OFFICE OF THE STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

Comptroller's Fiscal Update: Year-End Results for State Fiscal Year 2012-13

April 2013

Executive Summary

State Fiscal Year (SFY) 2012-13 brought serious budgetary challenges, including the second most expensive storm to hit the United States and a still-slow recovery from the worst economic downturn since the Great Depression. When this Budget was enacted, in April 2012, the Division of the Budget (DOB) projected real Gross Domestic Product (GDP) would grow 2.3 percent for calendar 2012 and 3 percent for 2013. The U.S. Bureau of Economic Analysis now estimates actual 2012 GDP growth at 2.2 percent. DOB and the Legislature recently agreed on an estimate that growth for 2013 would reach 1.9 percent, significantly lower than projections from one year ago.

In this challenging context, the State ended SFY 2012-13 with a General Fund balance of just over $1.6 billion, nearly 10 percent below the level of one year ago and $2 billion below the level projected in the SFY 2012-13 Enacted Budget Financial Plan released in April 2012. Unrestricted General Fund reserves as of March 31, 2013 were at the second-lowest level in the past decade. Both the closing balance and unrestricted reserves reflected, among other things, prepayment of $203 million in debt service at the end of the fiscal year and the planned use of $345 million to offset costs associated with recent labor contract settlements. While General Fund reserves are currently lower than in prior years, the State's cash position is better than just a few years ago. For example, in SFY 2009-10, the State was forced to delay payments both during the year and at year-end because sufficient cash was not available.

Nonetheless, the slow economic recovery affects the Financial Plan in numerous ways with respect to both receipts and disbursements. For the sixth year in a row, actual year-end tax collections failed to reach initial Enacted Budget projections. Tax collections were below initial projections even though there were two non-recurring, but significant, events that increased receipts well beyond what was expected at the time. First, actual Personal Income Tax (PIT) collections in April 2012 were $448 million over projections because of a higher-than-anticipated April settlement.[1] Second, PIT collections in December 2012 and January 2013 were significantly higher than anticipated -- $612 million above initial projections – due to anticipated federal tax increases that impelled many high-income earners to accelerate income as well as investment returns into 2012 to avoid the higher tax. As a result, tax payments to the State were realized earlier than anticipated.

Those unexpectedly high collections were more than offset, however, by lower-than-projected

[1] The April settlement reflects final tax collections (other than extensions) for the previous tax year (in this case, 2012). Note that while the settlement was more than anticipated and PIT collections were $448 million over projections for the month of April, 2012, collections were $404 million less than collections from April 2011.

receipts during most of SFY 2012-13. PIT collections in May and June 2012 were a combined $326 million below projections, nearly eliminating the higher-than-expected results from April. As of November, year-to-date growth was only 0.6 percent. The December and January boost in receipts, relative to projections, largely represented tax payments that were moved forward from later in calendar 2013, so the additional revenue in that period likely means lower receipts later.

Overall, PIT collections grew 3.8 percent, or $1.5 billion, in SFY 2012-13 from SFY 2011-12, ending the year $29 million below initial estimates but $100.8 million higher than revised projections from February 2013. The State's second largest tax source, the sales tax, produced growth of only 1 percent for the year. Business taxes were up 7.4 percent or $585.5 million. Total tax receipts were up 3.1 percent, or $2 billion, for the year.

Disbursements from All Governmental Funds ended the year $2.5 billion below February 2013 projections. This significant variance is primarily due to local assistance payments, particularly the timing of disaster aid payments that were added to Financial Plan projections in January as a result of Superstorm Sandy. Costs for State Operations were $643 million, or 3.2 percent, lower than anticipated. Spending for Capital Projects ended the year $243 million below the latest projections, while General State Charges ended the year $191 million lower than projections updated in February. Disbursements for debt service were $6 million higher than anticipated.

SFY 2012-13 – All Governmental Funds Results

Receipts

Figure 1

All Governmental Funds Receipts
SFY 2012-13 – Actual vs. Plan Projections
(in millions of dollars)

	SFY 2012-13 Enacted Financial Plan (May)	SFY 2012-13 Mid-Year Financial Plan Update (November)	SFY 2012-13 3rd Quarter Financial Plan Update (February)	SFY 2012-13 Actual (unaudited)	Difference in Year End Projections - Actual less Enacted Plan	Difference in Year End Projections and Results - Actual less Mid-Year Plan	Difference in Year End Projections and Results - Actual less 3rd Quarter Plan February
Receipts:							
Personal Income Tax	40,256	40,160	40,125	40,227	(29)	67	102
Consumption and Use Taxes	14,921	14,784	14,630	14,616	(306)	(169)	(15)
Business Taxes	8,229	8,210	8,181	8,463	234	253	282
Other Taxes	2,964	2,986	2,986	2,995	31	9	9
Total Taxes	66,370	66,140	65,922	66,300	(70)	160	378
Miscellaneous Receipts	24,269	24,708	24,985	24,036	(233)	(672)	(949)
Federal Grants	42,633	42,503	44,131	42,838	205	335	(1,293)
Total Receipts	**133,272**	**133,351**	**135,038**	**133,174**	**(98)**	**(177)**	**(1,864)**

Note: Table may not add due to rounding

The State started the 2012-13 fiscal year with significantly higher tax receipts than anticipated, primarily because of the better-than-anticipated April settlement of PIT payments.

As shown in Figure 1, tax collections in All Governmental Funds ended the year $70 million below initial projections and $378 million above the most recent projections from February 2013, the latter reflecting the expected impact of the federal tax changes and other factors. All Funds tax collections increased just over $2 billion, or 3.1 percent, from SFY 2011-12 results.

In the SFY 2012-13 Enacted Budget Financial Plan, All Funds total receipts were expected to increase $527 million, or a modest 0.4 percent, largely reflecting the end of additional federal revenue from the American Recovery and Reinvestment Act. The last Financial Plan update for SFY 2012-13 anticipated an increase of approximately $1.7 billion over the Mid-Year Update and $1.8 billion over initial projections from the Enacted Budget, reflecting anticipated federal funding for Superstorm Sandy offset by reduced federal reimbursement for certain Medicaid costs. Neither of these were anticipated when the Budget was enacted in April 2012.

Year-end results indicate that receipts increased $429.1 million, or 0.3 percent. This reflects significantly lower-than-anticipated federal funding associated with disaster aid payments that were added in the last Financial Plan update. However, note that actual federal receipts were $205.1 million higher than the initial projections made in April 2012.

Personal Income Tax

Throughout much of SFY 2012-13, year-to-date PIT growth reported in the Comptroller's Monthly Report on State Funds Cash Basis of Accounting (commonly known as the Monthly Cash Report) was largely attributable to settlement collections from April 2012. While such expectations were reflected in projections made in the SFY 2012-13 Enacted Budget Financial Plan, actual PIT collections in April 2012 were $448 million higher than anticipated. In addition, collections were also higher than expected in December 2012 and January 2013 in anticipation of a federal tax increase.

Figure 2

Components of Personal Income Tax – SFY 2012-13 Actual vs. Enacted
(in millions of dollars)

Personal Income Tax	SFY 2012-13 Enacted Financial Plan (May)	SFY 2012-13 Mid-Year Financial Plan Update (November)	SFY 2012-13 3rd Quarter Financial Plan Update (January)	SFY 2012-13 3rd Quarter Financial Plan Update (February)	SFY 2012-13 Actual (unaudited)
Withholding	32,748	32,173	31,928	31,818	31,958
Current Year Estimated	8,878	8,559	8,669	8,995	9,001
Prior Year Estimated	2,724	3,193	3,193	3,194	3,192
Final Returns	2,203	2,153	2,153	2,172	2,193
Other	1,149	1,174	1,174	1,174	1,099
Gross Collections	**47,702**	**47,252**	**47,117**	**47,353**	**47,443**
State/City Offset	(298)	(248)	(268)	(268)	(309)
Refunds	(7,148)	(6,843)	(6,948)	(6,958)	(6,907)
Reported PIT Collections	**40,256**	**40,161**	**39,901**	**40,127**	**40,227**

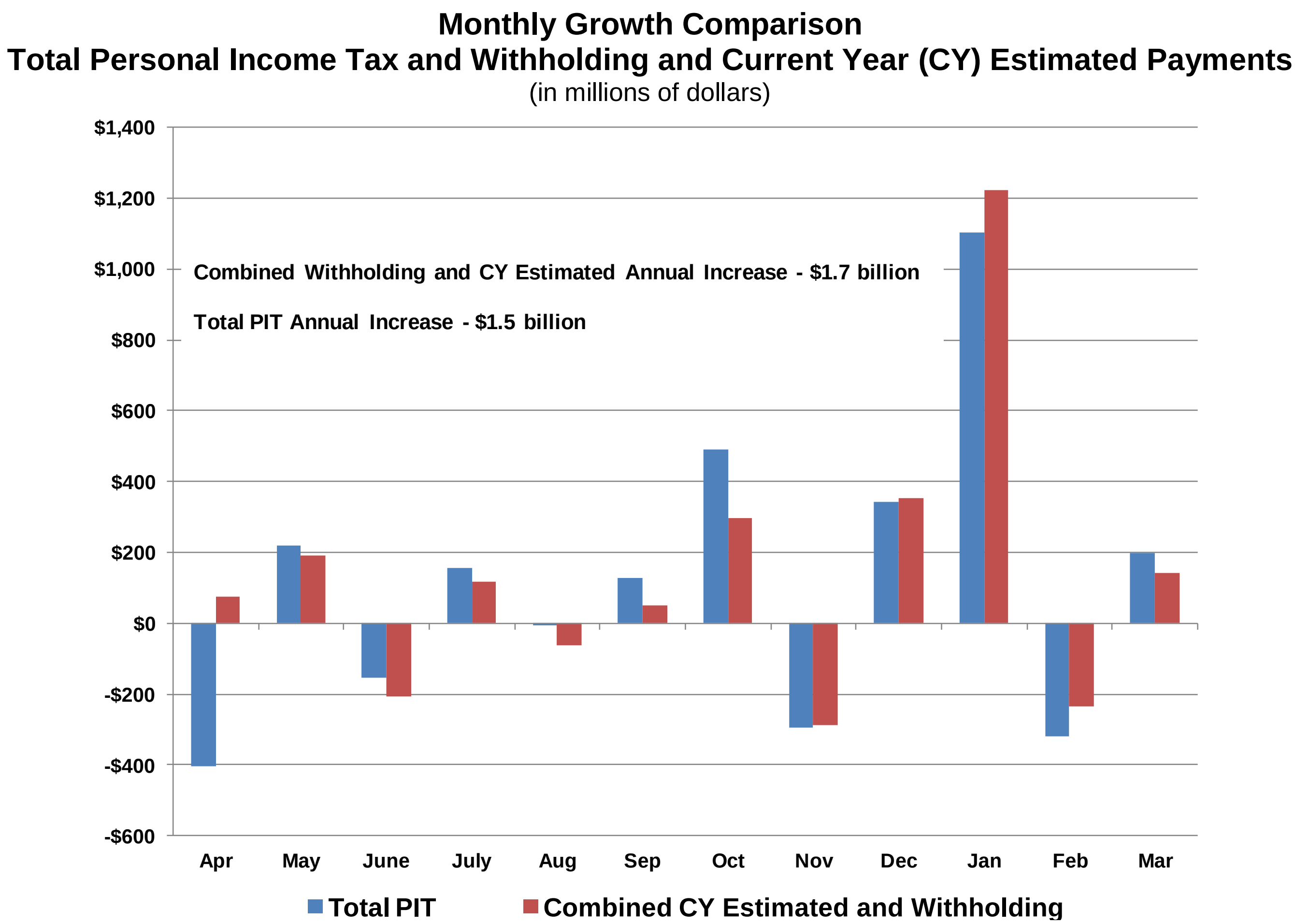
Note: Table may not add due to rounding

Figure 2 illustrates the volatility of PIT collections throughout the year. Note that projections for withholding collections, the largest in-State source of revenue, fell with each of the three quarterly updates to the Financial Plan. DOB's estimate for PIT withholding receipts ultimately was reduced $930 million from the initial projections in the Enacted Budget Financial Plan.

Actual results were $140 million higher than the final Quarterly Update, but $790 million, or 2.4 percent, below the Enacted Budget Financial Plan estimate. Projections for Estimated payments also fluctuated significantly, primarily for current year payments, reflecting both the higher-than-anticipated April settlement (projections for Current Year Estimated payments were reduced $319 million and projections for Prior Year Estimated payments were increased $469 million) and December 2012 and January 2013 payments (which was the primary cause for increasing the projection for current year payments by $326 million in the last Financial Plan update).[2]

PIT collections grew 3.8 percent, or nearly $1.5 billion, for the year, almost on par with initial expectations. Roughly two-thirds of that growth occurred in the month of January, as illustrated in Figure 3. Because the combination of PIT Withholding and Current Year Estimated payments make up approximately 87 percent of PIT collections (before refunds), growth in these two elements largely mirror total growth. (These two elements also make up over 60 percent of total taxes and nearly half of State Operating Funds revenue.)

Figure 3



[2] Current Year Estimated primarily payments reflects quarterly payments on current income from individuals who estimate tax payments instead of having taxes taken directly out of their paychecks. This is often used for business owners and people that have variable income throughout the year. Prior Year Estimated payments reflect those payments that are made by these same people to settle their tax liability for a previous year, similar to the way that people who have taxes taken out of their paychecks either get a refund because they paid too much or a bill to pay the remaining liability after they file their tax returns.

Consumption and Use Taxes

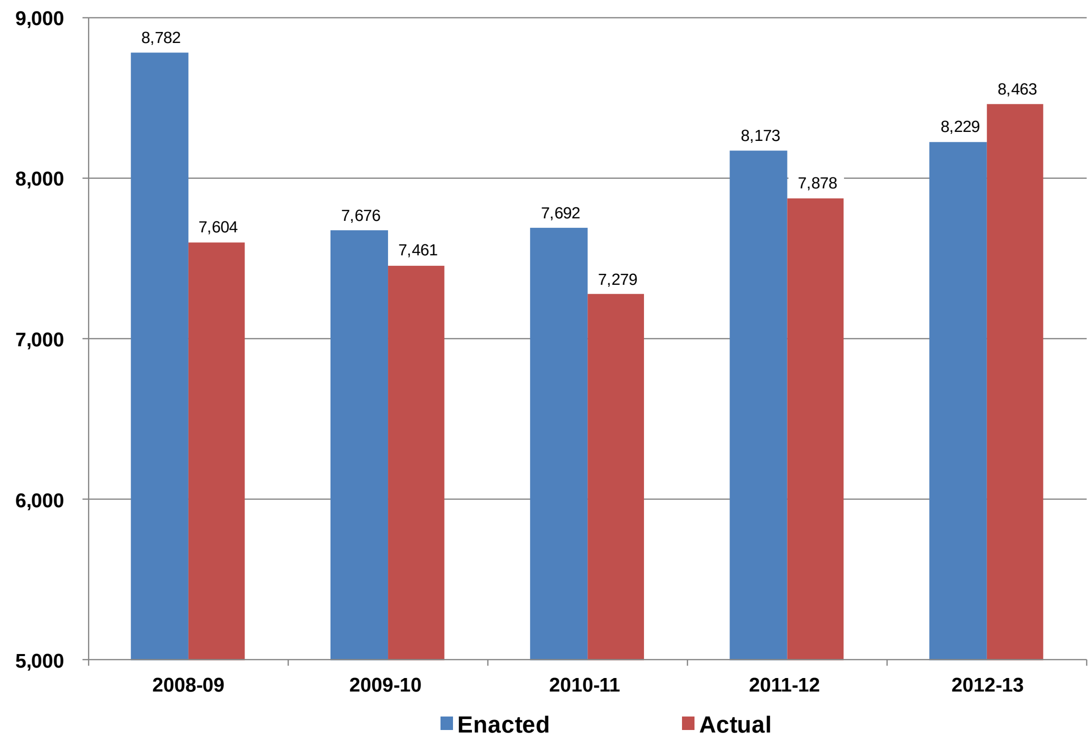
Consumption taxes make up approximately 22 percent of All Funds tax collections, and the sales tax makes up approximately 82 percent of consumption taxes. In the SFY 2012-13 Enacted Budget Financial Plan, consumption tax collections were projected to increase $350 million, or 2.4 percent, to $14.9 billion and sales tax collections were projected to increase 2.8 percent or $329 million. By year-end, projections for the sales tax had been reduced by $211 million. The year ended with sales tax collections just under $12 billion, representing an increase of just $114.7 million or 1 percent.

Business Taxes

Business taxes are very volatile and can be difficult to predict, as illustrated in Figure 4. Over the last five years, actual year-end business tax collections have been a total of $1.9 billion below initial projections used in the enacted budgets. Within that amount, Corporate Franchise Taxes have been almost $3 billion below initial projections, partially offset by Bank Taxes, collections of which have been over initial projections by nearly $1.4 billion.

Figure 4

Initial Projections and Final Collections of Business Taxes
SFY 2008-09 through SFY 2012-13
(in millions of dollars)



In SFY 2012-13, business tax collections exceeded initial projections by $234 million, representing the first time since SFY 2006-07 that final receipts have exceeded initial projections. In keeping with past history, collections for Corporate Franchise Taxes ended the year $351 million, or 10.5 percent, below initial projections and Bank Tax collections ended the year $531 million, or 38.4 percent, higher than initial projections.

Figure 5

Business Taxes – Comparison of Actual and Financial Plan

(in millions of dollars)

Business Taxes	SFY 2012-13 Enacted Financial Plan (May)	SFY 2012-13 Mid-Year Financial Plan Update (November)	SFY 2012-13 3rd Quarter Financial Plan Update (February)	SFY 2012-13 Actual (unaudited)	Difference in Year End Projections - Actual less Enacted Plan	Difference in Year End Projections and Results - Actual less Mid-Year Plan	Difference in Year End Projections and Results - Actual less 3rd Quarter Plan February
Corporate Franchise	3,360	3,036	2,946	3,009	(351)	(27)	63
Corporate and Utilities	847	844	839	895	48	51	56
Insurance	1,479	1,458	1,448	1,509	30	51	61
Bank	1,381	1,710	1,823	1,912	531	202	89
Petroleum Business	1,162	1,162	1,125	1,140	(22)	(22)	15
Total Collections	**8,229**	**8,210**	**8,181**	**8,463**	**234**	**253**	**282**

Note: Table may not add due to rounding

The SFY 2012-13 Enacted Budget Financial Plan projected year-end business tax collections would grow 4.5 percent, or $352 million, from year-end collections in SFY 2011-12. Most of the expected growth was attributed to the non-audit collections of the Corporate Franchise Tax. Figure 5 illustrates that by the end of the year, however, after projections had been lowered $48 million from initial levels, actual business tax collections grew 7.4 percent, and were $282 million higher than the latest projections and $234 million higher than initial projections.

Miscellaneous Receipts

Miscellaneous Receipts include fees, fines, interest earnings, refunds and reimbursements, Lottery and other gambling revenue, as well as revenues of various agencies (including tuition for State University of New York (SUNY) colleges and universities and assessments charged to health care providers). Many non-recurring resources are also realized as Miscellaneous Receipts. In June 2012, the State collected $150.3 million in a one-time settlement from ING Bank through the Manhattan District Attorney. In September 2012, the State received a $340 million settlement from Standard Chartered Bank that was not anticipated in the Financial Plan at that time. As detailed later in this report, the General Fund ended the year with a balance of $136 million over the latest projections. Without the two non-recurring settlements totaling more than $490 million, the State would have needed to take other actions, such as reducing or delaying spending, using reserves or available fund sweeps, or raising other revenues.

The State collected just over $24 billion in Miscellaneous Receipts in SFY 2012-13, representing an increase of $199.6 million, or 0.8 percent, from SFY 2011-12. As shown in Figure 6, the final results were nearly $950 million lower than the projections in the last Financial Plan. This was largely because of bond proceeds collections within capital project funds, which ended the year $539.2 million below the latest projections. Other factors in the variance include three resources that were not realized as projected: an expected payment of $250 million from insurance company conversions, $129.3 million from Native American casinos and $70 million from Abandoned Property. The insurance conversion proceeds were removed from the Plan for SFY 2012-13 in the Third Quarter Update to the Financial Plan (released with the Executive Budget), as was the projection for additional Abandoned Property receipts.[3] As a result of these three items, adjustments were needed to address the loss of $450 million in previously anticipated revenue.

[3] The Comptroller's *Report on the State Fiscal Year 2012-13 Enacted Budget* identified revenues from Native American casinos, insurance conversions and abandoned property as risks to the Financial Plan.

Lottery proceeds for Education totaled $3.1 billion, $20 million higher than projections in the latest Financial Plan Update. Of this, revenue from Video Lottery Terminals (VLTs) for Education was $5 million below updated Plan projections and traditional Lottery revenue was $25 million higher than the latest projections. However, actual spending for education from the Lottery-funded appropriation was $40 million higher than anticipated, causing the need for a transfer from the General Fund of $40 million.[4]

Figure 6

Miscellaneous Receipts by Fund – Comparison of Actual and Financial Plan

(in millions of dollars)

Miscellaneous Receipts	SFY 2012-13 Enacted Financial Plan (May)	SFY 2012-13 Mid-Year Financial Plan Update (November)	SFY 2012-13 3rd Quarter Financial Plan Update (February)	SFY 2012-13 Actual (unaudited)	Difference in Year End Projections - Actual less Enacted Plan	Difference in Year End Projections and Results - Actual less Mid-Year Plan	Difference in Year End Projections and Results - Actual less 3rd Quarter Plan February
General Fund	3,229	3,741	3,724	3,504	275	(237)	(220)
Special Revenue	15,893	15,758	15,899	15,762	(131)	4	(137)
Capital Projects	4,151	4,213	4,366	3,857	(294)	(356)	(509)
Debt Service	996	996	996	913	(83)	(83)	(83)
Total Collections	**24,269**	**24,708**	**24,985**	**24,036**	**(233)**	**(672)**	**(949)**

Note: Table may not add due to rounding

Federal Receipts

Federal grants represent the largest single source of revenue for the State. Federal grants typically finance more than one-quarter of total on-budget capital spending by the State. In SFY 2012-13, the State collected $42.8 billion from the federal government for various programs (the largest projects being Medicaid and cash assistance for low income families), including $2.1 billion for capital projects. Over the past decade, the State has benefitted from well over $12 billion in various extraordinary aid packages, including the American Recovery and Reinvestment Act of 2009 (ARRA) as well as funding for major storms (Hurricane Irene, Tropical Storm Lee and, most recently, Superstorm Sandy). Figure 7 illustrates the change in federal receipts.

Figure 7

Federal Receipts by Fund – Comparison of Actual and Financial Plan

(in millions of dollars)

Federal Receipts	SFY 2012-13 Enacted Financial Plan (May)	SFY 2012-13 Mid-Year Financial Plan Update (November)	SFY 2012-13 3rd Quarter Financial Plan Update (February)	SFY 2012-13 Actual (unaudited)	Difference in Year End Projections - Actual less Enacted Plan	Difference in Year End Projections and Results - Actual less Mid-Year Plan	Difference in Year End Projections and Results - Actual less 3rd Quarter Plan February
General Fund	60	60	60	62	2	2	2
Special Revenue	40,303	40,173	41,797	40,572	269	399	(1,226)
Capital Projects	2,191	2,191	2,195	2,126	(65)	(65)	(69)
Debt Service	79	79	79	79	(0)	(0)	(0)
Total Collections	**42,633**	**42,503**	**44,131**	**42,838**	**205**	**335**	**(1,293)**

Note: Table may not add due to rounding

[4] Note that the latest Financial Plan Update planned a General Fund transfer of $25 million in addition to $2.192 billion in Lottery proceeds expected to support $2.217 billion in spending. Since actual Lottery proceeds totaled $2.217, the need for the $25 million transfer was eliminated. However, spending from that fund was $40 million higher than anticipated, prompting the need for the year-end $40 million transfer.

The end of ARRA funding was assumed in the Enacted Budget Financial Plan, which projected federal receipts would decline by nearly $2 billion. However, anticipated federal reimbursement from costs associated with Superstorm Sandy increased projected federal receipts to $44.1 billion, reducing the decline from SFY 2011-12 to $480 million. Actual collections ended the year $1.3 billion lower than the latest projections and $205 million higher than initial projections. The $42.8 billion received in SFY 2012-13 represents a decline of $1.8 billion, or 4 percent, primarily reflecting the end of ARRA funding. However, actual federal receipt collections ended the year $1.3 billion below projections included in the last Financial Plan update, primarily due to the timing of disaster aid payments and grants for education.

Disbursements

The SFY 2012-13 Enacted Budget Financial Plan projected that All Funds spending would decline by 0.1 percent or $111 million from SFY 2011-12 levels to $133.4 billion, with reductions coming primarily in economic development and General State Charges, offset by increases in transportation, higher education and debt service. Actual results show All Funds spending totaled $133.1 billion in SFY 2012-13, reflecting a decline of 0.3 percent.

Figure 8

All Governmental Funds Disbursements
SFY 2012-13 – Actual vs. Plan
(in millions of dollars)

	SFY 2012-13 Enacted Financial Plan (May)	SFY 2012-13 Mid-Year Financial Plan Update (November)	SFY 2012-13 3rd Quarter Financial Plan Update (February)	SFY 2012-13 Actual (unaudited)	Difference in Year End Projections - Actual less Enacted Plan	Difference in Year End Projections and Results - Actual less Mid-Year Plan	Difference in Year End Projections and Results - Actual less 3rd Quarter Plan February
Disbursements:							
Grants to Local Governments	95,530	95,320	96,904	95,429	(101)	109	(1,475)
State Operations	19,229	19,572	19,825	19,182	(47)	(390)	(643)
General State Charges	6,698	6,903	6,866	6,675	(23)	(228)	(191)
Debt Service	6,064	6,100	6,132	6,138	74	38	6
Capital Projects	5,872	5,962	5,915	5,672	(200)	(290)	(243)
Total Disbursements	**133,393**	**133,857**	**135,642**	**133,097**	**(296)**	**(760)**	**(2,545)**

Note: Table may not add due to rounding

All Funds spending ended the year $296 million lower than initial projections, largely due to capital projects spending, which is often a matter of timing. The Third Quarter Update to the Financial Plan increased projected spending to $135.5 billion primarily due to anticipated costs associated with Superstorm Sandy. This was increased again in the Financial Plan Update accompanying the Executive's 30-day amendments released in February, primarily due to debt service payments initially intended for the first quarter of SFY 2013-14 that would instead be pre-paid in the fourth quarter of SFY 2012-13.

All Funds spending ended the year $2.5 billion lower than third quarter projections updated in February 2013, primarily in local assistance payments, but also in State Operations and capital projects, as illustrated in Figure 8. Of the $1.5 billion variance in local assistance, $239.9 million is attributable to lower-than-anticipated spending in Capital Projects funds, meaning that capital spending was a total of $495.8 million below projections.

Local Assistance

The SFY 2012-13 Enacted Budget projected a decline of 1 percent or $951 million for All Funds local assistance disbursements from SFY 2011-12 levels. The majority of the decline was expected in economic development and government oversight, particularly disbursements from the Urban Development Corporation. Disbursements were also expected to decline in housing and community renewal, primarily due to the end of ARRA spending for weatherization needs. These reductions were expected to be offset with an increase of $245 million for transportation.

Between the release of the SFY 2012-13 Enacted Budget Financial Plan and the last update of the year, projections for year-end local assistance spending increased almost $1.4 billion, primarily because of extraordinary disaster assistance anticipated in relation to Superstorm Sandy. However, this was offset by reductions elsewhere.

Local assistance spending through the end of the year was 1.1 percent, or $1.1 billion, lower than SFY 2011-12 results. This was $1.5 billion lower than the latest projections, primarily due to the timing of disaster assistance payments, as depicted in Figure 9 in the Special Revenue Federal category. Capital projects spending from State funds also contributed to the $1.5 billion variance. The variance in capital spending is also apparent in Miscellaneous Receipts, where actual revenue from public authority bond proceeds were $539.2 million below the latest projections.

Figure 9

All Governmental Funds Local Assistance Disbursements
SFY 2012-13 – Actual vs. Plan
(in millions of dollars)

Local Assistance Payments	SFY 2012-13 Enacted Financial Plan (May)	SFY 2012-13 Mid-Year Financial Plan Update (November)	SFY 2012-13 3rd Quarter Financial Plan Update (February)	SFY 2012-13 Actual (unaudited)	Difference in Year End Projections - Actual less Enacted Plan	Difference in Year End Projections and Results - Actual less Mid-Year Plan	Difference in Year End Projections and Results - Actual less 3rd Quarter Plan February
General Fund	39,645	39,816	39,776	39,760	115	(56)	(16)
Special Revenue State	19,128	18,889	18,918	18,818	(310)	(71)	(100)
Special Revenue Federal	34,653	34,511	36,095	34,976	323	465	(1,119)
Capital Projects State	1,284	1,284	1,295	1,063	(221)	(221)	(232)
Capital Projects Federal	820	820	820	812	(8)	(8)	(8)
Total Disbursements	**95,530**	**95,320**	**96,904**	**95,429**	**(101)**	**109**	**(1,476)**

Note: Table may not add due to rounding

State Operations

Spending for State Operations was initially projected to increase 1.1 percent or $201 million, mostly in non-personal service disbursements from the General Fund. In the SFY 2012-13 Enacted Budget Financial Plan, DOB indicated its intention to set $422 million aside within the General Fund for upcoming costs associated with prior year labor agreements. In the First Quarter Update to the Enacted Budget Financial Plan, largely as a result of recently negotiated contracts with New York State Correctional Officers and Police Benevolent Association (NYSCOPBA) and Council 82, the $422 million was reduced by $345 million (to $77 million) as that amount would be reflected in higher disbursements for State Operations. This is illustrated in Figure 10 in the variance between the Enacted Plan and the Mid-Year Update.

The Third Quarter Update (further updated in February 2013) contained projections that were increased from $19.6 billion in the Mid-Year Update to $19.8 billion, primarily due to projected General Fund non-personal service costs for disaster aid. Actual results, as illustrated in Figure 10, were $643 million lower than projections contained in the last Financial Plan update released in February, primarily in the General Fund and State-sourced special revenue funds. General State Charges were initially projected to decline $157 million or 2.3 percent from SFY 2011-12, primarily because of pre-payments, attrition and prior collective bargaining agreements. Although projections for General State Charges were increased in the Mid-Year Update, actual disbursements at year-end were actually lower than initial estimates by $23 million and $191 million lower than the latest estimates.

Figure 10

All Governmental Funds State Operations and General State Charges Disbursements
SFY 2012-13 – Actual vs. Plan
(in millions of dollars)

State Operations and General State Charges	SFY 2012-13 Enacted Financial Plan (May)	SFY 2012-13 Mid-Year Financial Plan Update (November)	SFY 2012-13 3rd Quarter Financial Plan Update (February)	SFY 2012-13 Actual (unaudited)	Difference in Year End Projections - Actual less Enacted Plan	Difference in Year End Projections and Results - Actual less Mid-Year Plan	Difference in Year End Projections and Results - Actual less 3rd Quarter Plan February
General Fund	7,736	7,951	8,094	7,856	120	(95)	(238)
Special Revenue State	9,872	9,995	10,059	9,783	(89)	(212)	(276)
Special Revenue Federal	1,574	1,579	1,615	1,499	(75)	(80)	(116)
Other	47	47	57	44	(3)	(3)	(13)
Total State Operations	19,229	19,572	19,825	19,182	(47)	(390)	(643)
General State Charges	6,698	6,903	6,866	6,675	(23)	(228)	(191)
Total Disbursements for State Operations and General State Charges	**25,927**	**26,475**	**26,691**	**25,858**	**(69)**	**(617)**	**(833)**

Note: Table may not add due to rounding

Capital Projects and Debt Service

Spending for capital projects is typically subject to a number of timing-related issues ranging from the cost or availability of building materials to conditions in the bond market. In SFY 2012-13, disbursements for capital projects funded with State funds were initially expected to increase $572 million or 13.4 percent from SFY 2011-12 amounts. Capital disbursements funded with federal grants were projected to increase $25 million or 2.5 percent.

While the Mid-Year Update increased projections for State-funded capital spending, primarily due to increases for transportation and the SUNY, the last Financial Plan update lowered projections for State-funded capital projects from the Mid-Year high to a level slightly higher than initial projections, primarily due to lowered projected spending for education and public protection. Actual spending for Capital Projects ended the year $256 million below the latest projections and $217 million below initial projections.

Figure 11

All Governmental Funds Capital and Debt Service Disbursements
SFY 2012-13 – Actual vs. Plan

(in millions of dollars)

Capital Projects and Debt Service	SFY 2012-13 Enacted Financial Plan (May)	SFY 2012-13 Mid-Year Financial Plan Update (November)	SFY 2012-13 3rd Quarter Financial Plan Update (February)	SFY 2012-13 Actual (unaudited)	Difference in Year End Projections - Actual less Enacted Plan	Difference in Year End Projections and Results - Actual less Mid-Year Plan	Difference in Year End Projections and Results - Actual less 3rd Quarter Plan February
State Capital Projects	4,841	4,931	4,880	4,624	(217)	(307)	(256)
Federal Capital Projects	1,031	1,031	1,035	1,048	17	17	13
Debt Service	6,064	6,100	6,132	6,138	74	38	6
Total Disbursements	**11,936**	**12,062**	**12,047**	**11,810**	**(126)**	**(252)**	**(237)**

Note: Table may not add due to rounding. Also note that State Capital Projects disbursements include a small amount of capital spending from special revenue funds ($5 million in Financial Plan updates and $7.6 million actual)

Debt service was initially projected to increase 3.4 percent or $200 million to nearly $6.1 billion. In the last update to the Financial Plan, DOB stated that $183 million in debt service payments associated with the SUNY would be made early, in SFY 2012-13 instead of SFY 2013-14, as initially planned (thus temporarily lowering costs in SFY 2013-14). Actual results indicate that approximately $203 million was actually paid early, indicating that without the prepayment, debt service would have ended the year at approximately $5.9 billion.

General Fund Closing Balance and Reserves

The General Fund ended SFY 2012-13 with a balance of $1.61 billion. This was $176.7 million less than the year-end balance for SFY 2011-12 and $136.0 million more than projected in the last Financial Plan update. Figure 12 compares restricted and unrestricted reserve levels within the General Fund. Total reserves, both restricted and unrestricted, were equal to approximately 3.2 percent of General Fund spending in SFY 2011-12. This declined to 2.7 percent in SFY 2012-13.

Figure 12

General Fund Balance and Reserves – Actual and Projected Year End

(in millions of dollars)

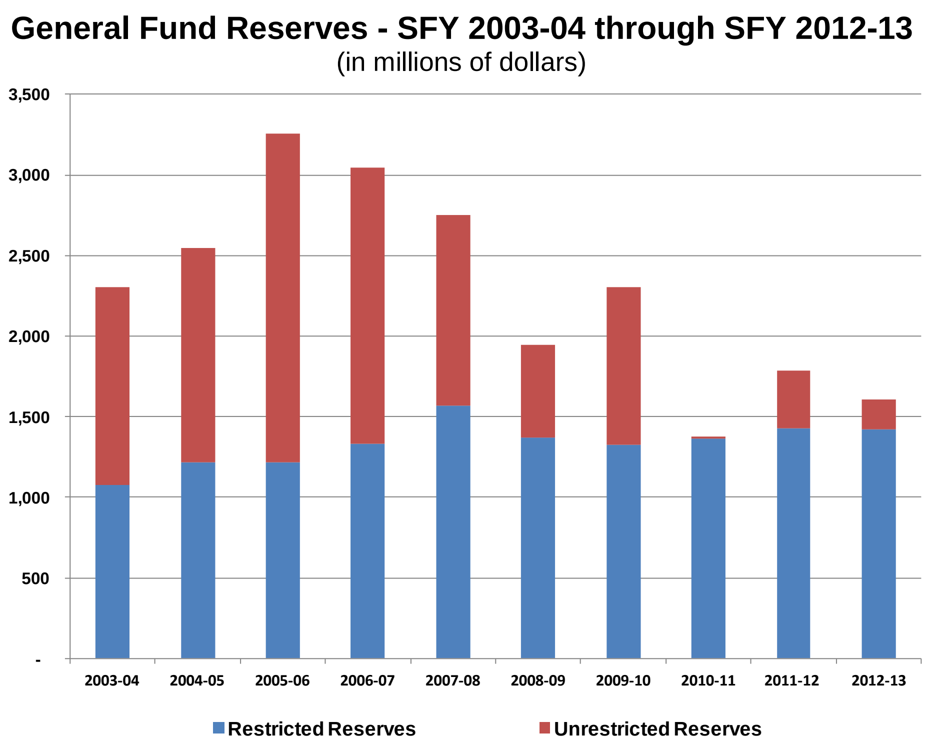
	SFY 2011-12 Actual	SFY 2012-13 Enacted Update	SFY 2012-13 Mid-Year Update	SFY 2012-13 3rd Quarter Update	2012-13 Actual
Statutory Reserves (Restricted)					
Tax Stabilization Reserve Fund	1,131	1,131	1,131	1,131	1,131
Rainy Day Reserve	175	175	175	175	175
Contingency Reserve Fund	21	21	21	21	21
Community Projects Fund	102	57	57	57	93
Total Restricted Reserves	1,429	1,384	1,384	1,384	1,420
Refund Reserve (Unrestricted)					
Prior Year Labor	283	422	77	77	
Undesignated Fund Blance	75	13	13		190
Debt Management/Reduction				13	
Total Unrestricted Reserves	358	435	90	90	190
Total	**1,787**	**1,819**	**1,474**	**1,474**	**1,610**

Over much of the past 10 years, reserves – and in particular unrestricted reserves – have been significantly higher than current levels, primarily reflecting better economic circumstances. In SFY 2005-06, the General Fund ended the year with a balance of $3.3 billion, reflecting approximately 7.0 percent of General Fund spending, including 4.4 percent in unrestricted reserves and 2.6 percent in restricted reserves.

Unrestricted reserves are funds that are not statutorily restricted or allocated. Historically, these funds were used to support PIT refunds made in the first quarter of the fiscal year. However, as electronic tax filing has better aligned collections and refunds, thus reducing the first quarter fiscal impact, over the last decade these funds have increasingly been used to support recurring General Fund spending. Ideally, such reserves should be considered a non-recurring resource and be used for one-time costs or to pay down debt.

Restricted reserves include the Tax Stabilization Reserve Fund, the Rainy Day Fund (used for shortfalls in the General Fund either during the year or at year-end), the Contingency Reserve Fund (for unanticipated but authorized payments) and the Community Projects Fund (used to support various Legislative and Executive special projects). Such reserves are statutorily restricted for certain uses and, in the case of the Tax Stabilization Reserve Fund, contain specific repayment terms. Figure 13 illustrates the State's General Fund restricted and unrestricted reserves over the past ten years.

Figure 13



While General Fund reserves are currently lower than in prior years, it is important to note that the State's cash position is better than just a few years ago. For example, in SFY 2009-10, the State was forced to delay payments both during the year and at year-end because sufficient cash was not available. Conversely, the State prepaid approximately $203 million in certain debt service obligations at the end of SFY 2012-13. While the General Fund is allowed to end the month with a negative balance for up to four consecutive months (with temporary loans from other dedicated funds), the State has not had to resort to this action since June 2010.