

STATE OPERATING FUNDS - AGENCY OPERATIONS									
(millions of dollars)									
	FY 2012	FY 2013		FY 2014		FY 2015		FY 2016	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
Subject to Direct Executive Control	9,594	9,652	0.6%	9,725	0.8%	9,982	2.6%	10,392	4.1%
Mental Hygiene	2,941	2,961	0.7%	3,078	4.0%	3,186	3.5%	3,337	4.7%
Corrections and Community Supervision	2,472	2,391	-3.3%	2,445	2.3%	2,499	2.2%	2,630	5.2%
State Police	611	643	5.2%	649	0.9%	655	0.9%	668	2.0%
Public Health	540	555	2.8%	607	9.4%	629	3.6%	634	0.8%
Tax and Finance	383	393	2.6%	395	0.5%	406	2.8%	413	1.7%
Children and Family Services	293	316	7.8%	315	-0.3%	301	-4.4%	298	-1.0%
Environmental Conservation	245	235	-4.1%	235	0.0%	236	0.4%	239	1.3%
Financial Services	210	202	-3.8%	207	2.5%	209	1.0%	212	1.4%
Temporary and Disability Assistance	150	203	35.3%	205	1.0%	216	5.4%	214	-0.9%
Parks, Recreation and Historic Preservation	183	164	-10.4%	166	1.2%	169	1.8%	171	1.2%
Workers' Compensation Board	158	151	-4.4%	150	-0.7%	153	2.0%	156	2.0%
Lottery	140	161	15.0%	155	-3.7%	159	2.6%	159	0.0%
General Services	120	154	28.3%	138	-10.4%	133	-3.6%	136	2.3%
All Other	1,148	1,123	-2.2%	980	-12.7%	1,031	5.2%	1,125	9.1%
University System	5,538	5,624	1.6%	5,735	2.0%	5,881	2.5%	6,022	2.4%
State University	5,430	5,521	1.7%	5,630	2.0%	5,773	2.5%	5,912	2.4%
City University	108	103	-4.6%	105	1.9%	108	2.9%	110	1.9%
Independent Agencies	295	304	3.1%	305	0.3%	313	2.6%	321	2.6%
Law	160	165	3.1%	163	-1.2%	167	2.5%	171	2.4%
Audit & Control	135	139	3.0%	142	2.2%	146	2.8%	150	2.7%
Total, excluding Legislature and Judiciary	15,427	15,580	1.0%	15,765	1.2%	16,176	2.6%	16,735	3.5%
Judiciary	1,827	1,856	1.6%	1,914	3.1%	2,000	4.5%	2,095	4.8%
Legislature	197	219	11.2%	221	0.9%	224	1.4%	227	1.3%
Statewide Total	17,451	17,655	1.2%	17,900	1.4%	18,400	2.8%	19,057	3.6%
Personal Service	12,047	12,165	1.0%	12,366	1.7%	12,683	2.6%	13,188	4.0%
Non-Personal Service	5,404	5,490	1.6%	5,534	0.8%	5,717	3.3%	5,869	2.7%

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

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

GENERAL STATE CHARGES

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

GENERAL STATE CHARGES (millions of dollars)									
	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	6,593	6,422	-2.6%	7,001	9.0%	7,500	7.1%	7,974	6.3%
Fringe Benefits	6,217	6,069	-2.4%	6,646	9.5%	7,130	7.3%	7,605	6.7%
Health Insurance	3,275	3,202	-2.2%	3,411	6.5%	3,670	7.6%	3,951	7.7%
Employee Health Insurance	2,052	1,987	-3.2%	2,132	7.3%	2,294	7.6%	2,469	7.6%
Retiree Health Insurance	1,223	1,215	-0.7%	1,279	5.3%	1,376	7.6%	1,482	7.7%
Pensions	1,697	1,600	-5.7%	2,012	25.8%	2,257	12.2%	2,467	9.3%
Social Security	914	931	1.9%	944	1.4%	969	2.6%	1,000	3.2%
All Other Fringe	331	336	1.5%	279	-17.0%	234	-16.1%	187	-20.1%
Fixed Costs	376	353	-6.1%	355	0.6%	370	4.2%	369	-0.3%

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

GSCs are projected to increase at an average annual rate of 4.9 percent over the Financial Plan period. The annual decrease in FY 2013 is driven by the impact of collective bargaining agreements, workforce attrition and the prepayment of certain pension costs in FY 2012. Increases in future years are driven by projected growth in health insurance and pension costs, offset by revenue collected from fringe benefit assessments, particularly from the mental hygiene agencies. For more information on long-term pension costs, see the section on "Other Matters Affecting the Enacted Budget Financial Plan - Pension Amortization" herein.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

TRANSFERS TO OTHER FUNDS (GENERAL FUND BASIS)

GENERAL FUND TRANSFERS TO OTHER FUNDS					
(millions of dollars)					
	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Total Transfers to Other Funds	5,856	7,084	8,680	9,592	9,853
Medicaid State Share	2,722	2,978	2,772	2,626	2,526
Debt Service	1,516	1,580	1,653	1,585	1,559
Capital Projects	798	1,055	1,293	1,408	1,301
Dedicated Highway and Bridge Trust Fund	449	499	600	624	624
All Other Capital	349	556	693	784	677
All Other Transfers	820	1,471	2,962	3,973	4,467
Mental Hygiene	0	8	803	1,732	2,320
SUNY - Disproportionate Share/Medicaid	225	228	228	228	228
Judiciary Funds	123	115	116	117	118
School Aid - Lottery/VLT Aid Guarantee	55	45	0	0	0
SUNY - University Operations	0	340	982	1,001	1,021
SUNY - Hospital Operations	60	81	88	88	88
Banking Services	70	57	65	65	65
Statewide Financial System	36	48	55	55	55
Indigent Legal Services	40	40	40	40	40
Department of Transportation (MTA Tax)	22	279	332	334	334
Mass Transportation Operating Assistance	47	19	19	19	19
Alcoholic Beverage Control	16	17	19	20	20
Public Transportation Systems	12	12	12	12	12
Correctional Industries	10	10	10	10	10
OFT Centralized Tech Services	0	22	52	20	10
All Other	104	150	141	232	127

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

A significant portion of the capital and operating expenses of DOT and DMV are funded from the DHBTF. The Fund receives dedicated tax and fee revenue from the Petroleum Business Tax, the Motor Fuel Tax, the Auto Rental Tax, highway use taxes, transmission taxes and motor vehicle fees administered by DMV. The Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

fund – capital and operating expenses of DOT and DMV, debt service on DHBTF bonds and transfers for debt service on bonds that fund CHIPs and local transportation programs – exceed current and projected revenue deposits and bond proceeds.

Transfers to other funds are expected to total \$7.1 billion in FY 2013, an annual increase of \$1.3 billion, or 22 percent. This increase is mainly due to higher costs related to the Financial Plan re-categorization of SUNY operating support, supplementation to MTA for the recent payroll tax reduction, Medicaid State share, and capital projects.

DEBT SERVICE

The State pays debt service on all outstanding State-supported bonds. These include general obligation bonds, for which the State is constitutionally obligated to pay debt service, as well as bonds issued by State public authorities (e.g., ESD, DASNY, and the NYSTA, subject to an appropriation). Depending on the credit structure, debt service is financed by transfers from the General Fund, dedicated taxes and fees, and other resources, such as patient income revenues.

DEBT SERVICE SPENDING PROJECTIONS				
(millions of dollars)				
	FY 2012 Results	FY 2013 Enacted	Annual Change	Percent Change
General Fund	1,516	1,580	64	4.2%
Other State Support	4,348	4,484	136	3.1%
State Operating Funds	5,864	6,064	200	3.4%

Total debt service is projected at \$6.1 billion in FY 2013, of which \$1.6 billion is financed via a General Fund transfer, and \$4.5 billion from other State funds. The General Fund transfer primarily finances debt service payments on general obligation and service contract bonds. Debt service is paid directly from other State funds for the State’s revenue bonds, including PIT bonds, DHBTF bonds, and mental health facilities bonds.

Enacted Budget Financial Plan projections for debt service spending reflect the pre-payment of \$135 million of SUNY debt service in March 2012. Otherwise, FY 2013 debt service estimates have been revised downward by approximately \$84 million, primarily to reflect bond sale results to date and anticipated savings from refundings and other debt management actions. For more information on debt service, see the section on “Debt and Other Financing Activities” later in this AIS.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

	FY 2012 Results	FY 2013 Enacted	Annual \$ Change	Annual % Change
Opening Fund Balance	<u>1,376</u>	<u>1,787</u>	<u>411</u>	<u>29.9%</u>
Receipts:				
Taxes:				
Personal Income Tax	25,843	26,916	1,073	4.2%
User Taxes and Fees	9,055	9,271	216	2.4%
Business Taxes	5,760	6,038	278	4.8%
Other Taxes	1,096	1,144	48	4.4%
Miscellaneous Receipts	3,162	3,229	67	2.1%
Federal Receipts	60	60	0	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,097	8,272	175	2.2%
Sales Tax in Excess of LGAC Debt Service	2,396	2,456	60	2.5%
Real Estate Taxes in Excess of CW/CA Debt Service	387	444	57	14.7%
All Other Transfers	1,044	1,070	26	2.5%
Total Receipts	<u>56,900</u>	<u>58,900</u>	<u>2,000</u>	<u>3.5%</u>
Disbursements:				
Local Assistance Grants	38,419	39,645	1,226	3.2%
Departmental Operations:				
Personal Service	5,781	5,892	111	1.9%
Non-Personal Service	1,713	1,844	131	7.6%
General State Charges	4,720	4,403	(317)	-6.7%
Transfers to Other Funds:				
Debt Service	1,516	1,580	64	4.2%
Capital Projects	798	1,055	257	32.2%
State Share Medicaid	2,722	2,978	256	9.4%
SUNY Operations	0	340	340	--
Other Purposes	820	1,131	311	37.9%
Total Disbursements	<u>56,489</u>	<u>58,868</u>	<u>2,379</u>	<u>4.2%</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves	<u>411</u>	<u>32</u>	<u>(379)</u>	<u>-92.2%</u>
Closing Fund Balance	<u>1,787</u>	<u>1,819</u>	<u>32</u>	<u>1.8%</u>
Statutory Reserves				
Tax Stabilization Reserve Fund	1,131	1,131	0	
Rainy Day Reserve Fund	175	175	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	102	57	(45)	
Reserved For				
Prior-Year Labor Agreements (2007-2011)	283	422	139	
Undesignated Fund Balance	75	13	(62)	

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

	<u>FY 2013 Enacted</u>	<u>FY 2014 Projected</u>	<u>FY 2015 Projected</u>	<u>FY 2016 Projected</u>
Receipts:				
Taxes:				
Personal Income Tax	26,916	28,920	29,612	30,614
User Taxes and Fees	9,271	9,626	10,042	10,406
Business Taxes	6,038	6,208	5,713	6,291
Other Taxes	1,144	1,137	1,222	1,222
Miscellaneous Receipts	3,229	2,829	2,297	2,389
Federal Receipts	60	2	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,272	8,842	8,981	9,195
Sales Tax in Excess of LGAC Debt Service	2,456	2,579	2,706	2,832
Real Estate Taxes in Excess of CW/CA Debt Service	444	500	576	651
All Other Transfers	1,070	862	770	760
Total Receipts	<u>58,900</u>	<u>61,505</u>	<u>61,919</u>	<u>64,360</u>
Disbursements:				
Local Assistance Grants	39,645	41,872	43,227	45,490
Departmental Operations:				
Personal Service	5,892	5,370	5,496	5,753
Non-personal Service	1,844	1,637	1,722	1,806
General State Charges	4,403	4,834	5,179	5,470
Transfers to Other Funds:				
Debt Service	1,580	1,653	1,585	1,559
Capital Projects	1,055	1,293	1,408	1,301
State Share Medicaid	2,978	2,772	2,626	2,526
SUNY Operations	340	982	1,001	1,021
Other Purposes	1,131	1,980	2,972	3,446
Total Disbursements	<u>58,868</u>	<u>62,393</u>	<u>65,216</u>	<u>68,372</u>
Reserves:				
Community Projects Fund	(45)	(56)	0	0
Undesignated Fund Balance	(62)	0	0	0
Prior-Year Labor Agreements (2007-2011)	139	118	118	118
Increase (Decrease) in Reserves	<u>32</u>	<u>62</u>	<u>118</u>	<u>118</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves	<u>0</u>	<u>(950)</u>	<u>(3,415)</u>	<u>(4,130)</u>

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Taxes:				
Withholdings	32,748	34,817	36,032	37,947
Estimated Payments	11,602	12,663	13,702	13,560
Final Payments	2,203	2,266	2,151	2,251
Other Payments	1,149	1,184	1,235	1,286
Gross Collections	<u>47,702</u>	<u>50,930</u>	<u>53,120</u>	<u>55,044</u>
State/City Offset	(298)	(198)	(148)	(148)
Refunds	(7,148)	(7,559)	(8,633)	(9,085)
Reported Tax Collections	<u>40,256</u>	<u>43,173</u>	<u>44,339</u>	<u>45,811</u>
STAR (Dedicated Deposits)	(3,276)	(3,460)	(3,642)	(3,744)
RBTF (Dedicated Transfers)	(10,064)	(10,793)	(11,085)	(11,453)
Personal Income Tax	<u>26,916</u>	<u>28,920</u>	<u>29,612</u>	<u>30,614</u>
Sales and Use Tax	11,414	11,895	12,452	12,948
Cigarette and Tobacco Taxes	469	462	455	447
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	241	242	247	247
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and Fees	<u>12,124</u>	<u>12,599</u>	<u>13,154</u>	<u>13,642</u>
LGAC Sales Tax (Dedicated Transfers)	(2,853)	(2,973)	(3,112)	(3,236)
User Taxes and Fees	<u>9,271</u>	<u>9,626</u>	<u>10,042</u>	<u>10,406</u>
Corporation Franchise Tax	2,905	3,009	2,320	2,726
Corporation and Utilities Tax	652	696	718	741
Insurance Taxes	1,322	1,373	1,414	1,487
Bank Tax	1,159	1,130	1,261	1,337
Petroleum Business Tax	0	0	0	0
Business Taxes	<u>6,038</u>	<u>6,208</u>	<u>5,713</u>	<u>6,291</u>
Estate Tax	1,127	1,120	1,205	1,205
Real Estate Transfer Tax	660	710	780	855
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	16	16	16	16
Other Taxes	1	1	1	1
Gross Other Taxes	<u>1,804</u>	<u>1,847</u>	<u>2,002</u>	<u>2,077</u>
Real Estate Transfer Tax (Dedicated)	(660)	(710)	(780)	(855)
Other Taxes	<u>1,144</u>	<u>1,137</u>	<u>1,222</u>	<u>1,222</u>
Payroll Tax	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Taxes	<u>43,369</u>	<u>45,891</u>	<u>46,589</u>	<u>48,533</u>
Licenses, Fees, Etc.	678	689	621	612
Abandoned Property	785	670	655	655
Motor Vehicle Fees	99	26	26	26
ABC License Fee	51	50	50	50
Reimbursements	262	262	262	262
Investment Income	10	30	30	30
Other Transactions	1,344	1,102	653	754
Miscellaneous Receipts	<u>3,229</u>	<u>2,829</u>	<u>2,297</u>	<u>2,389</u>
Federal Grants	<u>60</u>	<u>2</u>	<u>0</u>	<u>0</u>
Total	<u>46,658</u>	<u>48,722</u>	<u>48,886</u>	<u>50,922</u>

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

**CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2013
(millions of dollars)**

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	<u>1,787</u>	<u>1,632</u>	<u>428</u>	<u>3,847</u>
Receipts:				
Taxes	43,369	8,142	13,458	64,969
Miscellaneous Receipts	3,229	15,707	996	19,932
Federal Receipts	60	1	79	140
Total Receipts	<u>46,658</u>	<u>23,850</u>	<u>14,533</u>	<u>85,041</u>
Disbursements:				
Local Assistance Grants	39,645	19,128	0	58,773
Departmental Operations:				
Personal Service	5,892	6,273	0	12,165
Non-Personal Service	1,844	3,599	47	5,490
General State Charges	4,403	2,019	0	6,422
Debt Service	0	0	6,064	6,064
Capital Projects	0	5	0	5
Total Disbursements	<u>51,784</u>	<u>31,024</u>	<u>6,111</u>	<u>88,919</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	12,242	7,736	6,322	26,300
Transfers to Other Funds	(7,084)	(480)	(14,609)	(22,173)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>5,158</u>	<u>7,256</u>	<u>(8,287)</u>	<u>4,127</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	<u>32</u>	<u>82</u>	<u>135</u>	<u>249</u>
Closing Fund Balance	<u>1,819</u>	<u>1,714</u>	<u>563</u>	<u>4,096</u>

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	45,891	8,469	14,357	68,717
Miscellaneous Receipts	2,829	16,352	1,043	20,224
Federal Receipts	2	1	79	82
Total Receipts	48,722	24,822	15,479	89,023
Disbursements:				
Local Assistance Grants	41,872	20,007	0	61,879
Departmental Operations:				
Personal Service	5,370	6,996	0	12,366
Non-Personal Service	1,637	3,850	47	5,534
General State Charges	4,834	2,167	0	7,001
Debt Service	0	0	6,401	6,401
Capital Projects	0	5	0	5
Total Disbursements	53,713	33,025	6,448	93,186
Other Financing Sources (Uses):				
Transfers from Other Funds	12,783	8,731	6,188	27,702
Transfers to Other Funds	(8,680)	(247)	(15,107)	(24,034)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	4,103	8,484	(8,919)	3,668
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses				
	(888)	281	112	(495)
Designated General Fund Reserves:				
Community Projects Fund	(56)			
Prior-Year Labor Agreements (2007-2011)	118			
Increase (Decrease) in Reserves	62			
Net General Fund Deficit	(950)			

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

**CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2015
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>State Operating Funds Total</u>
Receipts:				
Taxes	46,589	8,819	14,858	70,266
Miscellaneous Receipts	2,297	16,653	1,094	20,044
Federal Receipts	0	1	79	80
Total Receipts	<u>48,886</u>	<u>25,473</u>	<u>16,031</u>	<u>90,390</u>
Disbursements:				
Local Assistance Grants	43,227	20,688	0	63,915
Departmental Operations:				
Personal Service	5,496	7,187	0	12,683
Non-Personal Service	1,722	3,948	47	5,717
General State Charges	5,179	2,321	0	7,500
Debt Service	0	0	6,522	6,522
Capital Projects	0	5	0	5
Total Disbursements	<u>55,624</u>	<u>34,149</u>	<u>6,569</u>	<u>96,342</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	13,033	9,103	5,691	27,827
Transfers to Other Funds	(9,592)	(45)	(15,017)	(24,654)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>3,441</u>	<u>9,058</u>	<u>(9,326)</u>	<u>3,173</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses				
	<u>(3,297)</u>	<u>382</u>	<u>136</u>	<u>(2,779)</u>
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	118			
Increase (Decrease) in Reserves	<u>118</u>			
Net General Fund Deficit	<u>(3,415)</u>			

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	48,533	9,078	15,425	73,036
Miscellaneous Receipts	2,389	16,823	1,092	20,304
Federal Receipts	0	1	79	80
Total Receipts	50,922	25,902	16,596	93,420
Disbursements:				
Local Assistance Grants	45,490	20,774	0	66,264
Departmental Operations:				
Personal Service	5,753	7,435	0	13,188
Non-Personal Service	1,806	4,016	47	5,869
General State Charges	5,470	2,504	0	7,974
Debt Service	0	0	6,655	6,655
Capital Projects	0	5	0	5
Total Disbursements	58,519	34,734	6,702	99,955
Other Financing Sources (Uses):				
Transfers from Other Funds	13,438	9,500	5,444	28,382
Transfers to Other Funds	(9,853)	(216)	(15,332)	(25,401)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	3,585	9,284	(9,888)	2,981
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses				
	(4,012)	452	6	(3,554)
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	118			
Increase (Decrease) in Reserves	118			
Net General Fund Deficit	(4,130)			

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2013
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	1,787	1,594	(449)	428	3,360
Receipts:					
Taxes	43,369	8,142	1,401	13,458	66,370
Miscellaneous Receipts	3,229	15,893	4,151	996	24,269
Federal Receipts	60	40,303	2,191	79	42,633
Total Receipts	46,658	64,338	7,743	14,533	133,272
Disbursements:					
Local Assistance Grants	39,645	53,781	2,104	0	95,530
Departmental Operations:					
Personal Service	5,892	6,918	0	0	12,810
Non-Personal Service	1,844	4,528	0	47	6,419
General State Charges	4,403	2,295	0	0	6,698
Debt Service	0	0	0	6,064	6,064
Capital Projects	0	5	5,867	0	5,872
Total Disbursements	51,784	67,527	7,971	6,111	133,393
Other Financing Sources (Uses):					
Transfers from Other Funds	12,242	7,737	1,328	6,322	27,629
Transfers to Other Funds	(7,084)	(4,464)	(1,479)	(14,609)	(27,636)
Bond and Note Proceeds	0	0	400	0	400
Net Other Financing Sources (Uses)	5,158	3,273	249	(8,287)	393
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	32	84	21	135	272
Closing Fund Balance	1,819	1,678	(428)	563	3,632

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>All Funds Total</u>
Receipts:					
Taxes	45,891	8,469	1,421	14,357	70,138
Miscellaneous Receipts	2,829	16,538	4,060	1,043	24,470
Federal Receipts	2	41,893	2,212	79	44,186
Total Receipts	<u>48,722</u>	<u>66,900</u>	<u>7,693</u>	<u>15,479</u>	<u>138,794</u>
Disbursements:					
Local Assistance Grants	41,872	56,407	2,107	0	100,386
Departmental Operations:					
Personal Service	5,370	7,611	0	0	12,981
Non-Personal Service	1,637	4,872	0	47	6,556
General State Charges	4,834	2,449	0	0	7,283
Debt Service	0	0	0	6,401	6,401
Capital Projects	0	5	5,808	0	5,813
Total Disbursements	<u>53,713</u>	<u>71,344</u>	<u>7,915</u>	<u>6,448</u>	<u>139,420</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	12,783	8,732	1,545	6,188	29,248
Transfers to Other Funds	(8,680)	(4,006)	(1,533)	(15,107)	(29,326)
Bond and Note Proceeds	0	0	338	0	338
Net Other Financing Sources (Uses)	<u>4,103</u>	<u>4,726</u>	<u>350</u>	<u>(8,919)</u>	<u>260</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses					
	<u>(888)</u>	<u>282</u>	<u>128</u>	<u>112</u>	<u>(366)</u>
Designated General Fund Reserves:					
Community Projects Fund	(56)				
Prior-Year Labor Agreements (2007-2011)	118				
Increase (Decrease) in Reserves	<u>62</u>				
Net General Fund Deficit	<u>(950)</u>				

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2015
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	46,589	8,819	1,431	14,858	71,697
Miscellaneous Receipts	2,297	16,839	3,879	1,094	24,109
Federal Receipts	0	45,203	1,971	79	47,253
Total Receipts	48,886	70,861	7,281	16,031	143,059
Disbursements:					
Local Assistance Grants	43,227	60,994	1,883	0	106,104
Departmental Operations:					
Personal Service	5,496	7,814	0	0	13,310
Non-Personal Service	1,722	4,929	0	47	6,698
General State Charges	5,179	2,616	0	0	7,795
Debt Service	0	0	0	6,522	6,522
Capital Projects	0	5	5,661	0	5,666
Total Disbursements	55,624	76,358	7,544	6,569	146,095
Other Financing Sources (Uses):					
Transfers from Other Funds	13,033	9,104	1,471	5,691	29,299
Transfers to Other Funds	(9,592)	(3,225)	(1,519)	(15,017)	(29,353)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	3,441	5,879	258	(9,326)	252
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses					
	(3,297)	382	(5)	136	(2,784)
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	118				
Increase (Decrease) in Reserves	118				
Net General Fund Deficit	(3,415)				

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>All Funds Total</u>
Receipts:					
Taxes	48,533	9,078	1,448	15,425	74,484
Miscellaneous Receipts	2,389	17,009	3,855	1,092	24,345
Federal Receipts	0	47,291	1,656	79	49,026
Total Receipts	<u>50,922</u>	<u>73,378</u>	<u>6,959</u>	<u>16,596</u>	<u>147,855</u>
Disbursements:					
Local Assistance Grants	45,490	63,553	1,552	0	110,595
Departmental Operations:					
Personal Service	5,753	8,074	0	0	13,827
Non-Personal Service	1,806	4,892	0	47	6,745
General State Charges	5,470	2,812	0	0	8,282
Debt Service	0	0	0	6,655	6,655
Capital Projects	0	5	5,395	0	5,400
Total Disbursements	<u>58,519</u>	<u>79,336</u>	<u>6,947</u>	<u>6,702</u>	<u>151,504</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	13,438	9,501	1,365	5,444	29,748
Transfers to Other Funds	(9,853)	(3,092)	(1,531)	(15,332)	(29,808)
Bond and Note Proceeds	0	0	121	0	121
Net Other Financing Sources (Uses)	<u>3,585</u>	<u>6,409</u>	<u>(45)</u>	<u>(9,888)</u>	<u>61</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses					
	<u>(4,012)</u>	<u>451</u>	<u>(33)</u>	<u>6</u>	<u>(3,588)</u>
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	118				
Increase (Decrease) in Reserves	<u>118</u>				
Net General Fund Deficit	<u>(4,130)</u>				

Source: NYS DOB

**CASHFLOW
GENERAL FUND
FY 2013
(dollars in millions)**

	2012 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2013 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,787	4,332	1,293	2,121	2,206	1,242	4,271	3,440	2,555	2,051	5,961	6,108	1,787
RECEIPTS:													
Personal Income Tax	3,514	1,287	2,680	1,782	1,913	2,873	1,811	1,473	371	5,253	2,173	1,786	26,916
User Taxes and Fees	711	694	904	727	706	913	710	701	926	754	639	886	9,271
Business Taxes	111	46	1,056	64	91	1,154	109	268	1,193	106	137	1,703	6,038
Other Taxes	95	95	96	95	96	96	95	95	95	95	95	96	1,144
Total Taxes	4,431	2,122	4,736	2,668	2,806	5,036	2,725	2,537	2,585	6,208	3,044	4,471	43,369
Licenses, Fees, etc.	46	64	56	50	60	72	48	59	72	50	43	58	678
Abandoned Property	1	1	40	32	18	77	23	300	12	5	24	252	785
ABC License Fee	4	5	4	4	5	4	5	4	4	4	4	4	51
Motor vehicle fees	0	0	0	0	0	0	0	17	17	17	17	31	99
Reimbursements	4	7	55	2	18	36	10	26	33	8	29	34	262
Investment Income	2	1	1	1	1	1	1	1	0	0	1	0	10
Other Transactions	21	129	131	31	21	334	65	31	114	20	46	401	1,344
Total Miscellaneous Receipts	78	207	287	120	123	524	152	438	252	104	164	780	3,229
Federal Grants	0	13	0	0	0	15	0	0	15	0	0	17	60
PT in Excess of Revenue Bond Debt Service	1,171	287	1,028	512	223	1,136	412	174	1,020	933	404	972	8,272
Sales Tax in Excess of LGAC Debt Service	214	42	449	220	153	279	217	214	286	230	3	149	2,456
Real Estate Taxes in Excess of CW/CA Debt Service	65	46	32	44	44	42	41	22	31	31	32	14	444
All Other	26	1	54	1	2	31	43	2	38	3	68	801	1,070
Total Transfers from Other Funds	1,476	376	1,563	777	422	1,488	713	412	1,375	1,197	507	1,936	12,242
TOTAL RECEIPTS	5,985	2,718	6,586	3,565	3,351	7,063	3,590	3,387	4,227	7,509	3,715	7,204	58,900
DISBURSEMENTS:													
School Aid	157	2,500	1,887	115	510	1,300	510	950	1,500	410	590	6,557	16,986
Higher Education	22	8	566	115	298	51	461	22	216	33	305	489	2,586
All Other Education	14	316	69	144	391	89	60	284	176	73	186	154	1,956
Medicaid - DOH	842	1,168	652	1,043	1,297	576	1,185	1,158	588	907	788	400	10,604
Public Health	22	39	91	95	50	71	65	23	49	51	21	87	664
Mental Hygiene	0	1	377	1	1	394	166	1	382	115	124	385	1,947
Children and Families	75	75	199	75	75	223	75	75	221	112	78	259	1,542
Temporary & Disability Assistance	356	100	118	100	100	118	100	100	118	100	30	144	1,484
Transportation	0	24	0	0	24	0	0	24	15	0	10	1	98
Unrestricted Aid	2	14	299	2	2	97	11	2	207	2	2	137	777
All Other	35	38	170	49	37	86	(30)	44	41	172	167	192	1,001
Total Local Assistance Grants	1,525	4,283	4,428	1,739	2,785	3,005	2,603	2,683	3,513	1,975	2,301	8,805	39,645
Personal Service	603	622	569	453	573	442	403	452	415	518	422	420	5,892
Non-Personal Service	169	168	144	159	131	138	134	131	146	134	177	213	1,844
Total State Operations	772	790	713	612	704	580	537	583	561	652	599	633	7,736
General State Charges	324	360	181	193	415	286	304	353	207	302	230	1,248	4,403
Debt Service	507	0	(17)	445	(4)	(110)	547	0	(2)	379	(18)	(147)	1,580
Capital Projects	(22)	19	87	39	86	(65)	64	84	172	98	38	455	1,055
State Share Medicaid	174	269	247	234	252	281	191	283	246	164	379	258	2,978
SUNY Operations	0	0	0	180	0	0	0	160	0	0	0	0	340
Other Purposes	160	36	119	38	77	57	175	126	34	29	39	241	1,131
Total Transfers to Other Funds	819	324	436	936	411	163	977	653	450	670	438	807	7,084
TOTAL DISBURSEMENTS	3,440	5,757	5,758	3,480	4,315	4,034	4,421	4,272	4,731	3,599	3,568	11,493	58,868
Excess/(Deficiency) of Receipts over Disbursements	2,545	(3,039)	828	85	(964)	3,029	(831)	(885)	(504)	3,910	147	(4,289)	32
CLOSING BALANCE	4,332	1,293	2,121	2,206	1,242	4,271	3,440	2,555	2,051	5,961	6,108	1,819	1,819

Source: NYS DOB

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STATE OF NEW YORK
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED MARCH 31, 2012

PREPARED BY THE
OFFICE OF THE STATE COMPTROLLER
STATE OF NEW YORK

The Comprehensive Annual Financial Report of the State of New York for the State fiscal year ended March 31, 2012 (FY 2012 CAFR) is hereby included in this Official Statement by reference. The Basic Financial Statements and Other Supplementary Information of the State of New York, which are included in the FY 2012 CAFR, were prepared by the Office of the State Comptroller in accordance with accounting principles generally accepted in the United States of America (GAAP) and were independently audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The Basic Financial Statements and Other Supplementary Information for the fiscal year ended March 31, 2012 were filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system. An official copy of the Basic Financial Statements and Other Supplementary Information may be obtained by contacting the MSRB, or by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236, Tel: (518) 474-4015. An informational copy of the FY 2012 CAFR is available on the Internet at:

<http://www.osc.state.ny.us/finance/finreports/2012cafr.pdf>

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