

Update to Annual Information Statement (AIS)

State of New York

August 3, 2007

This quarterly update (the "AIS Update") is the first quarterly update to the Annual Information Statement of the State of New York, dated May 8, 2007 (the "AIS") and contains information only through August 3, 2007. This AIS Update should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. Extracts from the First Quarterly Update to the 2007-08 Financial Plan (the "Updated Financial Plan"), which the Division of the Budget ("DOB") issued on July 30, 2007. The Updated Financial Plan includes (a) a summary of changes to the Enacted Budget Financial Plan made through the end of the regular 2007 legislative session, (b) revised Financial Plan projections for fiscal years 2007-08 through 2010-11, (c) operating results for the first quarter of fiscal year 2007-08, (d) an updated economic forecast, (e) the Generally Accepted Accounting Principles (GAAP)-basis Financial Plan projections for 2007-08, and (f) a summary on debt and capital management. It is available on the DOB website, www.budget.state.ny.us.
2. A discussion of special considerations related to the State Financial Plan for fiscal year 2007-08.
3. A summary of GAAP-basis results for the 2006-07 fiscal year (the full statements are available on the State Comptroller's website, www.osc.state.ny.us).
4. Updated information regarding the State Retirement Systems.
5. The status of significant litigation 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 the AIS Update, DOB relies on information drawn from other sources, such as the Office of the State Comptroller ("OSC"). Information relating to matters described in the section entitled "Litigation" is furnished by the State Office of the Attorney General.

During the current 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 condition, including potential operating results for the current fiscal year and projected baseline gaps for future fiscal years, that may vary materially from the information provided in the AIS. Investors and other market participants should, however, refer to the AIS, as revised, updated, or supplemented, for the most current official information regarding the financial condition of the State.

The State may issue AIS supplements or other disclosure notices to this AIS Update as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS Update in Official Statements or related disclosure documents for State or State-supported debt issuance. Readers may obtain informational copies of the AIS, updates and supplements by contacting Mr. Louis A. Raffaele, Chief Budget Examiner, New York State Division of the Budget, State Capitol, Albany, NY 12224, (518) 473-8705. The State has filed this AIS Update directly with Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) and with the Central Post Office, Disclosure USA. The Municipal Advisory Council of Texas (Texas MAC), has established this internet-based disclosure filing system approved by the Securities and Exchange Commission

to facilitate the transmission of disclosure-related information to the NRMSIRs. An official copy of this AIS Update may be obtained from the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705 or from any NRMSIR.

Usage Notice

The AIS Update has been supplied by the State to provide updated information about the financial condition of the State in connection with financings of 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 and for which the State has contractually obligated itself to provide such information pursuant to an applicable continuing disclosure agreement (a “CDA”).

An informational copy of this AIS Update is available on the DOB website (www.budget.state.ny.us). The availability of this AIS Update in electronic form at DOB’s website is being provided to you solely as a matter of convenience to readers and does not create any implication that there have been no changes in the financial condition of the State at any time subsequent to its release date. Maintenance of the AIS Update on this website is not intended as a republication of the information therein on any date subsequent to its release date.

Neither this AIS Update nor any portion thereof may be (i) included in a Preliminary Official Statement, Official Statement, or other offering document, or incorporated by reference therein, unless DOB has expressly consented thereto following a written request to the State of New York, Division of the Budget, State Capitol, Albany, NY 12224 or (ii) considered to be continuing disclosure in connection with any offering unless a CDA relating to the series of bonds or notes has been executed by DOB. Any such use, or incorporation by reference, of this AIS Update or any portion thereof in a Preliminary Official Statement, Official Statement, or other offering document or continuing disclosure filing or incorporated by reference therein 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Update to the 2007-08 Financial Plan ---

Note: DOB issued the Updated Financial Plan, extracts of which are set forth below, on July 30, 2007. The Updated Financial Plan includes updated estimates for 2007-08 and projections for 2008-09 through 2010-11. As such, it contains estimates and projections of future results that should not be construed as statements of fact. These estimates and projections are based upon various assumptions that may be affected by numerous factors, including future economic conditions in the State and nation and potential litigation. There can be no assurance that actual results will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan.

The State accounts for all of its spending and revenues 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 Constitution requires the Governor to submit an Executive Budget that is balanced on a cash basis in the General Fund—the Fund that receives the majority of State taxes, and all income not earmarked for a particular program or activity. Since this is the fund that is required to be balanced, the focus of the State’s budget discussion is often weighted toward the General Fund.

The State also reports spending and revenue activity by two other broad measures: State Funds, which includes the General Fund and funds specified for dedicated purposes, but excludes Federal Funds; and All Governmental Funds ("All Funds"), which includes both State and Federal Funds and provides the most comprehensive view of the financial operations of the State.

Fund types of the State include: the General Fund; State special revenue funds ("SRFs"), which receive certain dedicated taxes, fees and other revenues that are used for a specified purpose; Federal SRFs, which receive Federal grants; State and Federal Capital Projects Funds, which account for costs incurred in the construction and reconstruction of roads, bridges, prisons, and other infrastructure projects; and Debt Service Funds, which pay principal, interest and related expenses on long-term bonds issued by the State and its public authorities.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

2007-08 UPDATED FINANCIAL PLAN EXTRACTS

SUMMARY OF THE UPDATED GENERAL FUND FINANCIAL PLAN

Since DOB issued the 2007-08 Enacted Budget Financial Plan Report on April 19, 2007, the Legislature passed and the Governor approved a number of bills that amended existing law and that have fiscal implications for 2007-08 and beyond. In addition, DOB has revised its revenue and spending estimates based on operating results through the first three months of the 2007-08 fiscal year and a review of factors affecting the long-term current services forecast.

General Fund receipts for 2007-08, including transfers from other funds, are now projected to total \$54.0 billion, an increase of \$325 million from the Enacted Budget forecast. General Fund spending, including transfers to other funds, is now estimated to reach \$54.0 billion, an increase of \$311 million since the initial projection. The General Fund is projected to have a closing balance of \$3.0 billion in 2007-08 (5.6 percent of General Fund spending), an increase of \$13 million from the Enacted Budget Financial Plan estimate reflecting \$12 million from 2007-08 operations and \$1 million in the Community Projects Fund. The balance consists of \$1.2 billion in undesignated reserves and \$1.8 billion in reserves for designated purposes. For additional information, see the section entitled "General Fund Closing Balance" in this AIS Update.

General Fund operating results for the first quarter of the 2007-08 fiscal year resulted in a cash balance of \$2.9 billion, \$1.3 billion lower than the Enacted Budget Financial Plan projection, and is primarily attributable to roughly \$1.1 billion in spending occurring earlier than planned and \$162 million in lower than expected receipts. The majority of these variances represent a change in timing of receipts and disbursements, and are not expected to impact the overall General Fund balance beyond those re-estimates that have been reflected in this Updated Financial Plan. The following table summarizes the General Fund impact of the first quarterly revisions. For additional information, see the section entitled "First Quarter Operating Results" in this AIS Update.

Summary of Changes to General Fund Forecast for 2007-08 through 2010-11				
Savings/(Costs)				
(millions of dollars)				
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Enacted Budget Surplus/(Gap) Estimate	<u>0</u>	<u>(3,105)</u>	<u>(4,771)</u>	<u>(6,625)</u>
Legislative Session Changes	(55)	(111)	(167)	(176)
Revenue and Spending Revisions	68	(400)	(394)	84
(Deposit to)/Use of 2007-08 Reserves	(12)	4	4	4
Change in Community Projects Fund Reserve	(1)	(2)	(3)	0
CURRENT BUDGET SURPLUS/(GAP) ESTIMATE	<u>0</u>	<u>(3,614)</u>	<u>(5,331)</u>	<u>(6,713)</u>

The combination of legislative session changes that have already been approved, revenue and spending revisions based on first quarter results, and revisions to revenue and spending estimates based on more recent program data result in net General Fund savings in 2007-08 of \$12 million compared to the Enacted Budget Financial Plan. As a result of these savings, the Updated Financial Plan reflects an increase of \$12 million in reserves, which are projected to be used to reduce budget gaps in future years.

In subsequent years, these revisions result in an increase to DOB's estimate of the 2008-09 General Fund budget gap from \$3.1 billion to \$3.6 billion, primarily from a delay in the opening of a video lottery terminal (VLT) facility at Aqueduct; and the outyear gaps are now in the range of \$5.3 billion in 2009-10 growing to \$6.7 billion in 2010-11.

The Updated Financial Plan does not include the fiscal impact of bills that have been passed by the Legislature but not yet delivered to the Governor for his action. The most significant bills, that could increase General Fund costs by roughly \$50 million in total in 2007-08 if all were approved, include a revision to Medicaid eligibility calculations to exclude certain trust income, additional adult community housing development for mentally ill individuals, the extension of personal income tax and corporate franchise tax credits for the replacement of certain home heating systems and use of clean heating fuels, and an increase in reimbursement rates paid to nursing homes caring for neurologically impaired children.

A summary and description of the substantive fiscal and policy changes, as well as the revenue and spending re-estimates, since the publication of the Enacted Budget Financial Plan, follows.

Legislative Session Changes:

General Fund Financial Plan Changes - Legislative Session				
Savings/(Costs)				
(millions of dollars)				
	2007-08	2008-09	2009-10	2010-11
Legislative Session Changes	(55)	(111)	(167)	(176)
Medicaid NYC Personal Care Trend	(53)	(53)	(53)	(53)
Increase GF Dedication to EPF	0	(25)	(75)	(75)
Improved Mental Health Care for Inmates	0	(12)	(19)	(29)
"Jonathan's Law": Enhanced protection for Children in State care	(1)	(9)	(7)	(7)
Medicaid Eligibility	0	(6)	(6)	(6)
Family Health Plus Eligibility Expansion	0	(2)	(3)	(3)
All Other	(1)	(4)	(4)	(3)

- NYC Personal Care Trend.** Effective April 1, 2007, the State will provide a 5.6 percent inflationary increase to providers in New York City that provide personal care services (e.g., non-medical services including general housekeeping, bathing, dressing, nursing supervision, etc.) to Medicaid eligible recipients.
- Environmental Protection Fund (EPF) Support (Chapter 258 of the Laws of 2007).** General Fund support to the EPF, which primarily supports land conservation, recycling and solid waste management activities, is increased from \$225 million to \$250 million in 2008-09 and \$300 million in 2009-10 and thereafter. This results in a corresponding decrease in General Fund receipts.

- **Confinement of Mentally Ill Prisoners.** A negotiated bill, which is expected to be passed by both houses of the Legislature, is designed to improve care and treatment of inmates with mental illness, going beyond the agreement reached in an earlier litigation settlement. Additional costs are associated with mandated evaluations of all inmates in disciplinary confinement, the expansion of residential mental health treatment programs available to inmates, improved training for Department of Correctional Services staff and monitoring the quality of care in residential mental health treatment programs.
- **“Jonathan’s Law” (Chapter 24 of the Laws of 2007).** Designed to provide parents and guardians of persons who reside in State and not-for-profit operated Mental Hygiene facilities with timely and complete access to records of alleged incidents. Specifically, the State and not-for-profit facilities will provide oral notification and written documentation of ensuing investigations, as well as face-to-face communication of reported incidents.
- **Medicaid Eligibility (Chapter 355 of the Laws of 2007).** Provides continuity of Medicaid services to inmates upon release from incarceration by temporarily suspending their eligibility (rather than terminating it) during confinement in a State or local correctional facility.
- **Family Health Plus (FHP) Eligibility (Chapter 101 of the Laws of 2007).** Eligibility for the FHP program is expanded to include farmers whose income had precluded them from enrolling by modifying the eligibility calculations to allow depreciation expenses of certain assets to be netted against total income.
- **All Other.** Reflects expansion of the personal income tax credit on residential solar energy system equipment to include members of a condominium management association or tenant-stockholders in a cooperative housing corporation. Other changes include new and expanded programs to provide additional services to seniors and victims of human trafficking; the creation of the Interagency Council for the Deaf to promote a statewide program of coordinated services; the payment of a one-time war bonus of \$250 to members of the merchant marine who served at sea during World War II, or their next of kin if they are deceased; and funding for a mental health study to identify populations with high rates of unmet needs.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Revenue and Spending Re-estimates:

General Fund Financial Plan Changes - Reestimates				
Savings/(Costs)				
(millions of dollars)				
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Total Re-estimates	<u>68</u>	<u>(400)</u>	<u>(394)</u>	<u>84</u>
Revenue Re-estimates	<u>324</u>	<u>300</u>	<u>238</u>	<u>572</u>
Tax Revenues	287	326	459	782
Cellular Surcharge collections	(11)	(11)	(12)	(12)
Debt Service (mainly due to timing of capital projects)	(1)	37	23	34
Asset Sale (55 Hanson Pl, Brooklyn)	0	(47)	0	0
All Other	49	(5)	(232)	(232)
Spending Re-estimates	<u>(256)</u>	<u>(700)</u>	<u>(632)</u>	<u>(488)</u>
Lottery and VLT receipts for School Aid	(157)	(492)	(590)	(369)
Child Welfare claims increase	(82)	(92)	(117)	(156)
Public Health	41	32	57	49
Medicaid Revisions	(27)	48	55	59
OMR NYS-OPTS (Options for People through Services)	(20)	(40)	(40)	(40)
Flood and Storm Assistance for Local Governments	(15)	(13)	0	0
CUNY Energy/Utilities	(10)	(14)	(14)	(14)
General State Charges	5	(19)	60	61
CFS Medicaid Waiver for Foster Care Children	1	8	16	15
Revised GF transfers to Dedicated HBTF	0	(102)	(43)	(80)
All Other	8	(16)	(16)	(13)

Revenue Re-estimates

- **Tax Revenues:** The modest revenue revisions are due primarily to better than anticipated results in the income tax partially offset by small changes in other revenue areas. The 2009-10 and 2010-11 revisions in the other category reflect a return to a more normal level of miscellaneous receipts derived primarily from non-recurring sources.
- **Cellular Surcharge.** The State is authorized to collect a \$1.20 monthly surcharge applied to all wireless communication devices of which \$0.50 is deposited into the General Fund and the remaining surcharge is credited to the Statewide Wireless Network account. Initial revenue projections for this surcharge have been reduced after a review of recent collection patterns.

- **Debt Service.** The downward revision to debt service estimates reflects a reduction in the level of bond-financed capital expenditures. In addition, costs have been modestly reduced as a result of the availability of existing bond proceeds to support upcoming capital spending.
- **Asset Sale.** The State no longer plans to sell 55 Hanson Place in Brooklyn and instead is planning a rehabilitation project. The sale was expected to generate proceeds that would partially benefit the General Fund, after moving costs were paid.
- **All Other.** The remaining changes include technical corrections to revenue projections contained in the Enacted Budget report including the proposed movement of the Business and Licensing Special Revenue account to the General Fund, and the creation of a Youth Facility Per Diem account. In addition, the State is now expected to receive roughly \$16 million in Federal grants as reimbursement for emergency spending in early 2006 to cover disruptions caused by Federal implementation delays of the new Medicare Part D prescription program.

Spending Re-estimates

- **Lottery/VLT for School Aid.** General Fund support for school aid is increased as a result of downward revisions to revenue projections for the Lottery Fund (including VLTs) that reduce the Lottery Fund's contributions toward school aid. The revisions to the Lottery Fund include VLT re-estimates resulting from delays in the anticipated opening date for the Aqueduct facility and additional expansion; poorer than expected performance at Yonkers; and a lottery re-estimate resulting from the poor performance of new instant games offered in 2007-08.
- **Child Welfare.** Under the open-ended child welfare services program, the State reimburses local governments 65 percent of the cost of providing certain services including community-based preventive services and child protective services. Increased General Fund support reflects higher than expected growth in local child welfare claims, primarily from New York City. DOB has increased its multi-year trend from 8 percent growth, included at the time of enactment of the 2007-08 Budget, to 9 percent annual growth after a review of local claiming patterns through the first quarter of the year.
- **Public Health.** Additional savings above the amount anticipated at enactment are expected in the Elderly Pharmaceutical Insurance Coverage (EPIC) program due to declining enrollment and the mandatory enrollment of certain EPIC recipients in the Medicare Part D prescription program. In addition, the estimate of the cost-of-living increases for human services workers and various legislative adds have been lowered to reflect historical experience.
- **Medicaid (including administrative costs).** DOB has made an upward revision to its projected Medicaid costs in 2007-08 for retroactive costs from expected Federal approval of increases to Medicaid reimbursement rates for nursing homes and emergency care provided in hospitals. Upon Federal approval, the State will retroactively increase nursing home rates and the rate paid to hospitals for emergency room services, effective January 2007. The proposed nursing home rate change employs a new methodology that was approved with the Enacted Budget that takes into account more recent cost experience. The remaining current year and ongoing costs of these rate increases were included in the Enacted Budget Financial Plan.

In addition, costs related to lost savings from Federal implementation delays of reduced pharmacy reimbursement for generic drugs required under the Federal Deficit Reduction Act of 2005 have been reflected in the Updated Financial Plan. These costs are offset in 2007-08 by a downward revision to estimated administrative costs, based on recent experience and an adjustment in hospital and nursing home

workforce recruitment and retention payments due to a correction in the savings attributable to the local cap (previously, all savings were budgeted as a General Fund rather than as a Special Revenue Fund offset), which also reduce projected costs in 2008-09 and beyond.

- **New York State Options for Persons through Services (OPTS) Revision.** The New York State OPTS program provides certain services in residential and day settings to individuals on waiting lists served by the Office of the Mental Retardation and Developmental Disabilities (OMRDD). The estimated spending for provider reimbursement under the program has increased based on current year experience to date and revised annual growth trends.
- **Disaster Assistance.** The State continues to make individual and public assistance payments in response to the April 2007 Nor'easter and the June 2007 flash floods in Delaware and Sullivan counties. The total costs of these disasters are estimated to be roughly \$87 million and \$25 million, respectively. The Federal government is paying for 75 percent of storm response costs (\$84 million). The State is funding the balance, including the 12.5 percent share of disaster assistance funding that local governments are typically expected to cover.
- **City University of New York (CUNY).** State reimbursement for CUNY operating costs is expected to exceed initial projections as a result of higher than anticipated energy and utility costs.
- **General State Charges.** Pension costs are expected to be roughly \$60 million higher beginning in 2008-09 to reflect a growing salary base offset by a reduction in the estimated pension contribution rate from 9.9 percent to 9.2 percent. In 2009-10 and 2010-11, the estimated pension contribution rate has also been lowered from 11.0 percent to 9.2 percent, resulting in a combined decrease of roughly \$90 million in estimated pension costs in those years. Health insurance costs for State employees and retirees have also been reduced by approximately \$50 million in 2008-09, and an average of \$26 million in each outyear. Fixed costs have been increased by \$15 million annually to reflect increased payments associated with litigation against the State based on a review of recent trends.
- **Children and Family Services Medicaid Waiver.** Under the waiver, children in foster care at risk of institutional placement will receive services in addition to traditional Medicaid services to prevent them from entering an institution. This is a new program and cost estimates reflect a revised implementation date from October 2007 to January 1, 2008.
- **Dedicated Highway Fund Support.** General Fund support of the Dedicated Highway and Bridge Trust Fund is increased to offset the impact of a downward revision to dedicated revenue (primarily motor vehicle fees) projections.
- **All Other.** The remaining changes include lower debt service payments, retroactive salary increases for forest rangers and security supervisors resulting from a recent settlement, a technical correction to move spending projections contained in the Enacted Budget Financial Plan for the proposed movement of the Business and Licensing Special Revenue account to the General Fund, and other minor revisions across multiple agencies and programs.

The State workforce is expected to total 198,388 positions across All Funds, a decrease of about 25 positions from the Enacted Budget Financial Plan estimate.

Spending Benchmarks

Total Disbursements (millions of dollars)				
	2006-07 Actuals	2007-08 Current	Annual \$ Change	Annual % Change
General Fund	51,591	53,995	2,404	4.7%
State Funds	77,311	83,672	6,361	8.2%
State Funds Operating	73,489	78,661	5,172	7.0%
Capital Budget	5,559	6,916	1,357	24.4%
Federal Operating	33,716	34,818	1,102	7.0%
All Funds	112,764	120,395	7,631	6.8%

- State Funds operating spending, which excludes Federal operating aid and capital spending, is projected to grow by \$5.2 billion (7.0 percent) from 2006-07 levels. This primarily reflects aid to public schools, an expanded STAR program, and support for transportation and higher education programs.
- The Capital Budget, which includes Federal and State support, is expected to grow to \$6.9 billion, an increase of \$1.3 billion or 24.4 percent over the prior year results, which is in part a result of delayed spending on various projects from 2006-07. This reflects spending reported in actual cash-basis reports. As detailed later in this document, roughly \$2.5 billion of additional capital spending in 2007-08 is reflected “off-budget.”
- All Governmental Funds¹ spending, which includes Federal aid, is estimated at \$120.4 billion in 2007-08, an increase of \$7.6 billion (6.8 percent) from 2006-07.
- Total All Funds receipts are expected to reach \$119.2 billion, an increase of \$6.8 billion (6.0 percent) from 2006-07 actuals. Base tax revenue growth is estimated to be 7.9 percent in 2007-08, following growth of 12.8 percent growth in 2006-07.
- Growth in New York personal income for 2007-08 is projected at 5.3 percent, and continues to surpass inflationary growth of 2.7 percent as measured by growth in the New York State Consumer Price Index.

¹ Hereafter “All Funds.” Comprises the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds.

GENERAL FUND CLOSING BALANCE

General Fund Estimated Closing Balance			
(millions of dollars)			
	2007-08 Enacted Estimate	2007-08 Current Estimate	Change
Projected Year-End Fund Balance	3,033	3,046	13
<i>Undesignated Reserves</i>	<u>1,227</u>	<u>1,227</u>	<u>0</u>
Tax Stabilization Reserve Fund	1,031	1,031	0
Rainy Day Reserve Fund	175	175	0
Contingency Reserve Fund	21	21	0
<i>Designated Reserves</i>	<u>1,806</u>	<u>1,819</u>	<u>13</u>
Debt Reduction Reserve Fund	250	250	0
Remaining Prior Year Surplus	1,203	1,215	12
Community Projects Fund	353	354	1

DOB projects the State will end the 2007-08 fiscal year with a General Fund balance of slightly more than \$3.0 billion (5.6 percent of spending). The balance consists of \$1.2 billion in undesignated reserves and slightly more than \$1.8 billion in reserves designated to finance existing or planned commitments. The projected closing balance is \$13 million higher than the balance projected at the time of the 2007-08 Enacted Budget Financial Plan due to the revisions discussed earlier.

The undesignated reserves include \$1.0 billion in the State's Tax Stabilization Reserve, which is at the statutory maximum of 2 percent of General Fund spending, \$175 million in the new Rainy Day Reserve after an initial planned deposit in 2007-08, and \$21 million in the Contingency Reserve Fund for litigation risks. The new Rainy Day Reserve has a maximum balance of 3 percent of General Fund spending and may be used to respond to an economic downturn or catastrophic event.

The designated reserves include \$354 million in the Community Projects Fund to finance existing "member item" initiatives for the Legislature, \$250 million to reduce State debt levels, and \$1.2 billion remaining from the 2006-07 surplus that is planned to be used in three equal amounts to lower the projected budget gaps.

DETAILED DISCUSSION OF THE UPDATED FINANCIAL PLAN**INTRODUCTION**

This section provides a description of the State's Updated Financial Plan projections for receipts and disbursements. The receipts forecast describes estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds. The spending projections summarize the annual growth in each of the State's major areas of spending (e.g., Medicaid, school aid, mental hygiene).

The 2007-08 Financial Plan projections are presented on an All Funds basis, which encompasses activity in the General Fund, other State-supported Funds, and Federal Funds, thus providing the most comprehensive view of the financial operations of the State.

RECEIPTS FORECAST

Financial Plan receipts comprise a variety of taxes, fees, charges for State-provided services, Federal grants, and other miscellaneous receipts. The receipts estimates and projections have been prepared by DOB with the assistance of the Department of Taxation and Finance and other agencies responsible for the collection of State receipts.

2007-08 Receipts Overview

Total Receipts (millions of dollars)							
	2006-07	2007-08	Annual	Percent	2008-09	Annual	Percent
	<u>Actual</u>	<u>Estimated</u>	<u>Change</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Change</u>
General Fund	51,379	53,996	2,617	5.1	55,453	1,457	2.7
Taxes	38,668	39,412	744	1.9	41,244	1,832	4.6
Miscellaneous Receipts	2,268	2,355	87	3.8	1,862	(493)	(20.9)
Federal Grants	151	75	(76)	(50.3)	59	(16)	(21.3)
Transfers	10,292	12,154	1,862	18.1	12,288	134	1.1
State Funds	76,755	82,147	5,392	7.0	85,161	3,014	3.7
Taxes	58,739	62,028	3,289	5.6	65,401	3,373	5.4
Miscellaneous Receipts	17,864	20,043	2,179	12.2	19,700	(343)	(1.7)
Federal Grants	152	76	(76)	(50.0)	60	(16)	(21.1)
All Funds	112,396	119,166	6,770	6.0	124,115	4,949	4.2
Taxes	58,739	62,028	3,289	5.6	65,401	3,373	5.4
Miscellaneous Receipts	18,078	20,198	2,120	11.7	19,848	(350)	(1.7)
Federal Grants	35,579	36,940	1,361	3.8	38,866	1,926	5.2

All Funds receipts are projected to total \$119.2 billion, an increase of \$6.8 billion over 2006-07 results. The total comprises tax receipts (\$62.0 billion), Federal grants (\$36.9 billion) and miscellaneous receipts (\$20.2 billion). The table above reports the actual receipts for 2006-07 and revised projections for 2007-08 and 2008-09.

- Total All Funds receipts in 2007-08 are expected to reach \$119.2 billion, an increase of \$6.8 billion, or 6.0 percent from 2006-07 results. All Funds tax receipts are projected to grow by almost \$3.3 billion. All Funds Federal grants are expected to increase by almost \$1.4 billion, or 3.8 percent. All Funds Miscellaneous receipts are projected to increase by approximately \$2.1 billion, or 11.7 percent.
- Total State Funds receipts are projected at \$82.1 billion, an increase of \$5.4 billion, or 7.0 percent above 2006-07 levels.
- Total General Fund receipts are projected at \$54.0 billion, an increase of \$2.6 billion, or 5.1 percent above 2006-07 results. General Fund tax receipt growth is projected to be 1.9 percent over 2006-07 results and General Fund miscellaneous receipts are projected to increase by \$87 million or 3.8 percent. The relatively weak growth in General Fund tax receipts largely reflects statutory changes including proposals increasing STAR benefits and the earmarking of additional funds to debt service funds. Federal grants decline due to the loss of one-time Federal reimbursement for emergency costs related to delays in implementation of the Federal Medicare Part D program.

Fiscal Years 2008-09 through 2010-11

Total Receipts (millions of dollars)										
	2007-08	2008-09	Annual	Percent	2009-10	Annual	Percent	2010-11	Annual	Percent
	<u>Estimated</u>	<u>Projected</u>	<u>Change</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Change</u>
General Fund	53,996	55,453	1,457	2.7	58,420	2,967	5.4	61,364	2,944	5.0
Taxes	39,412	41,244	1,832	4.6	43,551	2,307	5.6	45,828	2,277	5.2
State Funds	82,147	85,161	3,014	3.7	88,689	3,528	4.1	92,887	4,198	4.7
Taxes	62,028	65,401	3,373	5.4	69,073	3,672	5.6	72,530	3,457	5.0
All Funds	119,166	124,115	4,949	4.2	128,603	4,488	3.6	134,299	5,696	4.4
Taxes	62,028	65,401	3,373	5.4	69,073	3,672	5.6	72,530	3,457	5.0

Overall, receipts growth through fiscal year 2010-11 is expected to remain strong consistent with projected growth in the U.S. and New York economies (see page 48 of this report). In addition, actions taken with the 2007-08 Budget eliminate unintended tax loopholes and supplement Department of Taxation and Finance efforts to find non-compliant taxpayers; these actions are expected to enhance receipt growth through 2010-11.

- Total All Funds receipts in 2008-09 are projected to reach \$124.1 billion, an increase of \$4.9 billion, or 4.2 percent from 2007-08 estimates. All Funds receipts in 2009-10 are expected to increase to \$128.6 billion, 3.6 percent over the prior year. In 2010-11, receipts are expected to increase by \$5.7 billion to reach \$134.3 billion.
- All Funds tax receipts are expected to increase by 5.4 percent in 2008-09, 5.6 percent in 2009-10 and 5.0 percent in 2010-11. Again, the growth pattern is consistent with an economic forecast of continued economic growth. The revenue forecast matches closely the expected increase in State personal income over this period.
- Total State Funds receipts are projected to be nearly \$85.2 billion in 2008-09, \$88.7 billion in 2009-10 and almost \$92.9 billion in 2010-11.
- Total General Fund receipts are projected to be \$55.5 billion in 2008-09, nearly \$58.4 billion in 2009-10 and \$61.4 billion in 2010-11.

Revenue Summary

Base growth, adjusted for law changes, in tax receipts for fiscal year 2006-07 was a strong 12.8 percent. This was the third consecutive year of double digit growth in base tax receipts. The recent strong performance in the tax receipts base has benefited from several factors that are expected to continue in 2007-08 including:

- improvements in overall economic activity, especially in New York City;
- continued profitability and compensation gains of financial services companies;
- unanticipated growth in corporate taxes, especially the large increases in settlements related to prior year liabilities;
- continued growth in the downstate commercial real estate market; and the

- continued positive impact of high-income taxpayers on personal income tax growth.

Strong economic growth, especially concentrated in downstate New York over the past several years, has driven large gains in receipts. It is expected that the rapid expansion in base revenue will continue with a 7.9 percent increase in 2007-08 to be followed by more moderate growth in 2008-09 and beyond. Base growth is expected to remain above 5 percent throughout the forecast period.

Personal Income Tax

Personal Income Tax					
(millions of dollars)					
	2006-07	2007-08	Annual	2008-09	Annual
	Actual	Estimated	Change	Projected	Change
General Fund	22,939	23,071	132	24,426	1,355
Gross Collections	40,090	43,433	3,343	46,546	3,113
Refunds	(5,510)	(6,363)	(853)	(6,832)	(469)
STAR	(3,994)	(4,731)	(737)	(5,359)	(628)
RBTF	(7,647)	(9,268)	(1,621)	(9,929)	(661)
State/All Funds	34,580	37,070	2,490	39,714	2,644
Gross Collections	40,090	43,433	3,343	46,546	3,113
Refunds	(5,510)	(6,363)	(853)	(6,832)	(469)

All Funds income tax receipts for 2007-08 are projected to increase \$2.5 billion over the prior year to total \$37.1 billion. Gross receipts are projected to increase 8.3 percent and reflect withholding growth of 8.2 percent (\$2.2 billion) and growth in estimated taxes of 9.9 percent (\$750 million). Payments from extensions and final returns for tax year 2006 are projected to increase in total by 7.8 percent, or by \$366 million. Receipts from delinquencies are projected to increase by 9.3 percent or \$77 million over the prior year. Net receipts, which include refunds on tax year 2006 payments and liabilities, are projected to grow 7.2 percent. Refunds are projected to increase by 15.5 percent or \$853 million. The large refund change reflects the impact of the Empire State Child Credit (a refundable credit for resident taxpayers with children ages 4 to 16) that was enacted in 2006 and is applicable to tax years beginning in 2006 and after.

General Fund income tax receipts for 2007-08, which are net of deposits to the School Tax Relief (STAR) Fund and the Revenue Bond Tax Fund (RBTF), are estimated to increase by \$132 million to \$23.1 billion. Deposits to the STAR Fund, are to increase by \$737 million to \$4.7 billion in 2007-08 and reflect legislation passed with the Budget that increases the current STAR program by providing property tax relief rebates to middle-class homeowners and seniors. Deposits to the RBTF of just under \$9.3 billion reflect legislation that requires RBTF deposits to be calculated before the deposit of income tax receipts to the STAR Fund. Although this has the impact of decreasing General Fund receipts by nearly \$1.2 billion (25 percent of STAR), deposits in excess of debt service requirements are transferred back to the General Fund.

Personal Income Tax Change From Enacted Budget Estimates (millions of dollars)				
	2007-08	2007-08		
	Enacted	July Update		Percent
	Budget	Budget	Change	Change
General Fund	22,885	23,071	186	0.8
Gross Collections	43,083	43,433	350	0.8
Refunds	(6,263)	(6,363)	(100)	1.6
STAR	(4,730)	(4,731)	(1)	0.0
RBTF	(9,205)	(9,268)	(63)	0.7
State/All Funds	36,820	37,070	250	0.7
Gross Collections	43,083	43,433	350	0.8
Refunds	(6,263)	(6,363)	(100)	1.6

All Funds personal income tax receipts for 2007-08 are projected to be \$250 million, or 0.7 percent, higher than projected in the Enacted Budget Financial Plan. The upward revision is primarily due to stronger growth through June in withholding (\$400 million) and tax year 2006 extension payments (\$100 million), offset by lower-than-expected tax year 2006 final return payments (\$150 million) and higher-than-expected tax year 2006 refunds (\$100 million).

General Fund receipts are projected to be \$186 million higher than the Enacted Budget Financial Plan. This includes \$250 million in additional net receipts, offset by a higher deposit to the RBTF of \$63 million. Total deposits to the STAR Fund are expected to remain unchanged from the Enacted Budget estimate.

Personal Income Tax (millions of dollars)					
	2008-09	2009-10	Annual	2010-11	Annual
	Projected	Projected	Change	Projected	Change
General Fund	24,426	26,075	1,649	27,791	1,716
Gross Collections	46,546	49,704	3,158	52,974	3,270
Refunds	(6,832)	(7,220)	(388)	(7,664)	(444)
STAR	(5,359)	(5,838)	(479)	(6,141)	(303)
RBTF	(9,929)	(10,571)	(642)	(11,378)	(807)
State/All Funds	39,714	42,484	2,770	45,310	2,826
Gross Collections	46,546	49,704	3,158	52,974	3,270
Refunds	(6,832)	(7,220)	(388)	(7,664)	(444)

In general, income tax growth for 2008-09 through 2010-11 is governed by projections of growth in taxable personal income and its major components, including wages, interest and dividend earnings, realized taxable capital gains, and business net income and income derived from partnerships and S corporations, and the impact of tax law changes.

All Funds personal income tax receipts for 2008-09 through 2010-11 continue to reflect relatively strong growth in tax liability. All Funds projected receipts for 2008-09 of \$39.7 billion reflect an increase of 7.1 percent or \$2.6 billion above the estimate for 2007-08. The projection reflects enacted end of session legislation that will expand the residential solar energy credit to certain condominiums and co-ops and that is expected to reduce receipts by \$1 million annually beginning in 2009-10. All Funds receipts for 2009-10 are estimated at \$42.5 billion, an increase of \$2.8 billion or 7.0 percent growth. All Funds receipts for 2010-11 are estimated at \$45.3 billion, an increase of \$2.8 billion, and a growth of 6.7 percent above 2009-10.

General Fund income tax receipts are projected to increase by almost \$1.4 billion to \$24.4 billion in 2008-09. The change from 2007-08 reflects the growth in net receipts discussed above, partly offset by a \$661 million increase in transfers to the RBTF, and a \$628 million increase in transfers to the STAR Fund. The higher transfers to the STAR Fund support an increase in the Middle Class STAR rebate program scheduled for 2008-09. General Fund personal income tax receipts for 2009-10 are projected to increase over 2008-09 by \$1.6 billion to \$26.0 billion. Receipts reflect the 2009-10 increase in the Middle Class STAR program and deposits to the RBTF that are consistent with growth in All Funds receipts discussed above. Finally, General Fund receipts for 2010-11 are projected to increase by \$1.7 billion over 2009-10, reflecting the net of overall growth in All Funds receipts and transfers to the RBTF and STAR Fund.

User Taxes and Fees

User Taxes and Fees					
(millions of dollars)					
	2006-07	2007-08	Annual	2008-09	Annual
	Actual	Estimated	Change	Projected	Change
General Fund	8,186	8,527	341	8,900	373
Sales Tax	7,539	7,867	328	8,205	338
Cigarette and Tobacco Taxes	411	429	18	443	14
Motor Vehicle Fees	(16)	(21)	(5)	0	21
Alcoholic Beverage Taxes	194	200	6	204	4
ABC License Fees	58	52	(6)	48	(4)
State/All Funds	13,456	13,993	537	14,544	551
Sales Tax	10,738	11,216	478	11,692	476
Cigarette and Tobacco Taxes	985	1,030	45	1,068	38
Motor Fuel	513	522	9	539	17
Motor Vehicle Fees	769	772	3	778	6
Highway Use Tax	153	152	(1)	164	12
Alcoholic Beverage Taxes	194	200	6	204	4
ABC License Fees	58	52	(6)	48	(4)
Auto Rental Tax	46	49	3	51	2

All Funds user taxes and fees receipts for 2007-08 are projected to be \$14.0 billion, an increase of \$537 million or 4.0 percent from 2006-07 levels. General Fund user taxes and fees receipts are projected to total \$8.5 billion in 2007-08, an increase of \$341 million or 4.2 percent.

User Taxes and Fees Change From Enacted Budget Estimates				
(millions of dollars)				
	2007-08	2007-08		
	Enacted	July Update		Percent
	Budget	Budget	Change	Change
General Fund	8,565	8,527	(38)	(0.4)
Sales Tax	7,867	7,867	0	0.0
Cigarette and Tobacco Taxes	447	429	(18)	(4.0)
Motor Vehicle Fees	0	(21)	(21)	0.0
Alcoholic Beverage Taxes	200	200	0	0.0
ABC License Fees	51	52	1	2.0
State/All Funds	14,186	13,993	(193)	(1.4)
Sales Tax	11,216	11,216	0	0.0
Cigarette and Tobacco Taxes	1,078	1,030	(48)	(4.5)
Motor Fuel	537	522	(15)	(2.8)
Motor Vehicle Fees	900	772	(128)	(14.2)
Highway Use Tax	156	152	(4)	(2.6)
Alcoholic Beverage Taxes	200	200	0	0.0
ABC License Fees	51	52	1	2.0
Auto Rental Tax	48	49	1	2.1

Compared with the Enacted Budget Financial Plan, All Funds user taxes and fees receipts for 2007-08 are projected to decrease by \$193 million or 1.4 percent. Compared with the Enacted Budget Financial Plan, General Fund user taxes and fees receipts are projected to decrease by \$38 million or 0.4 percent. This decrease reflects a reduction in projected motor vehicle fee collections largely due to the reclassification of certain motor vehicle fees by the Office of the State Comptroller and the impact of a delay in the enforcement effort to collect cigarette excise and motor fuel taxes on sales made to Non-Native Americans on Native American lands.

User Taxes and Fees					
(millions of dollars)					
	2008-09	2009-10	Annual	2010-11	Annual
	Projected	Projected	Change	Projected	Change
General Fund	8,900	9,271	371	9,634	363
Sales Tax	8,205	8,514	309	8,845	331
Cigarette and Tobacco Taxes	443	438	(5)	432	(6)
Motor Vehicle Fees	0	58	58	95	37
Alcoholic Beverage Taxes	204	209	5	214	5
ABC License Fees	48	52	4	48	(4)
State/All Funds	14,544	15,060	516	15,547	487
Sales Tax	11,692	12,133	441	12,603	470
Cigarette and Tobacco Taxes	1,068	1,054	(14)	1,039	(15)
Motor Fuel	539	541	2	544	3
Motor Vehicle Fees	778	851	73	873	22
Highway Use Tax	164	167	3	171	4
Alcoholic Beverage Taxes	204	209	5	214	5
ABC License Fees	48	52	4	48	(4)
Auto Rental Tax	51	53	2	55	2

General Fund receipts from user taxes and fees are estimated to total \$8.9 billion in 2008-09, an increase of \$373 million from 2007-08. Receipts are projected to grow to \$9.3 billion and \$9.6 billion in 2009-10 and 2010-11, respectively. The increase is due largely to the expected continued growth in the sales tax base of about 4 percent.

Business Taxes

Business Taxes (millions of dollars)					
	2006-07	2007-08	Annual	2008-09	Annual
	Actual	Estimated	Change	Projected	Change
General Fund	6,468	6,679	211	6,707	28
Corporate Franchise Tax	3,676	3,904	228	4,004	100
Corporation & Utilities Tax	626	618	(8)	623	5
Insurance Tax	1,142	1,176	34	1,161	(15)
Bank Tax	1,024	981	(43)	919	(62)
State/All Funds	8,606	8,855	249	8,957	102
Corporate Franchise Tax	4,228	4,444	216	4,574	130
Corporation & Utilities Tax	820	816	(4)	821	5
Insurance Tax	1,258	1,292	34	1,276	(16)
Bank Tax	1,210	1,150	(60)	1,073	(77)
Petroleum Business Tax	1,090	1,153	63	1,213	60

All Funds business tax receipts for 2007-08 of nearly \$8.9 billion are estimated to increase by nearly \$249 million or 2.9 percent over the prior year. The estimates reflect a net increase in receipts of \$368 million resulting from legislation provisions that closed corporate tax loopholes that allowed bank and corporate franchise taxpayers to use complex tax shelter techniques to avoid tax (\$522 million) and authorized certain business tax cuts.

All Funds non-audit business tax receipts are estimated to increase 10.3 percent in 2007-08. This projection follows two consecutive years of extraordinary growth in non-audit corporate franchise tax receipts of 40 percent in 2005-06 and 29 percent in 2006-07. Total corporate franchise tax receipts for 2007-08 of \$4.4 billion reflect a decline of more than 20 percent in audit receipts from last year's historic levels.

All Funds non-audit bank tax receipts are projected to increase by 14.5 percent. Receipts from the bank tax also reflect a decline of non-audit receipts of more than 60 percent from 2006-07.

Estimated All Funds non-audit business tax receipts for 2007-08 also reflect growth in corporation and utilities taxes receipts of 2.4 percent, the insurance tax receipts of 4.1 percent and petroleum business tax receipts of 5.5 percent. All Funds audit receipts from all business taxes are projected to decline by 31 percent, or roughly \$480 million, from the historical level of the prior year.

This overall increase reflects a moderation in the growth of non-audit corporate franchise tax receipts to roughly 15 percent.

General Fund business tax receipts for 2007-08 of \$6.7 billion are estimated to increase \$211 million, or 3.3 percent over the prior year. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

Business Taxes Changes From Enacted Budget Estimates				
(millions of dollars)				
	2007-08	2007-08		
	Enacted	July Update		Percent
	Budget	Budget	Change	Change
General Fund	6,679	6,679	0	0.0
Corporate Franchise Tax	3,904	3,904	0	0.0
Corporation & Utilities Tax	618	618	0	0.0
Insurance Tax	1,176	1,176	0	0.0
Bank Tax	981	981	0	0.0
State/All Funds	8,919	8,855	(64)	(0.7)
Corporate Franchise Tax	4,476	4,444	(32)	(0.7)
Corporation & Utilities Tax	816	816	0	0.0
Insurance Tax	1,292	1,292	0	0.0
Bank Tax	1,150	1,150	0	0.0
Petroleum Business Tax	1,185	1,153	(32)	(2.7)

Compared to the Enacted Budget Financial Plan, estimated 2007-08 All Funds business tax receipts have decreased \$64 million, or 0.7 percent. The decrease reflects lower-than-estimated receipts through June for the corporate franchise tax, the bulk of which is attributable to timing of anticipated audit receipts, and lower-than-estimated receipts from the Metropolitan Transportation Authority surcharge. In addition, the decline in petroleum business tax receipts from the Enacted Budget Financial Plan estimates reflect the delay in the enforcement of regulations requiring collection of taxes from Native Americans. Estimates for total General Fund business tax receipts and for receipts from each business tax are unchanged from Enacted Budget Financial Plan estimates.

Business Taxes					
(millions of dollars)					
	2008-09	2009-10	Annual	2010-11	Annual
	Projected	Projected	Change	Projected	Change
General Fund	6,707	6,913	206	6,928	15
Corporate Franchise Tax	4,004	4,142	138	4,114	(28)
Corporation & Utilities Tax	623	628	5	632	4
Insurance Tax	1,161	1,197	36	1,236	39
Bank Tax	919	946	27	946	0
State/All Funds	8,957	9,187	230	9,248	61
Corporate Franchise Tax	4,574	4,727	153	4,735	8
Corporation & Utilities Tax	821	826	5	831	5
Insurance Tax	1,276	1,315	39	1,358	43
Bank Tax	1,073	1,100	27	1,100	0
Petroleum Business Tax	1,213	1,219	6	1,224	5

All Funds business tax receipts for 2008-09 are projected to increase \$102 million, or 1.2 percent, to nearly \$9.0 billion.

For 2009-10, All Funds business tax receipts are projected to increase to \$9.2 billion (2.6 percent) and are projected to remain roughly flat in 2010-11. The projected receipts continue to reflect the loophole-closing and business tax rate reduction initiatives enacted in 2007. In addition, receipts from the corporate franchise tax have been reduced by \$100 million in 2008-09, \$200 million in 2009-10, and roughly \$450 million in 2010-11 to reflect higher expected costs related to credits for the remediation and redevelopment of Brownfield sites.

Other Taxes

Other Taxes (millions of dollars)					
	2006-07	2007-08	Annual	2008-09	Annual
	Actual	Estimated	Change	Projected	Change
General Fund	1,075	1,135	60	1,211	76
Estate Tax	1,063	1,114	51	1,190	76
Gift Tax	(10)	0	10	0	0
Real Property Gains Tax	0	0	0	0	0
Pari-mutuel Taxes	21	20	(1)	20	0
All Other Taxes	1	1	0	1	0
State/All Funds	2,097	2,110	13	2,186	76
Estate Tax	1,063	1,114	51	1,190	76
Gift Tax	(10)	0	10	0	0
Real Property Gains Tax	0	0	0	0	0
Real Estate Transfer Tax	1,022	975	(47)	975	0
Pari-mutuel Taxes	21	20	(1)	20	0
All Other Taxes	1	1	0	1	0

All Funds other tax receipts in 2007-08 are projected to be roughly \$2.1 billion, up \$13 million or 0.6 percent from 2006-07, reflecting a modest reduction in real estate transfer tax receipts more than offset by an increase in estate tax collections. General Fund receipts for 2007-08 are projected to total more than \$1.1 billion or a \$60 million increase from 2006-07, with estate tax collections expected to grow modestly.

Other Taxes Change From Enacted Budget Estimates (millions of dollars)				
	2007-08	2007-08		
	Enacted	July Update	Change	Percent
	Budget	Budget	Change	Change
General Fund	1,135	1,135	0	0.0
Estate Tax	1,114	1,114	0	0.0
Gift Tax	0	0	0	0.0
Real Property Gains Tax	0	0	0	0.0
Pari-mutuel Taxes	20	20	0	0.0
All Other Taxes	1	1	0	0.0
State/All Funds	2,035	2,110	75	3.7
Estate Tax	1,114	1,114	0	0.0
Gift Tax	0	0	0	0.0
Real Property Gains Tax	0	0	0	0.0
Real Estate Transfer Tax	900	975	75	8.3
Pari-mutuel Taxes	20	20	0	0.0
All Other Taxes	1	1	0	0.0

All Funds other tax receipts for 2007-08 are revised upward by \$75 million over the Enacted Budget Financial Plan estimates due to greater-than-projected real estate transfer tax collections. General Fund receipts for 2007-08 are unchanged from the Enacted Budget Financial Plan estimates.

Other Taxes					
(millions of dollars)					
	2008-09	2009-10	Annual	2010-11	Annual
	Projected	Projected	Change	Projected	Change
General Fund	1,211	1,342	131	1,425	83
Estate Tax	1,190	1,321	131	1,404	83
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Pari-mutuel Taxes	20	20	0	20	0
All Other Taxes	1	1	0	1	0
State/All Funds	2,186	2,342	156	2,425	83
Estate Tax	1,190	1,321	131	1,404	83
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Real Estate Transfer Tax	975	1,000	25	1,000	0
Pari-mutuel Taxes	20	20	0	20	0
All Other Taxes	1	1	0	1	0

General Fund receipts from other taxes are expected to grow modestly over the next three fiscal years, primarily reflecting continued growth in estate tax collections. All Funds other tax receipts are projected to increase moderately in future years, primarily due to increased collections in the estate tax and a relatively flat real estate transfer tax.

Miscellaneous Receipts

Miscellaneous Receipts and Federal Grants					
(millions of dollars)					
	2006-07	2007-08	Annual	2008-09	Annual
	Actual	Estimated	Change	Projected	Change
General Fund	2,419	2,430	11	1,921	(509)
Miscellaneous Receipts	2,268	2,355	87	1,862	(493)
Federal Grants	151	75	(76)	59	(16)
State Funds	18,016	20,119	2,103	19,760	(359)
Miscellaneous Receipts	17,864	20,043	2,179	19,700	(343)
Federal Grants	152	76	(76)	60	(16)
All Funds	53,657	57,138	3,481	58,714	1,576
Miscellaneous Receipts	18,078	20,198	2,120	19,848	(350)
Federal Grants	35,579	36,940	1,361	38,866	1,926

General Fund miscellaneous receipts and Federal grants collections in 2007-08 are projected to reach over \$2.4 billion, up \$11 million from 2006-07 results, reflecting increases in indirect costs collections, Federal grant reimbursement and expected receipts from the New York Power Authority (NYPA) payments, offset by decreases in receipts from abandoned property, bond issuance charges and collections from the State of New York Mortgage Agency (SONYMA).

Miscellaneous Receipts & Federal Grants Change From Enacted Budget Estimates (millions of dollars)				
	2007-08	2007-08		
	Enacted	July Update		Percent
	Budget	Budget	Change	Change
General Fund	2,544	2,430	(114)	(4.5)
Miscellaneous Receipts	2,485	2,355	(130)	(5.2)
Federal Grants	59	75	16	27.1
State Funds	20,307	20,119	(188)	(0.9)
Miscellaneous Receipts	20,247	20,043	(204)	(1.0)
Federal Grants	60	76	16	26.7
All Funds	57,530	57,138	(392)	(0.7)
Miscellaneous Receipts	20,402	20,198	(204)	(1.0)
Federal Grants	37,128	36,940	(188)	(0.5)

General Fund miscellaneous receipts and Federal grants in 2007-08 are estimated to be \$114 million below Enacted Budget Financial Plan estimates, due mainly to fund shifts to special revenue accounts. The loss of revenues is partially offset by a \$40 million increase in the short-term investment income receipts expected in 2007-08.

Miscellaneous Receipts and Federal Grants (millions of dollars)					
	2008-09	2009-10	Annual	2010-11	Annual
	Projected	Projected	Change	Projected	Change
General Fund	1,921	2,120	199	2,120	0
Miscellaneous Receipts	1,862	2,061	199	2,061	0
Federal Grants	59	59	0	59	0
State Funds	19,760	19,616	(144)	20,357	741
Miscellaneous Receipts	19,700	19,556	(144)	20,297	741
Federal Grants	60	60	0	60	0
All Funds	58,714	59,530	816	61,769	2,239
Miscellaneous Receipts	19,848	19,703	(145)	20,441	738
Federal Grants	38,866	39,827	961	41,328	1,501

General Fund miscellaneous receipts and Federal grants in 2008-09 are projected to be \$1.9 billion, down \$509 million from 2007-08. This decrease is primarily the result of the loss of certain receipts from NYPA, SONYMA, the Hurricane Katrina EMAC, and a decrease in abandoned property and investment income collections. For 2009-10, General Fund miscellaneous receipts and Federal grants are projected to increase by \$199 million. Receipts are expected to remain relatively constant in 2010-11.

UPDATED DISBURSEMENTS FORECAST

In addition to changes made during the end of the regular legislative session, the spending forecasts for each of the State's major programs and activities have been updated since the Enacted Budget Financial Plan as more information has become available. Most of the changes are modest and include revisions to Medicaid, public health, mental hygiene, and social services which are explained in detail earlier in this update. The current services estimates are based on 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, projected economic

conditions, and changes in Federal law. In Correctional Services, spending estimates are based in part on estimates of the State's prison population, which in turn depend on forecasts of incarceration rates, release rates, and conviction rates. All projections account for the timing of payments, since not all the amounts appropriated in the Enacted Budget Financial Plan are disbursed in the same fiscal year. The major assumptions used in preparing the spending projections for the State's major programs and activities are summarized in the tables presented in the following section.

Additional detailed information on annual spending changes for each of the State's major programs and activities may be found in the 2007-08 Enacted Budget Financial Plan available on-line at www.budget.state.ny.us.

Total Disbursements (millions of dollars)						
	2006-07 Actuals	2007-08 Enacted	2007-08 Current	Annual \$ Change	Annual % Change	\$ Change from Enacted
General Fund	51,591	53,684	53,995	2,404	4.7%	311
State Funds	77,311	83,779	83,672	6,361	8.2%	(107)
State Funds Operating	73,489	78,426	78,661	5,172	7.0%	235
Capital Budget	5,559	7,352	6,916	1,357	24.4%	(436)
Federal Operating	33,716	34,898	34,818	1,102	3.3%	(80)
All Funds	112,764	120,675	120,395	7,631	6.8%	(280)

In 2007-08, General Fund spending, including transfers to other funds, is projected to total \$54.0 billion, an increase of \$311 million from the Enacted Budget Financial Plan forecast. State Funds Operating spending, which includes both the General Fund and spending from other funds supported by assessments, tuition, the Health Care Reform Act (HCRA) resources, and other non-Federal revenues, is projected to total \$78.7 billion in 2007-08, an increase of \$235 million from the initial forecast. Estimated capital spending and Federal operating aid have been reduced since the Enacted Budget Financial Plan by \$436 million and \$80 million, respectively. As a result, All Funds spending, which includes Federal aid, is currently projected to total \$120.4 billion in 2007-08, \$280 million below the initial forecast.

GENERAL FUND FINANCIAL PLAN PROJECTIONS FOR 2008-09 THROUGH 2010-11

The budgetary changes enacted at the end of the regular legislative session and revisions to the receipt and spending estimates since the time of enactment have no significant impact on the General Fund Financial Plan balance in 2007-08. However the projected outyear gaps have been increased by roughly \$500 million each in 2008-09 and 2009-10, to a total of \$3.6 billion in 2008-09, \$5.3 billion in 2009-10, and \$6.7 billion in 2010-11.

The projected 2008-09 spending increases are driven by rising costs for public health care, the State-financed cap on local Medicaid spending, increased State aid for schools, State employee and retiree health benefits, mental hygiene services and child welfare programs.

In evaluating the State's outyear operating forecast, it should be noted that the reliability of the estimates as a predictor of the State's future fiscal condition is likely to diminish as one moves further from the current year. Accordingly, the 2008-09 forecast is perhaps the most relevant from a planning perspective, since any gap in that year must be closed with actions which would typically have a positive impact on subsequent year gaps, and the variability of the estimates is likely to be less than in later years.

The following chart provides a "zero-based" look at the causes of the 2008-09 General Fund budget gap, followed by a brief summary of the assumptions behind the projections. A detailed explanation of the assumptions underlying the outyear revenue and spending projections appears elsewhere in this AIS Update.

2008-09 General Fund Annual Change	
Savings/(Costs)	
(millions of dollars)	
	2008-09
RECEIPTS	1,457
Constant Law Growth	3,431
Existing Tax Reductions	(330)
Uncommon Audit Collections	(121)
Change in STAR Tax Cuts	(628)
Change in Debt Service (RBTF/LGAC/CWCA)	(332)
Non-recurring 2007-08 Payments (NYPA; SONYMA; Hurricane Katrina)	(299)
Non-recurring Abandoned Property	(140)
All Other	(124)
DISBURSEMENTS	(5,540)
Local Assistance	(4,265)
Medicaid	(2,055)
<i>Program Growth</i>	(1,206)
<i>Medicaid Cap/Family Health Plus Takeover</i>	(374)
<i>Change in HCRA/Provider Assessment Financing</i>	(475)
School Aid	(1,368)
Local Government Assistance	(381)
Mental Hygiene	(236)
Children and Family Services	(163)
All Other Local Assistance	(62)
State Operations	(403)
Personal Service	(255)
Non-personal Service	(148)
General State Charges	(444)
Health Insurance	(328)
Pensions	(101)
All Other	(15)
Transfers to Other Funds	(428)
Debt Service	(125)
Capital Projects	(311)
All Other	8
Use of Reserves (net)	469
CURRENT SERVICES BUDGET GAP FOR 2008-09	(3,614)

The forecast for 2008-09 is based on assumptions of economic performance, revenue collections, spending patterns, and projections for the current services costs of program activities. DOB believes the estimates of annual change in revenues and spending that create the 2008-09 current services gap forecast are based on reasonable assumptions and methodologies. Significant assumptions that affect the forecast include:

- **Economic growth will continue during the forecast period.** DOB's forecast calls for moderate expansion in the economy. The momentum of the State's expansion appears to have peaked in 2005, and the forecast calls for positive, but slowing growth in 2007 and a return to trend growth rates in the outyears.
- **Revenues, adjusting for tax law changes, will grow in the range of 5 percent to 6 percent annually.** The growth rate is consistent with DOB's forecast for the economy, but, as in any year, is subject to significant volatility. Changes in the economic growth rate, Federal law, and taxpayer behavior all have a significant influence on receipts collections.
- **The Federal government will not make substantive funding changes** to major aid programs or make substantive regulatory changes that adversely affect the State.
- **The projections do not include any extra costs for new labor settlements.** Current labor contracts expired on April 1, 2007. Each 1 percent salary increase is valued at \$86 million in the General Fund and \$135 million in All Funds. In addition, the Updated Financial Plan does not include any pay increases for judges or elected officials.
- **The projections do not count on the use of one-time resources.** In a typical year, the Financial Plan will include such resources totaling roughly \$500 million and DOB expects similar levels could be achieved in the future.

Changes to these or other assumptions have the potential to materially alter the size of the budget gaps for 2008-09 and beyond.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

OUTYEAR GENERAL FUND DISBURSEMENT PROJECTIONS

DOB forecasts General Fund spending of \$59.5 billion in 2008-09, an increase of \$5.5 billion (10.3 percent) over projected 2007-08 levels. Growth in 2009-10 is projected at \$4.7 billion (7.8 percent) and in 2010-11 at \$4.4 billion (6.9 percent). The growth levels are based on current services projections, as modified by the budgetary actions approved during the end of the regular legislative session. The State Constitution requires the Governor to annually submit a balanced budget to the Legislature and recent legislation requires the Legislature to enact a balanced budget. The current estimates do not incorporate any new proposals to control spending that are likely to be part of any balanced budget submission in 2008-09 and in future years. The main sources of annual spending growth for 2008-09, 2009-10, and 2010-11 are itemized in the following table.

Outyear Disbursement Projections - General Fund							
(millions of dollars)							
	2007-08	2008-09	Annual \$ Change	2009-10	Annual \$ Change	2010-11	Annual \$ Change
Grants to Local Governments:	37,279	41,544	4,265	45,457	3,913	48,865	3,408
School Aid	16,170	17,538	1,368	19,166	1,628	20,727	1,561
Medicaid (including administration)	8,602	10,283	1,681	11,655	1,372	12,399	744
Medicaid: Takeover Initiatives	974	1,348	374	1,898	550	2,453	555
Higher Education	2,398	2,473	75	2,528	55	2,556	28
Mental Hygiene	1,858	2,094	236	2,266	172	2,374	108
Children and Families Services	1,600	1,763	163	1,884	121	2,017	133
Temporary and Disability Assistance	1,392	1,438	46	1,433	(5)	1,430	(3)
Other Education Aid	1,738	1,686	(52)	1,711	25	1,771	60
Local Government Assistance	943	1,324	381	1,364	40	1,420	56
Public Health	668	730	62	715	(15)	733	18
Transportation	106	105	(1)	105	0	104	(1)
All Other	830	762	(68)	732	(30)	881	149
State Operations:	9,613	10,016	403	10,407	391	10,663	256
Personal Service	6,679	6,934	255	7,186	252	7,308	122
Non-Personal Service	2,934	3,082	148	3,221	139	3,355	134
General State Charges	4,525	4,969	444	5,282	313	5,585	303
Pensions	1,185	1,286	101	1,292	6	1,283	(9)
Health Insurance (Active Employees)	1,508	1,695	187	1,834	139	1,972	138
Health Insurance (Retired Employees)	1,064	1,205	141	1,357	152	1,526	169
All Other	768	783	15	799	16	804	5
Transfers to Other Funds:	2,578	3,006	428	3,072	66	3,520	448
Debt Service	1,578	1,703	125	1,692	(11)	1,721	29
Capital Projects	89	400	311	534	134	945	411
All Other	911	903	(8)	846	(57)	854	8
TOTAL DISBURSEMENTS	53,995	59,535	5,540	64,218	4,683	68,633	4,415

Grants to Local Governments

Annual growth in local assistance is driven primarily by Medicaid and school aid. The following table summarizes some of the factors that affect the local assistance projections over the Financial Plan period.

Forecast for Selected Program Measures Affecting Local Assistance					
(dollars)					
	Actual	Forecast			
	2006-07	2007-08	2008-09	2009-10	2010-11
Medicaid					
Medicaid Coverage	3,690,578	3,854,312	4,008,484	4,168,824	4,335,577
Family Health Plus Coverage	514,058	539,944	556,397	567,484	578,793
Child Health Plus Coverage	388,187	420,882	452,991	469,940	496,204
Medicaid Inflation	1.4%	1.8%	4.4%	4.7%	4.3%
Medicaid Utilization	1.1%	1.4%	3.4%	3.5%	3.3%
State Takeover of County/NYC Costs (Total)	\$756	\$974	\$1,348	\$1,898	\$2,453
- Family Health Plus	\$424	\$477	\$518	\$530	\$547
- Medicaid	\$332	\$497	\$830	\$1,368	\$1,906
Education					
School Aid (School Year)	\$17,900	\$19,600	\$21,000	\$23,200	\$25,500
K-12 Enrollment	2,783,153	2,758,856	2,758,856	2,758,856	2,758,856
Public Higher Education Enrollment (FTEs)	503,538	515,178	515,178	515,178	515,178
TAP Recipients	323,000	318,000	318,000	318,000	318,000
Welfare					
Family Assistance Caseload	402,346	366,757	360,832	357,765	355,722
Single Adult/No Children Caseload	158,513	169,286	169,125	167,736	166,234
Mental Hygiene					
Mental Hygiene Community Beds	84,465	87,436	90,217	92,462	94,271

Medicaid

General Fund spending for Medicaid is expected to grow by roughly \$2.0 billion in 2008-09, \$1.9 billion in 2009-10, and another \$1.3 billion in 2010-11.

Major Sources of Annual Change in Medicaid Growth			
General Fund			
(billions of dollars)			
	Increase from Prior Year		
	2008-09	2009-10	2010-11
Price/Utilization/Admin Growth	1.0	1.0	1.0
Timing	0.2	0.0	0.0
Extra Weekly Payment	0.0	0.3	(0.3)
Medicaid Cap/FHP Takeover	0.4	0.6	0.6
Provider Assessments	0.1	0.0	0.0
HCRA Financing	0.3	0.0	0.0
Total	2.0	1.9	1.3

Medicaid growth results, in part, from the combination of projected increases in recipients, service utilization, and medical care cost inflation that impact nearly all categories of service (e.g., hospitals, nursing homes, etc.). The State cap on local Medicaid costs and takeover of local FHP costs is projected to increase spending by \$374 million in 2008-09, \$550 million in 2009-10, and \$555 million in 2010-11. In 2009-10, an extra weekly payment to providers adds \$300 million in spending. The remaining growth is primarily attributed to certain nursing home delinquent payor assessment collections in 2007-08 that are not expected to recur in 2008-09 and lower levels of HCRA financing beginning in 2008-09, both of which are used to lower General Fund costs, as well as the impact of the prepayment of certain 2007-08 obligations in 2006-07.

The average number of Medicaid recipients is expected to grow to 4 million in 2008-09, an increase of 4.0 percent from the estimated 2007-08 caseload of more than 3.8 million. FHP enrollment is estimated to grow to approximately 556,000 in 2008-09, an increase of 3 percent over projected 2007-08 enrollment of almost 540,000.

School Aid

Four Year School Aid Projection -- School Year Cumulative Increase from 2006-07 Results (millions of dollars)				
	July	Forecast		
	2007-08	2008-09	2009-10	2010-11
Foundation Aid	1,110	2,343	3,858	5,512
Universal Pre-kindergarten	104	200	300	350
Additional Pre-kindergarten	43	0	0	0
High Tax Aid	100	0	0	0
Supplemental Public Excess Cost	17	0	0	0
New York City Academic Achievement Grant	89	0	0	0
EXCEL Building Aid	112	184	197	197
Expense-Based Aids (Building, Transportation, High Cost and Private Excess Cost, BOCES)	141	332	785	1,280
Other Aid Categories/Initiatives/Miscellaneous Growth	51	63	200	300
School Aid Subtotal	1,767	3,122	5,340	7,639
Other: SED State Operations--Accountability Initiative	15	20	20	20
Total Cumulative Increase	1,782	3,142	5,360	7,659

On a school year basis, school aid is projected at \$21.0 billion in 2008-09, \$23.2 billion in 2009-10, and \$25.5 billion in 2010-11. On a State fiscal year basis, General Fund school aid spending is projected to grow by \$1.4 billion in 2008-09, \$1.6 billion in 2009-10, and \$1.6 billion in 2010-11. Outside the General Fund, revenues from lottery sales are projected to increase by \$137 million in 2008-09, \$97 million in 2009-10, and \$27 million in 2010-11, to a total of \$2.2 billion in 2008-09 growing to a total of \$2.3 billion in 2010-11. In addition, VLT revenues are projected to increase by \$63 million in 2008-09, \$188 million in 2009-10, and \$651 million in 2010-11, to a total of \$570 million in 2008-09 and growing to \$1.4 billion in 2010-11. The VLT estimates assume the start of operations at Aqueduct in 2009-10 and the approval of a proposed expansion plan in 2008-09.

The Updated Financial Plan assumes that certain school aid initiatives included in the 2007-08 Enacted Budget Financial Plan are non-recurring. Specifically, High Tax Aid (\$100 million); Supplemental Public Excess Cost Aid (\$17 million) and the New York City Academic Achievement Grant (\$89 million) are non-recurring. In future years, projected school aid increases are primarily due to increases in Foundation Aid;

Universal Pre-kindergarten expansion; and increases in expense-based aids such as Building Aid and Transportation Aid.

Higher Education

Spending for higher education programs is projected to grow by \$75 million in 2008-09, \$55 million in 2009-10, and \$28 million in 2010-11. This growth is largely driven by increases in State aid to the City University (CUNY), where the State supports senior college operations and works in conjunction with the City of New York to finance community colleges. The additional support to CUNY allows for continued implementation of strategic objectives and includes: establishing a more rigorous and selective university system, creating a flagship environment, fostering a research environment, improving CUNY's teacher education programs, expanding collaborative and outreach programs with the New York City Board of Education, and facilitating economic development.

Mental Hygiene

Mental Hygiene spending is projected at \$2.1 billion in 2008-09, \$2.3 billion in 2009-10, and \$2.4 billion in 2010-11. The growth is largely attributable to increases in the projected State share of Medicaid costs, cost-of-living increases, projected expansions of the various mental hygiene service systems including the Office of Mental Health's (OMH's) Children's Services, increases in the NYS-CARES program and in the development of children's beds to bring children back from out-of-state placements in OMRDD, the NY/NY III Supportive Housing agreement and community bed expansion in OMH, and several new chemical dependence treatment and prevention initiatives.

Children and Family Services

Children and Family Services spending is projected to grow by \$163 million in 2008-09, \$121 million in 2009-10 and \$133 million in 2010-11. The increases are driven primarily by expected growth in local child welfare claims, the impact of the expected delay in obtaining the Office of Children and Family Services Medicaid waiver, and cost-of-living increases.

Temporary and Disability Assistance

Spending is projected at \$1.4 billion in 2008-09, an increase of \$46 million (3.2 percent) from 2007-08, and is expected to remain at virtually the same level in 2009-10 and 2010-11. Caseloads for family assistance and single adult/childless couples are projected to decline marginally. This reduction is countered by the reduction in available public assistance offsets, which increases the level of General Fund resources needed.

Other Local

All other local assistance programs total \$3.9 billion in 2008-09, an increase of approximately \$324 million over 2007-08 Enacted Budget Financial Plan levels. This growth in spending results primarily from increases in local government assistance (\$380 million) as unrestricted aid to New York City is expected to return to prior-year levels (\$308 million increase) and additional AIM funding for "high need" municipalities increases another \$50 million above 2007-08 levels, offset by a decline in other education aid reflecting legislative member item spending in 2007-08 that is expected to be a one-time cost.

State Operations

Forecast of Selected Program Measures Affecting State Operations					
	Actual	Forecast			
	2006-07	2007-08	2008-09	2009-10	2010-11
State Operations					
Prison Population (Corrections)	63,577	63,400	63,400	63,400	63,400
Negotiated Salary Increases ⁽¹⁾	3.00%	0.0%	0.0%	0.0%	0.0%
Personal Service Inflation	0.8%	0.8%	0.8%	0.8%	0.8%
State Workforce	195,526	198,388	199,218	199,385	199,385

(1) Negotiated salary increases include a recurring \$800 base salary adjustment effective April 1, 2007.

State Operations spending is expected to total \$10.0 billion in 2008-09, an annual increase of \$403 million (4.2 percent). In 2009-10, spending is projected to grow by another \$391 million to a total of \$10.4 billion (3.9 percent). Spending in 2010-11 is projected to total \$10.7 billion, \$256 million above 2009-10 levels (2.5 percent). These increases reflect salary adjustments for performance advances, longevity payments and promotions, and increased staffing levels, primarily in mental health and corrections. Inflationary increases for non-personal service costs result in higher spending in all years. Additional growth is driven by spending for ongoing initiatives, including the civil commitment program for sexual offenders, and medical and pharmacy costs in the areas of mental hygiene and corrections. The projections do not include any reserve for salary increases and labor settlements after the current round of contracts, which expired on April 1, 2007 (United University Professions contracts expired on July 1, 2007).

The agencies experiencing the most significant personal service and non-personal service growth from 2007-08 to 2008-09 are depicted in the charts below, followed by brief descriptions.

Personal Service

General Fund - Personal Service (millions of dollars)				
	2007-08	2008-09	Annual \$ Change	Annual % Change
Total	6,679	6,934	255	3.8%
Judiciary	1,312	1,407	95	7.2%
Mental Health	478	540	62	13.0%
Correctional Services	1,818	1,843	25	1.4%
State University	890	911	21	2.4%
State Police	383	402	19	5.0%
Children and Family Services	157	168	11	7.0%
Public Health	72	82	10	13.9%
Medicaid Inspector General	11	20	9	81.8%
Tax and Finance	209	216	7	3.3%
All Other	1,349	1,345	(4)	-0.3%

- **Judiciary.** Reflects projections provided by the Office of Court Administration (OCA) for collective bargaining agreements for OCA employees, as well as the annualization of prior year

judicial actions, including making part-time judges full-time, and the addition of Court of Claims and Family Judges.

- **Mental Health.** Base growth reflects the loss of non-recurring revenue maximization/savings actions (\$29 million); additional costs resulting from recent legislation related to civil confinement for sexual offenders (\$15 million); annualization of prior year and current year initiatives, including a new pharmaceutical initiative, additional research jobs, Workplace Violence Prevention Act, Jonathan's Law and the Special Housing Unit bill (\$11 million); and contractual salary increases (\$7 million).
- **Correctional Services.** Growth is primarily attributable to recent legislation related to civil confinement for sexual offenders and the restricted use of special housing units for mentally ill inmates that are expected to result in an increased need for correction officers.
- **State University.** Reflects funding for inflationary increases at the State University of New York (SUNY). The total taxpayer-supported workforce for SUNY is approximately 24,000 positions. The annual growth is driven largely by costs associated with contractual salary increases, multi-year initiatives and legislative additions.
- **State Police.** The growth is driven primarily by the State Police's takeover of patrol costs on Interstate highway 84 in 2008-09 that were previously financed with proceeds from toll revenues that have been discontinued.
- **Children and Family Services.** Primarily reflects the expected loss of non-recurring Federal revenue used to offset General Fund costs (\$5 million), the full annual cost of 218 new youth facility jobs (\$4 million), and salary adjustments (\$1 million).
- **Public Health.** Primarily reflects the annualization of 79 new positions included in the 2007-08 Budget as well as anticipated cost increases associated with filling vacant positions.
- **Medicaid Inspector General.** Newly created agency is expected to continue to expand operations in 2008-09 in order to be able to fulfill agency goals. The agency expects cost to increase as currently vacant positions are filled.
- **Tax and Finance.** Reflects the annualization of 200 additional full-time employees added for audit and information technology purposes.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Non-Personal Service

General Fund - Non-Personal Service (millions of dollars)				
	2007-08	2008-09	Annual \$ Change	Annual % Change
Total	2,934	3,082	148	5.0%
Correctional Services	596	637	41	6.9%
State University	428	449	21	4.9%
Mental Health	271	290	19	7.0%
Mental Retardation	249	264	15	6.0%
State Police	70	82	12	17.1%
Children and Family Services	100	109	9	9.0%
Judiciary	298	306	8	2.7%
Public Health	117	124	7	6.0%
Homeland security	22	27	5	22.7%
All Other	783	794	11	1.4%

- **Correctional Services.** Growth is primarily driven by the escalating costs of providing health care services and prescription drugs to inmates, as well as recent legislation related to the civil confinement for sexual offenders and the restricted use of special housing units for mentally ill inmates.
- **State University.** Primarily reflects funding for inflationary increases at SUNY, as gauged by the Higher Education Price Index (HEPI). The HEPI, which is usually 3-5 percent annually, is a more accurate indicator of changes in costs for colleges and universities than the more familiar Consumer Price Index. The spending growth is also related to the additional need for supplies and equipment associated with the hiring of more full-time faculty.
- **Mental Health.** Primarily reflects overall inflationary increases, including assumed 4 percent increases for energy costs and roughly 10 percent for pharmacy costs (\$15 million) and additional costs resulting from the Sex Offender Management and Treatment Act (\$3 million)
- **Mental Retardation.** Primarily reflects a 2.5 percent overall inflationary increase (\$9 million) as well as a roughly 10 percent increase for pharmacy costs (\$5 million).
- **State Police.** Spending growth is primarily driven by the loss of cellular surcharge revenues supporting certain non-personal service costs.
- **Children and Family Services.** Growth is driven by the loss of Federal revenues supporting development costs of the child welfare computer system (\$5 million), general inflation (\$3 million) and projected Office for Technology rate increases for services provided to the agency (\$1 million).
- **Judiciary.** The increase is driven by inflation and increasing court security costs, Law Guardian / Assigned Counsel costs and additional costs generated by each new judgeship.

- **Public Health.** Reflects the full annual cost of new and enhanced investments (i.e., Vital Records Program, federally mandated Payment Error Rate Measurement) authorized in the 2007-08 Enacted Budget Financial Plan and other associated non-personal service costs (i.e., technology upgrades, infrastructure improvements) to ensure appropriate auditing and surveillance capabilities and other measures to protect the public health.
- **Homeland Security.** Primarily reflects costs driven by the Oneida Training Center project, which will provide training of all State First Responders/Potential First Responders in the event of an emergency (e.g., a terrorist attack or natural disaster).

General State Charges

Forecast of Selected Program Measures Affecting General State Charges					
	Actual	Forecast			
	2006-07	2007-08	2008-09	2009-10	2010-11
General State Charges					
Pension Contribution Rate	10.2%	9.5%	9.2%	9.2%	9.2%
Employee/Retiree Health Insurance Rate	10.3%	5.8%	12.8%	10.0%	9.6%

General State Charges are projected to total \$5.0 billion in 2008-09, \$5.3 billion in 2009-10 and \$5.6 billion in 2010-11. The annual increases are due mainly to anticipated cost increases in pensions and health insurance for State employees and retirees.

The State’s pension contribution rate to the New York State and Local Retirement System is expected to decrease from 9.5 percent of salary in 2007-08 to 9.2 percent in 2008-09 and beyond. Pension spending in 2008-09 is projected to total \$1.3 billion, an increase by \$101 million over 2007-08 due to projected growth in the salary base. In 2009-10 and 2010-11 pension costs are expected to remain virtually unchanged.

History and Forecast of New York State Employee Health Insurance (millions of dollars)			
Year	Health Insurance		
	Active Employees	Retirees	Total State
2006-07	1,518	913	2,431
2007-08	1,508	1,064	2,572
2008-09	1,695	1,205	2,900
2009-10	1,834	1,357	3,191
2010-11	1,972	1,526	3,498

All numbers reflect the cost of Health Insurance for General State Charges (Executive and Legislative branches) and the Office of Court Administration. The Retiree estimates for 2007-08 and beyond are taken from the GASB 45 Actuarial Valuation Report completed by Buck Consultants and issued on May 15, 2007.

Spending for employee and retiree health care costs is expected to increase by \$328 million in 2008-09, \$291 million in 2009-10, and another \$307 million in 2010-11 and assumes an average annual premium increase of roughly 10 percent. Health insurance is projected at \$2.9 billion in 2008-09 (\$1.7 billion for active employees and \$1.2 billion for retired employees), \$3.2 billion in 2009-10 (\$1.8 billion for active

employees and \$1.4 billion for retired employees), and \$3.5 billion in 2010-11 (\$2.0 billion for active employees and \$1.5 billion for retired employees). See discussion of the Governmental Accounting Standards Board (GASB) 45 later in this Updated Financial Plan for the valuation of future state health insurance costs for State employees.

Transfers to Other Funds

Outyear Disbursement Projections - Transfers to Other Funds				
(millions of dollars)				
	2007-08	2008-09	2009-10	2010-11
Transfers to Other Funds:	2,578	3,006	3,072	3,520
Debt Service	1,578	1,703	1,692	1,721
Capital Projects	89	400	534	945
Dedicated Highway and Bridge Trust Fund Support	0	139	289	690
All Other Capital	89	261	245	255
All Other Transfers	911	903	846	854
Medicaid Payments for State Facility Patients	174	174	174	174
Lottery and VLT Support for School Aid	157	0	0	0
Judiciary Funds	164	162	162	162
SUNY- Hospital Operations	120	141	159	167
Banking Services	69	69	69	69
Empire State Stem Cell Trust Fund	25	75	0	0
Statewide Financial System	0	50	50	50
All Other	202	232	232	232

In 2008-09, transfers to other funds are estimated at \$3.0 billion, an increase of \$428 million over 2007-08. Consistent with the Enacted Budget Financial Plan, this increase is primarily attributed to an increase in capital projects transfers that includes the first in a series of annual transfers to the Dedicated Highway and Bridge Trust Fund aimed at reducing fund gaps.

Other increases include annual transfers of \$50 million beginning in 2008-09 to support development of a single Statewide financial system, an increase of \$50 million in 2008-09 for stem cell research, and a return to normal patterns for both SUNY Hospital State subsidy payments and Statewide debt service requirements (\$21 million and \$125 million increase, respectively) after accelerations of 2007-08 payments into 2006-07. In 2009-10 and 2010-11, transfers to other funds are expected to increase by \$66 million and \$448 million, respectively, as capital transfers to the Dedicated Highway and Bridge Trust Fund rise by an additional \$150 million and \$401 million in each of those years.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

FIRST QUARTER OPERATING RESULTS

GENERAL FUND

Year-to-Date Results vs. Enacted Budget Projections

The General Fund ended the first quarter of the 2007-08 fiscal year with a cash balance of \$2.9 billion, \$1.3 billion lower than the Enacted Budget Financial Plan projection. This variance is attributable to \$1.1 billion in spending occurring earlier than planned and \$162 million in lower than expected receipts.

2007-08 Fiscal Year Year-to-Date Results Through June 2007 General Fund Results vs. Enacted Budget Projection (millions of dollars)				
	Enacted Budget Projection	Actual Results	Favorable/ (Unfavorable) vs. Plan	Increase/ (Decrease) from Prior Year
Opening Balance (April 1, 2007)	3,045	3,045	n/a	(212)
<u>Receipts</u>	<u>14,919</u>	<u>14,757</u>	<u>(162)</u>	<u>(196)</u>
Personal Income Tax	7,095	7,179	84	(73)
User Taxes and Fees	2,133	2,179	46	139
Business Taxes	1,509	1,308	(201)	(102)
All Other Taxes, Receipts & Grants	824	797	(27)	(178)
Transfers From Other Funds	3,358	3,294	(64)	18
<u>Disbursements</u>	<u>13,779</u>	<u>14,921</u>	<u>(1,142)</u>	<u>1,196</u>
Local Assistance	8,655	9,512	(857)	1,053
State Operations				
Personal Service	2,074	2,048	26	156
Non-Personal Service	576	716	(140)	66
General State Charges	1,804	1,910	(106)	(22)
Transfers To Other Funds	670	735	(65)	(57)
Change in Operations	1,140	(164)	(1,304)	(1,392)
Closing Balance (June 30, 2007)	4,185	2,881	(1,304)	(1,604)

Through June 2007, General Fund receipts, including transfers from other funds, totaled \$14.8 billion, or \$162 million lower than the Enacted Budget Financial Plan forecast. This small variance is primarily due to lower than projected business taxes (\$201 million), other taxes (\$29 million) and miscellaneous receipts (\$71 million) offset by higher than expected receipts from the personal income tax (\$84 million) and the sales tax (\$76 million).

General Fund disbursements through June totaled \$14.9 billion, \$1.1 billion higher than projected. The largest spending variances include:

- School Aid (\$235 million higher than planned): The variance is resulting from earlier than expected payments for remaining general aid for the 2006-07 and prior school years (\$142 million), for the Early Grade Class Size Reduction Program and the Universal Pre-kindergarten programs (\$82 million) and for categorical type program aid (\$11 million).

- Medicaid, including administration (\$181 million higher than planned): Driven by variations from the anticipated timing of cost containment savings included in the 2007-08 Enacted Budget Financial Plan and other available resources used to support Medicaid costs.
- Special Education (\$229 million higher than planned): Reflects earlier-than-projected claiming during the first three months of the fiscal year in preschool programs (\$158 million), summer school programs (\$70 million), and State-supported special education schools serving blind and deaf pupils (\$1 million).
- SUNY Aid payments to community colleges (\$104 million higher than expected): Reflects earlier than projected payments to community colleges.
- General State Charges (\$106 million higher than planned): Reflects an earlier than projected payment of the Judiciary pension bill (\$133 million) in May rather than July.
- Capital (\$71 million higher than projected): Reflects earlier than expected spending for a variety of economic development programs.
- Non-Personal Service (\$140 million higher than planned) due to variations from the anticipated spending patterns across all agencies.

Annual Change (First Quarter)

Through June 2007, General Fund receipts totaled \$14.8 billion, a decrease of \$196 million or 1.3 percent, compared to the same period in 2006-07. This small annual decrease is largely attributable to declines in business taxes and miscellaneous receipts and a slowdown in personal income tax growth.

General Fund spending through June 2007 was \$1.2 billion, or 8.7 percent, higher than actual results through the same period for fiscal year 2006-07.

The causes of annual growth by program include:

- Education: \$295 million of higher school aid “tail” payments for the 2006-07 school year augmented by growth in special education spending attributable to the timing of spending on claims-based preschool education (\$55 million);
- Welfare: \$180 million in growth driven by the timing of the public assistance offset transaction;
- CUNY: \$107 million for subsidy payments to New York City, reflecting discontinuation of the deferral provided in 2006-07;
- SUNY: \$100 million due to earlier than expected payments to community colleges;
- Medicaid Administration: Initial implementation of the Medicaid cap which resulted in lower spending in the first quarter of the prior year (\$89 million); and
- State Operations: Negotiated salary increases and inflation.

ALL GOVERNMENTAL FUNDS**Year-to-Date Results vs. Enacted Budget Projections**

2007-08 Fiscal Year				
Year-to-Date Results Through June 2007				
All Governmental Funds vs. Enacted Budget Projection				
(millions of dollars)				
	Enacted Budget Projection	Actual Results	Favorable/ (Unfavorable) vs. Plan	Increase/ (Decrease) from Prior Year
Total Receipts	29,120	28,507	(613)	649
Personal Income Tax	9,769	9,882	113	213
User Taxes and Fees	3,595	3,630	35	183
Business Taxes	2,035	1,824	(211)	(74)
Other Taxes	502	532	30	(30)
Miscellaneous Receipts	4,565	4,593	28	664
Federal Grants	8,654	8,046	(608)	(307)
Total Disbursements	26,295	26,971	(676)	1,480
General Fund*	13,109	14,186	(1,077)	1,253
Special Revenue Funds*	11,038	10,671	367	91
Capital Projects Funds*	1,440	1,343	97	146
Debt Service Funds*	708	771	(63)	(10)

* Excludes Transfers

Through June 2007, All Funds receipts totaled \$28.5 billion, or \$613 million lower than the Enacted Budget forecast. Tax receipts totaled \$15.9 billion, or \$33 million lower than the Enacted Budget forecast. This is primarily a result of lower than anticipated collections in business taxes (\$211 million) offset by higher than expected collections in the personal income tax (\$113 million), user taxes and fees (\$35 million) and other taxes (\$30 million). Federal grants fell below the estimated forecast due to the inherent difficulty in predicting the timing of Federal aid.

Through June 2007, All Funds disbursements totaled \$27.0 billion, \$676 million above the Enacted Budget Financial Plan projection. General Fund overspending of \$1.1 billion was offset by lower than projected Special Revenue Funds spending (\$367 million,) and capital projects spending (\$97 million).

Annual Change (First Quarter)

Through June 2007, total taxes increased by \$292 million, or 2.0 percent, compared to the same period in 2006-07. This decrease is largely attributable to two factors. First, there were large audit recoveries in business taxes in 2006 and the timing of receipts in the current fiscal year. Second, the child credit enacted in 2006 significantly increased income tax refunds.

Compared to the same period in 2006-07, Special Revenue funds disbursements were \$91 million higher, due primarily to increases for STAR (\$232 million) and State Operations (\$80 million), offset by a decrease in social service spending. The Capital Projects Funds increase of \$146 million from the prior year is primarily driven by increased transportation project spending.

CASH FLOW FORECAST

In 2007-08, the General Fund is projected to have quarterly-ending balances of \$3.5 billion in September 2007, \$1.4 billion in December 2007 (the lowest projected month-end cash flow balance), and \$3.0 billion at the end of March 2008.

State Funds quarterly-ending balances are expected to be \$7.5 billion in September 2007, \$3.9 billion in December 2007, and \$5.8 billion at the end of March 2008. In addition to the General Fund cash flow, the State Funds cash flow includes the operations and resulting balances in State Special Revenue Funds, State Capital Projects Funds, and Debt Service Funds. State Funds excludes Federal Aid, which is generally received and disbursed in the same month.

The 2007-08 closing fund balance in the Special Revenue Funds is expected to total \$2.9 billion and primarily reflects the timing of receipts that often occur prior to spending. The largest fund balances appear in accounts that are dedicated to finance State University programs (\$644 million), mass transportation programs (\$507 million), HCRA programs (\$243 million), and school aid (\$101 million). The remaining fund balances are held in numerous funds and accounts that support a variety of programs including industry regulation, public health, and public safety.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

ECONOMIC FORECAST

THE NATIONAL ECONOMY

Consistent with the estimates contained in the 2007-08 Enacted Budget Financial Plan forecast, the national economy was substantially weakened during the first quarter of 2007 by falling business inventories and the continued decline in residential construction. Though DOB expects the housing market to continue to contract through early 2008, the overall economy is estimated to have rebounded during the second quarter, growing at approximately its long-term trend rate of about 3 percent. Economic growth in the 3 percent range is expected for the remainder of 2007. DOB currently projects growth of 2.2 percent for this year, slightly below the enacted budget forecast. A weaker rebound in inventory growth and less robust net export growth account for most of this revision.

Though job growth has weakened since last year, the national labor market remains healthy as expected. Nonagricultural employment added an average of 145,000 jobs during the first six months of 2007, compared to average gains of about 189,000 in 2006 and 212,000 in 2005. DOB continues to project a slight deceleration in job growth for the remainder of 2007, accompanied by a gradual rise in the unemployment rate over the course of this year. Personal income growth has been revised up slightly to 5.8 percent for 2007, due primarily to upward revisions to non-wage income. U.S. corporate profits have remained strong, particularly for those firms benefiting from strong global growth. Nevertheless, profits growth for 2007 is still expected to be far below its 2006 peak, with growth of 5.6 percent now expected for this year.

Volatility in both food and energy prices remains a threat to overall price stability. Rising global demand for energy, combined with political turmoil, has sent oil prices back up to levels near last year's peak. Moreover, diversification into alternative fuels such as ethanol-based products is raising corn and other food prices. Thus, whereas global forces have traditionally been a source of downward pressure on domestic inflation, they have more recently been working in the opposite direction. Inflation of 2.6 percent, as measured by growth in the Consumer Price Index, is now projected for 2007, representing an upward revision from the Enacted Budget Financial Plan. Mounting inflation risks reinforce DOB's view that the Federal Reserve will maintain its short-term interest rate target for the foreseeable future. Consistent with the Enacted Budget, the 10-year Treasury yield is expected to gradually rise over the course of the year.

DOB's outlook for a quick return to long-term trend growth and a stable monetary policy stance through the end of 2007 remains unchanged from the Enacted Budget Financial Plan. However, there are a number of risks to the forecast. Persistently high energy and food prices, combined with a generally tight labor market, could serve to unanchor inflation expectations and result in even higher inflation than expected. That risk would be compounded by lower productivity growth than currently projected. Higher inflation, in turn, would likely induce the Federal Reserve to raise its short-term interest rate target, resulting in weaker profits and equity prices, further delays in the recovery of the housing market, and lower economic growth. Although DOB's outlook assumes that the turbulence in the subprime mortgage market will remain reasonably well contained, increased interest rate volatility could increase the risks originating from that source. On the other hand, lower energy prices or stronger than anticipated global growth could result in stronger economic growth than expected.

U.S. Economic Indicators (Percent change from prior calendar year)			
	2006 (Actual)	2007 (Forecast)	2008 (Forecast)
Real U.S. Gross Domestic Product	3.3	2.2	3.0
Consumer Price Index	3.2	2.6	2.4
Personal Income	6.4	5.8	5.7
Nonagricultural Employment	1.9	1.4	1.3

Source: Moody's Economy.com; DOB staff estimates.

THE NEW YORK STATE ECONOMY

The New York economy has continued to grow as anticipated in the Enacted Budget forecast. Total New York nonfarm employment is projected to grow 0.8 percent for 2007, a marginal improvement from the Enacted Budget, with private sector job growth now projected at 0.9 percent. In contrast to the decline in construction jobs expected for the nation as a whole, construction employment in New York is actually projected to grow above 2 percent in 2007 due largely to demand generated by large commercial and public works projects. DOB's forecast for growth in State wages and salaries has been marginally lowered to 6.1 percent for 2007, due to a modest downward revision to bonus wages. However, growth in total New York personal income has been revised up to 5.9 percent, due to upward revisions in the non-wage components.

New York State Economic Indicators (Percent change from prior calendar year)			
	2006 (Estimate)	2007 (Forecast)	2008 (Forecast)
Personal Income	6.7	5.9	5.5
Wages	7.5	6.1	5.4
Nonagricultural Employment	0.9	0.8	0.8

Source: Moody's Economy.com; New York State Department of Labor; DOB staff estimates.

All of the risks to the forecast for the national economy apply to the State forecast as well, although interest rate risk and equity market volatility pose a particularly large degree of uncertainty for New York. Although ripple effects from the subprime mortgage market are not expected to have a significant impact on the national economy as a whole, the risks to New York are disproportionately great due to the importance of the finance industry to the State economy. However, these risks are expected to be balanced by continued growth in corporate earnings and continued strong demand for financial services, which disproportionately benefit New York firms. Should the Federal Reserve revert to a tight monetary policy earlier than anticipated, the negative impact would also disproportionately affect New York due to the impact on the finance industry. On the other hand, if national and global growth are stronger than expected, the State economy could expand faster than projected.

UPDATE ON RISKS TO THE FINANCIAL PLAN

In any year, the Financial Plan is subject to risks that, if they were to materialize, could affect operating results. Many complex political, social, and economic forces influence the State's economy and finances. Such forces may affect the State Financial Plan unpredictably from fiscal year to fiscal year. For example, the Financial Plan is necessarily based on forecasts of national and State economic activity. Economic forecasts have frequently failed to accurately predict the timing and magnitude of specific and cyclical changes to the national and State economies. The Updated Financial Plan also relies on estimates and assumptions concerning Federal aid, law changes, and audit activity.

As discussed in the 2007-08 Enacted Budget report, the most significant short-term risks include the potential cost of collective bargaining agreements for State employees (each 1 percent increase is valued at \$86 million in the General Fund and \$135 million in All Funds) and salary increases for the Judiciary (and possibly other elected officials) in 2007-08 and beyond; potential Federal disallowances arising from audits related to Medicaid claims under the School Supportive Health Services program; the pending approval of a VLT expansion plan by 2010-11; proposed Federal rule changes concerning Medicaid payments; and under-performance of the national and State economies that can affect State revenues and increase the demand for means-tested programs such as Medicaid and welfare.

Although the profile of risks has not changed materially since the 2007-08 Enacted Budget, there have been some changes in particular risks that are highlighted below. In addition, the financial plan estimates now reflect a prior risk by assuming that Aqueduct will open in 2009-10. The Updated Financial Plan does not include the fiscal impact of outstanding legislation that has yet to be delivered to the Governor for his action. The most significant bills that could increase costs by a total of \$50 million in 2007-08 if all were approved include a revision to Medicaid eligibility calculations that would exclude income from moneys deposited in a trust fund for disabled individuals residing in a State facility; establishment of a waiting list for adult community housing and development of roughly 7,000 beds over the next five years through provider rental agreements; allowing a personal income tax credit for replacing home heating systems, from July 1, 2007 to July 1, 2009 and corporate franchise and personal income tax credits for certain clean heating fuels "bioheat" from July 1, 2007 to July 1, 2010.

Proposed Federal Rules on Medicaid Funding

On May 25, 2007, CMS issued a final rule that, if implemented, would significantly curtail Federal Medicaid funding to public hospitals (including New York City's Health and Hospital Corporation (HHC)) and programs operated by both the State OMRDD and the State OMH.

The rule seeks to restrict State access to Federal Medicaid resources by changing the upper payment limit that established institutional rates are subject to from one based on Medicare payment principles to actual facility reported costs. It is estimated that this rule could result in a loss of \$350 million annually in Federal funds for HHC and potentially larger losses in aid for the State Mental Hygiene System.

On May 23, 2007, CMS issued another rule that would eliminate Medicaid funding for graduate medical education (GME). The proposed rule clarifies that costs and payments associated with GME programs are not expenditures of Medicaid for which Federal reimbursement is available. This rule could result in a Financial Plan impact of up to \$600 million since the State would be legally obligated to pay the lost non-Federal share.

The states affected by these regulations are challenging such adoption on the basis that CMS is overstepping its authority and ignoring the intent of Congress. As a result, Congress passed a one year moratorium barring implementation of these proposed rule changes.

Another regulation CMS has proposed could also pose a risk to the State's Financial Plan that is not covered by the aforementioned moratorium. On May 23, 2007, CMS proposed changes to the rules that regulate State taxation of healthcare entities. The proposal would essentially undo current authorized State flexibility and render a tax invalid if there is any "linkage" between the tax and a Medicaid payment. The State currently uses a substantial amount of provider tax receipts to finance various healthcare programs that serve the State's most vulnerable populations. While the State strongly believes that our imposed taxes are in full compliance, the vagueness of the new rules provides no assurance that these funding streams are adequately protected.

Video Lottery Terminal Expansion

The State's four-year Financial Plan includes VLT revenue estimates from currently operating gaming facilities and from new facilities that have not yet been authorized by the Legislature. The current Financial Plan counts on VLT revenues from existing facilities totaling \$503 million in 2007-08 and \$570 million in 2008-09. Revenues are projected to increase to \$758 million in 2009-10 and \$1.4 billion in 2010-11, reflecting the expected opening of new facilities. VLT revenues support K-12 education spending and any shortfall is expected to be covered by the General Fund.

GAAP - BASIS FINANCIAL PLANS

SUMMARY

In addition to the cash-basis Financial Plans, the General Fund and All Funds Financial Plans are prepared on a basis of the Generally Accepted Accounting Principles (GAAP) in accordance with GASB regulations. Tables comparing the cash basis and GAAP basis General Fund Financial Plans are provided at the end of this AIS Update. The GAAP projections are based on the accounting principles applied by the State Comptroller in the financial statements issued for 2005-06.

In 2007-08, the General Fund GAAP Financial Plan shows total revenues of \$45.2 billion, total expenditures of \$55.9 billion, and net other financing sources of \$10.2 billion, resulting in an operating deficit of \$611 million and a projected accumulated surplus of \$1.8 billion. These changes are due primarily to the use of a portion of the prior-and current-year surplus to support 2007-08 operations.

The GAAP basis results for 2006-07 showed the State in a net positive asset condition of \$48.9 billion.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Updated Multi-Year HCRA Financial Plan

HCRA Financial Plan 2007-08 through 2010-11 (millions of dollars)				
	2007-08	2008-09	2009-10	2010-11
Opening Balance	706	243	(10)	(778)
Total Receipts	4,793	4,770	4,269	4,369
Surcharges	1,926	2,070	2,122	2,175
Covered Lives Assessment	850	850	850	850
Cigarette Tax Revenue	601	625	616	607
Conversion Proceeds	999	834	284	334
Hospital Assessment (1 percent)	268	285	292	299
All Other	149	106	105	104
Total Disbursements	5,256	5,023	5,037	4,952
Medicaid Assistance Account	1,959	1,644	1,645	1,662
<i>Pharmacy Costs</i>	617	275	275	275
<i>Family Health Plus</i>	490	598	611	628
<i>Workforce Recruitment & Retraining</i>	317	304	292	292
<i>All Other</i>	535	467	467	467
HCRA Program Account	1,160	1,174	1,226	1,226
Hospital Indigent Care	841	841	841	841
Elderly Prescription Insurance Coverage	471	422	422	422
Child Health Plus	349	379	399	404
Public Health Programs	150	138	137	137
Mental Health Programs	92	92	92	92
Stem Cell Research	0	50	50	50
All Other	234	283	225	118
Annual Operating Surplus/(Deficit)	(463)	(253)	(768)	(583)
Closing Balance	243	(10)	(778)	(1,361)

- Statutory authorization for HCRA expires on March 31, 2008 at which time a closing balance of \$243 million is projected.
- Since the Enacted Budget, the multi-year operational forecast has declined slightly as a result of additional revenues totaling \$196 million (primarily in surcharges), which is partially offset by an increase of \$162 million in estimated spending.
- Spending increases from the initial forecast include additional spending from prior year authorizations on discretionary programs funded from the Commissioner and legislative priority pools, Health Care Stabilization program, Bad Debt and Charity Care payments to clinics, Avian flu preparedness, Rural Hospital rate adjustments, and additional costs for marketing and outreach to expand Child Health Plus participation. In addition, spending has been increased for a technical revision to workforce recruitment and retention savings attributable to cost containment actions included in the Enacted Budget. Previously, these savings were fully budgeted as a State General Fund offset rather than directly affecting the General Fund as a result of the cap on local Medicaid costs.

- Consistent with the Enacted Budget assumptions, additional health insurance conversions are expected to result in \$284 million in proceeds in 2009-10 and \$334 million in proceeds in 2010-11.
- Based on revised projections, DOB projects HCRA will have a negative cash balance of \$10 million by the end of 2008-09. Annual operating gaps are projected in the range of \$600 million to \$800 million in 2009-10 and 2010-11, prior to any actions taken pursuant to reauthorization in 2008.
- Under the current HCRA appropriation structure, spending reductions will occur if resources are insufficient to meet spending levels. These spending reductions could potentially impact core HCRA programs and the fiscal status of the General Fund. The reauthorization of HCRA in prior years has maintained HCRA's solvency without the need for automatic spending reductions.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

DEBT/CAPITAL UPDATE

CAPITAL AND DEBT SUMMARY

The Updated Financial Plan reflects re-estimates to spending from capital authorizations provided in the Enacted Budget. These re-estimates reflect the impacts of first quarter actual spending and more recent program information for the anticipated activity levels over the next few fiscal years.

Transportation re-estimates are primarily for projects financed through the Dedicated Highway and Bridge Trust Fund, Federal grants, and the 2005 Rebuild/Renew New York General Obligation Bonds. Also included is revised spending for the World Trade Center area roadways. Revisions to economic development and higher education/education for the State University and State Education Department spending reflect differences from the paces at which spending was originally anticipated to occur and apply to projects across the State. The remaining re-estimates result from more recent information on program activity to date.

All Funds Projected Capital Projects Spending (millions of dollars)					
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Projected Capital Projects Funds Spending Enacted Budget	\$7,352	\$7,818	\$7,764	\$7,379	\$6,965
Total Spending Reestimates	(\$436)	(\$128)	(\$176)	(\$83)	\$88
Economic Development/Government Oversight	(\$131)	(\$110)	(\$110)	(\$76)	\$21
Transportation (includes World Trade Center Roadways)	(\$183)	(\$38)	(\$22)	(\$53)	(\$78)
Education/Higher Education	(\$96)	(\$32)	(\$93)	(\$3)	\$145
Public Protection	(\$10)	\$73	\$51	\$50	\$0
All Other	(\$16)	(\$21)	(\$2)	(\$1)	\$0
Projected Capital Projects Funds Spending First Quarter	\$6,916	\$7,690	\$7,588	\$7,296	\$7,053

The Updated Financial Plan reflects reduced projected capital spending – both on-budget and off - by a total of approximately \$1 billion throughout the five-year plan period. These are primarily related to the areas of education (\$425 million) for SUNY and CUNY, economic development (\$592 million) which reflects slower than anticipated spending on a variety of projects, and general obligation programs (\$42 million), as partially offset by increases for correctional facilities (\$150 million).

The following tables summarize the net impact of these changes on State debt levels and debt service spending. The decreases in debt outstanding, debt issuances and debt service costs detailed below are consistent with the capital spending changes noted in the previous chart.

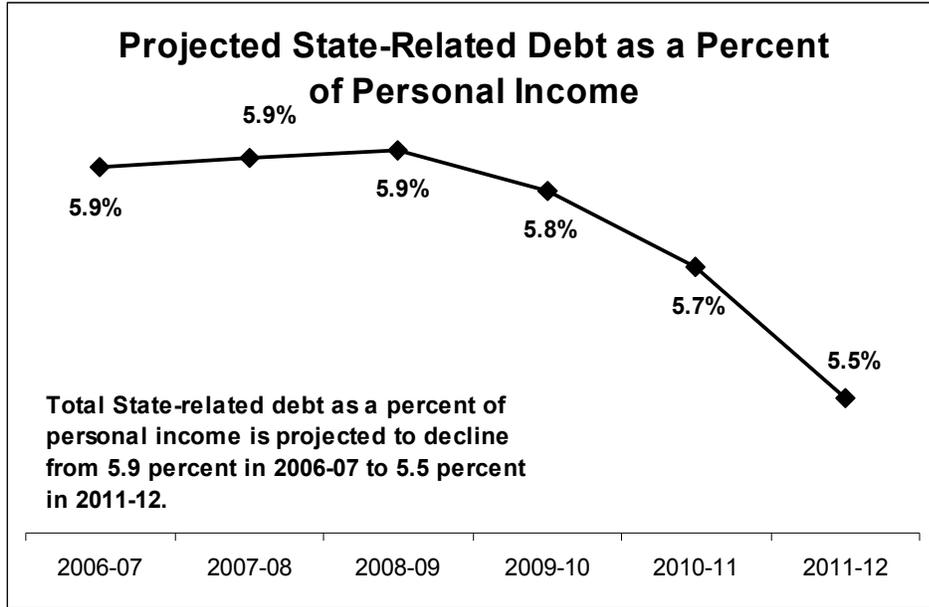
Projected Debt Outstanding					
(millions of dollars)					
	2007-08	2008-09	2009-10	2010-11	2011-12
Enacted Budget State-Related Debt Outstanding	51,975	55,043	57,140	58,501	58,652
SUNY / CUNY	(426)	(421)	(417)	(412)	(408)
Economic Development Initiatives	(60)	(118)	(200)	(258)	(248)
Regional Economic Growth	(57)	(95)	(132)	(129)	(88)
Semiconductor Manufacturing Facility	(102)	(145)	(133)	(120)	(55)
High Technology & Development	(10)	(43)	(69)	(76)	(66)
Correctional Facilities	0	51	101	151	148
All Other Reestimates	(182)	(343)	(326)	(209)	(107)
Subtotal	(837)	(1,114)	(1,176)	(1,053)	(824)
1st Quarter Update State-Related Debt Outstanding	\$ 51,138	\$ 53,929	\$ 55,964	\$ 57,448	\$ 57,828

Projected Debt Issuances					
(millions of dollars)					
	2007-08	2008-09	2009-10	2010-11	2011-12
Enacted Budget State-Related Debt Issuances	6,426	5,823	5,253	4,687	4,146
SUNY / CUNY	(432)	0	0	0	0
Economic Development Initiatives	(60)	(62)	(89)	(70)	(6)
Regional Economic Growth	(53)	(37)	(39)	(1)	38
Semiconductor Manufacturing Facility	(102)	(51)	0	0	51
High Technology & Development	(10)	(34)	(28)	(11)	5
Correctional Facilities	0	51	51	51	0
All Other Reestimates	(144)	(183)	(12)	88	91
Subtotal	(801)	(316)	(117)	57	179
1st Quarter Update State-Related Debt Issuances	\$ 5,625	\$ 5,507	\$ 5,136	\$ 4,744	\$ 4,325

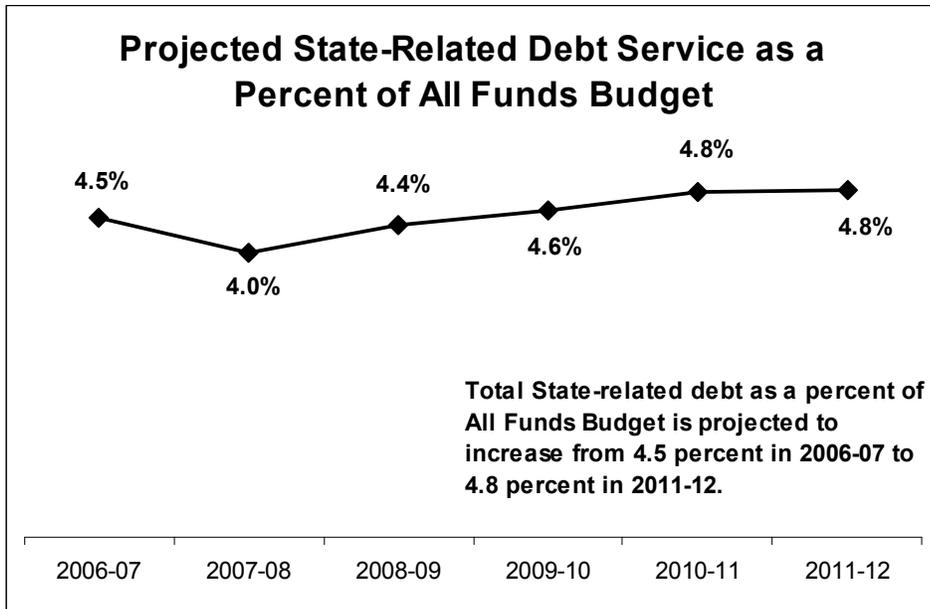
Projected Debt Service					
(millions of dollars)					
	2007-08	2008-09	2009-10	2010-11	2011-12
Enacted Budget State-Related Debt Service	4,745	5,469	5,928	6,541	6,815
SUNY / CUNY	(24)	(27)	(28)	(29)	(30)
Economic Development Initiatives	0	(6)	(13)	(23)	(31)
Regional Economic Growth	6	(2)	(6)	(11)	(11)
Semiconductor Manufacturing Facility	0	(13)	(21)	(20)	(20)
High Technology & Development	0	(1)	(5)	(8)	(9)
Correctional Facilities	0	1	5	8	10
All Other Reestimates	12	(11)	10	9	36
Subtotal	(6)	(59)	(58)	(74)	(55)
1st Quarter Update State-Related Debt Service	\$ 4,739	\$ 5,410	\$ 5,870	\$ 6,467	\$ 6,760

DEBT AFFORDABILITY

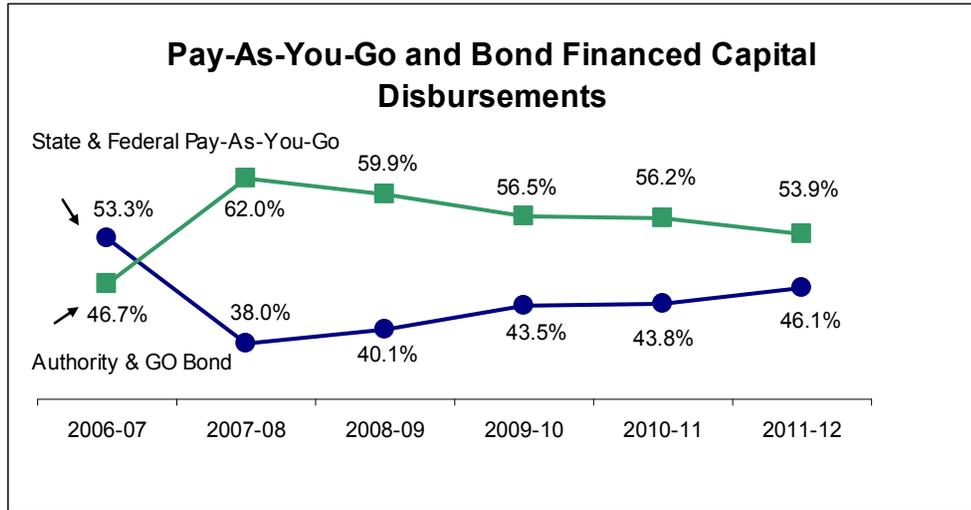
State debt levels and costs continue to remain affordable, based on a variety of debt measures commonly used by the financial community. Some key measures are summarized below. All measures reflect the total level of State-related debt issued or anticipated to be issued for all State purposes.



The projections from 2006-07 to 2011-12 reflect a roughly 4 percent average annual increase in debt levels and a roughly 5 percent annual average increase in statewide personal income.



Debt service costs are projected to increase by an average of 6.2 percent annually from 2006-07 levels, while All Funds receipts are projected to grow by 4.4 percent annually. The greater debt service costs primarily reflect the increased costs for transportation financed by the Dedicated Highway and Bridge Trust Fund, economic development and housing costs (regional economic development initiatives and high technology projects), education (primarily EXCEL and the expanding SUNY and CUNY capital programs), and health and mental hygiene (mental health services bonds and HEAL NY).



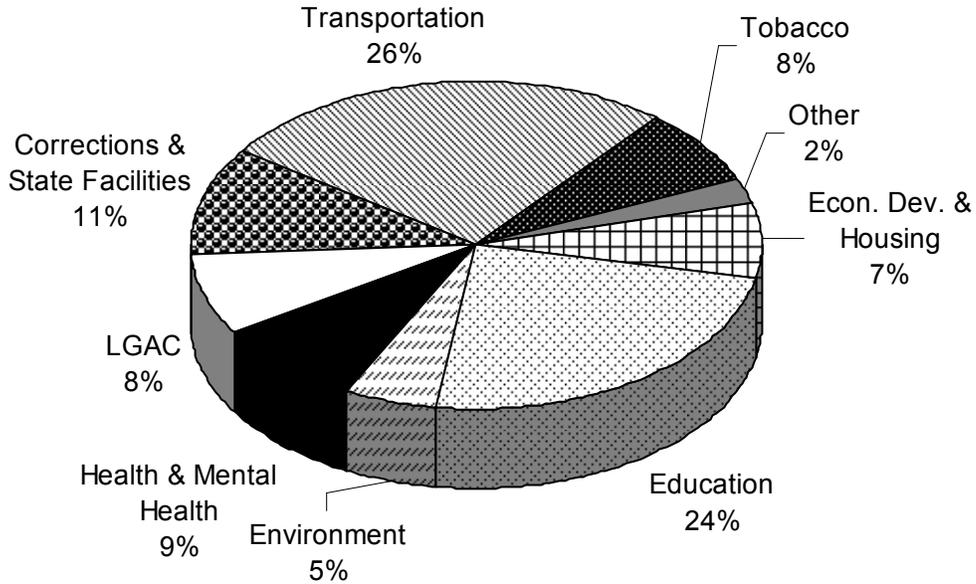
The level of projects financed with cash from both State and Federal sources (i.e., pay-as-you-go) is expected to average roughly 42 percent for the five years.

DEBT OUTSTANDING

The State’s debt levels are the result of three factors: (i) the amount of debt issued in prior years, (ii) the amount of capital spending that will be financed with new debt during the forecast period, and (iii) the amount of debt that is planned to be retired (paid off) during the forecast period.

The \$51 billion of projected State-related debt in 2007-08 consists of debt issued for each of the major programmatic areas as summarized below. The debt of the Local Government Assistance Corporation (LGAC) (issued to eliminate seasonal borrowing) and Tobacco bonds (issued to stabilize finances after September 11th) are not allocable to any specific functional area since they served a statewide purpose.

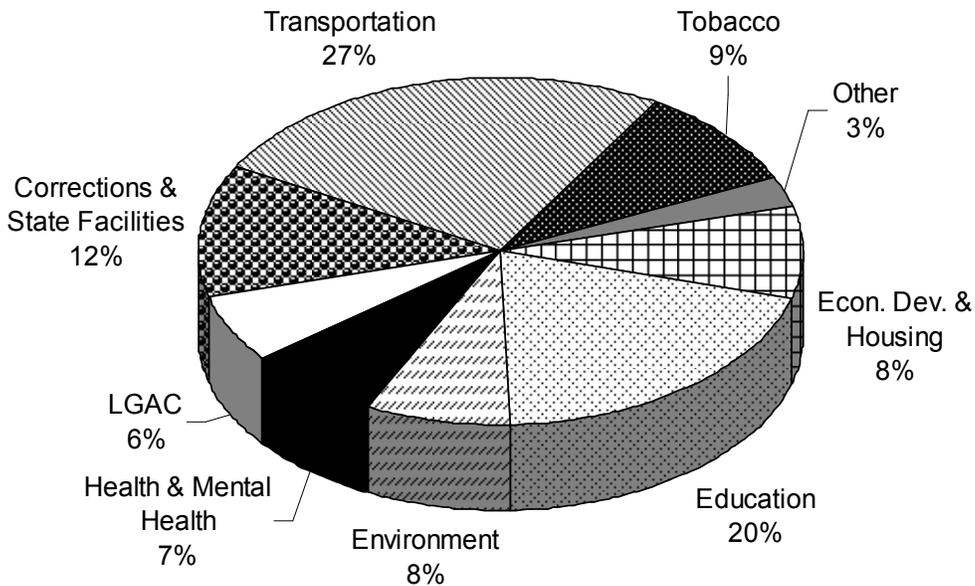
**Debt Outstanding by Function
\$51 Billion Projected at March 31, 2008**



DEBT SERVICE

The following chart provides a summary of the major debt service costs by function. Significant bond-financed capital investments, primarily for transportation, education, corrections, economic development, mental hygiene facilities, and the environment, drive more than 80 percent of the State's debt service costs.

**Debt Service by Function
\$4.7 Billion Projected in 2007-08 Budget**



Capital Off-Budget Spending (thousands of dollars)			
	2006-07	2007-08	
	Actuals	First	Annual
		Quarterly	Change
		Update	
ECONOMIC DEVELOPMENT AND GOVERNMENTAL OVERSIGHT			
Economic Development	117,581	104,450	(13,131)
Empire State Development Corporation	<u>11,634</u>	<u>31,800</u>	<u>20,166</u>
Functional Total	<u>129,215</u>	<u>136,250</u>	<u>7,035</u>
TRANSPORTATION			
Transportation, Department of	<u>349,484</u>	<u>347,250</u>	<u>(2,234)</u>
Functional Total	<u>349,484</u>	<u>347,250</u>	<u>(2,234)</u>
HEALTH AND SOCIAL WELFARE			
Health All Other	<u>17,956</u>	<u>8,750</u>	<u>(9,206)</u>
Functional Total	<u>17,956</u>	<u>8,750</u>	<u>(9,206)</u>
MENTAL HEALTH			
Mental Health, Office of	84,851	85,759	908
Mental Retardation and Developmental Disabilities, Office of	52,507	49,584	(2,923)
Alcohol and Substance Abuse Services, Office of	<u>1,960</u>	<u>2,879</u>	<u>919</u>
Functional Total	<u>139,318</u>	<u>138,222</u>	<u>(1,096)</u>
EDUCATION			
City University of New York	198,520	311,400	112,880
Education, Department of	299,217	1,455,210	1,155,723
<i>School Aid</i>	296,863	1,450,000	1,153,137
<i>All Other</i>	2,354	5,210	2,586
State University of New York	116,581	140,000	23,419
Functional Total	<u>614,318</u>	<u>1,906,610</u>	<u>1,292,022</u>
ALL OTHER CATEGORIES			
State Equipment	<u>41,097</u>	<u>0</u>	<u>(41,097)</u>
Functional Total	<u>41,097</u>	<u>0</u>	<u>(41,097)</u>
TOTAL OFF-BUDGET CAPITAL SPENDING	<u>1,291,388</u>	<u>2,537,082</u>	<u>1,245,424</u>

Special Considerations

Many complex political, social, and economic forces influence the State's economy and finances. Such forces may affect the State Financial Plan unpredictably from fiscal year to fiscal year. For example, the Financial Plan is necessarily based on forecasts of national and State economic activity. Economic forecasts have frequently failed to accurately predict the timing and magnitude of specific and cyclical changes to the national and State economies. For a discussion of the DOB economic forecasts, see the section entitled "Economic Forecast" in this AIS Update. The Financial Plan also relies on estimates and assumptions concerning Federal aid, law changes, and audit activity. For a discussion of additional risks to the Financial Plan, see the sections entitled "Update on Risks to the Financial Plan" and "Litigation" in this AIS Update.

Davis v. Kentucky

On May 21, 2007, the United States Supreme Court agreed to review the decision of the Court of Appeals of Kentucky in *Davis v. Kentucky Dep't of Revenue of the Finance and Admin. Cabinet*, 97S.W.3d557 (2007), which held that the disparate state tax treatment of interest income on obligations issued by the State of Kentucky or its political subdivisions and obligations issued by other states or their political subdivisions violated the Commerce Clause of the United States Constitution. Currently, the vast majority of states employ a tax system that provides a preferential treatment that exempts the interest income earned on in-state municipal bonds from state taxation while subjecting the interest income earned on extraterritorially-issued bonds to state taxation.

If the Kentucky decision is affirmed by the United States Supreme Court, a state, including New York State, could be required to eliminate any disparity between the tax treatment of obligations issued by such state and its political subdivisions or instrumentalities and the tax treatment of obligations issued by other states and their respective political subdivisions or instrumentalities. The Supreme Court decision could result in an estimated potential impact of up to \$200 million in claims for tax refunds arising out of income tax payments made in prior years. The preliminary estimate of the financial impact on the State of New York of discontinuing the practice of subjecting extraterritorially-issued municipal bonds to state income taxation is approximately \$70 million of lost tax revenues annually.

GASBS 45

The net positive asset condition is before the State reflects the impact of GASBS 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions." GASBS 45 requires State and local governments to reflect the value of post-employment benefits, predominantly health care, for current employees and retirees beginning with the financial statements for the 2007-08 fiscal year.

The State used an independent actuarial consulting firm to calculate retiree health care liabilities. Assuming there is no pre-funding of this liability, the updated preliminary valuation indicates that the present value of the actuarial accrued total liability for benefits as of April 1, 2006 would be roughly \$49.7 billion, using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method. This is the actuarial methodology recommended to be used to implement GASBS 45. The actuarial accrued liability was calculated using a 4.1 percent annual discount rate.

The State's total unfunded liability will be disclosed in the 2007-08 basic financial statements. While the total liability is substantial, GASB rules indicate it may be amortized over a 30-year period; therefore, only the annual amortized liability above the current pay-as-you-go costs would be recognized in the financial statements. Assuming no pre-funding, the 2007-08 liability would total roughly \$3.8 billion under the Frozen Entry Age actuarial cost method amortized based on a level percent of salary, or \$2.8 billion above the current pay-as-you-go retiree costs. This difference between the State's pay-as-you-go costs and the actuarially

determined required annual contribution under GASBS 45 would reduce the State’s currently positive net asset condition of roughly \$48.9 billion at the end of 2006-07.

GASB does not require the additional costs to be funded on the State’s budgetary basis, and no funding is assumed for this purpose in the Financial Plan. On a budgetary (cash) basis, the State continues to finance these costs, along with all other employee health care expenses, on a pay-as-you-go basis. Anticipated increases in these costs are reflected in the State’s multi-year Financial Plan as detailed below.

New York State Employee Health Insurance (millions of dollars)			
Year	Active Employees	Retirees	Total
2001-02	937	565	1,502
2002-03	1,023	634	1,657
2003-04	1,072	729	1,801
2004-05	1,216	838	2,054
2005-06	1,331	885	2,216
2006-07	1,518	913	2,431
2007-08	1,508	1,064	2,572
2008-09	1,695	1,205	2,900
2009-10	1,834	1,357	3,191
2010-11	1,972	1,526	3,498

1. The amounts for 2001-02 to 2006-07 are actuals. The remainder are estimates. The Retiree estimates for 2007-08 and the outyears are taken from the GASBS 45 Actuarial Valuation report completed by Buck Consultants and issued on May 15, 2007.

2. All numbers reflect the cost of Health Insurance for General State Charges (Executive and Legislative branches) and the Office of Court Administration; actuals through 2005-06.

As noted, the Updated Financial Plan does not assume pre-funding of the GASBS 45 liability. If such liability were pre-funded at this time, the additional cost above the pay-as-you-go amounts would be lowered. The State’s Health Insurance Council, which consists of GOER, Civil Service, and DOB will continue to review this matter, seek input from the State Comptroller, the legislative fiscal committees and outside parties, and provide options for consideration.

GAAP-Basis Results for Prior Fiscal Years

The Comptroller prepares Basic Financial Statements on a GAAP basis for governments as promulgated by GASB. The Basic Financial Statements, released in July each year, include the Statement 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 Comptroller also prepares and issues a Comprehensive Annual Financial Report, which includes a financial overview, the Basic Financial Statements, other supplementary information which includes individual fund combining statements, and a statistical section. For information regarding the State’s accounting and financial reporting

requirements, see the section in the AIS dated May 8, 2007 entitled "State Organization—Accounting, Financial Reporting and Budgeting."

Both the Basic Financial Statements and Comprehensive Annual Financial Reports for prior fiscal years can be obtained from the Office of the State Comptroller, 110 State Street, Albany, NY 12236 or at the OSC website at www.osc.state.ny.us. The following table summarizes recent governmental funds results on a GAAP basis.

**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, 2007	202	(840)	92	501	(45)	2,384
March 31, 2006	1,636	3,128	(664)	(251)	3,849	2,182
March 31, 2005	827	833	361	89	2,110	546

Beginning with the fiscal year ended March 31, 2003, statements have been prepared in accordance with GASBS 34. GASBS 34 has significantly affected the accounting and financial reporting for all state and local governments. The financial reporting model redefined the financial reporting model by changing its focus to major funds, rather than fund types, requiring a new section called management discussion and analysis (the "MD&A"), and containing new government-wide financial statements which includes all revenues and all costs of providing services each year. The new Basic Financial Statements and the MD&A are issued in place of the general purpose financial statements. The new statements also report on all current assets and liabilities and also long-term assets and liabilities, such as capital assets, including infrastructure (e.g., roads and bridges).

**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, 2007	45,327	3,599	48,926
March 31, 2006	45,997	3,136	49,133
March 31, 2005	41,190	2,645	43,835

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

State Organization

State Retirement Systems

Contributions

Funding is provided in large part by employer and employee contributions. Employers contribute on the basis of the plan or plans they provide for members. Members joining since mid-1976, other than police and fire members, are required to contribute 3 percent of their salaries for their first 10 years of membership.

Legislation enacted in May 2003 realigned the Retirement Systems billing cycle to match governments' budget cycles and also instituted a minimum annual payment. The employer contribution for a given fiscal year will be based on the value of the pension fund and its liabilities on the prior April 1. In addition, employers are required to make a minimum contribution of at least 4.5 percent of payroll every year.

The State paid, in full, its employer contributions for the fiscal year ending March 31, 2008. The payment of \$1,032.7 million was paid on June 1, 2007. This amount included the Judiciary bill and the amortization payments for the 2005 and 2006 bills.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Authorities and Localities

Public Authorities

For the purposes of this disclosure, public authorities refer to certain of its public benefit corporations, created pursuant to State law. Public 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 public authorities were to default on their respective obligations, particularly those using the financing techniques referred to as State-supported or State-related debt under the section entitled "Debt and Other Financing Activities" in this statement. As of December 31, 2006, the 19 public authorities below had outstanding debt of \$100 million or more, and the aggregate outstanding debt, including refunding bonds, of these public authorities was approximately \$129 billion, only a portion of which constitutes State-supported or State-related debt. The table below summarizes the outstanding debt of these public authorities.

Outstanding Debt of Certain Public Authorities (1) (2) (3)
As of December 31, 2006
(millions of dollars)

Public Authority	State- Related Conduit (4)	Authority Revenue Bonding	Other Conduit Bonding	Total
Dormitory Authority (5)	15,319	0	18,421	33,740
Metropolitan Transportation Authority	2,289	14,343	0	16,632
Port Authority of NY & NJ	0	12,330	0	12,330
Thruway Authority	8,942	1,861	0	10,803
Housing Finance Agency	1,365	6,485	0	7,850
Environmental Facilities Corporation	689	6,647	250	7,586
Triborough Bridge and Tunnel Authority	181	7,026	0	7,207
Long Island Power Authority (6)	0	7,117	0	7,117
UDC/ESDC	5,771	457	0	6,228
Local Government Assistance Corporation	4,204	0	0	4,204
Tobacco Settlement Financing Corporation	4,084	0	0	4,084
Energy Research and Development Authority (6)	9	0	3,655	3,664
State of New York Mortgage Agency	0	2,902	0	2,902
Power Authority	0	2,142	0	2,142
Battery Park City Authority	0	1,041	0	1,041
Convention Center Development Corporation	0	700	0	700
Municipal Bond Bank Agency	484	50	0	534
Niagara Frontier Transportation Authority	0	185	0	185
United Nations Development Corporation	0	128	0	128
TOTAL OUTSTANDING	43,337	63,414	22,326	129,077

Source: Office of the State Comptroller. Debt Classifications are estimated by Budget Division.

(1) Includes only certain of the public authorities which have more than \$100 million in outstanding debt.

(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.

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

(4) Reflects debt for which the primary repayment source is from State appropriations or assigned revenues of the State.

(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.

(6) Includes \$155 million in bonds issued by the New York State Energy Research and Development Authority and included in amounts reported for both NYSERDA and LIPA.

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 has become more common in recent years. Between 2004 and 2007, the State Legislature authorized 14 bond issuances to finance local government operating deficits. 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 2007-08 fiscal year or thereafter.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Litigation

Real Property Claims

In *Oneida Indian Nation of New York v. State of New York*, 74-CV-187 (NDNY), the alleged successors-in-interest to the historic Oneida Indian Nation seek 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 beginning in 1795 and ending in 1846, and ejection of the State and Madison and Oneida Counties from all publicly-held lands in the claim area. This case remained dormant while the Oneidas pursued an earlier action which sought limited relief relating to a single 1795 transaction and the parties engaged in intermittent, but unsuccessful, efforts to reach a settlement. In 1998, the United States filed a complaint in intervention in *Oneida Indian Nation of New York*. In December 1998, both the United States and the tribal plaintiffs moved for leave to amend their complaints to assert claims for 250,000 acres, including both monetary damages and ejection, to add the State as a defendant, and to certify a class made up of all individuals who currently purport to hold title within the affected 250,000 acre area. On September 25, 2000, the District Court granted the motion to amend the complaint to the extent that it sought to add the State as a defendant and to assert money damages with respect to the 250,000 acres and denied the motion to certify a class of individual landowners and to seek the remedy of ejection.

In a decision dated March 29, 2002, the District Court granted, in part, plaintiffs' motion to strike the State's defenses and counterclaims. The District Court also denied the State's motion to dismiss for failure to join indispensable parties.

Further efforts at settlement of this action failed to reach a successful outcome. While such discussions were underway, two significant decisions were rendered by the 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*, 126 S.Ct. 2021, 2022 (2006). Taken together, these cases have made clear that the equitable doctrines of laches, acquiescence, and impossibility can bar ancient land claims. These decisions prompted the District Court to reassess its 2002 decision, which in part had struck such defenses, and to permit the filing of a motion for summary judgment predicated on the *Sherrill* and *Cayuga* holdings. On August 11, 2006, the defendants moved for summary judgment dismissing the action, based on the defenses of laches, acquiescence, and impossibility. By order dated May 21, 2007, the District Court dismissed plaintiffs' claims to the extent that they asserted a possessory interest, but permitted plaintiffs to pursue a claim seeking the difference between the amount paid and the fair market value of the lands at the time of the transaction. The District Court certified the May 21, 2007 order for interlocutory appeal and, on July 13, 2007, the Second Circuit granted motions by both sides seeking leave to pursue interlocutory appeals of that order.

Other Indian land claims include *Cayuga Indian Nation of New York v. Cuomo, et al.*, and *Canadian St. Regis Band of Mohawk Indians, et al., v. State of New York, et al.*, both in the United States District Court for the Northern District of New York and *The Onondaga Nation v. The State of New York, et al.*

In the *Canadian St. Regis Band of Mohawk Indians* case, plaintiffs seek ejection and monetary damages with respect to their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. By decision dated July 28, 2003, the District Court granted, in most respects, a motion by plaintiffs to strike defenses and dismiss counterclaims contained in defendants' answers. By decision dated October 20, 2003, the District Court denied the State's motion for reconsideration of that portion of the July 28, 2003 decision which struck a counterclaim against the United States for contribution. On February 10, 2006, after renewed efforts at settlement failed to resolve this action,

and recognizing the potential significance of the *Sherrill* and *Cayuga* appeals, the District Court stayed all further proceedings in this case until 45 days after the United States Supreme Court issued a final decision in the *Cayuga Indian Nation of New York* Case. On November 6, 2006, after certiorari was denied in *Cayuga*, the defendants moved for judgment on the pleadings.

In *The Onondaga Nation v. The State of New York, et al.*, 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 pursuant to treaties 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 August 15, 2006, based on *Sherrill* and *Cayuga*, the defendants moved for an order dismissing this action, based on laches.

West Valley Litigation

In *State of New York, et al. v. The United States of America, et al.*, 06-CV-810 (WDNY), the State and the New York State Energy Research and Development Authority have filed suit seeking (1) a declaration that defendants are liable under CERCLA for the State's response costs and for damages to the State's natural resources resulting from releases from the site in Cattaraugus County, New York, and a judgment reimbursing the State for these costs and damages, (2) a declaration of defendants' responsibilities under the West Valley Demonstration Project Act to decontaminate and decommission the site and for future site monitoring and maintenance, and (3) a declaration that the defendants are responsible for paying the fees for disposal of solidified high level radioactive waste at the West Valley site. The parties have agreed to stay the litigation and submit the issues in (1) and (2) to non-binding arbitration and early neutral evaluation.

**CASH FINANCIAL PLAN
GENERAL FUND
2007-2008 through 2010-2011
(millions of dollars)**

	<u>2007-2008 Projected</u>	<u>2008-2009 Projected</u>	<u>2009-2010 Projected</u>	<u>2010-2011 Projected</u>
Receipts:				
Taxes:				
Personal income tax	23,071	24,426	26,025	27,841
User taxes and fees	8,527	8,900	9,271	9,634
Business taxes	6,679	6,707	6,913	6,928
Other taxes	1,135	1,211	1,342	1,425
Miscellaneous receipts	2,355	1,862	2,061	2,061
Federal grants	75	59	59	59
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,507	8,904	9,307	9,826
Sales tax in excess of LGAC debt service	2,321	2,363	2,468	2,579
Real estate taxes in excess of CW/CA debt service	636	614	594	597
All other transfers	690	407	380	414
Total receipts	<u><u>53,996</u></u>	<u><u>55,453</u></u>	<u><u>58,420</u></u>	<u><u>61,364</u></u>
Disbursements:				
Grants to local governments	37,279	41,544	45,457	48,865
State operations	9,613	10,016	10,407	10,663
General State charges	4,525	4,969	5,282	5,585
Transfers to other funds:				
Debt service	1,578	1,703	1,692	1,721
Capital projects	89	400	534	945
Other purposes	911	903	846	854
Total disbursements	<u><u>53,995</u></u>	<u><u>59,535</u></u>	<u><u>64,218</u></u>	<u><u>68,633</u></u>
Deposit to/(use of) Community Projects Fund	<u><u>76</u></u>	<u><u>(63)</u></u>	<u><u>(62)</u></u>	<u><u>(151)</u></u>
Deposit to/(use of) Rainy Day Reserve Fund	<u><u>175</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
Deposit to/(use of) Debt Reduction Reserve Fund	<u><u>250</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
Deposit to/(use of) Prior Year Reserves	<u><u>(512)</u></u>	<u><u>(401)</u></u>	<u><u>(401)</u></u>	<u><u>(401)</u></u>
Deposit to/(use of) Current Year Reserves	<u><u>12</u></u>	<u><u>(4)</u></u>	<u><u>(4)</u></u>	<u><u>(4)</u></u>
Margin	<u><u>0</u></u>	<u><u>(3,614)</u></u>	<u><u>(5,331)</u></u>	<u><u>(6,713)</u></u>

Source: NYS DOB

**CASH FINANCIAL PLAN
GENERAL FUND
2007-2008
(millions of dollars)**

	<u>Enacted</u>	<u>Change</u>	<u>First Quarter</u>
Opening fund balance	<u>3,045</u>	<u>0</u>	<u>3,045</u>
Receipts:			
Taxes:			
Personal income tax	22,885	186	23,071
User taxes and fees	8,565	(38)	8,527
Business taxes	6,679	0	6,679
Other taxes	1,135	0	1,135
Miscellaneous receipts	2,485	(130)	2,355
Federal Grants	59	16	75
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,445	62	8,507
Sales tax in excess of LGAC debt service	2,320	1	2,321
Real estate taxes in excess of CW/CA debt service	561	75	636
All other	538	152	690
Total receipts	<u>53,672</u>	<u>324</u>	<u>53,996</u>
Disbursements:			
Grants to local governments	37,158	121	37,279
State operations	9,620	(7)	9,613
General State charges	4,530	(5)	4,525
Transfers to other funds:			
Debt service	1,579	(1)	1,578
Capital projects	82	7	89
Other purposes	715	196	911
Total disbursements	<u>53,684</u>	<u>311</u>	<u>53,995</u>
Change in fund balance	<u>(12)</u>	<u>13</u>	<u>1</u>
Closing fund balance	<u>3,033</u>	<u>13</u>	<u>3,046</u>
Reserves			
Tax Stabilization Reserve Fund	1,031	0	1,031
Statutory Rainy Day Reserve Fund	175	0	175
Contingency Reserve Fund	21	0	21
Community Projects Fund	353	1	354
Debt Reduction Reserve Fund	250	0	250
Prior Year Reserves	1,203	0	1,203
Reserve From Current Year Operations	0	12	12

Source: NYS DOB

**CASH FINANCIAL PLAN
GENERAL FUND
2008-2009
(millions of dollars)**

	<u>Enacted</u>	<u>Change</u>	<u>First Quarter</u>
Receipts:			
Taxes:			
Personal income tax	24,128	298	24,426
User taxes and fees	8,900	0	8,900
Business taxes	6,807	(100)	6,707
Other taxes	1,211	0	1,211
Miscellaneous receipts	2,054	(192)	1,862
Federal Grants	59	0	59
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,765	139	8,904
Sales tax in excess of LGAC debt service	2,363	0	2,363
Real estate taxes in excess of CW/CA debt service	614	0	614
All other	278	129	407
Total receipts	<u>55,179</u>	<u>274</u>	<u>55,453</u>
Disbursements:			
Grants to local governments	40,951	593	41,544
State operations	9,999	17	10,016
General State charges	4,949	20	4,969
Transfers to other funds:			
Debt service	1,709	(6)	1,703
Capital projects	277	123	400
Other purposes	865	38	903
Total disbursements	<u>58,750</u>	<u>785</u>	<u>59,535</u>
Deposit to/(use of) Community Projects Fund	<u>(65)</u>	<u>2</u>	<u>(63)</u>
Deposit to/(use of) Prior Year Reserves	<u>(401)</u>	<u>0</u>	<u>(401)</u>
Deposit to/(use of) Current Year Reserves	<u>0</u>	<u>(4)</u>	<u>(4)</u>
Margin	<u>(3,105)</u>	<u>(509)</u>	<u>(3,614)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
GENERAL FUND
2009-2010
(millions of dollars)**

	<u>Enacted</u>	<u>Change</u>	<u>First Quarter</u>
Receipts:			
Taxes:			
Personal income tax	25,576	449	26,025
User taxes and fees	9,213	58	9,271
Business taxes	7,113	(200)	6,913
Other taxes	1,342	0	1,342
Miscellaneous receipts	2,456	(395)	2,061
Federal Grants	59	0	59
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,133	174	9,307
Sales tax in excess of LGAC debt service	2,469	(1)	2,468
Real estate taxes in excess of CW/CA debt service	670	(76)	594
All other	227	153	380
Total receipts	<u>58,258</u>	<u>162</u>	<u>58,420</u>
Disbursements:			
Grants to local governments	44,762	695	45,457
State operations	10,398	9	10,407
General State charges	5,342	(60)	5,282
Transfers to other funds:			
Debt service	1,706	(14)	1,692
Capital projects	489	45	534
Other purposes	798	48	846
Total disbursements	<u>63,495</u>	<u>723</u>	<u>64,218</u>
Deposit to/(use of) Community Projects Fund	<u>(65)</u>	<u>3</u>	<u>(62)</u>
Deposit to/(use of) Prior Year Reserves	<u>(401)</u>	<u>0</u>	<u>(401)</u>
Deposit to/(use of) Current Year Reserves	<u>0</u>	<u>(4)</u>	<u>(4)</u>
Margin	<u>(4,771)</u>	<u>(560)</u>	<u>(5,331)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
GENERAL FUND
2010-2011
(millions of dollars)**

	<u>Enacted</u>	<u>Change</u>	<u>First Quarter</u>
Receipts:			
Taxes:			
Personal income tax	26,979	862	27,841
User taxes and fees	9,539	95	9,634
Business taxes	7,392	(464)	6,928
Other taxes	1,425	0	1,425
Miscellaneous receipts	2,459	(398)	2,061
Federal Grants	59	0	59
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,505	321	9,826
Sales tax in excess of LGAC debt service	2,579	0	2,579
Real estate taxes in excess of CW/CA debt service	672	(75)	597
All other	259	155	414
Total receipts	<u>60,868</u>	<u>496</u>	<u>61,364</u>
Disbursements:			
Grants to local governments	48,347	518	48,865
State operations	10,644	19	10,663
General State charges	5,646	(61)	5,585
Transfers to other funds:			
Debt service	1,740	(19)	1,721
Capital projects	862	83	945
Other purposes	806	48	854
Total disbursements	<u>68,045</u>	<u>588</u>	<u>68,633</u>
Deposit to/(use of) Community Projects Fund	<u>(151)</u>	<u>0</u>	<u>(151)</u>
Deposit to/(use of) Prior Year Reserves	<u>(401)</u>	<u>0</u>	<u>(401)</u>
Deposit to/(use of) Current Year Reserves	<u>0</u>	<u>(4)</u>	<u>(4)</u>
Margin	<u>(6,625)</u>	<u>(88)</u>	<u>(6,713)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
GENERAL FUND
2006-2007 and 2007-2008
(millions of dollars)**

	<u>2006-2007 Actuals</u>	<u>2007-2008 First Quarter</u>	<u>Annual Change</u>
Opening fund balance	<u>3,257</u>	<u>3,045</u>	<u>(212)</u>
Receipts:			
Taxes:			
Personal income tax	22,939	23,071	132
User taxes and fees	8,186	8,527	341
Business taxes	6,468	6,679	211
Other taxes	1,075	1,135	60
Miscellaneous receipts	2,268	2,355	87
Federal grants	151	75	(76)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,136	8,507	1,371
Sales tax in excess of LGAC debt service	2,093	2,321	228
Real estate taxes in excess of CW/CA debt service	753	636	(117)
All other transfers	310	690	380
Total receipts	<u>51,379</u>	<u>53,996</u>	<u>2,617</u>
Disbursements:			
Grants to local governments	34,302	37,279	2,977
State operations	9,319	9,613	294
General State charges	4,403	4,525	122
Transfers to other funds:			
Debt service	1,906	1,578	(328)
Capital projects	389	89	(300)
Other purposes	1,272	911	(361)
Total disbursements	<u>51,591</u>	<u>53,995</u>	<u>2,404</u>
Change in fund balance	<u>(212)</u>	<u>1</u>	<u>213</u>
Closing fund balance	<u>3,045</u>	<u>3,046</u>	<u>1</u>
Reserves			
Tax Stabilization Reserve Fund	1,031	1,031	0
Statutory Rainy Day Reserve Fund	0	175	175
Contingency Reserve Fund	21	21	0
Community Projects Fund	278	354	76
Debt Reduction Reserve Fund	0	250	250
Prior Year Reserves	1,715	1,203	(512)
Reserve From Current Year Operations	0	12	12

Source: NYS DOB

**CURRENT STATE RECEIPTS
GENERAL FUND
2006-2007 and 2007-2008
(millions of dollars)**

	2006-2007 Actuals	2007-2008 First Quarter	Annual Change
Personal income tax	22,939	23,071	132
User taxes and fees	8,186	8,527	341
Sales and use tax	7,539	7,867	328
Cigarette and tobacco taxes	411	429	18
Motor vehicle fees	(16)	(21)	(5)
Alcoholic beverages taxes	194	200	6
Alcoholic beverage control license fees	58	52	(6)
Business taxes	6,468	6,679	211
Corporation franchise tax	3,676	3,904	228
Corporation and utilities tax	626	618	(8)
Insurance taxes	1,142	1,176	34
Bank tax	1,024	981	(43)
Other taxes	1,075	1,135	60
Estate tax	1,063	1,114	51
Gift tax	(10)	0	10
Real property gains tax	0	0	0
Pari-mutuel taxes	21	20	(1)
Other taxes	1	1	0
Total taxes	38,668	39,412	744
Miscellaneous receipts	2,268	2,355	88
Federal Grants	151	75	(76)
Total	41,087	41,842	756

Source: NYS DOB

**CASH FINANCIAL PLAN
STATE FUNDS
2006-2007
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	3,257	3,791	(450)	221	6,819
Receipts:					
Taxes	38,668	7,109	1,929	11,033	58,739
Miscellaneous receipts	2,268	12,502	2,246	848	17,864
Federal grants	151	1	0	0	152
Total receipts	<u>41,087</u>	<u>19,612</u>	<u>4,175</u>	<u>11,881</u>	<u>76,755</u>
Disbursements:					
Grants to local governments	34,302	15,216	359	0	49,877
State operations	9,319	5,151	0	44	14,514
General State charges	4,403	594	0	0	4,997
Debt service	0	0	0	4,451	4,451
Capital projects	0	9	3,463	0	3,472
Total disbursements	<u>48,024</u>	<u>20,970</u>	<u>3,822</u>	<u>4,495</u>	<u>77,311</u>
Other financing sources (uses):					
Transfers from other funds	10,292	1,587	454	5,600	17,933
Transfers to other funds	(3,567)	(349)	(766)	(12,974)	(17,656)
Bond and note proceeds	0	0	181	0	181
Net other financing sources (uses)	<u>6,725</u>	<u>1,238</u>	<u>(131)</u>	<u>(7,374)</u>	<u>458</u>
Change in fund balance	<u>(212)</u>	<u>(120)</u>	<u>222</u>	<u>12</u>	<u>(98)</u>
Closing fund balance	<u>3,045</u>	<u>3,671</u>	<u>(228)</u>	<u>233</u>	<u>6,721</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
STATE FUNDS
2007-2008
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	3,045	3,671	(228)	233	6,721
Receipts:					
Taxes	39,412	7,915	2,042	12,659	62,028
Miscellaneous receipts	2,355	13,609	3,408	671	20,043
Federal grants	75	1	0	0	76
Total receipts	<u>41,842</u>	<u>21,525</u>	<u>5,450</u>	<u>13,330</u>	<u>82,147</u>
Disbursements:					
Grants to local governments	37,279	16,645	451	0	54,375
State operations	9,613	5,787	0	60	15,460
General State charges	4,525	621	0	0	5,146
Debt service	0	0	0	4,128	4,128
Capital projects	0	3	4,560	0	4,563
Total disbursements	<u>51,417</u>	<u>23,056</u>	<u>5,011</u>	<u>4,188</u>	<u>83,672</u>
Other financing sources (uses):					
Transfers from other funds	12,154	1,365	300	5,446	19,265
Transfers to other funds	(2,578)	(869)	(929)	(14,548)	(18,924)
Bond and note proceeds	0	0	298	0	298
Net other financing sources (uses)	<u>9,576</u>	<u>496</u>	<u>(331)</u>	<u>(9,102)</u>	<u>639</u>
Change in fund balance	<u>1</u>	<u>(1,035)</u>	<u>108</u>	<u>40</u>	<u>(886)</u>
Closing fund balance	<u>3,046</u>	<u>2,636</u>	<u>(120)</u>	<u>273</u>	<u>5,835</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
STATE FUNDS
2008-2009
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	<u>0</u>	<u>2,636</u>	<u>(120)</u>	<u>273</u>	<u>2,789</u>
Receipts:					
Taxes	41,244	8,633	2,116	13,408	65,401
Miscellaneous receipts	1,862	13,705	3,453	680	19,700
Federal grants	59	1	0	0	60
Total receipts	<u>43,165</u>	<u>22,339</u>	<u>5,569</u>	<u>14,088</u>	<u>85,161</u>
Disbursements:					
Grants to local governments	41,544	16,830	452	0	58,826
State operations	10,016	5,859	0	60	15,935
General State charges	4,969	624	0	0	5,593
Debt service	0	0	0	4,739	4,739
Capital projects	0	3	5,165	0	5,168
Total disbursements	<u>56,529</u>	<u>23,316</u>	<u>5,617</u>	<u>4,799</u>	<u>90,261</u>
Other financing sources (uses):					
Transfers from other funds	12,288	1,361	654	5,707	20,010
Transfers to other funds	(3,006)	(660)	(1,024)	(14,969)	(19,659)
Bond and note proceeds	0	0	457	0	457
Net other financing sources (uses)	<u>9,282</u>	<u>701</u>	<u>87</u>	<u>(9,262)</u>	<u>808</u>
Deposit to/(use of) Community Projects Fund	<u>(63)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(63)</u>
Deposit to/(use of) Prior Year Reserves	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
Deposit to/(use of) Current Year Reserves	<u>(4)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4)</u>
Change in fund balance	<u>(3,614)</u>	<u>(276)</u>	<u>39</u>	<u>27</u>	<u>(3,824)</u>
Closing fund balance	<u>(3,614)</u>	<u>2,360</u>	<u>(81)</u>	<u>300</u>	<u>(1,035)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
STATE FUNDS
2009-2010
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	<u>0</u>	<u>2,360</u>	<u>(81)</u>	<u>300</u>	<u>2,579</u>
Receipts:					
Taxes	43,551	9,157	2,187	14,178	69,073
Miscellaneous receipts	2,061	13,543	3,270	682	19,556
Federal grants	59	1	0	0	60
Total receipts	<u>45,671</u>	<u>22,701</u>	<u>5,457</u>	<u>14,860</u>	<u>88,689</u>
Disbursements:					
Grants to local governments	45,457	17,687	466	0	63,610
State operations	10,407	5,806	0	60	16,273
General State charges	5,282	639	0	0	5,921
Debt service	0	0	0	5,193	5,193
Capital projects	0	3	5,113	0	5,116
Total disbursements	<u>61,146</u>	<u>24,135</u>	<u>5,579</u>	<u>5,253</u>	<u>96,113</u>
Other financing sources (uses):					
Transfers from other funds	12,749	1,308	718	5,856	20,631
Transfers to other funds	(3,072)	(570)	(1,117)	(15,458)	(20,217)
Bond and note proceeds	0	0	608	0	608
Net other financing sources (uses)	<u>9,677</u>	<u>738</u>	<u>209</u>	<u>(9,602)</u>	<u>1,022</u>
Deposit to/(use of) Community Projects Fund	<u>(62)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(62)</u>
Deposit to/(use of) Prior Year Reserves	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
Deposit to/(use of) Current Year Reserves	<u>(4)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4)</u>
Change in fund balance	<u>(5,331)</u>	<u>(696)</u>	<u>87</u>	<u>5</u>	<u>(5,935)</u>
Closing fund balance	<u>(5,331)</u>	<u>1,664</u>	<u>6</u>	<u>305</u>	<u>(3,356)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
STATE FUNDS
2010-2011
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	<u>0</u>	<u>1,664</u>	<u>6</u>	<u>305</u>	<u>1,975</u>
Receipts:					
Taxes	45,828	9,521	2,186	14,995	72,530
Miscellaneous receipts	2,061	14,434	3,119	683	20,297
Federal grants	59	1	0	0	60
Total receipts	<u>47,948</u>	<u>23,956</u>	<u>5,305</u>	<u>15,678</u>	<u>92,887</u>
Disbursements:					
Grants to local governments	48,865	18,638	442	0	67,945
State operations	10,663	5,910	0	61	16,634
General State charges	5,585	648	0	0	6,233
Debt service	0	0	0	5,803	5,803
Capital projects	0	2	4,980	0	4,982
Total disbursements	<u>65,113</u>	<u>25,198</u>	<u>5,422</u>	<u>5,864</u>	<u>101,597</u>
Other financing sources (uses):					
Transfers from other funds	13,416	1,315	1,001	6,262	21,994
Transfers to other funds	(3,520)	(486)	(1,458)	(16,090)	(21,554)
Bond and note proceeds	0	0	655	0	655
Net other financing sources (uses)	<u>9,896</u>	<u>829</u>	<u>198</u>	<u>(9,828)</u>	<u>1,095</u>
Deposit to/(use of) Community Projects Fund	<u>(151)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(151)</u>
Deposit to/(use of) Prior Year Reserves	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
Deposit to/(use of) Current Year Reserves	<u>(4)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4)</u>
Change in fund balance	<u>(6,713)</u>	<u>(413)</u>	<u>81</u>	<u>(14)</u>	<u>(7,059)</u>
Closing fund balance	<u>(6,713)</u>	<u>1,251</u>	<u>87</u>	<u>291</u>	<u>(5,084)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2006-2007
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>3,257</u>	<u>4,238</u>	<u>(648)</u>	<u>221</u>	<u>7,068</u>
Receipts:					
Taxes	38,668	7,109	1,929	11,033	58,739
Miscellaneous receipts	2,268	12,715	2,247	848	18,078
Federal grants	151	33,690	1,738	0	35,579
Total receipts	<u>41,087</u>	<u>53,514</u>	<u>5,914</u>	<u>11,881</u>	<u>112,396</u>
Disbursements:					
Grants to local governments	34,302	45,693	730	0	80,725
State operations	9,319	8,164	0	44	17,527
General State charges	4,403	820	0	0	5,223
Debt service	0	0	0	4,451	4,451
Capital projects	0	9	4,829	0	4,838
Total disbursements	<u>48,024</u>	<u>54,686</u>	<u>5,559</u>	<u>4,495</u>	<u>112,764</u>
Other financing sources (uses):					
Transfers from other funds	10,292	3,873	454	5,600	20,219
Transfers to other funds	(3,567)	(2,932)	(774)	(12,974)	(20,247)
Bond and note proceeds	0	0	181	0	181
Net other financing sources (uses)	<u>6,725</u>	<u>941</u>	<u>(139)</u>	<u>(7,374)</u>	<u>153</u>
Change in fund balance	<u>(212)</u>	<u>(231)</u>	<u>216</u>	<u>12</u>	<u>(215)</u>
Closing fund balance	<u>3,045</u>	<u>4,007</u>	<u>(432)</u>	<u>233</u>	<u>6,853</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2007-2008
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	3,045	4,007	(432)	233	6,853
Receipts:					
Taxes	39,412	7,915	2,042	12,659	62,028
Miscellaneous receipts	2,355	13,764	3,408	671	20,198
Federal grants	75	34,986	1,879	0	36,940
Total receipts	41,842	56,665	7,329	13,330	119,166
Disbursements:					
Grants to local governments	37,279	47,948	593	0	85,820
State operations	9,613	9,056	0	60	18,729
General State charges	4,525	866	0	0	5,391
Debt service	0	0	0	4,128	4,128
Capital projects	0	4	6,323	0	6,327
Total disbursements	51,417	57,874	6,916	4,188	120,395
Other financing sources (uses):					
Transfers from other funds	12,154	3,864	300	5,446	21,764
Transfers to other funds	(2,578)	(3,726)	(943)	(14,548)	(21,795)
Bond and note proceeds	0	0	298	0	298
Net other financing sources (uses)	9,576	138	(345)	(9,102)	267
Change in fund balance	1	(1,071)	68	40	(962)
Closing fund balance	3,046	2,936	(364)	273	5,891

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2008-2009
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	0	2,936	(364)	273	2,845
Receipts:					
Taxes	41,244	8,633	2,116	13,408	65,401
Miscellaneous receipts	1,862	13,853	3,453	680	19,848
Federal grants	59	36,712	2,095	0	38,866
Total receipts	<u>43,165</u>	<u>59,198</u>	<u>7,664</u>	<u>14,088</u>	<u>124,115</u>
Disbursements:					
Grants to local governments	41,544	49,732	618	0	91,894
State operations	10,016	9,165	0	60	19,241
General State charges	4,969	876	0	0	5,845
Debt service	0	0	0	4,739	4,739
Capital projects	0	4	7,072	0	7,076
Total disbursements	<u>56,529</u>	<u>59,777</u>	<u>7,690</u>	<u>4,799</u>	<u>128,795</u>
Other financing sources (uses):					
Transfers from other funds	12,288	3,857	654	5,707	22,506
Transfers to other funds	(3,006)	(3,550)	(1,038)	(14,969)	(22,563)
Bond and note proceeds	0	0	457	0	457
Net other financing sources (uses)	<u>9,282</u>	<u>307</u>	<u>73</u>	<u>(9,262)</u>	<u>400</u>
Deposit to/(use of) Community Projects Fund	<u>(63)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(63)</u>
Deposit to/(use of) Prior Year Reserves	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
Deposit to/(use of) Current Year Reserves	<u>(4)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4)</u>
Change in fund balance	<u>(3,614)</u>	<u>(272)</u>	<u>47</u>	<u>27</u>	<u>(3,812)</u>
Closing fund balance	<u>(3,614)</u>	<u>2,664</u>	<u>(317)</u>	<u>300</u>	<u>(967)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2009-2010
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	0	2,664	(317)	300	2,647
Receipts:					
Taxes	43,551	9,157	2,187	14,178	69,073
Miscellaneous receipts	2,061	13,690	3,270	682	19,703
Federal grants	59	37,737	2,031	0	39,827
Total receipts	<u>45,671</u>	<u>60,584</u>	<u>7,488</u>	<u>14,860</u>	<u>128,603</u>
Disbursements:					
Grants to local governments	45,457	51,596	632	0	97,685
State operations	10,407	9,085	0	60	19,552
General State charges	5,282	895	0	0	6,177
Debt service	0	0	0	5,193	5,193
Capital projects	0	4	6,956	0	6,960
Total disbursements	<u>61,146</u>	<u>61,580</u>	<u>7,588</u>	<u>5,253</u>	<u>135,567</u>
Other financing sources (uses):					
Transfers from other funds	12,749	3,800	718	5,856	23,123
Transfers to other funds	(3,072)	(3,498)	(1,130)	(15,458)	(23,158)
Bond and note proceeds	0	0	608	0	608
Net other financing sources (uses)	<u>9,677</u>	<u>302</u>	<u>196</u>	<u>(9,602)</u>	<u>573</u>
Deposit to/(use of) Community Projects Fund	<u>(62)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(62)</u>
Deposit to/(use of) Prior Year Reserves	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
Deposit to/(use of) Current Year Reserves	<u>(4)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4)</u>
Change in fund balance	<u>(5,331)</u>	<u>(694)</u>	<u>96</u>	<u>5</u>	<u>(5,924)</u>
Closing fund balance	<u>(5,331)</u>	<u>1,970</u>	<u>(221)</u>	<u>305</u>	<u>(3,277)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2010-2011
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>0</u>	<u>1,970</u>	<u>(221)</u>	<u>305</u>	<u>2,054</u>
Receipts:					
Taxes	45,828	9,521	2,186	14,995	72,530
Miscellaneous receipts	2,061	14,578	3,119	683	20,441
Federal grants	59	39,347	1,922	0	41,328
Total receipts	<u>47,948</u>	<u>63,446</u>	<u>7,227</u>	<u>15,678</u>	<u>134,299</u>
Disbursements:					
Grants to local governments	48,865	54,074	608	0	103,547
State operations	10,663	9,252	0	61	19,976
General State charges	5,585	910	0	0	6,495
Debt service	0	0	0	5,803	5,803
Capital projects	0	3	6,688	0	6,691
Total disbursements	<u>65,113</u>	<u>64,239</u>	<u>7,296</u>	<u>5,864</u>	<u>142,512</u>
Other financing sources (uses):					
Transfers from other funds	13,416	3,808	1,001	6,262	24,487
Transfers to other funds	(3,520)	(3,428)	(1,472)	(16,090)	(24,510)
Bond and note proceeds	0	0	655	0	655
Net other financing sources (uses)	<u>9,896</u>	<u>380</u>	<u>184</u>	<u>(9,828)</u>	<u>632</u>
Deposit to/(use of) Community Projects Fund	<u>(151)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(151)</u>
Deposit to/(use of) Prior Year Reserves	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
Deposit to/(use of) Current Year Reserves	<u>(4)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4)</u>
Change in fund balance	<u>(6,713)</u>	<u>(413)</u>	<u>115</u>	<u>(14)</u>	<u>(7,025)</u>
Closing fund balance	<u>(6,713)</u>	<u>1,557</u>	<u>(106)</u>	<u>291</u>	<u>(4,971)</u>

Source: NYS DOB

CASHFLOW
GENERAL FUND
2007-2008
(dollars in millions)

	2007		2008										
	April Actuals	May Actuals	June Actuals	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	January Projected	February Projected	March Projected	Total
OPENING BALANCE	3,045	6,902	3,136	2,881	3,356	2,361	3,548	2,539	1,491	1,351	6,469	6,442	3,045
RECEIPTS:													
Personal Income Tax	4,017	748	2,414	1,377	1,307	1,942	764	480	915	5,437	1,942	1,728	23,071
User Taxes and Fees	679	623	877	667	635	885	637	627	920	672	560	745	8,527
Business Taxes	58	146	1,103	112	95	1,332	166	54	1,597	114	100	1,802	6,679
Other Taxes	81	80	107	97	98	98	95	96	96	96	95	96	1,135
Total Taxes	4,835	1,597	4,501	2,263	2,135	4,257	1,662	1,257	3,528	6,319	2,697	4,371	39,412
Licenses, fees, etc.	37	98	20	21	59	45	54	124	33	39	46	60	636
Abandoned Property	5	0	0	13	9	53	9	190	39	30	44	292	684
Reimbursement	6	7	25	17	17	21	12	14	25	10	15	41	199
Investment Income	70	7	25	22	(4)	9	14	1	12	25	(6)	15	190
Other transactions	13	15	167	23	27	33	24	21	34	25	24	240	646
Total Miscellaneous Receipts	131	127	237	85	108	161	113	350	143	129	123	648	2,355
Federal Grants	0	12	22	1	0	7	1	1	7	1	0	23	75
PIT in excess of Revenue Bond Debt Service	1,338	198	886	492	366	934	573	234	794	1,785	139	768	8,507
Sales Tax in Excess of LGAC Debt Service	137	41	360	233	191	280	193	190	286	203	0	207	2,321
Real Estate Taxes in Excess of CWICA Debt Service	55	61	95	49	45	50	39	49	39	49	55	50	636
All Other	3	1	120	31	9	80	10	6	39	0	0	391	690
Total Transfers from Other Funds	1,533	301	1,461	805	611	1,344	815	479	1,158	2,037	194	1,416	12,154
TOTAL RECEIPTS	6,499	2,037	6,221	3,144	2,854	5,769	2,591	2,087	4,836	8,486	3,014	6,458	53,996
DISBURSEMENTS:													
School Aid	236	2,143	1,512	36	613	1,360	627	937	1,498	404	571	6,233	16,170
Higher Education	18	10	335	92	210	212	347	23	225	31	322	573	2,398
All Other Education	26	124	345	131	60	144	84	95	67	223	114	325	1,738
Medicaid	869	1,267	918	553	1,164	589	610	644	636	855	693	778	9,576
Public Health	16	35	117	60	27	45	65	57	37	102	0	107	668
Mental Hygiene	45	58	62	120	61	233	115	74	213	274	165	418	1,858
Children and Families	5	130	91	226	114	100	89	88	245	101	93	318	1,600
Temporary & Disability Assistance	55	252	248	157	158	178	158	(143)	178	7	127	17	1,392
Transportation	0	14	45	0	15	0	0	15	7	0	8	2	106
All Other	22	70	444	55	51	154	25	68	278	94	65	447	1,773
Total Local Assistance Grants	1,292	4,103	4,117	1,430	2,493	3,015	2,120	1,858	3,384	2,091	2,158	9,218	37,279
Personal Service	633	814	599	591	733	591	706	542	440	528	313	189	6,679
Non-Personal Service	203	239	275	208	231	268	249	221	237	254	243	306	2,534
Total State Operations	836	1,053	874	799	964	859	955	763	677	782	556	495	9,613
General State Charges	263	429	1,218	308	311	276	415	277	300	345	149	234	4,525
Debt Service	45	144	210	42	38	295	32	141	409	4	24	194	1,578
Capital Projects	89	55	8	12	15	36	56	32	107	109	133	(563)	89
Other Purposes	117	19	49	78	28	101	22	64	99	37	21	276	911
Total Transfers to Other Funds	251	218	267	132	81	432	110	237	615	150	178	(93)	2,578
TOTAL DISBURSEMENTS	2,642	5,803	6,476	2,669	3,849	4,582	3,600	3,135	4,976	3,368	3,041	9,854	53,995
Excess/(Deficiency) of Receipts over Disbursements	3,857	(3,766)	(255)	475	(985)	1,187	(1,009)	(1,046)	(140)	5,118	(27)	(3,396)	1
CLOSING BALANCE	6,902	3,136	2,881	3,356	2,361	3,548	2,539	1,491	1,351	6,469	6,442	3,046	3,046

Source: NYS DOB

**CASH DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
(thousands of dollars)**

	2006-2007 Actuals	2007-2008 Projected	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT					
Agriculture and Markets, Department of	94,967	103,907	136,531	104,788	104,739
Alcoholic Beverage Control	11,696	12,948	13,287	13,849	13,911
Banking Department	57,224	61,413	61,952	62,734	63,531
Consumer Protection Board	2,792	3,055	3,090	3,125	3,159
Economic Development, Department of	88,458	128,893	340,127	278,286	155,547
Empire State Development Corporation	169,786	691,185	485,395	259,395	184,716
Energy Research and Development Authority	28,865	28,623	27,950	27,950	27,950
Housing and Community Renewal, Division of	272,073	306,915	299,530	279,750	278,803
Insurance Department	145,590	262,421	262,594	263,718	264,860
Olympic Regional Development Authority	8,250	14,126	9,009	9,217	9,437
Public Service, Department of	50,931	56,884	58,427	59,765	61,705
Science, Technology and Academic Research, Office of	52,263	57,576	48,423	44,491	43,813
University Broadband	4,840	5,625	8,200	14,000	14,000
Functional Total	987,735	1,733,571	1,754,515	1,421,068	1,226,171
PARKS AND THE ENVIRONMENT					
Adirondack Park Agency	4,599	5,740	5,929	5,935	5,942
Environmental Conservation, Department of	818,004	921,906	883,244	901,551	910,197
Environmental Facilities Corporation	8,416	11,760	11,815	6,760	6,760
Parks, Recreation and Historic Preservation, Office of	284,161	275,208	269,649	250,917	242,062
Functional Total	1,115,180	1,214,614	1,170,637	1,165,163	1,164,961
TRANSPORTATION					
Motor Vehicles, Department of	257,839	288,051	298,568	302,683	308,455
Thruway Authority	1,775	1,734	1,778	1,822	1,868
Metropolitan Transportation Authority	0	93,700	188,550	258,700	278,922
Transportation, Department of	5,553,463	6,302,072	6,537,170	6,738,179	6,775,780
Functional Total	5,813,077	6,685,557	7,026,066	7,301,384	7,365,025
HEALTH AND SOCIAL WELFARE					
Advocate for Persons with Disabilities, Office of	0	0	0	0	0
Aging, Office for the	197,862	228,969	237,759	237,704	236,693
Blind, Office for the	0	0	0	0	0
Children and Family Services, Office of	2,711,049	2,966,999	3,218,844	3,347,820	3,484,076
Health, Department of	37,770,678	38,622,409	41,823,943	45,271,171	48,062,419
<i>Medical Assistance</i>	32,388,167	32,403,932	35,353,292	38,741,206	41,541,132
<i>Medicaid Administration</i>	745,408	820,000	853,000	887,000	922,500
<i>All Other</i>	4,637,103	5,398,477	5,617,651	5,642,965	5,598,787
Human Rights, Division of	16,226	15,166	15,677	15,677	15,677
Labor, Department of	518,146	525,927	524,123	524,119	522,828
Medicaid Inspector General, Office of	34,842	74,556	91,816	93,149	94,268
Prevention of Domestic Violence, Office of	2,315	2,556	2,584	2,584	2,577
Stem Cell Initiatives	0	25,000	125,000	50,000	0

**CASH DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
(thousands of dollars)**

	2006-2007 Actuals	2007-2008 Projected	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected
HEALTH AND SOCIAL WELFARE (Continued)					
Temporary and Disability Assistance, Office of Welfare Assistance	4,458,278	4,667,356	4,621,268	4,621,040	4,623,894
Welfare Administration	3,016,154	3,188,923	3,132,074	3,126,743	3,122,456
All Other	380,349	376,933	377,933	377,933	377,933
Welfare Inspector General, Office of Workers' Compensation Board	1,061,775	1,101,500	1,111,261	1,116,364	1,123,505
	1,074	1,295	1,321	1,347	1,374
Functional Total	45,858,747	47,292,479	50,814,345	54,318,737	57,200,187
MENTAL HEALTH					
Mental Health, Office of Mental Hygiene, Department of	2,335,339	2,544,287	2,725,574	2,867,820	2,932,626
Mental Retardation and Developmental Disabilities, Office of Alcohol and Substance Abuse Services, Office of Developmental Disabilities Planning Council Quality of Care for the Mentally Disabled, Commission on	8,473	7,800	7,800	7,800	7,800
	3,168,254	3,424,897	3,606,674	3,727,548	3,842,948
	521,906	595,117	659,794	708,932	692,275
	4,129	3,621	3,617	3,617	3,617
Functional Total	12,605	15,532	16,354	16,655	16,625
	6,050,706	6,591,254	7,019,813	7,332,372	7,495,891
PUBLIC PROTECTION					
Capital Defenders Office	1,558	1,300	1,303	1,309	1,315
Correction, Commission of	2,621	2,629	2,674	2,674	2,674
Correctional Services, Department of Crime Victims Board	2,736,338	2,718,090	2,869,400	2,910,874	2,991,207
Criminal Justice Services, Division of	60,073	62,709	62,248	62,269	62,294
Homeland Security	267,326	254,005	265,162	245,525	235,356
Investigation, Temporary State Commission of	29,562	411,155	550,242	347,259	353,380
Judicial Commissions	3,551	3,929	4,152	4,219	4,242
Military and Naval Affairs, Division of	2,785	4,785	4,819	4,850	4,884
Parole, Division of	401,627	442,449	358,810	146,845	166,777
Probation and Correctional Alternatives, Division of Public Security, Office of	194,729	205,978	220,361	233,189	250,269
State Police, Division of	72,752	74,649	74,702	74,726	73,484
	0	0	0	0	0
Functional Total	644,506	635,780	676,754	688,761	683,065
	4,417,428	4,817,458	5,090,627	4,722,500	4,828,947
EDUCATION					
Arts, Council on the City University of New York Education, Department of	49,244	55,766	54,665	54,845	54,826
	1,064,544	1,196,740	1,259,760	1,314,914	1,346,661
	26,657,044	29,346,168	31,300,132	33,710,912	36,355,352
School Aid (includes EXCEL)	20,088,579	21,794,505	23,143,777	25,056,911	27,295,916
STAR Property Tax Relief	3,993,970	4,730,450	5,358,402	5,837,916	6,141,480
Handicapped	1,620,800	1,719,600	1,788,490	1,849,790	1,914,590
All Other	953,695	1,101,613	1,009,463	966,295	1,003,366
Higher Education Services Corporation	956,737	979,712	975,422	976,822	978,251
State University Construction Fund	13,157	12,493	12,628	12,756	12,884
State University of New York	5,447,926	5,814,289	5,959,243	6,067,116	6,127,560
Functional Total	34,188,652	37,405,168	39,561,850	42,137,365	44,875,534

**CASH DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS**
(thousands of dollars)

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
	Actuals	Projected	Projected	Projected	Projected
GENERAL GOVERNMENT					
Audit and Control, Department of	244,078	245,462	247,821	252,679	253,678
Budget, Division of the	54,817	94,137	109,900	112,400	115,800
Civil Service, Department of	24,363	23,653	23,857	24,037	24,270
Elections, State Board of	13,037	91,119	171,699	9,215	94,475
Employee Relations, Office of	3,852	4,000	4,025	4,062	4,103
Executive Chamber	14,517	20,320	20,930	21,560	22,200
General Services, Office of	255,060	229,594	231,955	223,064	234,375
Inspector General, Office of	5,933	6,908	6,980	7,059	7,127
Law, Department of	193,461	211,763	213,781	216,561	218,744
Lieutenant Governor, Office of the	360	1,378	1,420	1,460	1,500
Lottery, Division of	177,360	182,527	183,147	187,318	191,393
Racing and Wagering Board, State	16,899	18,738	18,746	19,216	19,397
Real Property Services, Office of	47,620	52,558	53,394	54,256	55,141
Regulatory Reform, Governor's Office of	3,509	3,781	3,825	3,871	3,895
State Labor Relations Board	3,376	4,077	4,118	4,156	4,198
State, Department of	148,140	207,873	159,816	155,085	141,270
State Appeals, Division of	3,228	3,233	3,228	3,263	3,298
Taxation and Finance, Department of	355,452	367,658	364,362	368,490	372,691
Technology, Office for	19,258	34,299	53,588	82,050	25,450
TSC Lobbying	2,338	2,314	2,324	2,351	2,370
Veterans Affairs, Division of	14,117	15,368	17,174	16,274	14,351
Functional Total	1,600,775	1,820,760	1,896,090	1,768,427	1,809,726
ALL OTHER CATEGORIES					
Legislature	213,118	220,319	223,168	225,841	225,887
Judiciary (excluding fringe benefits)	1,731,791	1,859,488	1,980,944	2,134,111	2,129,205
World Trade Center	37,020	70,000	100,000	70,000	30,000
Local Government Assistance	1,156,176	943,098	1,323,576	1,363,874	1,419,739
Long-Term Debt Service	4,450,737	4,127,629	4,736,298	5,189,785	5,795,931
General State Charges	5,222,834	5,390,675	5,845,387	6,177,579	6,495,140
Miscellaneous	(80,058)	222,930	251,684	236,361	442,996
Functional Total	12,731,618	12,834,139	14,461,057	15,397,551	16,538,898
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	112,763,918	120,395,000	128,795,000	135,564,567	142,505,340

**GAAP FINANCIAL PLAN
GENERAL FUND
2006-2007 and 2007-2008
(millions of dollars)**

	<u>2006-2007 Results</u>	<u>2007-2008 First Quarter</u>	<u>Annual Change</u>
Revenues:			
Taxes:			
Personal income tax	22,496	22,756	260
User taxes and fees	8,131	8,673	542
Business taxes	6,330	7,011	681
Other taxes	1,011	1,304	293
Miscellaneous revenues	6,224	5,344	(880)
Federal grants	67	75	8
Total revenues	<u>44,259</u>	<u>45,163</u>	<u>904</u>
Expenditures:			
Grants to local governments	36,495	39,809	3,314
State operations	11,303	12,183	880
General State charges	4,138	3,931	(207)
Debt service	0	0	0
Capital projects	0	1	1
Total expenditures	<u>51,936</u>	<u>55,924</u>	<u>3,988</u>
Other financing sources (uses):			
Transfers from other funds	13,914	15,128	1,214
Transfers to other funds	(6,386)	(5,345)	1,041
Proceeds from financing arrangements/ advance refundings	351	367	16
Net other financing sources (uses)	<u>7,879</u>	<u>10,150</u>	<u>2,271</u>
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	<u>202</u>	<u>(611)</u>	<u>(813)</u>
Accumulated Surplus/(Deficit)	<u>2,384</u>	<u>1,773</u>	<u>(611)</u>

Source: NYS DOB

**GAAP FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FIRST QUARTER UPDATE
2007-2008
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	39,744	7,896	2,042	12,708	62,390
Patient fees	0	0	0	326	326
Miscellaneous revenues	5,344	5,009	428	24	10,805
Federal grants	75	37,491	1,879	0	39,445
Total revenues	45,163	50,396	4,349	13,058	112,966
Expenditures:					
Grants to local governments	39,809	47,955	592	0	88,356
State operations	12,183	1,823	0	60	14,066
General State charges	3,931	346	0	0	4,277
Debt service	0	0	0	3,403	3,403
Capital projects	1	3	8,140	0	8,144
Total expenditures	55,924	50,127	8,732	3,463	118,246
Other financing sources (uses):					
Transfers from other funds	15,128	3,016	274	5,446	23,864
Transfers to other funds	(5,345)	(3,933)	(960)	(14,952)	(25,190)
Proceeds of general obligation bonds	0	0	298	0	298
Proceeds from financing arrangements/ advance refundings	367	0	4,379	0	4,746
Net other financing sources (uses)	10,150	(917)	3,991	(9,506)	3,718
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses					
	(611)	(648)	(392)	89	(1,562)

Source: NYS DOB