

Update to Annual Information Statement (AIS) State of New York

October 28, 2008

This quarterly update (the "AIS Update") is the second quarterly update to the Annual Information Statement of the State of New York, dated May 12, 2008 (the "AIS") and contains information only through October 28, 2008. This AIS Update should be read in its entirety, together with the AIS and the first quarterly update to the AIS dated August 6, 2008 (the "First Quarterly Update").

In this AIS Update, readers will find:

1. Extracts from the Mid-Year Update to the 2008-09 Financial Plan (the "Updated Financial Plan"), which the Division of the Budget ("DOB") issued on October 28, 2008. The Updated Financial Plan includes:
 - (a) a summary of recent events and changes to the Financial Plan made since the First Quarterly Update;
 - (b) revised Financial Plan projections for fiscal years 2008-09 through 2011-12;
 - (c) operating results for the first half of fiscal year 2008-09;
 - (d) an updated economic forecast,
 - (e) the Generally Accepted Accounting Principles (GAAP)-basis Financial Plan projections for 2008-09; and
 - (f) a summary on debt and capital management.

The Updated Financial Plan 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 2008-09.
3. A summary of GAAP-basis results for the 2007-08 fiscal year (the full statements are available on the State Comptroller's website, www.osc.state.ny.us). This information is reprinted from the First Quarterly Update as a convenience to the reader and includes no new information since that time.
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 this AIS Update, DOB has utilized significant portions of the Updated Financial Plan, but has also relied on information drawn from other sources, such as the Office of the State Comptroller ("OSC"), that it believes to be reliable. 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. 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) 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 by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-8282 or from any NRMSIR.

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Update to the 2008-09 Financial Plan

Note: DOB issued the Updated Financial Plan on October 28, 2008, extracts of which are set forth below. The Updated Financial Plan includes updated estimates for 2008-09 and projections for 2009-10 through 2011-12. 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 weighted toward the General Fund.

The State also reports disbursements and receipts activity by two other broad measures: State Operating Funds, which includes the General Fund and funds specified for dedicated purposes, but excludes Federal Funds and Capital Projects 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.

Please see the Glossary of Acronyms on Pages 65-68 of this AIS Update for the definitions of acronyms, defined terms and abbreviations that are used in this AIS Update.

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2008-09 Updated Financial Plan Extracts

In the First Quarterly Update, DOB stated that the economic downturn would have an adverse impact on State finances, and warned the outlook could worsen, noting “the nation’s economic troubles are severe and widespread [and] important financial institutions face a crisis of confidence among investors and the general public.” In September and October 2008, a series of financial sector shocks turned the national economic downturn into a global financial crisis that is expected to have a severe and negative impact on State finances.

DOB now projects a General Fund budget gap of \$1.5 billion in the current year, which it expects will be addressed through legislative or administrative measures, or both. General Fund tax receipts have been revised downward by \$1.7 billion from the estimate in the First Quarterly Update. In addition, adverse market conditions have disrupted plans to convert GHI/HIP to a for-profit company and to sell certain surplus State properties, reducing expected resources by another \$384 million in the current year. These costs are expected to be offset in part by \$427 million in cost-saving measures to improve the State’s operating margins that were approved by the Governor and Legislature in August 2008, \$120 million in additional revenue expected from the sale of development rights at Aqueduct Racetrack, and \$26 million in other savings based on a review of updated information.

The projected budget gaps¹ for 2009-10 and future years have also increased substantially, primarily reflecting the expected impact of recent economic events on the forecast of State tax receipts. DOB now projects a General Fund budget gap of \$12.5 billion in 2009-10, an increase of \$6.2 billion from the First Quarterly Update. The budget gap for 2009-10 is the largest ever faced by the State as measured in absolute dollars, and is roughly equivalent to the magnitude of the gap that needed to be closed in fiscal year 2003-04. The estimate for General Fund receipts has been reduced by \$5.8 billion, reflecting the expected impact of the global financial crisis on the State’s tax base. The increase in the budget gap also reflects the inclusion of a reserve for potential labor settlements (\$400 million) with State employee unions that have not agreed to new contracts in the current round of bargaining.²

At the Governor’s request, the Legislature is to convene a special session on November 18, 2008 to consider options to close the current-year shortfall and help reduce the budget gaps in future years. DOB is developing savings options in advance of the November 2008 session. Proposals are expected to include a wide array of local assistance and State operations reductions, as well as targeted revenue enhancements. In addition, the Governor plans to submit a balanced Executive Budget for 2009-10 to the Legislature on December 16, 2008, 36 days in advance of the constitutional deadline (January 20, 2009). The early submission is intended to stimulate prompt action in achieving a balanced enacted budget for 2009-10 in advance of April 1, 2009, the start of the new fiscal year, and provide an opportunity to address any remaining shortfall in the current year, as necessary. The updated Financial Plan does not count on any increases in Federal assistance, but the Governor continues to lobby for a Federal stimulus package that would provide direct fiscal relief to the states. DOB expects the State to end the current fiscal year with \$1.2 billion in rainy day reserves, which it does not plan to use to address the current fiscal year shortfall.

¹ The difference between the General Fund disbursements expected to be needed to maintain current service levels and specific commitments and the expected level of resources available to pay for them.

² The reserve is calculated on the assumption that future settlements will follow the pattern established by unions that have approved their contracts.

SUMMARY

Before September 2008

Prior to the extraordinary economic events of September 2008, the State had taken a series of steps during the current fiscal year to respond to a weakening economy and deteriorating outlook for the State's financial services industry. In the First Quarterly Update, DOB significantly lowered its projections for tax receipts in each of the four years of the Financial Plan (in comparison to the Enacted Budget Financial Plan) to reflect the worsening economic outlook and the anticipated impact on State tax collections. It also lowered the amount of resources expected from health insurance conversions, thereby creating a potential imbalance in HCRA starting in 2009-10.³ At the time, DOB warned that "the nation's economic troubles are severe and widespread [and] important financial institutions face a crisis of confidence among investors and the general public."

To help keep the General Fund balanced in the current year, the DOB began implementation of administrative savings measures (the "Fiscal Management Plan" or "FMP"). The FMP was projected to save \$630 million in 2008-09 and \$500 million annually thereafter. After accounting for the impact of the FMP savings, DOB projected that the General Fund would end the current fiscal year in balance on a cash basis without the use of existing reserves. The combined General Fund and HCRA budget gaps were estimated to total \$6.4 billion in 2009-10, \$9.3 billion in 2010-11, and \$10.5 billion in 2011-12.

In August 2008, the Governor and Legislature approved a package of cost-saving measures, including health care cost-containment and across-the-board reductions in certain categories of local assistance spending, that were intended to improve the current-year operating margin in the General Fund and reduce the projected gaps in future years. DOB estimated that the measures would provide General Fund savings of \$427 million in the current year and \$651 million in 2009-10 (including \$170 million in cost-avoidance measures).

Global Financial Crisis

A wave of unprecedented financial sector shocks occurred in September and October 2008, transforming an economic downturn that began last year into a global financial crisis. Trust among institutions and investors evaporated. The credit markets seized up, with banks refusing to lend to one another. Wall Street's large independent investment banks disappeared altogether, with Bank of America agreeing to purchase Merrill Lynch, Lehman Brothers filing for bankruptcy protection, and Goldman Sachs and Morgan Stanley applying to become bank holding companies (Bear Stearns had been taken over by JP-Morgan Chase earlier in the year). Market indexes plummeted, an acceleration of a downward trend that began last year. Investors fled to safe assets. The Federal government intervened in the financial system on a scale not seen since the Great Depression, nationalizing the twin mortgage giants, Fannie Mae and Freddie Mac, taking over AIG, the world's largest insurance company, authorizing a \$700 billion financial rescue program, the Troubled Asset Relief Program, to purchase mortgage-related securities from financial institutions, and guaranteeing trillions of dollars of deposits in money market funds. Abroad, governments were compelled to take dramatic steps of their own to try to contain the crisis, including intervening to stabilize their own banking systems. A long period marked by growing financial leverage, increased risk-taking, falling credit standards, and excessive deregulation appears to have come to an end.

³ On account of the close financing relationship between the General Fund and HCRA, DOB considers the General Fund and HCRA budget gaps on a combined basis for planning purposes.

Economic Impact is Expected to Be Severe

In DOB's view, the economic damage from the global financial crisis, even if it has been successfully contained, which is by no means certain, will be severe and long-lasting. At the national level, the U.S. economy is expected to contract by 0.1 percent in 2009, following growth of 1.4 percent in 2008. Gross Domestic Product is expected to decline for three consecutive quarters, starting in the third quarter of 2008, a performance not seen since the recession of the mid-1970s. Relatively weak growth in both real household consumption and private sector investment is expected through the end of 2009, and is substantially weaker than the performance projected in the First Quarterly Update. The pace of job losses is likely to accelerate, with the U.S. unemployment rate estimated to average 6.7 percent in 2009, following 5.7 percent in 2008.

In New York, the impact of the crisis is expected to have grave consequences for the State's financial services sector, one of the principal sources of State tax revenues. Layoffs in this sector alone are now expected to total approximately 45,000 positions as strained financial institutions seek to cut costs and newly merged banks seek to reduce duplication of services. This compares to a loss of approximately 30,000 jobs in the months following the September 11, 2001 terrorist attacks. DOB now estimates that finance and insurance sector bonuses will fall 43 percent for the 2008-09 bonus season and another 21 percent for 2009-10, representing larger declines than were seen in the aftermath of September 11th. Declining employment and bonuses will have negative implications for overall income growth as well. New York State wages are now projected to fall 1.8 percent in fiscal year 2008-09, which translates into a \$9.2 billion reduction in the wage base. Growth in total New York personal income for 2009 has been revised down to a decline of 1.0 percent, following growth of 2.7 percent for 2008.

But the damage is not limited to Wall Street. Statewide, DOB is forecasting private sector job losses surpassing 160,000, with declines anticipated for all major industrial sectors except health care and education. Statewide employment is now expected to fall 1.5 percent for 2009, with private sector jobs projected to decline 1.7 percent, following growth of 0.2 percent for both total and private employment for 2008 (see "Economic Forecast" herein).

Financial Plan Impact

The State's financial position is expected to be severely affected by the global financial crisis. In the current year, DOB now projects a General Fund budget gap of \$1.5 billion, which it expects to be addressed through legislative or administrative measures, or both. General Fund tax receipts have been revised downward by \$1.7 billion from the estimate in the First Quarterly Update. In addition, adverse market conditions have disrupted plans to convert GHI/HIP to a for-profit company and to sell certain surplus State properties, reducing expected resources by another \$384 million in the current year. These costs are expected to be offset in part by \$427 million in savings measures to improve the State's operating margins that were approved by the Governor and Legislature in August 2008, \$120 million in additional revenue expected from the sale of development rights at Aqueduct Racetrack, and \$26 million in other savings based on a review of updated information.

The projected budget gaps for 2009-10 and future years have also increased substantially, primarily reflecting the expected impact of recent economic events on State tax receipts. DOB now projects a General Fund budget gap of \$12.5 billion in 2009-10, an increase of \$6.2 billion from the First Quarterly Update. The estimate for General Fund tax receipts has been reduced by \$5.8 billion, as the impact of the financial services sector contraction and broader downturn is felt in the State's tax base. The increase in the 2009-10 budget gap also reflects the inclusion of a reserve for potential labor settlements (\$400 million) with State employee unions that have not agreed to new contracts in the current round of bargaining. The following table summarizes the major revisions to the General Fund forecast.

Summary of Major General Fund Revisions, 2008-09 Mid-Year Financial Plan General Fund (\$000)				
	2008-09	2009-10	2010-11	2011-12
Gap Estimate (First Quarterly Update)	0	(6,355)	(9,295)	(10,545)
Receipts Revisions	(1,664)	(5,819)	(5,794)	(5,893)
HCRA Health Insurance Conversions	(284)	(56)	(25)	0
Asset Sales	(100)	30	0	0
August 2008 Session Savings	427	651	639	650
Reserve for Labor Settlements	0	(400)	(275)	(275)
Aqueduct Franchise Fee	120	0	0	0
Spending Revisions	26	(569)	(1,002)	(1,171)
Mid-Year Gap Estimate	(1,475)	(12,518)	(15,752)	(17,234)
Required Legislative/Admin Actions*	1,475	TBD	TBD	TBD
Remaining Gap**	0	TBD	TBD	TBD

* The legislative/administrative actions to be taken to close the projected budget gap for fiscal year 2008-09 could exceed or fall short of \$1.475 million, which would have the effect of either decreasing or increasing the projected budget gaps and the corresponding required legislative/administrative actions for the current year and upcoming years.

** Assumes successful implementation of legislative/administrative actions.

From 2008-09 to 2009-10, General Fund receipts are now projected to decline by nearly \$3.1 billion, a decrease of 5.8 percent. General Fund disbursements are expected to grow by nearly \$6.7 billion, an increase of 11.9 percent (see section on "General Fund Outyear Budget Projections" later in this Update). In addition, the level of planned reserves available to finance operations declined by \$1 billion.

At the Governor's request, the Legislature is to convene a special session on November 18, 2008 to consider options to close the current-year shortfall and help reduce the gaps in future years. DOB is developing savings options in advance of the November 2008 session. Proposals are expected to include a wide array of local assistance and State operations reductions, as well as targeted revenue enhancements. In addition, the Governor plans to submit a balanced Executive Budget for 2009-10 to the Legislature on December 16, 2008, 36 days in advance of the constitutional deadline (January 20, 2009). The early submission is intended to stimulate prompt action in achieving a balanced enacted budget for 2009-10 in advance of April 1, 2009, the start of the new fiscal year, and provide an opportunity to address any remaining shortfall in the current year, as necessary. The Updated Financial Plan does not count on any increases in Federal assistance, but the Governor continues to lobby for a Federal stimulus package that would provide direct fiscal relief to the states. DOB expects the State to end the current fiscal year with \$1.2 billion in rainy day reserves, which it does not plan to use to address the current shortfall.

Receipts Discussion

For the period April 1, 2008 through September 30, 2008, General Fund receipts, including transfers from other funds, were \$132 million higher than projected in the First Quarterly Update.⁴ In the coming months, DOB expects that the economic downturn will have a substantial negative impact on tax collections, when the impact of lower bonus payments, lower capital gains realizations, declining profitability, and reduced consumer spending will be felt. Receipts to date have benefited from continuing strength in PIT collections (up by \$201 million compared to the First Quarterly Update cash-flow), but this reflects unusually large payments from relatively few taxpayers in the first half of the fiscal year. By comparison, business taxes, which are more responsive to current economic trends, especially the continuing weakness in the banking sector, are down by \$198 million through the first six months of the fiscal year versus the cash flow forecast (see "Year-to-Date Operating Results" herein).

Accordingly, DOB has lowered its annual forecast of General Fund receipts by \$1.7 billion for the current year and \$5.8 billion in 2009-10, with significant reductions made in the estimates for PIT, business taxes, and sales taxes. General Fund PIT receipts have been reduced by \$1.2 billion in 2008-09 and \$4.2 billion in 2009-10. In 2008-09, the expected annual decline in financial sector bonuses is now estimated at \$20 billion, or 43 percent, compared to a \$10 billion drop projected in the First Quarterly Update. The annual decline in current tax year 2008 estimated payments, which includes tax receipts from capital gains, is projected at \$565 million, or 6.6 percent. This compares to an estimated decline of \$165 million, or 1.9 percent, in the First Quarterly Update. In 2009-10, both bonuses and capital gains are expected to decline further from the reduced levels projected in 2008-09.

The estimates for General Fund business tax receipts have been reduced by \$404 million in 2008-09 and \$913 million in 2009-10 in comparison to the First Quarterly Update. This reflects the expected continuation of trends in business taxes, which now suggest substantially lower growth in corporate franchise tax receipts and declines in insurance tax receipts, offset partially by higher-than-estimated receipts from the corporation and utilities taxes.

The estimates for General Fund user taxes and fees have been lowered by \$101 million in the current year and \$267 million in 2009-10. This is based on slower expected growth in the sales tax base, as well as delays in the implementation of provisions governing the taxation of various products sold by Native Americans and other technical adjustments (see "All Funds Receipts Projections" herein).

Spending Discussion

Through September 2008, General Fund disbursements including transfers to other funds, were \$203 million lower than projected in the First Quarterly estimate. The spending results reflect, in large part, the timing of payments for public schools, which are planned to be paid by the end of the fiscal year, and federally-mandated changes to Medicaid systems that temporarily slowed payment processing. DOB expects that these timing-related variances will, for the most part, disappear over the remainder of the year. DOB does not expect that the positive operating results to date will translate into significant annual savings (see "Year-to-Date Operating Results" herein). DOB also believes pressure on entitlement spending is likely to build and may add additional costs in the current year.

In 2008-09, General Fund disbursements have been revised downward by \$37 million compared to the First Quarterly Update. DOB has made two substantive downward revisions to the spending forecast. First, it expects additional resources will be available to offset Medicaid spending, primarily from manufacturer drug rebates and audit recoveries accumulated during the year. In addition, the State has reached agreement on

⁴ Office of the State Comptroller, Monthly Report on State Funds Cash-Basis of Accounting, September 2008.

awarding the VLT franchise at Aqueduct Racetrack to Delaware North, which is expected to result in a \$370 million up-front payment in the current fiscal year, which is \$120 million higher than budgeted in the Financial Plan. These reductions are offset by higher expected costs in State operations for agencies that received full or partial exemptions for health and safety reasons from the initial reductions assumed under the FMP.⁵

In 2009-10 and after, DOB projects higher costs in several areas, increased Medicaid costs due to nursing home rebasing, higher school aid projections based on additional information reported by school districts for the September 2008 update and declining revenues attributable to lottery and VLT sales, additional General Fund support for the DHBT Fund, and higher-than-projected costs for NYS-OPTS program. The inflationary adjustment for hospitals, nursing homes, and home care, which was expected to add costs of \$170 million annually beginning in 2009-10, has been eliminated by legislation approved in the August 2008 session that capped the automatic rate increases at 2.3 percent (see “Revisions to the General Fund Financial Plan — Disbursement Reestimates” and “All Funds Disbursements Projections” herein).

Closing Balance

The Updated Financial Plan projects that the General Fund will end the 2008-09 fiscal year with a balance of \$1.6 billion, \$145 million below the First Quarterly Update and \$1.1 billion lower than the closing balance from 2007-08. The estimate for 2008-09 assumes the successful enactment of special session savings or administrative actions, or both. The annual decline reflects the planned use of \$920 million to finance the costs of labor settlements, \$168 million for member items in the Community Projects Fund, and \$58 million for debt management purposes. Market conditions will determine whether additional resources earmarked by DOB for debt management are needed in the current year. Balances in the other reserves are expected to remain unchanged.

Workforce

The State workforce, which reflects FTEs of the Executive Branch, excluding the Legislature, Judiciary and contractual labor, is currently projected to total 199,400 in 2008-09, a decrease of 851 positions from the First Quarterly Update levels. The projected workforce levels reflect the impact of the FMP actions that were taken to eliminate the current year imbalance. Agencies reporting the most significant declines include DEC, Correctional Services, Health and OGS, consistent with the 7 percent State Operations reductions included in the First Quarterly Update.

Bond Market Impact

One aspect of the credit crisis is that government issuers have either been unable to issue bonds or, if market access exists, do so at much higher interest rates than existed before September 2008. If the State cannot sell bonds at the levels (or on the timetable) expected in the capital plan, it could experience significantly increased costs in the General Fund and a weakened overall cash position in the current year. This is because the State finances much of its capital spending in the first instance through loans from the General Fund or STIP, which it then repays with proceeds from the sale of bonds.

Interest rates on State-supported VRDBs increased sharply in September 2008, reaching an average of 6.5 percent for a period of time. Rates have since moderated but could rise again. Accordingly, DOB has revised its interest-rate forecast upward, which is offset in part by projected debt service savings related to the timing of bond sales.

⁵ A detailed summary by agency of approved FMP savings is expected to be published by DOB no later than October 31, 2008 and will be available at www.budget.state.ny.us.

For planning purposes, DOB is assuming the State will have limited access to the bond market for the remainder of the fiscal year. Therefore, the State is executing a multi-step strategy to stage entries into the bond market in a way that addresses the most immediate and consequential fiscal issues first. At the same time, DOB is imposing stringent capital controls to marginally reduce the need to issue bonds in the coming months (see "Debt/Capital Update" herein).

Risks

The Updated Financial Plan forecast is subject to many complex economic, social, and political risks and uncertainties, many of which are outside the ability of the State to control. These include, but are not limited to, the performance of the global national and State economies; the impact of continuing write-downs and other costs affecting the profitability of the financial services sector, and the concomitant effect on bonus income and capital gains realizations; access to the capital markets in light of the disruption in the municipal bond market; litigation against the State, including potential challenges to the constitutionality of certain tax actions authorized in the Enacted Budget; and actions taken by the Federal government, including audits, disallowances, and changes in aid levels.

In addition, the forecast contains specific transaction risks and other uncertainties, including, but not limited to, the final sale of development rights for a VLT facility at the Aqueduct Racetrack by the close of the current fiscal year; the enforcement of certain tax regulations on Native American reservations; the timing and value of proceeds from the sale of Well Point stock that is expected to finance health care costs; and the achievement of cost-saving measures, including, but not limited to, FMP savings, at the levels currently projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Financial Plan in the current year (see section on "Special Considerations" herein).

Current projections estimate that debt outstanding and debt service costs will continue to remain below the limits imposed by the Debt Reform Act of 2000 throughout the next several years. However, the State has entered into a period of significantly declining debt capacity. Based on the most recent personal income and debt outstanding forecasts, the State is now expected to exceed the debt outstanding cap in 2012-13 by over \$800 million. The State expects to propose actions in the 2009-10 Executive Budget in order to stay within the statutory limitations.

There can be no assurance that (a) legislative or administrative actions will be sufficient to eliminate the current-year shortfall without the use of existing reserves, (b) receipts will not fall below current projections, requiring additional budget-balancing actions in the current year, and (c) the gaps projected for future years will not increase materially from the projections set forth herein.

GENERAL FUND REVISIONS TO THE FIRST QUARTERLY UPDATE

DOB has made a number of substantive revisions to the receipts and disbursements forecasts contained in the First Quarterly Update. The following table summarizes the General Fund impact of the revisions to the First Quarterly Update. It is followed by an explanation of the major revisions.

Summary of Changes to General Fund Forecast for 2008-09 through 2011-12*				
Savings/(Costs)				
(millions of dollars)				
	2008-09	2009-10	2010-11	2011-12
FIRST QUARTERLY GENERAL FUND/HCRA SURPLUS/(GAP)	0	(6,355)	(9,295)	(10,545)
Receipts Revisions	(1,664)	(5,819)	(5,794)	(5,893)
Personal Income Tax**	(1,167)	(4,243)	(4,425)	(4,787)
Business Taxes	(404)	(913)	(452)	(376)
Sales/Use Taxes**	(101)	(267)	(380)	(383)
Other Taxes**	(5)	(264)	(337)	(344)
Miscellaneous Receipts/Other Transfers ***	13	(132)	(200)	(3)
Disbursement Revisions	(129)	(658)	(1,080)	(1,215)
Medicaid	130	(95)	(95)	(95)
Medicaid Inflationary Increase Adjustment	0	(170)	(170)	(170)
School Aid	0	(135)	(63)	(64)
Lottery	(34)	(35)	(91)	(140)
Aqueduct Development Rights	120	0	0	0
Child Welfare	0	(31)	(48)	(68)
Human Services COLA	0	(35)	(54)	(73)
General State Charges	10	193	(36)	(19)
SUNY/CUNY Community Colleges	0	(28)	(36)	(36)
SUNY/CUNY Operating Costs	(1)	(16)	(7)	(11)
Transportation	(48)	(108)	(218)	(265)
Correctional Services	(162)	(153)	(154)	(153)
State Police	(52)	(61)	(61)	(61)
Surplus State Properties	(100)	0	0	0
Mental Hygiene	22	(4)	(92)	(120)
All Other	(14)	20	45	60
Collective Bargaining	(21)	(330)	(368)	(389)
Reserve for Future Labor Settlements	0	(400)	(275)	(275)
State Police	(44)	(45)	(71)	(71)
SUNY/Other	(21)	(30)	(22)	(43)
Use of Reserve	44	145	0	0
August Special Session Actions	427	651	639	650
Medicaid Cost Containment	127	374	379	385
Across-the-Board Local Reductions	182	234	236	240
Other Savings Actions	118	43	24	25
HCRA Revisions	(88)	(7)	146	158
Health Insurance Conversions	(284)	(56)	(25)	0
EPIC	64	118	163	188
All Other Program Revisions	47	16	8	(30)
Use of current fund balance (previously available in 2009-10)	85	(85)	0	0
REVISED SURPLUS/(GAP) ESTIMATE BEFORE SPECIAL SESSION	(1,475)	(12,518)	(15,752)	(17,234)
<i>Net Change From First Quarter Update</i>	<i>(1,475)</i>	<i>(6,163)</i>	<i>(6,457)</i>	<i>(6,689)</i>
Potential Legislative/Administrative Actions to Address Gap	1,475	TBD	TBD	TBD
GENERAL FUND/HCRA SURPLUS/(GAP) ESTIMATE	0	(12,518)	(15,752)	(17,234)
<i>Net Change From First Quarter Update</i>	<i>0</i>	<i>(6,163)</i>	<i>(6,457)</i>	<i>(6,689)</i>

* Mid-year receipts and disbursements estimates do not include the \$1.48 billion in savings that are expected to be achieved through legislation or administrative actions, or both, to address the current year shortfall, as options are currently under development.

** Includes transfers from other funds of tax receipts in excess of debt service costs.

*** Excludes additional receipts authorized in the August 2008 special session via transfers from other funds (\$95 million in 2008-09, \$50 million in 2009-10, \$31 million in 2010-11 and \$32 million in 2011-12), which are reflected in the "August Special Session Actions" total.

Receipts Revisions:

Tax Revenues: The downward revisions primarily reflect the impact of DOB's revised economic forecast on anticipated tax collections. Please see "Economic Forecast" and "All Funds Receipts Projections" herein for a complete explanation of changes.

Miscellaneous Receipts/Other: The downward revisions primarily reflect the loss of anticipated receipts from New York City that have been subject to ongoing negotiations.

Disbursement Revisions:

Medicaid (including administrative costs): Revised inflation projections were expected to drive increased payments through Medicaid rates that are tied to inflation. However, legislation enacted in August 2008 capped automatic inflationary increases to 2.3 percent. The Nursing Home rebasing initiative, which updates the base year for which rates are calculated, is expected to increase Medicaid spending beginning in 2009-10. In the current year, additional resources are expected to be available to offset Medicaid spending.

School Aid: The September 2008 school aid database update resulted in higher projected costs of \$135 million in 2009-10, based on additional claims filed since the May 2008 update and updated wealth and demographic information reported by school districts. These additional costs are primarily driven by growth in building aid and excess cost aid. Based on statute, additional school year obligations from 2008-09 and earlier years will be paid in State fiscal year 2009-10. As in prior years, the updated school district data and additional claims have resulted in a significant cost increase to the State's multi-year Financial Plan, subsequent to the Enacted Budget agreements.

Lottery: Reflects a projected decrease in revenues available for education generated by lottery sales and VLTs. New games offered in 2008-09 have not performed as well as expected. General Fund support for school aid is increased to compensate for the lower revenues.

Aqueduct Development Rights: The Financial Plan included \$250 million in expected receipts from the sale of VLT facility development rights at the Aqueduct Racetrack in Queens. The State received three bids for development rights. The bidders included Capital Play, Inc. for \$100 million, SL Green Realty Corporation for \$250 million, and Delaware North Companies for \$370 million. After several months of discussion and evaluation, the State has agreed to award the Buffalo-based Delaware North with the licensure to operate the facility. The amount of the bid is \$120 million above the level included within the Financial Plan. It is expected that full payment will be received by the close of the current fiscal year.

Child Welfare: Under the open-ended child welfare services program, the State reimburses local governments for 63.7 percent of the cost of providing certain services, including community-based preventive services and child protective services. Increased General Fund support reflects projected growth in local child welfare claims.

Human Services COLA: The COLA requirement reflects an increase in the projected provider payments that are intended to fund the COLA. The 2009-10 COLA is based on the actual 12-month consumer price increases ending July 2008. DOB expects the final 2009-10 COLA to be 5.6 percent instead of the 3.5 percent projected in the First Quarterly Update.

GSCs: Pensions reflect anticipated changes in the employer contribution rate based on expected market conditions. Projected health insurance costs for State employees and retirees have been reduced by roughly \$100 million in 2009-10, \$54 million in 2010-11 and \$63 million in 2011-12 due to changes in assumptions related to 2009 rates.

SUNY/CUNY Community Colleges: The projected increase reflects growth in enrollment projections at both SUNY and CUNY community colleges based on actual fall 2008 enrollment. The State currently provides community college base aid of \$2,675 per full-time student.

SUNY/CUNY Operating Costs: Increased operating costs at SUNY and CUNY primarily reflect inflation and increased operating costs at CUNY for energy, utilities, and building rental expenses.

Transportation: General Fund support of the DHBTF is expected to increase primarily to offset the impact of spending growth for DOT demand maintenance changes to bondable construction driven by the shorter life span of construction/maintenance programs, reestimates of expected DOT and DMV savings, and a reduction in expected DHBTF receipts. DOT also received a partial exemption from the FMP.

Correctional Services: The agency received a partial exemption from implementing the FMP after demonstrating that funding reductions could compromise the safety of the public, correctional employees, and inmates. These costs were partially offset by revised estimates of certain non-personal service costs, including providing outside hospital care to inmates.

State Police: The agency received a partial exemption from the FMP to allow for the continuation of law enforcement and highway safety activities at the level necessary to ensure public safety. In addition, overtime costs are projected to increase.

Mental Hygiene: The mental hygiene revisions result from a variety of reestimates based primarily on year-to-date results. This includes higher than expected spending for New York State OPTS in OMRDD, which is offset by lower spending elsewhere for a variety of smaller programs. The outyear revisions are primarily due to a review of trends based on current year results, including higher baseline costs for the OPTS program.

Other: Other revisions include decreased spending on various public health programs; slower than projected payout of Shared Municipal Services Incentive and Local Government Efficiency grant program moneys; and increased costs associated with Scholarship awards through the World Trade Center Scholarship, Veteran's Tuition Award Scholarship, and Math and Science Teaching Scholarship programs.

In addition, since the First Quarterly Update, the Governor has approved several bills with a fiscal impact that were passed by the Legislature during the regular 2008 legislative session. These bills, which are expected to add \$1.7 million in costs in the current year and \$3.2 million in the future, include: the Sexually Exploited Youth Act requiring local districts to provide crisis intervention services and community based programming for exploited youth; the creation of a statewide cancer incidence map which requires enhanced collection of geographic cancer case information; creation of three residential health care off site demonstrations projects to allow nursing homes to provide physical, occupational and speech therapies at an offsite facility; establishing the New York Certified Aide Registry and Employment Search database for home health and personal care aides; and requiring Parole, DPCA and OTDA to promulgate guidelines for housing of sex offenders in order to prevent "over-concentrations" of such offenders in communities.

Collective Bargaining:

The State has reached a labor settlement with the union representing New York State Troopers. The union has ratified the contract and DOB expects the Legislature to authorize a pay bill later in the fiscal year. In 2008-09, the General Fund costs of the agreement will be financed in their entirety with existing reserves earmarked for this purpose. In addition, DOB has recalculated the expected impact of the existing labor settlement with UUP based on updated information.

DOB has established a reserve for future labor settlements. Agreements have not yet been reached with the unions representing uniformed officers (e.g., New York State Correction Officers) and graduate students (Graduate Student Employees Union). DOB estimates that if all remaining unsettled unions were to agree to the same terms that have been ratified by settled unions, it would result in added costs of approximately \$400 million in 2009-10, and \$275 million in both 2010-11 and 2011-12. Based on the status of current labor negotiations, DOB does not expect any additional labor settlement payments in 2008-09.

August Special Session Actions:

Cost-saving measures that were approved by the Governor and Legislature in the August 2008 special session included Medicaid and health care cost containment, as well as across-the-board reductions to various local assistance programs, Executive, and Legislative initiatives authorized in the 2008-09 Enacted Budget (see "August 2008 Session" herein for a detailed summary).

HCRA Operating Shortfall:

The delay in converting GHI/HIP to a for-profit company, which was counted on to finance \$284 million in health care spending in the current year, is partially offset by downward spending revisions in various HCRA programs. These revisions result in a potential \$88 million deficit in HCRA in 2008-09 and a modest increase to the 2009-10 estimated shortfall. On account of the close financing relationship between the General Fund and HCRA, the HCRA gap is combined with the General Fund gap for planning purposes (see "HCRA Financial Plan" herein).

Annual Spending growth

General Fund spending, including transfers to other funds, is projected to total \$56.1 billion in 2008-09, an increase of \$2.7 billion over 2007-08 actual results. The General Fund must, by law, end the year in balance on a cash basis. State Operating Funds spending, which includes the General Fund, State-financed special revenue funds, and debt service, is projected to increase by \$3.3 billion and total \$80.3 billion in 2008-09. All Governmental Funds spending, the broadest measure of spending that includes State operating funds, capital spending, and Federal grants, is projected to total \$120.8 billion in 2008-09, an increase of \$4.7 billion.

Total Disbursements*						
(millions of dollars)						
	2007-08	2008-09		Annual \$	Annual %	\$ Change from
	Actuals	First Quarter	2008-09	Change	Change	July Update
		Update	Current			
State Operating Funds	77,003	80,506	80,288	3,285	4.3%	(218)
General Fund **	50,613	50,512	50,422	(191)	-0.4%	(90)
Other State Funds	22,254	25,296	25,212	2,958	13.3%	(84)
Debt Service Funds	4,136	4,698	4,654	518	12.5%	(44)
All Governmental Funds	116,058	121,304	120,763	4,705	4.1%	(541)
State Operating Funds	77,003	80,506	80,288	3,285	4.3%	(218)
Capital Projects Funds	6,131	6,978	6,819	688	11.2%	(159)
Federal Operating Funds	32,924	33,820	33,656	732	2.2%	(164)
General Fund, including Transfers	53,387	56,157	56,120	2,733	5.1%	(37)

* Mid-year receipts and disbursements estimates do not include the \$1.48 billion in savings that are expected to be achieved through legislation or administrative actions, or both, to address the current year shortfall, as options are currently under development.

** Excludes Transfers

The major sources of State Operating Funds spending growth from 2007-08 to 2008-09 are presented in the table below, along with a summary of the revisions to the Enacted Budget.

2008-09 State Operating Funds								
Quarterly Financial Plan Revisions From Enacted Budget								
Increase/(Decrease)								
(millions of dollars)								
	2007-08	2008-09	First	Mid-Year	2008-09	Change	Annual \$	Annual %
	Actual	Enacted	Quarter	Revisions	Current	From	Change	Change
		Estimate	Revisions	Revisions	Estimate	Enacted		
Revenue Revisions	75,596	78,623	(910)	(2,094)	75,619	(3,004)	23	0.0%
Spending Revisions	77,003	80,862	(356)	(218)	80,288	(574)	3,285	4.3%
Local Assistance:								
Medicaid (excluding Local Cap)	12,200	12,338	191	(250)	12,279	(59)	79	0.6%
Medicaid: Local Cap Takeover Initiative	168	486	(175)	(11)	300	(186)	132	78.6%
School Aid	18,983	20,747	(10)	(3)	20,734	(13)	1,751	9.2%
Other Education	1,711	1,778	(20)	(27)	1,731	(47)	20	1.2%
STAR	4,658	4,693	0	0	4,693	0	35	0.8%
Children and Families	1,611	1,763	(3)	(27)	1,733	(30)	122	7.6%
Higher Education	2,321	2,494	93	(26)	2,561	67	240	10.3%
Temporary and Disability Assistance	1,533	1,214	5	(3)	1,216	2	(317)	-20.7%
Mental Hygiene	2,107	2,970	0	152	3,122	152	1,015	48.2%
Transportation	2,825	3,003	(15)	(2)	2,986	(17)	161	5.7%
Public Health	2,721	2,946	(147)	(113)	2,686	(260)	(35)	-1.3%
Local Government Assistance	917	1,242	(12)	0	1,230	(12)	313	34.1%
All Other	814	682	103	(75)	710	28	(104)	-12.8%
Personal Service	9,732	10,216	(181)	219	10,254	38	522	5.4%
Non-Personal Service	5,338	5,047	(184)	17	4,880	(167)	(458)	-8.6%
General State Charges	5,252	4,588	23	(22)	4,589	1	(663)	-12.6%
Debt Service	4,104	4,652	(24)	(47)	4,581	(71)	477	11.6%
Capital Projects	8	3	0	0	3	0	(5)	-0.1%
Projected Year-End General Fund Reserves	2,754	2,031	(278)	(145)	1,608	(423)	(1,146)	-41.6%
Labor Settlement/Other Risks/Reserves	1,065	445	(256)	(44)	145	(300)	(920)	-86.4%
Tax Stabilization Reserve	1,031	1,031	0	0	1,031	0	0	0.0%
Rainy Day Reserve Fund	175	175	0	0	175	0	0	0.0%
Community Projects Fund Reserve	340	237	0	(65)	172	(65)	(168)	-49.4%
Contingency Reserve	21	21	0	0	21	0	0	0.0%
Debt Reduction Reserve	122	122	(22)	(36)	64	(58)	(58)	-47.5%

2008-09 Projected Closing Balances

General Fund

DOB projects the State will end the 2008-09 fiscal year with a General Fund balance of \$1.6 billion (2.9 percent of spending). The balance consists of \$1.2 billion in undesignated reserves and \$381 million in reserves designated to finance existing or potential future commitments. The projected closing balance is \$145 million lower than projected at the time of the First Quarterly Update due to the expected use of \$44 million to finance the costs of recent labor settlements and \$36 million for debt management purposes. It also reflects a reduction in community projects funds of \$65 million due to \$50 million in savings actions authorized in the August 2008 session and an increase in projected spending for the remainder of the year. The projected balance assumes that the current-year shortfall will be eliminated through legislation or administrative actions, or both, without the use of existing reserves.

General Fund Estimated Closing Balance (millions of dollars)			
	2008-09 First Quarter Update	2008-09 Current Estimate	Change
Projected Mid-Year Fund Balance	1,753	1,608	(145)
<i>Undesignated Reserves</i>			
Tax Stabilization Reserve Fund	1,227	1,227	0
Rainy Day Reserve Fund	175	175	0
Contingency Reserve Fund	21	21	0
<i>Designated Reserves</i>			
Reserved for Labor Settlements	189	145	(44)
Reserved for Debt Reduction	100	64	(36)
Community Projects Fund	237	172	(65)

The undesignated reserves include \$1.0 billion in the State's Tax Stabilization Reserve, \$175 million in the Rainy Day Reserve that may be used to respond to an economic downturn or catastrophic event, and \$21 million in the Contingency Reserve for litigation risks.

The designated reserves include \$172 million in the Community Projects Fund to finance existing "member item" initiatives, \$145 million that is available to finance the cost of potential labor settlements which is expected to be available for labor costs anticipated in 2009-10, and \$64 million available for debt management purposes, some or all of which may be used in the current year depending on market conditions.

State Operating Funds

DOB projects the State will end the 2008-09 fiscal year with a State Operating Funds balance of \$4.3 billion assuming successful implementation of savings achieved through legislative or administrative actions to address the current year shortfall. The balance consists of \$1.6 billion in the General Fund, \$2.4 billion in balances in numerous State Special Revenue Funds and \$344 million in Debt Service Funds. The projected closing balance has decreased by \$251 million from the First Quarter Update Financial Plan estimate. This largely reflects the use of reserves to finance new labor settlements and a reduction in expected health care conversions proceeds, which eliminated the projected year-end balance in the Health Care Resources Fund.

State Operating Funds Estimated Closing Balance (millions of dollars)			
	2008-09 First Quarter Update	2008-09 Current Estimate	Change
Projected Year-End Fund Balance	4,557	4,306	(251)
General Fund	1,753	1,608	(145)
Special Revenue Funds	2,439	2,354	(85)
Miscellaneous Special Revenue	874	909	35
<i>Industry Assessments</i>	139	173	34
<i>Health and Social Welfare</i>	286	319	33
<i>General Government</i>	190	236	46
<i>All Other</i>	259	181	(78)
State University Income	943	955	12
Mass Transportation Operating Assistance	149	131	(18)
Health Care Resources Fund	85	0	(85)
Lottery Fund	24	31	7
All Other	364	328	(36)
Debt Service Funds	365	344	(21)

**Mid-year closing balance estimates do not include \$1.8 billion in General Fund/HCRA savings that are expected to be implemented pursuant to legislation or administrative actions, or both, to address the current year shortfall, as options are currently under development.*

The balances held in State special revenue funds include moneys designated to finance existing or potential future commitments, or funds that are restricted or dedicated for specified statutory purposes. The largest balances in the State special revenue funds include moneys on hand to finance future costs for State University programs, operating assistance for transportation programs, various health care programs financed from the Health Care Resources Fund, and lottery revenues used for school aid. The remaining fund balances are held in numerous funds, primarily the Miscellaneous Special Revenue Fund, and accounts that support a variety of programs including industry regulation, public health, general government, and public safety.

General Fund Outyear Budget Projections

The forecast for 2009-10 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 2009-10 current services gap forecast are based on reasonable assumptions and methodologies. Changes to these or other assumptions have the potential to materially alter the size of the budget gaps for 2009-10 and beyond. The following table

summarizes the current Financial Plan projections for 2008-09 through 2011-12, as well as the budget gaps and changes in reserves.

General Fund Mid-Year Financial Update (millions of dollars)				
	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Receipts				
Taxes	38,704	37,045	39,122	41,289
Personal Income Tax	22,986	21,253	22,583	24,141
User Taxes and Fees	8,749	8,947	9,167	9,541
Business Taxes	5,645	5,670	6,182	6,363
Other Taxes	1,324	1,175	1,190	1,244
Miscellaneous Receipts	2,551	2,399	2,333	2,295
Federal Grants	41	0	0	0
Transfers from Other Funds	12,291	11,051	11,410	11,983
Personal Income Tax in Excess of Revenue Bond Debt Service	8,387	7,647	7,930	8,292
Sales Tax in Excess of LGAC Debt Service	2,279	2,373	2,440	2,531
Real Estate Taxes in Excess of CW/CA Debt Service	440	449	484	565
All Other	1,185	582	556	595
Total Receipts	53,587	50,495	52,865	55,567
Disbursements				
Grants to Local Governments	38,769	43,452	47,361	50,486
State Operations				
Personal Service	6,260	6,923	7,207	7,384
Non-Personal Service	2,280	2,436	2,539	2,595
General State Charges	3,113	3,646	4,131	4,463
Transfers to Other Funds	5,698	6,353	7,298	8,014
Medicaid State Share	2,664	2,572	2,589	2,579
Debt Service	1,730	1,747	1,735	1,710
Capital Projects	435	757	1,239	1,357
Other Purposes	869	1,277	1,735	2,368
Total Disbursements*	56,120	62,810	68,536	72,942
Change in Reserves				
Debt Reduction Reserve	(58)	0	0	0
Prior Year Reserves	(920)	(145)	0	0
Community Projects Fund	(168)	31	(36)	(166)
Deposit to/(Use of) Reserves	(1,146)	(114)	(36)	(166)
Special Session	1,475	0	0	0
Revised Budget Surplus/(Gap) Estimate	88	(12,201)	(15,635)	(17,209)
Potential HCRA Annual Shortfall	(88)	(317)	(117)	(25)
General Fund/HCRA Revised Budget Surplus/(Gap) Estimate	0	(12,518)	(15,752)	(17,234)

* Mid-year receipts and disbursements estimates do not include the \$1.48 billion in savings that are expected to be achieved through legislation or administrative actions, or both, to address the current year shortfall, as options are currently under development.

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates as a predictor of the State's future fiscal position diminishes as one moves further from the current year. Accordingly, the 2009-10 forecast is 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 look at the causes of the 2009-10 General Fund budget gap, followed by a brief summary of the assumptions behind the projections. A detailed explanation of the assumptions underlying both the outyear receipts and disbursement projections appears later in this section.

2009-10 General Fund Annual Change				
Savings/(Costs)				
(millions of dollars)				
	2008-09	2009-10	Annual \$ Change	% Change
RECEIPTS GROWTH	53,587	50,495	(3,092)	-5.8%
Personal Income Tax*	31,373	28,900	(2,473)	-7.9%
User Taxes and Fees*	11,028	11,320	292	2.6%
Business Taxes	5,645	5,670	25	0.4%
Other Taxes*	1,764	1,624	(140)	-7.9%
Miscellaneous Receipts/Federal Grants	2,592	2,399	(193)	-7.4%
All Other Transfers/Changes	1,185	582	(603)	-50.9%
<i>*Includes transfers after debt service</i>				
DISBURSEMENTS GROWTH	56,120	62,810	6,690	11.9%
Local Assistance	38,769	43,452	4,683	12.1%
Medicaid (including admin)	8,977	10,825	1,848	20.6%
<i>Program Growth</i>	8,253	9,217	964	11.7%
<i>Other (Includes 53rd Medicaid Cycle and Timing of Certain Payments)</i>	0	650	650	0.0%
<i>Medicaid Cap/Family Health Plus Takeover</i>	724	958	234	32.3%
School Aid	17,780	19,972	2,192	12.3%
Children and Family Services	1,731	1,929	198	11.4%
Local Government Aid	1,231	1,399	168	13.6%
All Other Local Assistance	9,050	9,327	277	3.1%
State Operations*	8,540	9,359	819	9.6%
Personal Service	6,260	6,923	663	10.6%
Non-Personal Service	2,280	2,436	156	6.8%
General State Charges	3,113	3,646	533	17.1%
Health Insurance	2,676	2,843	167	6.2%
Pensions	1,052	1,148	96	9.1%
Fringe Benefit Escrow Offset	(2,395)	(2,240)	155	6.5%
All Other	1,780	1,895	115	6.5%
Transfers to Other Funds	5,698	6,353	655	11.5%
Change in Planned Use of Reserves (net)	1,146	114	(1,032)	
Community Projects Fund	168	(31)	(199)	
Debt Reduction Reserve Fund	58	0	(58)	
Prior Year Reserves	920	145	(775)	
Special Session	1,475	0	(1,475)	
Potential HCRA Shortfall	(88)	(317)	(229)	
PROJECTED 2009-10 BUDGET GAP			(12,518)	

The forecast for 2009-10 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 changes in receipts and spending that create the 2009-10 current services gap forecast are based on reasonable assumptions and methodologies. Significant assumptions that affect the forecast include:

- The performance of the economy in general, and the financial services sector in particular, and the concomitant impact on State tax receipts.

- DOB's current economic outlook for 2008 calls for the State to continue in a recession, accompanied by job losses and a substantial slowdown in wage growth.
- The forecast for State tax receipts is based on the current forecast.
- The Federal government will not make substantive funding changes to major aid programs or make substantive regulatory changes that adversely affect, or benefit, the State.
- Changes to these or other assumptions have the potential to materially alter the size of the budget gaps for 2009-10 and beyond.

Outyear General Fund Forecast

Receipts

Total Receipts (millions of dollars)							
	2009-10 Projected	2010-11 Projected	Annual \$ Change	Annual % Change	2011-12 Projected	Annual \$ Change	Annual % Change
General Fund	50,495	52,865	2,370	4.7%	55,567	2,702	5.1%
Taxes	37,045	39,122	2,077	5.6%	41,289	2,167	5.5%
State Funds	80,885	84,398	3,513	4.3%	88,106	3,708	4.4%
Taxes	60,181	63,582	3,401	5.7%	66,879	3,297	5.2%
All Funds	117,993	122,532	4,539	3.8%	128,012	5,480	4.5%
Taxes	60,181	63,582	3,401	5.7%	66,879	3,297	5.2%

The economic forecast calls for a recession entailing several quarters of employment losses through early next year. This lowers the economic base on which the outyear revenue forecast is built. Overall, receipts growth in the three fiscal years following 2009-10 is expected to grow consistent with projected growth in the U.S. and New York economies.

General Fund tax receipts are projected to reach \$39.1 billion in 2010-11 and \$41.3 billion in 2011-12. All Funds tax receipts in 2010-11 are projected to reach nearly \$63.6 billion, an increase of \$3.4 billion, or 5.1 percent from 2009-10 estimates. All Funds tax receipts in 2011-12 are expected to increase by nearly \$3.3 billion (5.2 percent) over the prior year (see "All Funds Receipts Projections" herein for a detailed explanation of All Funds receipts projections by source).

Disbursements

DOB projects General Fund spending, including transfers, to increase \$6.7 billion (11.9 percent) over projected 2008-09 levels, followed by increases of \$5.7 billion (9.1 percent) in 2010-11 and \$4.4 billion (6.4 percent) in 2011-12. The growth levels are based on current services projections, as modified by the legislative and administrative measures adopted since the First Quarterly Update. The main sources of annual spending growth are itemized in the table below followed by additional information on the major drivers of spending.

Outyear Disbursement Projections - General Fund (millions of dollars)										
	2008-09	2009-10	Annual \$ Change	Annual % Change	2010-11	Annual \$ Change	Annual % Change	2011-12	Annual \$ Change	Annual % Change
Grants to Local Governments:	38,769	43,452	4,683	12.1%	47,361	3,909	9.0%	50,486	3,125	6.6%
School Aid	17,780	19,972	2,192	12.3%	21,827	1,855	9.3%	23,444	1,617	7.4%
Medicaid (including administration)	8,253	9,867	1,614	19.6%	10,935	1,068	10.8%	11,648	713	6.5%
Medicaid: Local Relief	724	958	234	27.4%	1,315	357	28.4%	1,711	396	30.1%
Mental Hygiene	2,060	2,167	107	5.2%	2,261	94	4.3%	2,355	94	4.2%
Children and Family Services	1,731	1,929	198	11.4%	2,145	216	11.2%	2,333	188	8.8%
Local Government Assistance	1,231	1,399	168	13.6%	1,471	72	5.1%	1,469	(2)	-0.1%
Higher Education	2,528	2,646	118	4.7%	2,749	103	3.9%	2,778	29	1.1%
Health	597	671	74	12.4%	719	48	7.2%	739	20	2.8%
Other Education Aid	1,715	1,766	51	3.0%	1,828	62	3.5%	1,884	56	3.1%
Temporary and Disability Assistance	1,209	1,270	61	5.0%	1,271	1	0.1%	1,273	2	0.2%
Transportation	107	99	(8)	-7.5%	99	0	0.0%	98	(1)	-1.0%
All Other	834	708	(126)	-15.1%	741	33	4.7%	754	13	1.8%
State Operations *:	8,540	9,359	819	9.6%	9,746	387	4.1%	9,979	233	2.4%
Personal Service	6,260	6,923	663	10.6%	7,207	284	4.1%	7,384	177	2.5%
Non-Personal Service	2,280	2,436	156	6.8%	2,539	103	4.2%	2,595	56	2.2%
General State Charges	3,113	3,646	533	17.1%	4,131	485	13.3%	4,463	332	8.0%
Pensions	1,052	1,148	96	9.1%	1,412	264	23.0%	1,525	113	8.0%
Health Insurance (Active Employees)	1,621	1,721	100	6.2%	1,900	179	10.4%	2,064	164	8.6%
Health Insurance (Retired Employees)	1,055	1,122	67	6.4%	1,243	121	10.8%	1,353	110	8.8%
Medicaid Adjustment	(1,362)	(1,156)	206	-15.1%	(1,281)	(125)	10.8%	(1,360)	(79)	6.2%
All Other	747	811	64	8.6%	857	46	5.7%	881	24	2.8%
Transfers to Other Funds:	5,698	6,353	655	11.5%	7,298	945	14.9%	8,014	716	9.8%
State Share Medicaid	2,664	2,572	(92)	-3.5%	2,589	17	0.7%	2,579	(10)	-0.4%
Debt Service	1,730	1,747	17	1.0%	1,735	(12)	-0.7%	1,710	(25)	-1.4%
Capital Projects	435	757	322	74.0%	1,239	482	63.7%	1,357	118	9.5%
All Other	869	1,277	408	47.0%	1,735	458	35.9%	2,368	633	36.5%
TOTAL DISBURSEMENTS	56,120	62,810	6,690	11.9%	68,536	5,726	9.1%	72,942	4,406	6.4%

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			
	2007-08	2008-09	2009-10	2010-11	2011-12
Medicaid					
Medicaid Coverage	3,559,381	3,649,347	3,825,420	4,021,205	4,225,903
Family Health Plus Coverage	518,189	527,961	558,345	588,995	589,784
Child Health Plus Coverage	360,436	403,913	435,665	444,667	453,670
Medicaid Inflation	2.0%	2.9%	3.0%	3.0%	3.0%
Medicaid Utilization	-3.0%	-4.1%	4.1%	4.2%	4.4%
State Takeover of County/NYC Costs (Total)	\$564	\$724	\$958	\$1,315	\$1,711
- Family Health Plus	\$396	\$424	\$442	\$479	\$509
- Medicaid	\$168	\$300	\$516	\$836	\$1,202
Education					
School Aid (School Year)	\$19,693	\$21,543	\$23,340	\$25,900	\$27,475
K-12 Enrollment	2,764,379	2,764,000	2,764,000	2,764,000	2,764,000
Public Higher Education Enrollment (FTEs)	512,362	520,047	525,248	529,187	533,156
Tuition Assistance Program Recipients	309,320	312,362	312,655	313,155	313,655
Welfare					
Family Assistance Caseload	372,964	350,370	351,718	354,609	357,608
Single Adult/No Children Caseload	150,447	144,591	152,033	160,380	165,546
Mental Hygiene					
Mental Hygiene Community Beds	83,576	85,582	88,067	91,077	94,058

Medicaid

General Fund spending for Medicaid is expected to grow by \$1.8 billion in 2009-10, \$1.4 billion in 2010-11, and another \$1.1 billion in 2011-12.

Major Sources of Annual Change in Medicaid (millions of dollars)					
	2007-08	2008-09	Annual \$ Change	2009-10	Annual \$ Change
Base Growth (State Funds)	12,369	12,580	211	14,293	1,713
Hospitals/Clinics	2,629	2,738	109	2,924	186
Nursing Homes	2,785	2,993	208	3,373	380
Managed Care	1,341	1,500	159	1,870	370
Home Care	2,050	2,265	215	2,544	279
Non-Institutional/Other*	1,404	889	(515)	1,217	328
Pharmacy	1,282	1,333	51	1,503	170
Family Health Plus	878	862	(16)	862	0
Less: Other State Funds Support	3,371	3,603	232	3,468	(135)
HCRA Financing	1,958	2,214	256	2,079	(135)
Provider Assessment Revenue	572	548	(24)	548	0
Indigent Care Revenue	841	841	0	841	0
Total General Fund	8,998	8,977	(21)	10,825	1,848
Local Government Relief (incl. above)	564	724	160	958	234

* Non Institutional/other reflects additional projected audit target savings in 2008-09, which are not included in 2007-08 but rather occurred in non-institutional category specific categories of service.

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). The State cap on local Medicaid costs and takeover of local FHP costs, which are included in base categories of service, are projected to increase spending by \$234 million in 2009-10, \$357 million in 2010-11, and \$396 million in 2011-12. In 2009-10, an extra weekly payment to providers adds an estimated \$300 million in base spending across all fee-for-service categories of spending. The remaining growth is primarily attributable to the available resources in other State Funds which are used to lower General Fund costs, including lower levels of HCRA financing beginning in 2009-10.

The average number of Medicaid recipients is expected to grow to over 3.8 million in 2009-10, an increase of 4.8 percent from the estimated 2008-09 caseload. FHP enrollment is estimated to grow to approximately 558,000 individuals in 2009-10, an increase of 5.7 percent over the projected 2008-09 enrollment of almost 528,000 individuals.

School Aid

Multi-Year School Aid Projection -- School-Year Basis (millions of dollars)									
	2007-08	2008-09	Annual \$ Change	2009-10	Annual \$ Change	2010-11	Annual \$ Change	2011-12	Annual \$ Change
Foundation Aid/Academic Achievement Grant	13,745	14,876	1,131	16,180	1,304	18,050	1,870	19,000	950
Universal Pre-kindergarten	354	451	97	540	89	630	90	655	25
High Tax Aid	100	205	105	100	(105)	100	0	100	0
EXCEL Building Aid	70	135	65	179	44	191	12	191	0
Expense-Based Aids (Building, Transportation, High Cost and Private Excess Cost, BOCES)	4,816	5,216	400	5,630	414	6,120	490	6,650	530
Other Aid Categories/Initiatives	651	660	9	711	51	809	98	879	70
Total School Aid	19,736	21,543	1,807	23,340	1,797	25,900	2,560	27,475	1,575

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. Increased funding in 2008-09 for high tax aid and several other aid categories is provided on a one year basis only.

On a school-year basis, school aid is projected at \$23.3 billion in 2009-10, \$25.9 billion in 2010-11, and \$27.5 billion in 2011-12. Outside the General Fund, revenues from core lottery sales are projected to increase by \$17 million in 2009-10, \$117 million in 2010-11, and \$67 million in 2011-12 (totaling \$2.4 billion in 2011-12). Revenues from VLTs are projected to total \$835 million in 2008-09, then decrease by \$261 million in 2009-10 following the expected one-time receipt of \$370 million in revenues during 2008-09 from the sale of development rights at Aqueduct racetrack. They are then projected to increase by \$220 million in 2010-11 and \$188 million in 2011-12. VLTs are expected to total almost \$1.0 billion in 2011-12. The VLT estimates assume the start of operations at Aqueduct in 2009-10 and Belmont in 2010-11.

Mental Hygiene

Mental hygiene spending is projected at \$2.2 billion in 2009-10, at \$2.3 billion in 2010-11 and at \$2.4 billion in 2011-12. Sources of growth include: increases in the projected State share of Medicaid costs; cost-of-living increases, including the three-year extension of the human services COLA; and projected expansions of the various mental hygiene service systems including OMH's children's services; increases in the NYS-CARES program and in the development of children's beds in OMRDD to bring children back from out-of-state placements; the NY/NY III Supportive Housing agreement and community bed expansion in OMH; and certain chemical dependence treatment and prevention initiatives in OASAS.

Children and Family Services

Children and Family Services local assistance spending is projected to grow by \$198 million in 2009-10, \$216 million in 2010-11 and \$188 million in 2011-12. The increases are driven primarily by expected growth in local child welfare claims, the implementation of the OCFS Medicaid waiver, and cost-of-living increases for human services providers through 2011-12.

Temporary and Disability Assistance

Spending is projected at \$1.3 billion in 2009-10, an increase of \$61 million from 2008-09, and is expected at the same level through 2011-12. Public assistance caseloads are projected to increase marginally

between 2009-10 and 2011-12, but spending is expected to be countered by an increase in Federal offsets, which decreases the level of General Fund resources needed.

Other Local Assistance

All other local assistance programs total \$7.3 billion in 2009-10, an increase of \$277 million over 2008-09 levels. This primarily reflects increases in local government assistance, including unrestricted aid to New York City (\$82 million), additional payments for grants and aid to municipalities (\$86 million), various public health programs, and payments to CUNY.

State Operations

Forecast of Selected Program Measures Affecting State Operations					
	Actual	Forecast			
	2007-08	2008-09	2009-10	2010-11	2011-12
State Operations					
Prison Population (Corrections)	62,261	61,400	61,100	61,000	60,900
Negotiated Salary Increases*	3.0%	3.0%	3.0%	4.0%	0.0%
Personal Service Inflation	1.0%	1.0%	1.0%	1.0%	1.0%
State Workforce	199,754	199,400	201,365	202,078	202,078

* Negotiated salary increases reflect labor settlements included in the Financial Plan estimates.

State Operations spending is expected to total \$9.4 billion in 2009-10, an annual increase of \$819 million (9.6 percent). In 2010-11, spending is projected to grow by another \$387 million (4.1 percent) to a total of \$9.7 billion, followed by another \$233 million (2.4 percent) for a total of \$10.0 billion in 2011-12. The net personal service growth primarily reflects the impact of new labor contracts, as well a reserve for unsettled unions of \$400 million in 2009-10 and \$275 million in 2010-11 and 2011-12. In addition, salary adjustments for performance advances, longevity payments and promotions, and increased staffing levels (primarily in DOCS) drive spending growth. 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.

Personal Service

General Fund — Personal Service (millions of dollars)							
	2008-09	2009-10	Annual \$ Change	2010-11	Annual \$ Change	2011-12	Annual \$ Change
Total	6,260	6,923	663	7,207	284	7,384	177
Collective Bargaining	500	542	42	793	251	793	0
Reserve for Future Labor Settlements	0	400	400	275	(125)	275	0
Correctional Services	1,739	1,781	42	1,808	27	1,827	19
Judiciary	1,330	1,449	119	1,576	127	1,711	135
All Other	2,691	2,751	60	2,755	4	2,778	23

Collective Bargaining/Reserve for Future Labor Settlements: Reflects the impact of labor settlements, including non-judicial OCA employees, which provide a 3 percent salary increase each year beginning in

2007-08 and a 4 percent increase in the final year (2010-11). The estimates in 2009-10, 2010-11, and 2011-12 include a reserve for potential labor settlements.

Correctional Services: Growth is primarily attributable to the impact of the SHU Exclusion Bill, which restricts the use of special housing units for mentally ill inmates, and requires more frequent evaluations for inmates with severe mental illness, as well as the development of segregated units, thus driving higher workforce levels and costs.

Judiciary: Reflects projections of anticipated needs for OCA.

Non-Personal Service

General Fund — Non-Personal Service (millions of dollars)							
	2008-09	2009-10	Annual \$ Change	2010-11	Annual \$ Change	2011-12	Annual \$ Change
Total	2,280	2,436	156	2,539	103	2,595	56
Correctional Services	612	638	26	672	34	710	38
State Police	51	83	32	83	0	82	(1)
Health	113	131	18	149	18	153	4
Temporary and Disability Assistance	33	50	17	53	3	56	3
State University	404	418	14	431	13	445	14
All Other	1,067	1,116	49	1,151	35	1,149	(2)

Correctional Services: Growth is primarily driven by the escalating costs of food, fuel, utilities, and health care services and prescription drugs to inmates.

State Police: Spending growth reflects costs previously supported by cellular surcharge revenues in other State funds that is expected to be supported by General Fund revenues in 2009-10.

Health: Growth is largely driven by the annualization of funding for the State to directly enroll individuals into Medicaid, CHP and FHP.

Temporary and Disability Assistance: Spending is expected to increase in 2009-10 as one-time actions, including Federal revenue maximization and bonding of software development costs, do not recur.

State University: Primarily reflects funding for inflationary increases in non-personal service spending at SUNY.

General State Charges

Forecast of Selected Program Measures Affecting General State Charges					
	Actual	Forecast			
	2007-08	2008-09	2009-10	2010-11	2011-12
General State Charges					
Pension Contribution Rate as % of Salary	9.7%	7.9%	10.5%	11.4%	12.3%
Employee/Retiree Health Insurance Growth Rates	5.4%	3.2%	10.6%	9.5%	9.5%

GSCs are projected to total \$3.6 billion in 2009-10, \$4.1 billion in 2010-11 and \$4.5 billion in 2011-12. 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, which is 8.8 percent for 2008-09, is expected to decrease to 7.9 percent for 2009-10, followed by an increase to 10.5 percent in 2010-11, and 11.4 percent in 2011-12. Pension costs in 2009-10 are projected to total \$1.1 billion, an increase of \$96 million over 2008-09 due to projected growth in the salary base. This large growth is also caused by the prepayment of the State's 2008-09 amortization costs in 2007-08. In 2010-11 and 2011-12, they are expected to increase by \$264 million and \$113 million, respectively, due to anticipated increases in the State contribution rate, reflecting the impact of recent market performance.

Forecast of New York State Employee Health Insurance Costs (millions of dollars)			
Health Insurance Costs			
Year	Active Employees	Retirees	Total State
2008-09	1,621	1,055	2,676
2009-10	1,721	1,122	2,843
2010-11	1,900	1,243	3,143
2011-12	2,064	1,353	3,417

Reflects the health insurance cost of active employees and retirees in the Executive and Legislative branches and the Office of Court Administration.

Spending for employee and retiree health care costs is expected to increase by \$167 million in 2009-10, \$300 million in 2010-11, and another \$274 million in 2011-12 and assumes an average annual premium increase of roughly 9.5 percent. Health insurance is projected at \$2.8 billion in 2009-10 (\$1.7 billion for active employees and \$1.1 billion for retired employees), \$3.1 billion in 2010-11 (\$1.9 billion for active employees and \$1.2 billion for retired employees) and \$3.4 billion in 2011-12 (\$2.1 billion for active employees and \$1.3 billion for retired employees).

Transfers to Other Funds

Outyear Disbursement Projections — Transfers to Other Funds (millions of dollars)							
	2008-09	2009-10	Annual Change	2010-11	Annual Change	2011-12	Annual Change
Transfers to Other Funds:	5,698	6,353	655	7,298	945	8,014	716
Medicaid State Share	2,664	2,572	(92)	2,589	17	2,579	(10)
Debt Service	1,730	1,747	17	1,735	(12)	1,710	(25)
Capital Projects	435	757	322	1,239	482	1,357	118
Dedicated Highway and Bridge Trust Fund	237	435	198	914	479	1,058	144
All Other Capital	198	322	124	325	3	299	(26)
All Other Transfers	869	1,277	408	1,735	458	2,368	633
Mental Hygiene	110	436	326	872	436	1,081	209
Medicaid Payments for State Facilities	180	224	44	224	0	224	0
Judiciary Funds	158	148	(10)	158	10	165	7
HCRA (Tobacco Guarantee)	0	0	0	0	0	466	466
SUNY- Hospital Operations	141	159	18	167	8	167	0
Banking Services	66	66	0	66	0	66	0
Empire State Stem Cell Trust Fund	0	32	32	43	11	0	(43)
Statewide Financial System	0	30	30	35	5	30	(5)
All Other	214	182	(32)	170	(12)	169	(1)

In 2009-10, transfers to other funds are estimated at \$6.4 billion, an increase of \$655 million over 2008-09. This increase includes potential transfers to the DHBTF aimed at reducing fund gaps and an increase in other capital transfers of \$124 million.

All other transfers are expected to increase by \$408 million in 2008-09. The most significant change includes an increase in transfers to supplement resources available for the mental hygiene system. In addition, transfers are increasing for the subsidy to SUNY hospitals and to fund the State's financial management system. General Fund transfers for stem cell research are projected to increase in 2009-10 and then end in 2011-12 as support is transitioned from the General Fund to the Health Care Resources Fund beginning in 2009-10.

In 2010-11, transfers to other funds are expected to increase by \$945 million. This reflects expected growth in General Fund support to the Dedicated Highway and Bridge Trust Fund and Medicaid related spending in State Operated mental hygiene facilities. In 2011-12 transfers are expected to increase by \$716 million, mainly to provide subsidies to HCRA, the Dedicated Highway and Bridge Trust Fund, and mental hygiene spending.

A significant portion of the capital and operating expenses of DMV are funded from the DHBTF. The Fund receives dedicated tax and fee revenue from the Petroleum Business Tax, the Motor Fuel Tax, the Auto Rental Tax, highway use taxes, transmission taxes and motor vehicle fees administered by DMV. In addition, the Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the fund – capital and operating expenses of DOT and DMV, debt service on DHBTF bonds and transfers for debt service on bonds that fund CHIPS and local transportation programs – exceed current and projected revenue deposits and bond proceeds. This updated Financial Plan revises upward the forecast for the General Fund subsidy, reflecting projected revenue declines from previous estimates, inflation-driven spending increases for maintenance programs and an increase in the portion of the Fund's expenses that must be funded with non-bonded resources. The

subsidy is projected at \$237 million for 2008-09 and \$435 million for 2009-10, with significant growth thereafter.

Year-to-Date Operating Results

General Fund

The General Fund ended September 2008 with a cash balance of \$5.7 billion, or \$336 million more than projected in the First Quarterly Update to the Financial Plan. Receipts were \$132 million higher than projected; disbursements were \$203 million lower.

2008-09 Fiscal Year						
General Fund Results vs. First Quarterly Update Projections: April - September 2008						
(millions of dollars)						
	Enacted Budget	First Quarter Update	Actual Results	Actuals vs. Estimates Favorable/ (Unfavorable) vs. Plan		Increase/ (Decrease) from Prior Year
				Enacted Budget	First Quarter Update	
Opening Balance (April 1, 2008)	2,754 #	2,754	2,754	n/a	n/a	(291)
Receipts	29,152	29,278	29,410	258	132	2,821
Personal Income Tax	13,640	13,997	14,198	558	201	2,276
User Taxes and Fees	4,451	4,363	4,401	(50)	38	34
Business Taxes	3,074	2,595	2,396	(678)	(199)	(357)
All Other Taxes, Receipts & Grants	1,570	1,779	1,792	222	13	330
Transfers From Other Funds	6,417	6,544	6,623	206	79	538
Disbursements	26,684	26,695	26,492	192	203	1,001
<i>Local Assistance</i>	<i>16,892</i>	<i>16,845</i>	<i>16,624</i>	<i>268</i>	<i>221</i>	<i>678</i>
Medicaid, including admin	4,701	4,659	4,523	178	136	(819)
School Aid	6,814	6,834	6,634	180	200	939
Higher Education	835	787	843	(8)	(56)	116
All Other Education	804	800	812	(8)	(12)	(29)
Public Health	275	224	307	(32)	(83)	49
Mental Hygiene	804	907	811	(7)	96	289
Children and Families	720	725	735	(15)	(10)	63
Temporary and Disability Assistance	1,040	1,047	1,065	(25)	(18)	23
Transportation	77	63	64	13	(1)	(11)
All Other	822	799	830	(8)	(31)	58
<i>State Operations</i>	<i>4,599</i>	<i>4,642</i>	<i>4,551</i>	<i>48</i>	<i>91</i>	<i>(768)</i>
Personal Service	3,432	3,415	3,324	108	91	(606)
Non-Personal Service	1,167	1,227	1,227	(60)	0	(162)
<i>General State Charges</i>	<i>1,955</i>	<i>1,957</i>	<i>2,005</i>	<i>(50)</i>	<i>(48)</i>	<i>(700)</i>
<i>Transfers To Other Funds</i>	<i>3,238</i>	<i>3,251</i>	<i>3,312</i>	<i>(74)</i>	<i>(61)</i>	<i>1,791</i>
Change in Operations	2,468	2,583	2,918	450	335	1,820
Closing Balance (September 30, 2008)	5,222	5,337	5,672	450	335	1,529

*Totals may not add due to rounding.

For the period April 1, 2008 through September 30, 2008, General Fund receipts, including transfers from other funds, were \$132 million higher than projected in the First Quarterly Update.⁶ In the coming months, DOB expects that the economic downturn will have a substantial negative impact on tax collections,

6. Office of the State Comptroller, Monthly Report on State Funds Cash-Basis of Accounting, September 2008.

when the impact of lower bonus payments, lower capital gains realizations, declining profitability, and reduced consumer spending will be felt. Receipts to date have benefited from continuing strength in PIT collections (up by \$203 million compared to the First Quarterly Update cash-flow), but this reflects unusually large payments from relatively few taxpayers in the first half of the fiscal year. By comparison, business taxes, which are more responsive to current economic trends, especially the continuing weakness in the banking sector, are down by \$198 million through the first six months of the fiscal year versus the cash flow forecast.

General Fund Comparison to First Quarter Financial Plan Projections

General Fund disbursements through September 2008, including transfers to other funds totaled \$26.5 billion and were \$203 million lower than projected in the First Quarterly estimate. The spending results reflect, in large part, the timing of payments for public schools, which are planned be paid by the end of the fiscal year, and federally-mandated changes to Medicaid systems that temporarily slowed payment processing. DOB expects that these timing-related variances will, for the most part, disappear over the remainder of the year. DOB does not expect that the positive operating results to date will translate into significant annual savings. As the year progresses, DOB believes pressure on entitlement spending is likely to build and may add additional costs in the current year. The largest spending variances through September 2008 include:

School Aid (\$200 million lower than planned): Primarily reflects lower-than-expected claims submitted to SED for the Universal Pre-kindergarten program and other categorical aid programs.

Medicaid (\$136 million lower than planned): Primarily due to lower-than-projected Medicaid cycle spending due in part to federally required changes to Medicaid systems that temporarily slowed payment processing.

Mental Hygiene (\$96 million lower than planned): Primarily reflects the delay in the processing of journal vouchers that would move certain DOH Medicaid spending to the mental hygiene agencies. This delay is not expected to impact overall spending for the fiscal year.

Public Health (\$83 million higher than planned): Public health programs, primarily the EI program, have experienced an increase due to the timing of payments on claims.

Higher Education (\$56 million higher than planned): Resulted from the timing of cash needs associated with prior academic year and current academic year TAP payments, which is expected to be corrected by the end of October 2008.

Personal Service (\$91 million lower than planned): Primarily attributable to the timing of the retroactive payment for the Unified Court System labor settlement which was expected to occur in September 2008, but will instead occur in October (\$110 million). Absent this settlement payment, personal service would have exceeded cash flow projections by \$19 million, mainly due to higher spending in Tax and Finance (\$13 million) driven by higher-than-projected spending related to the audit, collection and enforcement activities, and DMNA (\$9 million).

Transfers to Other Funds (\$61 million higher than planned): Mainly due to earlier than projected transfers to DRRF (\$25 million) and transfers to the SUNY stabilization account (\$43 million).

General Fund Annual Change

Through September 2008, receipts totaled \$29.4 billion, an increase of \$2.8 billion, or 10.6 percent, compared to the same period in 2007-08. This annual increase is largely attributable to increases in all tax areas, with the exception of business taxes.

General Fund spending through September 2008 totaled \$26.5 billion, \$1.0 billion higher than actual results through the same period for fiscal year 2007-08. Significant changes in spending levels from the same period last year include:

School Aid (\$939 million growth): Driven largely by the annual increase in "tail" payments for the 2007-08 school year, and partly by the annual increase in initial payments for the 2008-09 school year. On a school year basis, the State increased school aid by \$1.8 billion in 2007-08, and by \$1.8 billion in 2008-09.

Mental Hygiene (\$289 million growth): Primarily driven by Medicaid appropriation restructuring and the timing of Medicaid related charges.

Higher Education (\$116 million growth): Primarily attributable to annual growth in CUNY spending related to an administrative reduction in payments to CUNY's senior colleges at the end of its 2006-07 academic year (June 2007). The 2007-08 academic year-end payment (June 2008) reflects a return to the traditional reimbursement payment schedule for New York City.

Medicaid (\$819 million decline): Primarily reflects changes related to Medicaid restructuring and timing of Medicaid-related spending attributed to the mental hygiene agencies. Additionally, changes in the application of offsets derived from audit recoveries and drug rebates have resulted in more offsets being taken through the first six months of 2008-09 than in 2007-08.

State Operations (\$768 million decline): Reflects the movement of a portion of mental hygiene State Operations spending from the General Fund to the Special Revenue Funds, as part of the restructuring of Medicaid spending.

GSCs (\$700 million decline): Primarily reflects a change in reporting related to the restructuring of Medicaid spending, whereby fringe benefit waivers were eliminated for personal service costs supported by State and Federal Medicaid monies.

Debt Service (\$176 million growth): Higher spending in 2008-09 is mainly due to the timing of debt service payments on certain SUNY educational facilities bonds. A payment was inadvertently made in late 2006-07 rather than early 2007-08.

Capital projects (\$179 Million growth): Higher spending is due to economic development programs and timing issues related to bond proceed reimbursements.

Transfers to Other Funds (\$1.8 billion growth): Reflects the change in reporting related to the restructuring of Medicaid spending. The State share of Medicaid payments dispersed by State-operated mental hygiene facilities is now reflected as a General Fund transfer to other funds.

State Operating Funds

2008-09 Fiscal Year						
State Operating Funds Results vs. First Quarterly Update Projections: April - September 2008						
(millions of dollars)						
	Enacted Budget	First Quarter Update	Actual Results	Favorable/ (Unfavorable) vs. Plan		Increase/ (Decrease) from Prior Year
				Enacted Budget	First Quarter Update	
Total Receipts	39,150	39,034	38,952	(116)	(82)	2,385
Personal Income Tax	19,817	20,222	20,493	676	271	2,739
User Taxes and Fees	6,852	6,687	6,762	(90)	75	188
Business Taxes	3,783	3,268	3,083	(700)	(185)	(379)
Other Taxes	986	1,134	1,098	112	(36)	108
Miscellaneous Receipts	7,693	7,710	7,485	(208)	(225)	(249)
Federal Grants	19	14	31	12	17	(23)
Total Disbursements	37,388	37,446	36,786	602	660	1,700
<i>Local Assistance</i>	<i>25,118</i>	<i>25,128</i>	<i>24,527</i>	<i>591</i>	<i>601</i>	<i>1,847</i>
Medicaid, including admin	6,303	6,264	6,130	173	134	97
School Aid	9,078	9,097	8,869	209	228	701
Higher Education	835	787	843	(8)	(56)	116
All Other Education	814	810	825	(11)	(15)	(23)
STAR	1,224	1,174	826	398	348	(227)
Public Health	1,316	1,272	1,278	38	(6)	(19)
Mental Hygiene	1,139	1,234	1,244	(105)	(10)	611
Children and Families	721	725	736	(15)	(11)	63
Temporary and Disability Assistance	1,041	1,054	1,070	(29)	(16)	28
Transportation	1,718	1,741	1,710	8	31	399
All Other	929	970	996	(67)	(26)	101
<i>State Operations</i>	<i>7,604</i>	<i>7,834</i>	<i>7,709</i>	<i>(105)</i>	<i>125</i>	<i>(25)</i>
Personal Service	5,204	5,263	5,151	53	112	(86)
Non-Personal Service	2,400	2,571	2,558	(158)	13	61
<i>General State Charges</i>	<i>2,691</i>	<i>2,514</i>	<i>2,578</i>	<i>113</i>	<i>(64)</i>	<i>(417)</i>
<i>Capital Projects</i>	<i>1</i>	<i>1</i>	<i>4</i>	<i>(3)</i>	<i>(3)</i>	<i>1</i>
<i>Debt Service</i>	<i>1,974</i>	<i>1,969</i>	<i>1,968</i>	<i>6</i>	<i>1</i>	<i>295</i>

State Operating Funds Comparison to First Quarter Financial Plan Projections

Through September 2008, State Operating Funds receipts totaled nearly \$39.0 billion or \$82 million less than the forecast (based on preliminary data). Tax receipts totaled \$31.4 billion, \$125 million above the First Quarter Update estimate. The increase is the result of higher-than-anticipated collections in the personal income tax and user taxes and fees, offset by lower-than-expected collections from business taxes and other taxes. Miscellaneous receipts came in \$225 million lower than projected, driven by slower than anticipated Special Revenue Fund receipts, including HCRA.

Through September 2008, State Operating Funds disbursements totaled \$36.8 billion, \$660 million lower than the First Quarterly Update forecast, driven by the General Fund variances described above and augmented by slower than projected payments of property tax rebates under the STAR program.

State Operating Funds Annual Change

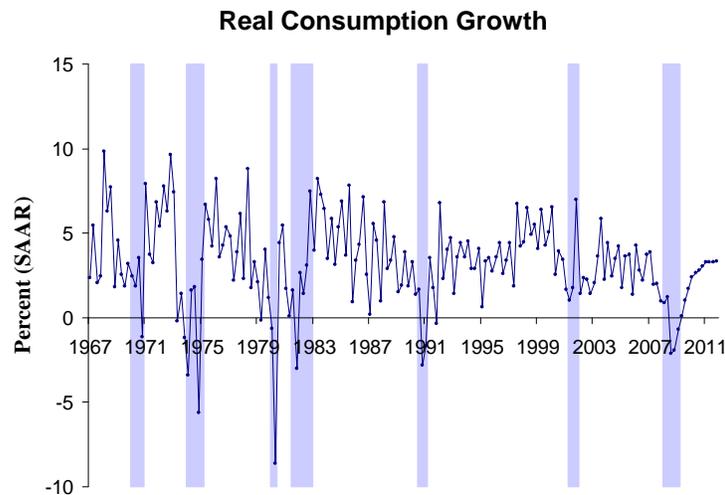
Through September 2008, total taxes increased by \$2.7 billion, or 9.2 percent, compared to the same period in 2007-08. This increase is attributable to increases in all tax areas, with the exception of decreased business taxes. The annual decline in miscellaneous receipts is largely driven by the receipt of \$499 million in health insurance conversion proceeds in April 2007.

Through September 2008, State Operating Funds disbursements were \$1.7 billion higher compared to the same period in 2007-08. The largest increases were for State School Aid payments (\$701 million), Debt Service (\$295 million), and Higher Education (\$116 million), as described above. In addition, MTOA payments contributed to the State Operating Funds annual growth. Growth in mental hygiene spending is primarily attributable to the State share of Medicaid spending now reflected in the agency totals, which also accounts for most of the decline in GSCs.

Economic Outlook

The National Economy

Although it was evident in July that the U.S. economy was in or approaching a recession, it was less apparent that the ongoing credit crisis would become a full blown credit freeze that would result in a wholesale alteration of the entire landscape of Wall Street. Since July we have seen the largest bank failure in history, the bankruptcy of one major investment bank, the wholesale Federal takeover of Fannie Mae and Freddie Mac and the bailout of a large insurer, a Federal program to shore up the entire sector worth up to \$700 billion, and, finally, a global effort to induce banks to start lending to each other more freely. Indeed, by mid-October, credit market conditions were at their tightest since the Great Depression, signaling a much longer downturn in the real economy than anticipated in July and longer than the last two relatively short-lived recessions. Real GDP is now projected to decline for three consecutive quarters, starting in 2008Q3, not seen since the recession of the mid-1970s. The U.S. economy, as measured by growth in real GDP, is now projected to contract by 0.1 percent in 2009, following growth of 1.4 percent in 2008.



Note: Shaded areas represent U.S. recessions.
Source: Moody's Economy.com; DOB staff estimates.

Since July, labor market conditions have also deteriorated, with the unemployment rate exceeding 6 percent in August and September. September's 159,000 employment drop represented a substantial acceleration in the labor market's rate of decline. Job losses are now expected to become more severe going forward, further weakening income growth and putting more downward pressure on consumer spending. Home prices also continue to fall and equity markets are about 40 percent below their most recent October 2007 peaks, generating a reverse wealth effect. As a result, the recent declines in inflation-adjusted consumer spending are expected to continue. Real household spending for the third quarter is now estimated to have fallen about 2 percent, representing the first such decline since the fourth quarter of 1991, and compares with growth projected in July of 1.7 percent. Real consumption is also projected to fall for three consecutive quarters, an occurrence not yet seen during the postwar period and dramatically distinguishing the current period from the recession of 2001.

Though there have been signs that global efforts to restore confidence in the banking system may be working, their impact on the real economy may not become visible for some time. Changes in monetary conditions are generally believed to affect the economy with a lag of 9 to 18 months. As a result, DOB projects relatively weak growth in both real household consumption and private sector investment through the

end of 2009, and substantially weaker growth than projected in July. Business investment is now expected to contract for four consecutive quarters starting in 2008Q4. Greater cutbacks by private sector businesses also imply a weaker labor market than previously anticipated. An acceleration in the pace of job losses is expected to result in a peak-to trough loss of 1.7 million jobs nationally. The U.S. unemployment rate is now expected to average 6.7 percent in 2009, following 5.7 percent in 2008.

In addition, the international economy is also expected to grow more slowly than anticipated earlier, implying slower export growth over the coming 18 months. Real U.S. export growth is expected to fall below 1 percent during the first two quarters of 2009. This softening will also have a negative impact on business sector profits and spending. A steeper decline in corporate profits is now estimated for 2008, and the increase that was projected in July for 2009 has been revised down to a substantial decrease.

A more negative outlook for both the domestic and international real economies has had a striking effect on commodity prices. The price of oil is now hovering close to \$75 per barrel after peaking near \$150 in mid-July, while gas prices have also moderated in recent weeks. These developments should help to keep inflationary expectations anchored and give the Federal Reserve a freer hand in using monetary policy to loosen tight credit markets. Consequently, DOB has revised projected inflation, as measured by growth in the CPI, to 2.3 percent for 2009, following 4.4 percent for 2008. DOB now expects the central bank to lower its short-term interest rate target one more time at the end of October and then hold steady through early 2009.

There is considerable risk to the DOB outlook for the national economy. As indicated above, household spending is under pressure from several sources. Consequently, should either the labor market, equity market, or housing market prove to be weaker than projected, greater declines in real consumer spending could ensue, implying a longer and deeper recession than reflected in the current forecast. In addition, if the recent downward trend in energy prices should reverse course, real spending growth could fall further below expectations. A weaker global economy could also depress economic growth more than projected, while the failure of yet another major financial institution could unwind the progress that has been made in the defrosting of credit markets, deepening the current downturn. Alternatively, if a future government stimulus package should successfully induce consumers to spend more, economic growth could be stronger than expected. In addition, if credit markets should thaw more quickly than anticipated, or housing and equity markets recover more quickly than projected, economic activity may also exceed expectations. Finally, if energy prices should fall even more than expected, effectively increasing real household income, consumer spending could spur a quicker economic recovery than projected.

U.S. Economic Indicators (Percent change from prior calendar year)			
	2007 (Actual)	2008 (Forecast)	2009 (Forecast)
Real U.S. Gross Domestic Product	2.0	1.4	(0.1)
Consumer Price Index (CPI)	2.9	4.4	2.3
Personal Income	6.1	4.4	2.0
Nonagricultural Employment	1.1	(0.1)	(0.9)

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

The New York State Economy

The financial market terrain now looks very different than it looked just a few months ago. Indeed, the investment banking industry as we knew it before September 2008, no longer exists. The prime brokerage industry has been permanently altered with the wholesale disappearance of two investment banks, the purchase of two prime brokers by large commercial banks, and the remaining two large brokers reorganizing as bank holding companies. The resulting consolidation is likely to have grave implications for industry employment, particularly in New York City. Layoffs from the State's financial services sector are now expected to total approximately 45,000 as strained financial institutions seek to cut costs and newly merged banks seek to reduce duplication of services. These projected losses compare to the loss of about 30,000 jobs following September 11th.

But the current downturn in the State economy will hardly be restricted to Wall Street. The State's downturn is now expected to be much more broad-based, with private sector job losses surpassing 160,000 and declines anticipated for all major industrial sectors except for health and education. The loss of manufacturing jobs is expected to accelerate going forward, particularly in light of weakening auto sales. The State's real estate market will continue to weaken in 2009, with office vacancy rates expected to rise due to falling employment, tight credit market conditions, and new construction coming online. In addition, a weak global economy is expected to negatively impact the State's tourism industry, with the leisure and hospitality industry in New York City already beginning to see evidence of a slowdown. State employment is now expected to fall 1.5 percent for 2009, with private sector jobs projected to fall 1.7 percent, following growth of 0.2 percent for both total and private for 2008.

The events of the past year have been devastating for the State's finance sector. Equity market prices, as measured by the S&P 500, have fallen about 40 percent since their October 2007 peak. In the wake of the high-tech bust in 2000, we experienced a decline of a similar magnitude but over a longer two-year period. The quantity of assets written down by the nine largest banks since July 2007 now exceeds the entire volume of profits of \$305 billion earned during the boom period from early 2004 until the middle of 2007. Moreover, the industry's main revenue drivers remain weak. There were no U.S. initial public offerings in the 10 weeks beginning in the middle of August, the longest such period on record. With Wall Street's largest prime brokers now reorganized as banks, the implications for future profits and compensation could also be dimmer. Commercial banks are more aggressively regulated by the Federal government than investment banks, implying stricter limits on the degree of leveraging these firms can now pursue. This, in turn, may imply new constraints on the amount of profits these firms can earn, and therefore the size of bonus and wage payouts.

DOB now estimates that finance and insurance sector bonuses will fall 42.7 percent for the 2008-09 bonus season and another 20.7 percent for 2009-10, representing larger declines than were seen in the aftermath of September 11. Declining employment and bonuses have negative implications for overall income growth as well. New York State wages are now projected to fall 2.1 percent for 2009, following growth of 1.5 percent for 2008. Growth in total New York personal income for 2009 has been revised down to a decline of 1.0 percent, following growth of 2.7 percent for 2008.

New York State Economic Indicators (Percent change from prior calendar year)			
	2007 (Actual)	2008 (Forecast)	2009 (Forecast)
Personal Income	6.5	2.7	(1.0)
Wages	8.6	1.5	(2.1)
Nonagricultural Employment	1.5	0.2	(1.5)
<i>Source: Moody's Economy.com; New York State Department of Labor; DOB staff estimates.</i>			

All of the risks to the forecast for the national economy apply to the State forecast as well, although equity market volatility and the current level of uncertainty surrounding global credit markets pose a particularly large degree of uncertainty for New York. If the current financial market crisis is sufficiently prolonged, the impact on State income and employment could be even more severe. Similarly, a prolonged global slowdown could result in larger declines in tourism and put additional pressure on the real estate market, particularly in New York City. In contrast, a quicker recovery of the national and global economies would imply a shorter downturn for New York.

All Funds Receipts Projections

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 current-services spending for each of the State's major areas of spending (e.g., Medicaid, school aid, mental hygiene).

Updated All Funds Receipts Projections

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

2008-09 All Funds Receipts Overview

Total Receipts (millions of dollars)				
	2007-08 Actual	2008-09 Mid-Year	Annual \$ Change	Annual % Change
General Fund	53,096	53,587	491	0.9%
State Funds	80,372	80,682	310	0.4%
All Funds	115,423	116,712	1,289	1.1%

All Funds receipts are projected to total \$116.7 billion, an increase of \$1.3 billion over 2007-08 results. The total comprises tax receipts (\$61.3 billion), Federal grants (\$36.0 billion) and miscellaneous receipts (\$19.5 billion). The following table summarizes the actual receipts for 2007-08 and the updated projections for 2008-09.

Total Receipts (millions of dollars)							
	2007-08	2008-09	Annual \$	Annual %	2009-10	Annual \$	Annual %
	Actual	Estimated	Change	Change	Projected	Change	Change
General Fund	53,096	53,587	491	0.9%	50,495	(3,092)	-5.8%
Taxes	38,395	38,704	309	0.8%	37,045	(1,659)	-4.3%
Miscellaneous Receipts	2,460	2,551	91	3.7%	2,399	(152)	-6.0%
Federal Grants	69	41	(28)	-40.6%	0	(41)	-100.0%
Transfers	12,172	12,291	119	1.0%	11,051	(1,240)	-10.1%
State Funds	80,372	80,682	310	0.4%	80,885	203	0.3%
Taxes	60,871	61,288	417	0.7%	60,181	(1,107)	-1.8%
Miscellaneous Receipts	19,432	19,352	(80)	-0.4%	20,703	1,351	7.0%
Federal Grants	69	42	(27)	-39.1%	1	(41)	-97.6%
All Funds	115,423	116,712	1,289	1.1%	117,993	1,281	1.1%
Taxes	60,871	61,288	417	0.7%	60,181	(1,107)	-1.8%
Miscellaneous Receipts	19,643	19,460	(183)	-0.9%	20,809	1,349	6.9%
Federal Grants	34,909	35,964	1,055	3.0%	37,003	1,039	2.9%

The receipt estimates for the current fiscal year have been revised downward significantly. Current year All Funds tax receipt estimates have been lowered by \$1.8 billion since the First Quarterly Update. The financial condition of Wall Street firms and banks in general has deteriorated from what was anticipated in the First Quarterly Update. As a result, the revisions to the 2008-09 and outyear fiscal estimates are due primarily to this more pessimistic economic outlook.

Since the release of the First Quarterly Update, New York's leading investments banks have ceased to exist, been subsumed, or agreed to be regulated as commercial banks. These unprecedented events are expected to have a significant negative impact on the New York economy. History has shown that any disruption to the profitability of Wall Street firms can be expected to have a negative impact on the fiscal condition of the State.

Total All Funds receipts are estimated to reach nearly \$116.7 billion, an increase of \$1.3 billion, or 1.1 percent above 2007-08 results comprised of increases in taxes (\$417 million or 0.7 percent) and Federal grants (\$1.1 billion or 3.0 percent), slightly offset by a decrease in miscellaneous receipts (\$180 million or 0.9 percent) described later in this report.

Total State Funds receipts are estimated at nearly \$80.7 billion, an expected increase of \$310 million, or 0.4 percent from 2007-08 actual results. State Funds miscellaneous receipts are estimated to decrease \$80 million, or 0.4 percent.

Total General Fund receipts are estimated at \$53.6 billion, an increase of \$491 million, or 0.9 percent from 2007-08 results. General Fund tax receipt growth is estimated at 0.8 percent. General Fund miscellaneous receipts are estimated to increase by 3.7 percent, reflecting actions taken with the 2008-09 Budget, including an estimated increase in abandoned property receipts.

After controlling for the impact of policy changes, base tax revenue is estimated to decline 1.3 percent for fiscal year 2008-09

Fiscal Year 2009-10 Overview

Total All Funds receipts are expected to reach nearly \$118.0 billion, an increase of 1.3 billion, or 1.1 percent from 2008-09 estimated receipts. All Funds tax receipts are projected to decrease by \$1.1 billion or 1.8 percent. All Funds Federal grants are expected to increase by over \$1.0 billion, or 2.9 percent. All Funds miscellaneous receipts are projected to increase by \$1.4 million, or 6.9 percent.

Total State Funds receipts are projected to be \$80.9 billion, an increase of \$203 million, or 0.3 percent from 2008-09 estimated receipts.

Total General Fund receipts are projected to be nearly \$50.5 billion, a decrease of 3.1 billion, or 5.8 percent from 2008-09 estimated receipts. General Fund tax receipts are projected to decrease by 4.3 percent from 2008-09 estimates and General Fund miscellaneous receipts are projected to decrease by 6.0 percent. The decline in General Fund miscellaneous receipts largely reflects the loss of anticipated receipts from New York City that have been subject to ongoing negotiations.

After controlling for the impact of policy changes, base tax revenue is expected to decline by 1.1 percent for fiscal year 2009-10.

Change from First Quarterly Update

Change from First Quarterly Update Forecast (millions of dollars)								
	2008-09 First Quarter Update	2008-09 Mid-Year Update	\$ Change	% Change	2009-10 First Quarter Update	2009-10 Mid-Year Update	\$ Change	% Change
General Fund*	42,578	41,296	(1,282)	(3.0)	44,029	39,444	(4,585)	-10.4%
Taxes	39,986	38,704	(1,282)	(3.2)	41,498	37,045	(4,453)	-10.7%
Miscellaneous Receipts	2,551	2,551	0	0.0	2,531	2,399	(132)	-5.2%
Federal Grants	41	41	0	0.0	0	0	0	0.0%
State Funds	82,893	80,682	(2,211)	(2.7)	87,050	80,885	(6,165)	-7.1%
Taxes	63,085	61,288	(1,797)	(2.8)	65,989	60,181	(5,808)	-8.8%
Miscellaneous Receipts	19,766	19,352	(414)	(2.1)	21,060	20,703	(357)	-1.7%
Federal Grants	42	42	0	0.0	1	1	0	0.0%
All Funds	118,928	116,712	(2,216)	(1.9)	124,208	117,993	(6,215)	-5.0%
Taxes	63,085	61,288	(1,797)	(2.8)	65,989	60,181	(5,808)	-8.8%
Miscellaneous Receipts	19,878	19,460	(418)	(2.1)	21,167	20,809	(358)	-1.7%
Federal Grants	35,965	35,964	(1)	(0.0)	37,052	37,003	(49)	-0.1%

* Excludes Transfers

Given the more pessimistic economic forecast, All Funds receipts estimates have been revised downward significantly for fiscal year 2008-09. In addition, tax receipts to-date for fiscal year 2008-09 in some revenue categories has fallen below expectations. As a result of these and other factors outlined below, All Funds tax estimates for the year have been revised downward by nearly \$1.8 billion from the First Quarterly Update. Miscellaneous receipts have been revised downward by \$418 million with almost no change to Federal grants.

The downward revision to General Fund receipts for fiscal year 2008-09 is \$1.3 billion, reflecting the same decrease in taxes. The downward revisions are related to a more negative economic forecast and weaker-than-expected to date business tax collections.

Multi-Year Receipts

Total Receipts (millions of dollars)							
	2009-10 Projected	2010-11 Projected	Annual \$ Change	Annual % Change	2011-12 Projected	Annual \$ Change	Annual % Change
General Fund	50,495	52,865	2,370	4.7%	55,567	2,702	5.1%
Taxes	37,045	39,122	2,077	5.6%	41,289	2,167	5.5%
State Funds	80,885	84,398	3,513	4.3%	88,106	3,708	4.4%
Taxes	60,181	63,582	3,401	5.7%	66,879	3,297	5.2%
All Funds	117,993	122,532	4,539	3.8%	128,012	5,480	4.5%
Taxes	60,181	63,582	3,401	5.7%	66,879	3,297	5.2%

The economic forecast contemplates a recession entailing several quarters of employment losses through early next year and low wage growth of 2.0 percent and 1.5 percent, respectively, for calendar years 2008 and 2009. This forecast lowers the economic base on which the outyear revenue forecast is built. Overall, receipts growth in the three fiscal years following 2009-10 is expected to grow consistent with projected growth in the U.S. and New York economies.

All Funds tax receipts in 2010-11 are projected to reach \$63.6 billion, an increase of \$3.4 billion, or 5.7 percent from 2009-10 estimates. All Funds tax receipts in 2011-12 are expected to increase by nearly \$3.3 billion (5.2 percent) over the prior year. General Fund tax receipts are projected to reach \$39.1 billion in 2010-11 and \$41.3 billion in 2011-12 (see "All Funds Receipts Projections" herein for a detailed explanation of All Funds receipts projections by source).

Revenue Risks

- A significant downside risk remains with respect to the fallout from the financial sector meltdown. The cascade into other sectors of the economy could reduce employment, wages, and related withholding and estimated tax revenues more than expected.
- Real estate markets could deteriorate more rapidly than expected due to the continued credit crunch and Wall Street retrenchment, which could have a significant negative impact on capital gains realizations.
- Actions taken by the Federal government to alleviate the faltering banking industry and credit markets could be less effective than intended, and take longer to achieve their desired objectives.
- Taxable sales could be driven down by weaker economic conditions.
- Lower-than-expected business tax collections could reflect greater overall weakness of the New York State economy, in particular in the financial services industry, than was earlier forecasted.
- The estimated values for 2008-09 Enacted Budget law changes represent a substantial portion of estimated receipts. In the current business environment, these changes could result in less severe negative net income versus an increase in taxable income, resulting in less than anticipated revenue gains.

- The real estate transfer tax forecast could be negatively affected as downward trends in the financial services sector (weaker employment and bonuses, stock market decline) continue. The fallout from the subprime mortgage situation will also put pressure on consumer credit availability and may reduce the number of transactions. The decline in real estate prices in some areas of the State is likely to depress collections. The number of high value commercial property sales in New York City is expected to decline from recent years.
- The estate tax is primarily a tax on the value of real estate stocks and bonds. This tax could be negatively affected by the value of these assets.

All Funds Disbursements Projections

The 2008-09 spending forecasts for each of the State's major programs and activities have been updated since the First Quarterly Update as more information has become available. Most of the changes are modest and include the General Fund revisions explained in detail earlier in this update.

Additional detailed information on annual spending changes for each of the State's major programs and activities may be found in the 2008-09 Enacted Budget Financial Plan available on-line at www.budget.state.ny.us.

Total Disbursements* (millions of dollars)						
	2007-08 Actuals	2008-09 First Quarter Update	2008-09 Current	Annual \$ Change	Annual % Change	\$ Change from July Update
State Operating Funds	77,003	80,506	80,288	3,285	4.3%	(218)
General Fund **	50,613	50,512	50,422	(191)	-0.4%	(90)
Other State Funds	22,254	25,296	25,212	2,958	13.3%	(84)
Debt Service Funds	4,136	4,698	4,654	518	12.5%	(44)
All Governmental Funds	116,058	121,304	120,763	4,705	4.1%	(541)
State Operating Funds	77,003	80,506	80,288	3,285	4.3%	(218)
Capital Projects Funds	6,131	6,978	6,819	688	11.2%	(159)
Federal Operating Funds	32,924	33,820	33,656	732	2.2%	(164)
General Fund, including Transfers	53,387	56,157	56,120	2,733	5.1%	(37)

* Mid-year receipts and disbursements estimates do not include the \$1.48 billion in savings that are expected to be achieved through legislation or administrative actions, or both, to address the current year shortfall, as options are currently under development.

** Excludes Transfers

Updated All Funds Disbursements Projections

State Operating Funds spending, which includes both the General Fund and spending from other funds supported by assessments, tuition, HCRA resources, and other non-Federal revenues, is projected to total \$80.3 billion in 2008-09, a decrease of \$218 million from the First Quarterly forecast.

State Operating Funds Budget

In 2008-09, General Fund spending, including transfers to other funds, is projected to total \$56.1 billion, a decrease of \$37 million from the First Quarterly Update Budget forecast.

Revisions to 2008-09 State Funds Operating Forecast			
First Quarter Update to Mid-Year Estimate — Increases/(Decreases)			
(millions of dollars)			
	General Fund *	Other State Funds	Total State Operating Funds
2008-09 First Quarter Estimate	50,512	29,994	80,506
Reestimates	127	(114)	13
Public Health	0	(80)	(80)
Medicaid	(130)	(18)	(148)
Mental Hygiene	107	102	209
DMNA	(34)	(1)	(35)
State Police	52	6	58
Correctional Services	162	(5)	157
Stem Cell Delay	0	(29)	(29)
Debt Service	0	(48)	(48)
All Other	(30)	(41)	(71)
Collective Bargaining	65	7	72
August Session Changes	(282)	(21)	(303)
Medicaid Cost Containment	(127)	0	(127)
Across-the-Board Local Reductions	(136)	(21)	(157)
Other Savings Actions	(19)	0	(19)
2008-09 Mid-Year Estimate	50,422	29,866	80,288
<i>Dollar Change (from First Quarter)</i>	<i>(90)</i>	<i>(128)</i>	<i>(218)</i>
<i>Percent Change (from First Quarter)</i>	<i>-0.2%</i>	<i>-0.4%</i>	<i>-0.3%</i>

* Excludes transfers.

** Mid-year receipts and disbursements estimates do not include the \$1.48 billion in savings that are expected to be achieved through legislation or administrative actions, or both, to address the current year shortfall, as options are currently under development.

The State Operating Funds changes since the Enacted Budget mainly reflect the General Fund revisions described earlier. Significant changes in Other State Funds include: lower-than-projected EPIC spending driven by decreasing enrollment and increasing rebate revenue that is available to offset spending; increased mental hygiene spending under the NYS-OPTS program due to the rising costs of residential, day habilitation and at-home residential habilitation services; debt service reestimates reflecting a combination of bond sale delays, increased variable-rate interest costs, additional DRRF spending, and other factors. In addition, stem cell research costs have shifted from 2008-09 to 2012-13 to more accurately reflect the expected spend-out of funds.

Capital Budget

Capital spending is projected to total \$6.8 billion in 2008-09, a decrease of \$159 million from the First Quarterly Update. Projected spending for capital projects reflects routine timing changes in construction schedules in several program areas. In Education, projected capital disbursements have been adjusted to reflect the timing of several projects, including the Cultural Education Storage facility, Museum Renewal project, and the State Records Center. Capital spending at State Police represents an adjustment for the design and construction schedule for the Troop G facility. State Equipment estimates reflect savings in agency equipment outlays through extending the life-cycle of existing equipment.

Revisions to 2008-09 Capital Budget Spending Forecast			
First Quarterly Update to Mid-Year Estimate — Increases/(Decreases)			
(millions of dollars)			
	<u>State Funds</u>	<u>Federal Funds</u>	<u>Total Capital Projects Funds</u>
2008-09 First Quarterly Estimate	5,061	1,917	6,978
Reestimates	(139)	0	(139)
Education	(32)	0	(32)
State Police	(27)	0	(27)
State Equipment	(34)	0	(34)
All Other	(46)	0	(46)
August Session Changes - delayed capital SWN disbursements	(20)	0	(20)
2008-09 Mid-Year Estimate	4,902	1,917	6,819
<i>Dollar Change (from First Quarter)</i>	<i>(159)</i>	<i>0</i>	<i>(159)</i>
<i>Percent Change (from First Quarter)</i>	<i>-3.1%</i>	<i>0.0%</i>	<i>-2.3%</i>

The capital spending projections conform to the reporting of actual results in the State's cash basis of accounting.

Federal Operating Budget

Federal Operating spending estimates have decreased by \$164 million since the First Quarterly Update, mainly due to savings enacted during the August special session and the timing of disaster assistance spending, partially offset by increased spending in elections for HAVA compliance.

Revisions to 2008-09 Federal Operating Spending Forecast	
First Quarter Update to Mid-Year Estimate — Increases/(Decreases)	
(millions of dollars)	
	<u>Federal Operating</u>
2008-09 First Quarter Estimate	33,820
Reestimates	(80)
DMNA	(99)
Elections	39
All Other	(20)
August Session Changes - Medicaid Cost Containment	(84)
2008-09 Mid-Year Estimate	33,656
<i>Dollar Change (from First Quarter)</i>	<i>(164)</i>
<i>Percent Change (from First Quarter)</i>	<i>-0.5%</i>

All Funds Annual Spending Change

The major sources of annual spending changes from 2007-08 to 2008-09, as described in detail earlier, are presented in the table below.

Updated Financial Plan Disbursement Projections Major Sources of Annual Change (millions of dollars)						
	General Fund *	Other State Funds	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
2007-08 Actuals	50,613	26,390	77,003	6,131	32,924	116,058
School Aid	1,584	167	1,751	0	37	1,788
Medicaid (including admin)	(21)	232	211	0	189	400
Transportation	1	165	166	303	5	474
Public Health	(70)	(13)	(83)	38	193	148
Economic Development	(19)	48	29	267	3	299
Mental Hygiene	(1,100)	1,998	898	23	(571)	350
STAR	0	35	35	0	0	35
Social Services	(220)	7	(213)	(1)	189	(25)
Higher Education	255	295	550	36	12	598
Other Education Aid	21	(3)	18	2	62	82
General State Charges	(1,507)	847	(660)	0	645	(15)
All Other	885	(302)	583	20	(32)	571
2008-09 Mid-Year Update	50,422	29,866	80,288	6,819	33,656	120,763
Annual Dollar Change	(191)	3,476	3,285	688	732	4,705
Annual Percent Change	-0.4%	13.2%	4.3%	11.2%	2.2%	4.1%

* Excludes transfers.

** Mid-Year estimates assume achievement of significant savings during the November 18, 2008 special session. See text.

The Enacted Budget Financial Plan provides detailed explanations of the sources of annual spending growth by major program and activity on an All Funds basis.

Monthly cash flow forecast (2008-09)

In 2008-09, the General Fund is projected to have quarterly-ending balances of \$1.0 billion in December 2008 and \$1.6 billion at the end of March 2009. November 2008 is the lowest projected month-end cash flow balance at \$923 million. State Operating Funds quarterly-ending balances are expected to be \$3.4 billion in December 2008 and \$4.3 billion at the end of March 2009. DOB's revised detailed monthly cash flow projections for 2008-09 are set forth in the Financial Plan Tables. Based on current operating projections, which project substantially reduced cash resources in the current year and in the future, DOB is instituting a series of cash management actions.

Financial Plan Reserves

In January 2007, the State created a new statutory Rainy Day Reserve that has an authorized balance of 3 percent of General Fund spending. The new Rainy Day Reserve may be used to respond to an economic downturn or catastrophic event. The State made its first deposit of \$175 million in 2007-08. When combined with the existing Tax Stabilization Reserve, which has an authorized balance of 2 percent and can be used only to cover unforeseen year-end deficits, the State's Rainy Day Reserve authorization now totals 5 percent.

The State projects that General Fund reserves will total \$1.6 billion at the end of 2008-09, with \$1.2 billion in undesignated reserves available to deal with unforeseen contingencies and \$381 million designated for subsequent use.

The \$1.2 billion of undesignated reserves consists of \$1 billion in the Tax Stabilization Reserve, \$175 million in the new Rainy Day Reserve, and \$21 million in the Contingency Reserve Fund for litigation risks.

The designated reserves consist of \$145 million set aside for labor settlements (after the use of \$920 million for existing settlements in 2008-09), \$172 million in the Community Projects Fund to finance existing "member-item" initiatives, and \$64 million set aside for debt management purposes (after the use of \$58 million in 2008-09).

Aside from the amounts noted above, the 2008-09 Financial Plan does not have specific reserves to cover potential costs that could materialize as a result of Federal disallowances or other Federal actions that could adversely affect the State's projections of receipts and disbursements.

Updated HCRA Financial Plan

Since the First Quarterly Update, DOB has lowered HCRA revenue projections as continued market volatility has disrupted previously planned insurance company conversions to for-profit companies. This decline is partly offset by downward spending revisions in various programs. As a result of the revisions the operational forecast for HCRA has declined, resulting in a current year imbalance of \$88 million. As a result of HCRA's relationship with the General Fund, DOB considers both gaps as combined for planning purposes and expects to address the shortfalls pursuant to legislation or administrative options.

The projected 2009-10 HCRA gap has increased modestly from the previous forecast, however the 2010-11 and 2011-12 anticipated annual operating shortfalls have improved by roughly \$150 million in each year due to downward adjustments to spending projections.

HCRA Financial Plan 2008-09 through 2011-12 (millions of dollars)				
	2008-09	2009-10	2010-11	2011-12
Opening Balance	597	0	(317)	(434)
Total Receipts	4,507	4,791	4,712	5,280
Surcharges	2,091	2,143	2,202	2,259
Covered Lives Assessment	920	920	920	920
Cigarette Tax Revenue	874	927	913	912
Conversion Proceeds	233	419	275	300
Hospital Assessment (1 percent)	288	305	324	344
General Fund Support-Tobacco Guarantee	0	0	0	466
All Other	101	77	78	79
Total Disbursements	5,192	5,108	4,829	5,305
Medicaid Assistance Account	2,219	2,085	1,720	2,099
Pharmacy Costs	863	765	382	723
Family Health Plus	541	579	597	634
Workforce Recruitment & Retraining	270	242	226	210
All Other	545	499	515	532
HCRA Program Account	1,165	1,179	1,178	1,178
Hospital Indigent Care	841	841	841	841
Elderly Prescription Insurance Coverage	297	226	250	282
Child Health Plus	361	437	469	496
Public Health Programs	110	103	103	103
Mental Health Programs	1	1	1	1
All Other	198	236	267	305
Annual Operating Surplus/(Deficit)	(685)	(317)	(117)	(25)
*Legislative/Administrative Actions to Close Gap	88	TBD	TBD	TBD
Closing Balance	0	(317)	(434)	(459)

* Mid-year receipts and disbursements estimates do not include the \$1.48 billion in savings that are expected to be achieved through legislation or administrative actions, or both, to address the current year shortfall, as options are currently under development.

Current HCRA authorization expires on March 31, 2011, however the anticipated shortfall in 2009-10 will require the enactment of additional cost containment or revenue enhancements. Any unaddressed shortfall will need to be financed by the General Fund. The combined General Fund and HCRA gap is estimated at \$12.5 billion in 2009-10. The reauthorization of HCRA in prior years has maintained HCRA's solvency without the need for automatic spending reductions or General Fund support.

The table below summarizes the 2008-09 through 2011-12 revisions to the First Quarterly Update HCRA Financial Plan, followed by detailed descriptions of the changes.

Summary of Changes to HCRA Forecast for 2008-09 through 2011-12				
Savings/(Costs)				
(millions of dollars)				
	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Revenue Revisions	<u>(285)</u>	<u>(40)</u>	<u>(10)</u>	<u>15</u>
Conversion Proceeds	(284)	(56)	(25)	0
Cigarette Tax Revenue	(1)	16	15	15
Spending Revisions	<u>112</u>	<u>118</u>	<u>156</u>	<u>143</u>
EPIC Re-estimate	64	118	163	189
HCRA Stem Cell Re-estimate	34	6	0	0
Family Health Plus Re-estimate	18	(4)	(5)	(42)
Special Session - HCRA 6% Reduction	15	38	38	38
Special Session - Transfer HCRA Savings	(19)	(42)	(42)	(42)
All Other	0	2	2	0
NET CHANGE FROM FIRST QUARTER UPDATE	<u>(173)</u>	<u>78</u>	<u>146</u>	<u>158</u>

Revenue Revisions

Conversion Proceeds: Reflects downward revisions due to the delay in the conversion of GHI/HIP to a for-profit company.

Cigarette Tax Revenue: An increase in the State cigarette tax is projected to increase revenues beginning in 2009-10. The increase is expected to be offset in part by lower New York City cigarette revenue transfers to HCRA.

Spending Revisions

EPIC Re-estimate: Lower than expected program costs and an increase in rebate revenue have resulted in lower overall costs for the EPIC program.

HCRA Stem Cell Re-estimate: Reflects revaluation of multi-year programmatic need for HCRA transfer.

FHP Re-estimate: Projected current-year spending in FHP has been reduced due to lower than anticipated enrollment. However, increases are projected in enrollment and premiums in future years, resulting in higher costs.

August Special Session: Reflects a 6 percent reduction in remaining disbursements for certain HCRA programs authorized during the August 2008 special session. Reductions increase in the outyears to reflect the full-year impact of these reductions.

Special Session – Transfer HCRA Savings: Reflects the transfer to the General Fund, of HCRA savings achieved during the August Special Session and pursuant to the 7 percent operational reductions implemented after the First Quarterly Update.

All Other: Other HCRA spending changes primarily consist of savings expected from State operations costs reductions.

GAAP-Basis Financial Plans/GASB 45

The State Budget is required to be balanced on a cash basis, which is DOB's primary focus in preparing and implementing the State Financial Plan. State Finance Law also requires the Financial Plan be presented for informational purposes on a GAAP basis, in accordance with standards and regulations set forth by GASB. Thus, the GAAP projections provided herein are intended to supplement, for informational purposes, the cash-basis Financial Plan. The GAAP-basis plans model the accounting principles applied by the Office of the State Comptroller in preparation of the 2007-08 Financial Statements.

In 2008-09, the General Fund GAAP Financial Plan shows total revenues of \$41.2 billion, total expenditures of \$56.3 billion, and net other financing sources of \$9.4 billion, resulting in an operating deficit of \$5.7 billion prior to legislative/administrative actions to close the cash gap and a projected accumulated deficit of \$324 million. These changes are due primarily to the use of a portion of prior year reserves to support 2008-09 operations and the impact of economic conditions on revenue accruals, primarily PIT. PIT collections received in the first quarter of 2008-09 were related primarily to prior year estimated payments and final returns (i.e. calendar year ended December 31, 2007) and are therefore recorded in State fiscal year 2007-08 for GAAP purposes. Estimated collections in the first quarter of 2009-10 related to calendar end year 2008 tax returns are expected to decline significantly resulting in lower accrued revenue in 2008-09.

The GAAP-basis results for 2007-08 showed the State in a net positive asset condition of \$47.7 billion after reflecting the impact of GASBS 45 "Accounting and Financial Reporting by Employers for Post-Retirement Benefits."

The State used an independent actuarial consulting firm to calculate retiree health care liabilities. The analysis calculated the present value of the actuarial accrued total liability for benefits as of March 31, 2008 at \$49.9 billion (\$41.4 billion for the State and \$8.5 billion for SUNY), using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method. The actuarial accrued liability was calculated using a 4.155 percent annual discount rate.

This liability was disclosed in the 2007-08 basic GAAP financial statements issued by the State Comptroller in July 2008. GASB rules indicate the liability may be amortized over a 30-year period; therefore, only the annual amortized liability above the current PAYGO costs is recognized in the financial statements. The 2007-08 liability totaled \$3.8 billion (\$3.1 billion for the State and \$0.7 billion for SUNY) under the Frozen Entry Age actuarial cost method amortized based on a level percent of salary, or roughly \$2.7 billion (\$2.1 billion for the State and \$0.6 billion for SUNY) above the current PAYGO retiree costs. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASBS 45 reduced the State's currently positive net asset condition at the end of 2007-08 by \$2.7 billion.

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 PAYGO basis. Anticipated increases in these costs are reflected in the State's multi-year Financial Plan as detailed below.

History and Forecast of New York State Employee Health Insurance (millions of dollars)			
Year	Health Insurance Costs		Total State
	Active Employees	Retirees	
Actuals:			
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	884	2,215
2006-07	1,517	914	2,431
2007-08	1,390	1,182	2,572
Forecast:			
2008-09	1,621	1,055	2,676
2009-10	1,721	1,122	2,843
2010-11	1,900	1,243	3,143
2011-12	2,064	1,353	3,417

Reflects the health insurance cost of active employees and retirees in the Executive and Legislative branches and the Office of Court Administration.

As noted, the current 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 PAYGO amounts would be lowered. The State's Health Insurance Council, which consists of GOER, Civil Service, and DOB will continue to review this matter, and seek input from the State Comptroller, the legislative fiscal committees and other outside parties.

DOB's detailed GAAP Financial Plans for 2008-09 through 2011-12 are provided in the Financial Plan Tables.

Debt/Capital Update

The following tables summarize the net impact of capital projects spending changes on State debt levels and debt service spending. The changes in debt outstanding, debt issuances and debt service costs detailed below are consistent with the capital spending changes noted in the previous chart, including a closer alignment of bonding levels for economic development purposes with annual capital spending estimates.

Projected Debt Outstanding (millions of dollars)					
	2008-09	2009-10	2010-11	2011-12	2012-13
First Quarterly Update State-Related Debt Outstanding	52,522	55,918	58,706	60,437	61,516
Economic Development & Housing	102	355	355	443	438
Mental Hygiene	9	59	154	232	288
State Facilities & Equipment	(15)	10	50	74	75
Education	(83)	(67)	(51)	(34)	(33)
Transportation	(58)	(136)	(244)	(364)	(489)
All Other	(14)	(18)	(18)	(16)	(16)
Subtotal	(59)	203	246	335	263
Mid-Year Update State-Related Debt Outstanding	\$ 52,463	\$ 56,121	\$ 58,952	\$ 60,772	\$ 61,779

Projected Debt Issuances (millions of dollars)					
	2008-09	2009-10	2010-11	2011-12	2012-13
First Quarterly Update State-Related Debt Issuances	5,717	6,487	6,099	5,758	5,316
Economic Development & Housing	102	260	25	111	25
Mental Hygiene	5	51	96	80	59
State Facilities & Equipment	(15)	24	41	26	0
Education	(90)	19	15	17	0
Transportation	(57)	(80)	(109)	(126)	(136)
All Other	1	0	(1)	3	0
Subtotal	(54)	274	67	111	(52)
Mid-Year Update State-Related Debt Issuances	\$ 5,663	\$ 6,761	\$ 6,166	\$ 5,869	\$ 5,264

Projected Debt Service (millions of dollars)					
	2008-09	2009-10	2010-11	2011-12	2012-13
First Quarterly Update State-Related Debt Service	5,289	5,832	6,479	6,862	7,208
Economic Development & Housing	8	(2)	36	41	56
Mental Hygiene	3	(1)	3	11	17
State Facilities & Equipment	(4)	(2)	0	5	2
Education	(106)	(6)	(11)	(5)	(4)
Transportation	(4)	(11)	(19)	(24)	(32)
All Other	55	(9)	(2)	(5)	(3)
Subtotal	(48)	(31)	7	23	36
Mid-Year Update State-Related Debt Service	\$ 5,241	\$ 5,801	\$ 6,486	\$ 6,885	\$ 7,244

In addition to capital spending levels, a variety of other factors also have an impact on debt service spending. The most significant factors affecting 2008-09 debt service spending with this Mid-Year Update are detailed below. This includes assumed bond sale delays, reflecting current conditions where governmental issuers across the nation are having limited access to the capital markets. In addition, spending from the Debt Reduction Reserve Fund (DRRF) has increased, primarily for swap termination costs related to State efforts to reduce its financial exposures - including those associated with the bankruptcy of Lehman Brothers. DOB has also increased its variable rate forecast for the fiscal year to average 3.75 percent, reflecting continued disruption in the variable rate markets. This is partly offset by assumed increases to interest earnings on unspent bond proceeds that offset debt service spending.

2008-09 Debt Service Changes - Major Factors (millions of dollars)	
Bond Sale Delays	(78)
Variable Rate Assumption	72
DRRF (Swap Terminations)	29
Earnings Offsets	(48)
All Other	(23)
Subtotal	(48)

Statutory Debt Limitations

The Debt Reform Act of 2000 imposed statutory limitations which restricted the issuance of State-supported debt to capital purposes only and established a maximum term of 30 years for such debt. The statute also imposed phased-in caps that ultimately limit the amount of new State-supported debt to 4 percent of State personal income and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued on and after April 1, 2000. The cap on debt outstanding will be fully phased-in during 2010-11, while the cap on debt service costs will be fully phased-in during 2013-14.

The statute requires that the limitations on the amount of State-supported debt and debt service costs be calculated by October 31 of each year and reported in this Mid-Year Update. If the actual amount of new State-supported debt outstanding and debt service costs for the prior fiscal year (2007-08) are below the caps at this time, State-supported debt may continue to be issued. However, if either the debt outstanding or the debt service cap is met or exceeded, the State would be precluded from issuing new State-supported debt until the next annual cap calculation is made and debt is found to be within the applicable limitations.

For the 2007-08 fiscal year, the cumulative debt outstanding and debt service caps are 3.32 percent each. As shown in the table below, the actual levels of debt outstanding and debt service costs continue to remain below the statutory caps. From April 1, 2000 through March 31, 2008 the State has issued new debt resulting in \$21.0 billion of debt outstanding applicable to the debt reform cap. This is about \$8.8 billion below the statutory debt outstanding limitation. In addition, the debt service costs on this new debt totaled \$1.7 billion in 2007-08 or roughly \$2.1 billion below the statutory debt service limitation.

Debt Outstanding Cap (millions of dollars)	
New Debt Outstanding	\$21,018
Personal Income (CY 2007)	\$900,511
Debt Outstanding (Percent of PI)	2.33%
Cap Imposed by Debt Reform Act	3.32%

Debt Service Cap (millions of dollars)	
New Debt Service	\$1,709
Governmental Funds Receipts	\$115,423
Debt Service (Percent of Gov't Fund Receipts)	1.48%
Cap Imposed by Debt Reform Act	3.32%

Current projections estimate that debt outstanding and debt service costs will continue to remain below the limits imposed by the Act through the next three years. However, the State has entered into a period of significantly declining debt capacity. Based on the most recent personal income and debt outstanding forecasts, the State would exceed the debt outstanding cap in 2012-13 by over \$800 million. In order to stay within the statutory limitations, the State expects to propose actions with the 2009-10 Executive Budget.

New Debt Outstanding (millions of dollars)				
Year	Personal Income	Cap %	Actual/Recommended %	% (Above)/Below Cap
2006-07 (Actual)	848,745	2.98%	2.10%	0.88%
2007-08 (Actual)	900,511	3.32%	2.33%	0.98%
2008-09	932,470	3.65%	2.76%	0.89%
2009-10	925,840	3.98%	3.37%	0.61%
2010-11	957,130	4.00%	3.75%	0.25%
2011-12	1,003,410	4.00%	3.97%	0.03%
2012-13	1,054,100	4.00%	4.08%	-0.08%

New Debt Service Costs (millions of dollars)				
Year	All Funds Receipts	Cap %	Actual/Recommended %	% (Above)/Below Cap
2006-07 (Actual)	112,397	2.98%	1.27%	1.71%
2007-08 (Actual)	115,423	3.32%	1.48%	1.84%
2008-09	116,711	3.65%	1.72%	1.93%
2009-10	117,993	3.98%	2.19%	1.79%
2010-11	122,531	4.32%	2.69%	1.63%
2011-12	128,012	4.65%	2.97%	1.68%
2012-13	131,742	4.98%	3.22%	1.77%

August 2008 Special Session

General Fund Financial Plan: Impact of August Actions (millions of dollars)				
	2008-09	2009-10	2010-11	2011-12
Savings Actions	427	651	639	650
Medicaid Cost Containment	127	374	379	385
Reduce Premiums (Managed Care/FHP: 1.45 percent and LTC: 1 percent)	41	41	41	41
Eliminate Public Nursing Home Grants	25	100	100	100
Fraud Recovery	20	30	30	30
Cap Inflationary Rate Increase for Health Providers at 2.3 %	18	170	170	170
Eliminate 3.2 percent COLA for non-Medicaid Early Intervention Services	17	23	30	36
Delay Portal Enrollment Initiative	4	0	0	0
Pharmacy Discounts on Diabetic Supplies	2	8	8	8
Pay for Performance	0	2	0	0
Across-the-Board Local Reductions	182	234	236	240
General Fund (6 percent)	77	132	133	136
Special Revenue Funds (6 percent: Requires Fund Sweeps to General Fund)	20	30	31	32
CUNY Senior College 7 percent Contribution (Parity with SUNY)	51	51	51	51
Executive Initiatives: 50 percent reduction	25	20	20	20
Legislative Initiatives: 6 percent reduction	9	1	1	1
Other Savings	118	43	24	25
Member Item Reduction	50	0	0	0
Preventive Services Claiming Trends	18	23	24	25
SWN Reduced Funding Need	40	20	0	0
Brownfield Grant Programs Reduced Funding Need	10	0	0	0

Medicaid/Health: The August session provided estimated savings of \$127 million in the current year growing to \$374 million in 2009-10. Major initiatives included: Reducing the State premiums paid to insurers for persons enrolled in Medicaid Managed Care and FHP (1.45 percent) and managed long-term care (1 percent); eliminating supplemental grants to public nursing homes that are no longer necessary because of increased Federal and State reimbursements from alternative funding sources; increasing the State's Medicaid fraud recovery and cost avoidance projection to \$695 million in 2008-09 and in 2009-10; capping the automatic inflationary rate increases paid to hospitals, nursing homes and home care at 2.3 percent; eliminating the cost-of-living-adjustment to rates paid to providers who deliver services under the EI program; and other savings actions include a three month delay in the implementation of the Medicaid enrollment center, achieving discounts on diabetic supplies through manufacturer pricing options, and a legislative reduction in hospital pay for performance funding.

Across-the-Board Local Reductions: The August session included \$182 million in savings in the current year from across-the-board reductions in local aid programs. The savings is projected at \$232 million in 2009-10. The reductions included a 6 percent reduction taken against all unspent local assistance funding as of August 15, 2008, except for school aid, welfare, Medicaid, child welfare, youth detention, the AIM program, aid to community colleges, aid to local governments for mandated programs, appropriations of under \$500,000, and special education; reducing new and enhanced 2008-09 programs added by the Legislature by 6 percent and Governor by 50 percent. Executive programs exempted from the 50 percent reduction include Medicaid coverage for foster children, housing and family support services, AIM, veterans tuition assistance, and CLCs. SUNY implemented a 7 percent General Fund spending reduction in

accordance with the FMP. Because CUNY is funded through local assistance rather than State Operations, it was not covered by the FMP. For parity, a comparable reduction was taken to CUNY in the August session.

Other Savings: These included additional General Fund transfers of over \$50 million, including \$40 million from the Statewide Wireless Network project related to slower than anticipated spending on that initiative; reducing Executive and Legislative Member Item Funding by \$50 million; and a reestimate of child welfare spending based upon a review of local claiming patterns.

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 Updated 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.

The most significant risks include:

- Further 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;
- The potential cost of collective bargaining agreements and salary increases for Judges (and possibly other elected officials) in 2008-09 and beyond. DOB estimates that if all remaining unsettled unions were to agree to the same terms that have been ratified by settled unions, it would result in added costs of approximately \$400 million in 2009-10 (assuming a retroactive component for fiscal year 2007-08 and 2008-09), and \$275 million in both 2010-11 and 2011-12. DOB has included a reserve to finance the costs of a pattern settlement for all unions. There can be no assurance that actual settlements will not exceed the amounts included in the Plan. In addition, no reserve has been set aside for potential pay raises for judges;
- Potential Federal disallowances arising from audits related to Medicaid claims under the School Supportive Health Services program;
- Proposed Federal rule changes concerning Medicaid payments; and
- Litigation against the State, including potential challenges to the constitutionality of certain tax actions authorized in the budget.

In addition, the forecast contains specific transaction risks and other uncertainties, including, but not limited to: the sale of development rights for a VLT facility at the Aqueduct Racetrack which is expected to be finalized by the end of the current fiscal year; the enforcement of certain tax regulations on Native American reservations; the conversion of certain not-for-profit health insurance companies to for-profit status, and the achievement of cost-saving measures, including, but not limited to, FMP savings, at the levels projected.

Recent market volatility and the decline in the market value of many stocks have negatively impacted the assets held for the New York State and Local Retirement Systems. The Comptroller has estimated that the value of the Systems' assets has declined approximately 20 percent since April 1, 2008. These factors and/or any future downturns in financial markets may result in an increase in the amount of the contributions required to be made by employers for fiscal years after fiscal year 2010. See also the section on "State Retirement Systems" in this AIS Update.

GAAP-Basis Results for Prior Fiscal Years

The Comptroller prepares Basic Financial Statements and Other Supplementary Information on a GAAP basis for governments as promulgated by 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 management discussion and analysis (MD&A), 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 entitled "State Organization—Accounting, Financial Reporting and Budgeting."

Both the Basic Financial Statements and Other Supplementary Information 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, 2008	1,567	(1,328)	(293)	(306)	(360)	3,951
March 31, 2007	202	(840)	92	501	(45)	2,384
March 31, 2006	1,636	3,128	(664)	(251)	3,849	2,182

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. GASBS 34 redefined the financial reporting model by changing its focus to major funds, rather than fund types, requiring a new MD&A section and including 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, 2008	43,510	4,217	47,727
March 31, 2007	45,327	3,599	48,926
March 31, 2006	45,997	3,136	49,133

State Retirement Systems

General

The New York State and Local Retirement Systems (the "Systems") provide coverage for public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). The Systems comprise the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System. The Comptroller is the administrative head of the Systems. State employees made up about 33 percent of the membership during the 2007-08 fiscal year. There were 3,020 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees) and a large number of local authorities of the State.

As of March 31, 2008, 667,321 persons were members and 358,109 pensioners or beneficiaries were receiving benefits. The State Constitution considers membership in any State pension or retirement system to be a contractual relationship, the benefits of which shall not be diminished or impaired. Current members enrolled in a non-contributory plan cannot be required to begin making contributions. Current members covered by a contributory plan cannot be required to make contributions beyond what is presently required by State law.

Recent market volatility and the recent decline in the market value of many equity investments have negatively impacted the assets held for the Systems. These or future downturns in financial markets will not affect the State's contribution to the Systems for fiscal year 2009 (which was based on the value of the assets as of April 1, 2007 and has already been paid) or the estimated contribution to the Systems for fiscal year 2010 (which is based on the value of the pension fund and its liabilities as of April 1, 2008). However, such downturns may result in an increase in the amount of the contributions required to be made for fiscal years after fiscal year 2010. The amount of such increases would depend, in part, on the value of the pension fund as of each April 1 as well on the present value of the anticipated benefits to be paid by the pension fund as of each April 1, and, therefore, it is not possible to estimate the amount of any contribution for the period after fiscal year 2010.

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, 2009. Payments totaled \$1.06 billion. This amount included the Judiciary bill and the amortization payments for the 2005 and 2006 bills.

The State bill for the fiscal year ending March 21, 2010 is estimated to be \$959.1 million, assuming a payment date of September 1, 2009.

Assets and Liabilities

Assets are held exclusively for the benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the Comptroller as trustee of the Common Retirement Fund, a pooled investment vehicle. OSC reports that the net assets available for benefits as of March 31, 2008 were \$155.8 billion (including \$2.9 billion in receivables), a decrease of \$0.8 billion or 0.5 percent from the 2006-07 level of \$156.6 billion, reflecting, in large part, equity market performance. OSC reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from \$163.1 billion on April 1, 2007 to \$170.5 billion (including \$66.1 billion for current retirees and beneficiaries) on April 1, 2008. The funding method used by the Systems anticipates that the net assets, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from net assets on April 1, 2008 in that amortized cost was used instead of market value for bonds and mortgages and the non-fixed investments utilized a smoothing method which recognized 20 percent of unexpected gain for the 2008 fiscal year, 40 percent of the unexpected gain for the 2007 fiscal year and 60 percent of the unexpected gain for the 2006 fiscal year. Actuarial assets increased from \$142.6 billion on April 1, 2007 to \$151.8 billion on April 1, 2008. The funded ratio, as of April 1, 2008, using the entry age normal funding method, was 107 percent. The table that follows shows the actuarially determined contributions that have been made over the last nine years. See also "Contributions" above.

**Net Assets Available for Benefits of the
New York State and Local Retirement Systems (1)
(millions of dollars)**

Fiscal Year Ended	Total Assets(2)	Percent Increase/ (Decrease) From Prior Year
<u>March 31</u>		
1999	112,723	6.0
2000	128,889	14.3
2001	114,044	(11.5)
2002	112,725	(1.2)
2003	97,373	(13.6)
2004	120,799	24.1
2005	128,038	6.0
2006	142,620	11.4
2007	156,625	9.8
2008	155,846	(0.5)

Sources: State and Local Retirement Systems.

(1) Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2008 includes approximately \$2.9 billion of receivables.

(2) Includes certain accrued employer contributions to be paid with respect to service rendered during fiscal years other than the year shown.

Contributions and Benefits
New York State and Local Retirement Systems
(millions of dollars)

Fiscal Year Ended March 31	Contributions Recorded				Total Benefits Paid(2)
	All Participating Employers(1)	Local Employers(1)	State(1)	Employees	
1999	292	156	136	400	3,570
2000	165	11	154	423	3,787
2001	215	112	103	319	4,267
2002	264	199	65	210	4,576
2003	652	378	274	219	5,030
2004	1,287	832	455	222	5,424
2005	2,965	1,877	1,088	227	5,691
2006	2,782	1,714	1,068	241	6,073
2007	2,718	1,730	988	250	6,432
2008	2,649	1,641	1,008	266	6,883

(1) Includes employer premiums to Group Life Insurance Plan.

(2) Includes payments from Group Life Insurance Plan.

Authorities and Localities

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 2008-09 fiscal year or thereafter. Thus far, three more deficit-financing authorizations have been granted by the State Legislature in 2008.

To help resolve persistent fiscal difficulties in the City of Buffalo, the State enacted legislation in July 2003 that created the Buffalo Fiscal Stability Authority (BFSA) and to address a deteriorating fiscal situation in Erie County, legislation was enacted in July 2005 that created the Erie County Fiscal Stability Authority (ECFSA). Under these statutes, the City is currently subject to fiscal oversight and control by the BFSA, and the County is currently subject to fiscal oversight and control by the ECFSA. The BFSA has issued, and the ECFSA is authorized to issue bonds to eliminate budgetary deficits and to restructure or refinance outstanding debt. Sales tax revenues payable to the City and the Buffalo City School District are pledged to support the outstanding bonds issued by the BFSA. The County's sales tax revenues and certain statutorily defined State aid payments are authorized to be pledged as security to support any bonds that may be issued by ECFSA.

Under the BFSA Act, the City has been in a "control period" since 2003. In 2006, the ECFSA instituted a "control period" for the county after rejecting its fiscal 2007 budget and financial plan for fiscal years 2007 through 2010. During a control period, the applicable legislation grants to BFSA and ECFSA significant fiscal oversight authority over the financial operations of the City and the County, respectively, including: the power to approve or reject contracts, labor settlements, and borrowings in excess of \$50,000; to approve and reject budgets and four-year financial plans and, if necessary, formulate an acceptable budget for the City or the County, as applicable; and to implement a wage or hiring freeze.

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control. Such changes may adversely affect the financial condition of certain local governments. For example, the Federal government may reduce (or in some cases eliminate) Federal funding of some local programs or disallow certain claims which, in turn, may require local governments to fund these expenditures from their own resources. The State could also reduce funding of certain local programs, adding pressure on local governments to fund expenditures from their own resources.

Some State policymakers have expressed interest in implementing a property tax cap for local governments. Adoption of a property tax cap could affect the amount of property tax revenue available for local government purposes and could adversely affect their operations, particularly those that are heavily dependent on property tax revenue such as school districts. Ultimately, localities or any of their respective public authorities may suffer serious financial difficulties that could jeopardize local access to the public credit markets, which may adversely affect the marketability of notes and bonds issued by localities within the State. Localities may also face unanticipated problems resulting from certain pending litigation, judicial decisions and long-range economic trends. Other large-scale potential problems, such as declining urban populations, increasing expenditures, and the loss of skilled manufacturing jobs, may also adversely affect localities and necessitate State assistance.

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

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

Locality Fiscal Year Ending	Combined		Other Localities Debt(4)		Total Locality Debt(4)	
	New York City Debt (2)(3)		Bonds(5)	Notes(5)	Bonds(4)(5)	Notes(5)
	Bonds	Notes				
1980	12,995	---	6,835	1,793	19,830	1,793
1990	20,027	---	10,253	3,082	30,280	3,082
1995	29,930	---	15,829	3,219	45,759	3,219
1996	31,623	---	16,414	3,590	48,037	3,590
1997	33,046	---	17,526	3,208	50,572	3,208
1998	34,690	---	17,100	3,203	51,790	3,203
1999	37,352	---	18,448	3,420	55,800	3,420
2000	39,244	515	19,082	4,005	58,326	4,520
2001	40,305	---	20,221	4,279	60,526	4,279
2002	42,721	2,200	21,721	4,746	64,442	6,946
2003	47,376	1,110	23,908	5,972	71,284	7,082
2004	50,265	---	26,638	4,657	76,903	4,657
2005	54,421	---	29,202	4,363	83,623	4,363
2006	55,381	---	30,734	4,281	86,115	4,281

Source: Office of the State Comptroller.

NOTE: For localities other than New York City, the amounts shown for fiscal years ending in 1990 through 1997 may include debt that has been defeased through the issuance of refunding bonds.

(1) Because the State calculates locality debt differently for certain localities (including New York City), the figures above may vary from those reported by such localities. In addition, this table excludes indebtedness of certain local authorities and obligations issued in relation to State lease-purchase arrangements.

(2) New York City's debt outstanding has been revised as presented in the FY 2004 City Comptroller's Comprehensive Annual Financial Report.

(3) Includes New York City capital leases obligations which were not reflected in previous years. Includes bonds issued by the Dormitory Authority of the State of New York for education, health and courts capital projects, the Samurai Funding Corporation and other long-term financing leases which will be repaid from revenues of the City or revenues that would otherwise be available to the City if not needed for debt service.

(4) Outstanding bonded debt shown includes bonds issued by the localities and certain debt guaranteed by the localities and excludes capital lease obligations (for localities other than New York City), assets held in sinking funds and certain amounts available at the start of a fiscal year for redemption of debt. Debt for other localities does not include Installment Purchase Contracts.

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

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. The cross-appeals have been fully briefed, and oral argument before the Second Circuit was conducted on June 3, 2008. The case now awaits decision by the Second Circuit.

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

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. The motion is now fully briefed and awaiting decision.

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. The motion is now fully briefed and awaiting decision.

Cayuga Indian Nation of New York, et al. v. Pataki, et al., USDC, NDNY, 80-CV-930 (McCurn, DJ) (2d Cir. [02-6111]) involved approximately 64,000 acres in Seneca and Cayuga Counties surrounding the northern portion of Cayuga Lake that the historic Cayuga Nation sold to the State in 1795 and 1807 in alleged violation of the Nonintercourse Act ("NIA") (first enacted in 1790 and now codified at 25 U.S.C. § 177) because the transactions were not held under federal supervision, and were not formally ratified by the United States Senate and proclaimed by the President. After 2 lengthy trials, in 2001 the District Court denied ejectment as a remedy, and rendered a judgment against the State for damages and prejudgment interest in the net amount of \$250 million. The State appealed. The tribal plaintiffs (but not the U.S.) cross-appealed, seeking ejectment of all of the present day occupants of the land in the 64,000 acre claim area and approximately \$1.5 billion in additional prejudgment interest.

On June 28, 2005, the Second Circuit reversed and entered judgment dismissing the Cayuga action, based upon the intervening Supreme Court decision in *Oneida Indian Nation v. City of Sherrill*, 544 U.S. 197 (2005) which held (in the context of a property tax dispute involving a parcel that the tribe had purchased in fee within the Oneida claim area) that disruptive claims of Indian sovereignty could be barred by equitable defenses, including laches, acquiescence and impossibility. *Cayuga Indian Nation v. Pataki*, 413 F.3d 266 (2d Cir. 2005). The Second Circuit concluded that the same equitable considerations that the Supreme Court relied on in *City of Sherrill* applied to the Cayugas' possessory claim and required dismissal of the entire lawsuit, including plaintiffs' claim for money damages and their claim for ejectment. The Court also held that the United States' complaint-in-intervention was barred by laches. The Supreme Court denied certiorari in *Cayuga* on May 15, 2006. 126 S. Ct. 2021, 2022.

This case was closed but recently became active when the Cayuga plaintiffs filed a FRCP 60(b)(6) motion to have the judgment vacated. Along with this motion a letter was sent to Judge McCurn's chamber seeking a stay of the 60 (b)(6) motion until after the Second Circuit decides the appeal in the *Oneida* Land Claim case. The motion is premised on Judge Kahn's ruling in *Oneida*, discussed above, that in spite of the Second Circuit decision in *Cayuga*, the tribe may proceed to prove a non-possessory claim for unjust compensation against the State defendant. By stipulation of the parties, so-ordered by Judge McCurn, further briefing on the Cayugas' motion for relief from judgment has been suspended, pending the outcome of the *Oneida* appeal that was argued on June 3, 2008.

Tobacco Master Settlement Agreement _____

In *Freedom Holdings Inc. et al. v. Spitzer et ano.*, two cigarette importers brought an action in 2002 challenging portions of laws enacted by the State under the 1998 Tobacco MSA that New York and many other states entered into with the major tobacco manufacturers. The initial complaint alleged: (1) violations of the Commerce Clause of the United States Constitution; (2) the establishment of an “output cartel” in conflict with the Sherman Act; and (3) selective nonenforcement of the laws on Native American reservations in violation of the Equal Protection Clause of the United States Constitution. The United States District Court for the Southern District of New York granted defendants’ motion to dismiss the complaint for failure to state a cause of action. Plaintiffs appealed from this dismissal. In an opinion dated January 6, 2004, the United States Court of Appeals for the Second Circuit (1) affirmed the dismissal of the Commerce Clause claim; (2) reversed the dismissal of the Sherman Act claim; and (3) remanded the selective enforcement claim to the District Court for further proceedings. Plaintiffs have filed an amended complaint that also challenges the MSA itself (as well as other related State statutes) primarily on preemption grounds. On September 14, 2004, the District Court denied all aspects of plaintiffs’ motion for a preliminary injunction, except that portion of the motion relating to the ability of tobacco manufacturers to obtain the release of certain funds from escrow. Plaintiffs have appealed from the denial of the remainder of the motion to the United States Court of Appeals for the Second Circuit. In May 2005, the Second Circuit affirmed the denial of the preliminary injunction. In December 2006, the motions and cross-motions of the parties for summary judgment were fully submitted to the District Court. By order dated July 7, 2008, the District Court requested updated statistical information and other information needed to resolve certain material questions. An evidentiary hearing will be held in November 2008.

Glossary of Acronyms

Affordable Housing Corporation	(AHC)
Aid and Incentive for Municipalities	(AIM)
American Federation of State, County, and Municipal Employees	(AFSCME)
American International Group	(AIG)
Auction Rate Securities.....	(ARS)
Board of Cooperative Education Services	(BOCES)
Bond Anticipation Notes.....	(BANS)
Bond Issuance Change.....	(BIC)
Bond Market Association	(BMA)
Campaign for Fiscal Equity	(CFE)
Capital Projects Funds	(CPFs)
Child Health Plus	(CHP)
Centers for Medicaid and Medicare Services	(CMS)
21st Century Community Learning Centers	(CLCs)
Civil Service Employees Association.....	(CSEA)
Clean Water/Clean Air.....	(CW/CA)
Clean Water State Revolving Fund.....	(CWSRF)
Commission on Quality Care and Advocacy for Persons with Disabilities.....	(CQCAPD)
Community Enhancement Facilities Assistance Program	(CEFAP)
Community Health Care Conversion Demonstration Project.....	(CHCCDP)
Comprehensive Annual Financial Report	(CAFR)
Consolidated Highway Improvement Programs	(CHIPs)
Consumer Price Index.....	(CPI)
Contingency Reserve Fund.....	(CRF)
Cost-of-Living Adjustment.....	(COLA)
Court Facilities Incentive Aid.....	(CFIA)
Debt Reduction Reserve Fund	(DRRF)
Debt Service Funds.....	(DSFs)
Dedicated Highway and Bridge Trust Fund	(DHBTF)
Disadvantaged Business Enterprise	(DBE)
Drinking Water Revolving Fund.....	(DWSRF)
Early Intervention	(EI)
Earned Income Tax Credit.....	(EITC)
Elderly Pharmaceutical Insurance Coverage	(EPIC)
Elementary, Middle, Secondary and Continuing Education.....	(EMSC)
Environmental Protection Fund	(EPF)
Expanding our Children’s Education and Learning	(EXCEL)
Family Health Plus.....	(FHP)
Federal Medical Assistance Percentage	(FMAP)
Fiscal Management Plan	(FMP)
Financial Security Assurance	(FSA)
General Public Health Works	(GPHW)
General State Charges.....	(GSCs)
Generally Accepted Accounting Principles	(GAAP)
Governmental Accounting Standards Board.....	(GASB)
Governmental Accounting Standards Board Statement.....	(GASBS)
Governor's Office of Employee Relations	(GOER)
Graduate Medical Education.....	(GME)
Group Health Insurance	(GHI)

Gross Domestic Product	(GDP)
Health Care Equity and Affordability Law for New Yorkers	(HEAL-NY)
Health Care Reform Act	(HCRA)
Health Insurance Plan	(HIP)
Health Maintenance Organization	(HMO)
Higher Educations Services Corporation	(HESC)
Home Energy Assistance Program	(HEAP)
Homeless Housing Assistance Corporation	(HHAC)
Homeless Housing Assistance Program	(HHAP)
Housing Assistance Fund	(HAF)
Housing Trust Fund Corporation	(HTFC)
Hudson River Park Trust	(HRPT)
Industrial Finance Program	(IFP)
Initial Public Offering	(IPO)
Investment Tax Credit	(ITC)
Limited Liability Company	(LLC)
Local Government Assistance Corporation	(LGAC)
London Inter Bank Offered Rates	(LIBOR)
Mass Transportation Operating Assistance Fund	(MTOA)
Medical Care Facilities Finance Agency	(MCFFA)
Memorandum of Understanding	(MOU)
Metropolitan Commuter Transportation District	(MCTD)
Minority/Women-Owned Business Enterprises	(M/WBE)
National Bureau of Economic Research	(NBER)
North American Industry Classification System	(NAICS)
New York Racing Authority	(NYRA)
New York Stock Exchange	(NYSE)
New York State Options for People through Service	(NYS-OPTS)
Non-Personal Service	(NPS)
Office of Court Administration	(OCA)
Patient Income Account	(PIA)
Pay-As-You-Go	(PAYGO)
Payment in Lieu of Taxes	(PILOT)
Personal Income Tax	(PIT)
Prior Year Claims	(PYCs)
Psychiatric Services and Clinical Knowledge Enhancement System	(PSYCKES)
Public Authorities Control Board	(PACB)
Public Employees Federation	(PEF)
Public Financial Management	(PFM)
Percent of Personal Income	(PPI)
Public Resources Advisory Group	(PRAG)
Qualified Production Activity Income	(QPAI)
Quarterly Census for Employment and Wages	(QCEW)
Real Estate Investment Fund	(REIT)
Rebuilding Schools to Uphold Education	(RESCUE)
Regulated Investment Company	(RIC)
Revenue Bond Tax Fund	(RBTF)
Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users	(SAFETEA-LU)
School Tax Relief	(STAR)
Sound Basic Education	(SBE)

Special Housing Unit	(SHU)
Short-Term Investment Pool	(STIP)
Special Revenue Funds	(SRFs)
State Parks Infrastructure Fund	(SPIF)
State Tax Asset Receivable Corporation	(STARC)
Statewide Wireless Network	(SWN)
Strategic Investment Program	(SIP)
Supplemental Education Improvement Program	(SEIP)
Supplemental Security Income	(SSI)
Tax and Revenue Anticipation Notes	(TRANS)
Tax Stabilization Reserve Fund	(TSRF)
Teacher Support Aid	(TSA)
Technical Advisory Service	(TAS)
Technical Assistance Grant	(TAG)
Temporary Assistance for Needy Families	(TANF)
Tobacco Settlement Financing Corporation	(TSFC)
Transitional Finance Authority	(TFA)
Tuition Assistance Program	(TAP)
United University Professions	(UUP)
Urban Development Corporation	(UDC)
Variable-Rate Demand Bonds	(VRDBs)
Video Lottery Terminal	(VLT)
Welfare Management System	(WMS)
Western Hemisphere Travel Initiative	(WHTI)

NEW YORK STATE AGENCIES AND PUBLIC AUTHORITIES

City University of New York	(CUNY)
Department of Tax and Finance.....	(DTF)
Dormitory Authority of the State of New York	(DASNY)
Empire State Development Corporation	(ESDC)
Metropolitan Transportation Authority	(MTA)
Municipal Assistance Corporation	(MAC)
Department of Correctional Services	(DOCS)
Department of Environmental Conservation	(DEC)
Department of Health	(DOH)
Department of Military and Naval Affairs	(DMNA)
Department of State	(DOS)
Department of Transportation.....	(DOT)
Department of Transportation’s Office of Civil Rights	(OCR)
Division of the Budget	(DOB)
Division of Criminal Justice Services.....	(DCJS)
Division of Housing and Community Renewal	(DHCR)
Division of State Police	(DSP)
State Education Department	(SED)
Energy Research and Development Authority	(ERDA)
Environmental Facilities Corporation.....	(EFC)
Housing Finance Agency	(HFA)
Job Development Authority	(JDA)
Long Island Power Authority.....	(LIPA)
New York City Office of Management and Budget	(NYC OMB)
New York Racing Authority	(NYRA)
Office for Technology	(OFT)
Office of Alcoholism and Substance Abuse Services	(OASAS)
Office of Children and Family Services	(OCFS)
Office of General Services	(OGS)
Office of the Medicaid Inspector General.....	(OMIG)
Office of Mental Health	(OMH)
Office of Mental Retardation and Developmental Disabilities	(OMRDD)
Office of Real Property Services	(ORPS)
Office of Science, Technology and Academic Research	(NYSTAR)
Office of the State Comptroller.....	(OSC)
Office of Temporary and Disability Assistance	(OTDA)
State of New York Mortgage Agency	(SONYMA)
State University of New York	(SUNY)

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

	<u>First Quarter</u>	<u>Change</u>	<u>Mid-Year</u>
Opening fund balance	<u>2,754</u>	<u>0</u>	<u>2,754</u>
Receipts:			
Taxes:			
Personal income tax	23,938	(952)	22,986
User taxes and fees	8,803	(54)	8,749
Business taxes	6,049	(404)	5,645
Other taxes	1,196	128	1,324
Miscellaneous receipts	2,551	0	2,551
Federal grants	41	0	41
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,602	(215)	8,387
Sales tax in excess of LGAC debt service	2,326	(47)	2,279
Real estate taxes in excess of CW/CA debt service	573	(133)	440
All other transfers	1,077	108	1,185
Total receipts	<u>55,156</u>	<u>(1,569)</u>	<u>53,587</u>
Disbursements:			
Grants to local governments	39,237	(468)	38,769
State operations:			
Personal Service	5,990	270	6,260
Non-Personal Service	2,174	106	2,280
General State charges	3,111	2	3,113
Transfers to other funds:			
Debt service	1,698	32	1,730
Capital projects	469	(34)	435
State Share Medicaid	2,655	9	2,664
Other purposes	823	46	869
Total disbursements	<u>56,157</u>	<u>(37)</u>	<u>56,120</u>
HCRA Operating Shortfall	<u>0</u>	<u>(88)</u>	<u>(88)</u>
Legislative/Administrative Actions to Close Gap	<u>0</u>	<u>1,475</u>	<u>1,475</u>
Change in fund balance	<u>(1,001)</u>	<u>(145)</u>	<u>(1,146)</u>
Closing fund balance	<u>1,753</u>	<u>(145)</u>	<u>1,608</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	237	(65)	172
Debt Reduction Reserve Fund	100	(36)	64
Labor Settlement Reserve/Other Risks	189	(44)	145

Mid-year receipts and disbursements estimates do not include the \$1.48 billion in savings that are expected to be achieved through legislation or administrative actions to address the current year shortfall, as options are currently under development.

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

	<u>First Quarter</u>	<u>Change</u>	<u>Mid-Year</u>
Receipts:			
Taxes:			
Personal income tax	24,440	(3,187)	21,253
User taxes and fees	9,150	(203)	8,947
Business taxes	6,583	(913)	5,670
Other taxes	1,325	(150)	1,175
Miscellaneous receipts	2,531	(132)	2,399
Federal Grants	0	0	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,703	(1,056)	7,647
Sales tax in excess of LGAC debt service	2,437	(64)	2,373
Real estate taxes in excess of CW/CA debt service	563	(114)	449
All other	532	50	582
Total receipts	<u>56,264</u>	<u>(5,769)</u>	<u>50,495</u>
Disbursements:			
Grants to local governments	43,544	(92)	43,452
State operations:			
Personal Service	6,259	664	6,923
Non-Personal Service	2,330	106	2,436
General State charges	3,836	(190)	3,646
Transfers to other funds:			
Debt service	1,746	1	1,747
Capital projects	711	46	757
State Share Medicaid	2,632	(60)	2,572
Other purposes	1,203	74	1,277
Total disbursements	<u>62,261</u>	<u>549</u>	<u>62,810</u>
Deposit to/(use of) Community Projects Fund	<u>48</u>	<u>(17)</u>	<u>31</u>
Deposit to/(use of) Prior Year Reserves	<u>0</u>	<u>(145)</u>	<u>(145)</u>
HCRA Operating Shortfall	<u>0</u>	<u>(317)</u>	<u>(317)</u>
Margin	<u>(6,045)</u>	<u>(6,473)</u>	<u>(12,518)</u>

Source: NYS DOB

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

	<u>First Quarter</u>	<u>Change</u>	<u>Mid-Year</u>
Receipts:			
Taxes:			
Personal income tax	25,883	(3,300)	22,583
User taxes and fees	9,448	(281)	9,167
Business taxes	6,634	(452)	6,182
Other taxes	1,408	(218)	1,190
Miscellaneous receipts	2,531	(198)	2,333
Federal Grants	0	0	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,055	(1,125)	7,930
Sales tax in excess of LGAC debt service	2,539	(99)	2,440
Real estate taxes in excess of CW/CA debt service	603	(119)	484
All other	527	29	556
Total receipts	<u>58,628</u>	<u>(5,763)</u>	<u>52,865</u>
Disbursements:			
Grants to local governments	47,399	(38)	47,361
State operations:			
Personal Service	6,679	528	7,207
Non-Personal Service	2,450	89	2,539
General State charges	4,091	40	4,131
Transfers to other funds:			
Debt service	1,734	1	1,735
Capital projects	1,080	159	1,239
State Share Medicaid	2,678	(89)	2,589
Other purposes	1,571	164	1,735
Total disbursements	<u>67,682</u>	<u>854</u>	<u>68,536</u>
Deposit to/(use of) Community Projects Fund	<u>(22)</u>	<u>(14)</u>	<u>(36)</u>
HCRA Operating Shortfall	<u>0</u>	<u>(117)</u>	<u>(117)</u>
Margin	<u>(9,032)</u>	<u>(6,720)</u>	<u>(15,752)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
GENERAL FUND
2011-2012
(millions of dollars)**

	<u>First Quarter</u>	<u>Change</u>	<u>Mid-Year</u>
Receipts:			
Taxes:			
Personal income tax	27,703	(3,562)	24,141
User taxes and fees	9,804	(263)	9,541
Business taxes	6,739	(376)	6,363
Other taxes	1,498	(254)	1,244
Miscellaneous receipts	2,294	1	2,295
Federal Grants	0	0	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,517	(1,225)	8,292
Sales tax in excess of LGAC debt service	2,651	(120)	2,531
Real estate taxes in excess of CW/CA debt service	655	(90)	565
All other	567	28	595
Total receipts	<u>61,428</u>	<u>(5,861)</u>	<u>55,567</u>
Disbursements:			
Grants to local governments	50,373	113	50,486
State operations:			
Personal Service	6,860	524	7,384
Non-Personal Service	2,493	102	2,595
General State charges	4,440	23	4,463
Transfers to other funds:			
Debt service	1,714	(4)	1,710
Capital projects	1,147	210	1,357
State Share Medicaid	2,701	(122)	2,579
Other purposes	2,142	226	2,368
Total disbursements	<u>71,870</u>	<u>1,072</u>	<u>72,942</u>
Deposit to/(use of) Community Projects Fund	<u>(80)</u>	<u>(86)</u>	<u>(166)</u>
HCRA Operating Shortfall	<u>0</u>	<u>(25)</u>	<u>(25)</u>
Margin	<u>(10,362)</u>	<u>(6,872)</u>	<u>(17,234)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
GENERAL FUND
2008-2009 through 2011-2012
(millions of dollars)**

	<u>2008-2009 Projected</u>	<u>2009-2010 Projected</u>	<u>2010-2011 Projected</u>	<u>2011-2012 Projected</u>
Receipts:				
Taxes:				
Personal income tax	22,986	21,253	22,583	24,141
User taxes and fees	8,749	8,947	9,167	9,541
Business taxes	5,645	5,670	6,182	6,363
Other taxes	1,324	1,175	1,190	1,244
Miscellaneous receipts	2,551	2,399	2,333	2,295
Federal grants	41	0	0	0
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,387	7,647	7,930	8,292
Sales tax in excess of LGAC debt service	2,279	2,373	2,440	2,531
Real estate taxes in excess of CW/CA debt service	440	449	484	565
All other transfers	1,185	582	556	595
Total receipts	<u>53,587</u>	<u>50,495</u>	<u>52,865</u>	<u>55,567</u>
Disbursements:				
Grants to local governments	38,769	43,452	47,361	50,486
State operations:				
Personal Service	6,260	6,923	7,207	7,384
Non-Personal Service	2,280	2,436	2,539	2,595
General State charges	3,113	3,646	4,131	4,463
Transfers to other funds:				
Debt service	1,730	1,747	1,735	1,710
Capital projects	435	757	1,239	1,357
State Share Medicaid	2,664	2,572	2,589	2,579
Other purposes	869	1,277	1,735	2,368
Total disbursements	<u>56,120</u>	<u>62,810</u>	<u>68,536</u>	<u>72,942</u>
Deposit to/(use of) Community Projects Fund	<u>(168)</u>	<u>31</u>	<u>(36)</u>	<u>(166)</u>
Deposit to/(use of) Prior Year Reserves	<u>(920)</u>	<u>(145)</u>	<u>0</u>	<u>0</u>
Deposit to/(use of) Debt Reduction Reserve	<u>(58)</u>	<u>0</u>	<u>0</u>	<u>0</u>
HCRA Operating Shortfall	<u>(88)</u>	<u>(317)</u>	<u>(117)</u>	<u>(25)</u>
Legislative/Administrative Actions to Close Gap	<u>1,475</u>	<u>0</u>	<u>0</u>	<u>0</u>
Margin	<u>0</u>	<u>(12,518)</u>	<u>(15,752)</u>	<u>(17,234)</u>

Mid-year receipts and disbursements estimates do not include the \$1.48 billion in savings that are expected to be achieved through legislation or administrative actions to address the current year shortfall, as options are currently under development.

Source: NYS DOB

**CASH FINANCIAL PLAN
GENERAL FUND
2007-2008 and 2008-2009
(millions of dollars)**

	<u>2007-2008 Actuals</u>	<u>2008-2009 Projected</u>	<u>Annual Change</u>
Opening fund balance	<u>3,045</u>	<u>2,754</u>	<u>(291)</u>
Receipts:			
Taxes:			
Personal income tax	22,759	22,986	227
User taxes and fees	8,555	8,749	194
Business taxes	6,017	5,645	(372)
Other taxes	1,063	1,324	261
Miscellaneous receipts	2,460	2,551	91
Federal grants	69	41	(28)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,473	8,387	(86)
Sales tax in excess of LGAC debt service	2,358	2,279	(79)
Real estate taxes in excess of CW/CA debt service	682	440	(242)
All other transfers	660	1,185	525
Total receipts	<u>53,096</u>	<u>53,587</u>	<u>491</u>
Disbursements:			
Grants to local governments	36,414	38,769	2,355
State operations:			
Personal Service	6,659	6,260	(399)
Non-Personal Service	2,920	2,280	(640)
General State charges	4,620	3,113	(1,507)
Transfers to other funds:			
Debt service	1,548	1,730	182
Capital projects	141	435	294
State Share Medicaid	0	2,664	2,664
Other purposes	1,085	869	(216)
Total disbursements	<u>53,387</u>	<u>56,120</u>	<u>2,733</u>
HCRA Operating Shortfall	<u>0</u>	<u>(88)</u>	<u>(88)</u>
Legislative/Administrative Actions to Close Gap	<u>0</u>	<u>1,475</u>	<u>1,475</u>
Change in fund balance	<u>(291)</u>	<u>(1,146)</u>	<u>(855)</u>
Closing fund balance	<u>2,754</u>	<u>1,608</u>	<u>(1,146)</u>
Reserves			
Tax Stabilization Reserve Fund	1,031	1,031	0
Statutory Rainy Day Reserve Fund	175	175	0
Contingency Reserve Fund	21	21	0
Community Projects Fund	340	172	(168)
Debt Reduction Reserve Fund *	122	64	(58)
Labor Settlement Other Risks Reserve *	1,065	145	(920)

Mid-year receipts and disbursements estimates do not include the \$1.48 billion in savings that are expected to be achieved through legislation or administrative actions to address the current year shortfall, as options are currently under development.

**The Debt Reduction Reserve Fund and Labor Settlement Reserve/Other Risks are DOB-designated uses of the Refund Reserve Account.*

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	<u>2,754</u>	<u>3,520</u>	<u>286</u>	<u>6,560</u>
Receipts:				
Taxes	38,704	8,065	12,463	59,232
Miscellaneous receipts	2,551	12,973	821	16,345
Federal grants	41	1	0	42
Total receipts	<u>41,296</u>	<u>21,039</u>	<u>13,284</u>	<u>75,619</u>
Disbursements:				
Grants to local governments	38,769	17,212	0	55,981
State operations:				
Personal Service	6,260	3,994	0	10,254
Non-Personal Service	2,280	2,527	73	4,880
General State charges	3,113	1,476	0	4,589
Debt service	0	0	4,581	4,581
Capital projects	0	3	0	3
Total disbursements	<u>50,422</u>	<u>25,212</u>	<u>4,654</u>	<u>80,288</u>
Other financing sources (uses):				
Transfers from other funds	12,291	4,057	5,800	22,148
Transfers to other funds	(5,698)	(1,138)	(14,372)	(21,208)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>6,593</u>	<u>2,919</u>	<u>(8,572)</u>	<u>940</u>
HCRA Operating Shortfall	<u>(88)</u>	<u>88</u>	<u>0</u>	<u>0</u>
Legislative/Administrative Actions to Close Gap	<u>1,475</u>	<u>0</u>	<u>0</u>	<u>1,475</u>
Change in fund balance:	<u>(1,146)</u>	<u>(1,166)</u>	<u>58</u>	<u>(2,254)</u>
Deposit to/(use of) Community Projects Fund	(168)			
Deposit to/(use of) Prior Year Reserves	(920)			
Deposit to/(use of) Debt Reduction Reserve	(58)			
Closing fund balance	<u>1,608</u>	<u>2,354</u>	<u>344</u>	<u>4,306</u>

Mid-year receipts and disbursements estimates do not include the \$1.48 billion in savings that are expected to be achieved through legislation or administrative actions to address the current year shortfall, as options are currently under development.

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>0</u>	<u>2,354</u>	<u>344</u>	<u>2,698</u>
Receipts:				
Taxes	37,045	8,812	12,180	58,037
Miscellaneous receipts	2,399	13,224	906	16,529
Federal grants	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>
Total receipts	<u>39,444</u>	<u>22,037</u>	<u>13,086</u>	<u>74,567</u>
Disbursements:				
Grants to local governments	43,452	17,886	0	61,338
State operations:				
Personal Service	6,923	4,191	0	11,114
Non-Personal Service	2,436	2,680	62	5,178
General State charges	3,646	1,180	0	4,826
Debt service	0	0	5,117	5,117
Capital projects	<u>0</u>	<u>3</u>	<u>0</u>	<u>3</u>
Total disbursements	<u>56,457</u>	<u>25,940</u>	<u>5,179</u>	<u>87,576</u>
Other financing sources (uses):				
Transfers from other funds	11,051	4,256	5,748	21,055
Transfers to other funds	(6,353)	(840)	(13,611)	(20,804)
Bond and note proceeds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net other financing sources (uses)	<u>4,698</u>	<u>3,416</u>	<u>(7,863)</u>	<u>251</u>
Deposit to/(use of) Community Projects Fund	<u>31</u>	<u>0</u>	<u>0</u>	<u>31</u>
Deposit to/(use of) Prior Year Reserves	<u>(145)</u>	<u>0</u>	<u>0</u>	<u>(145)</u>
HCRA Operating Shortfall	<u>(317)</u>	<u>317</u>	<u>0</u>	<u>0</u>
Change in fund balance	<u>(12,518)</u>	<u>(170)</u>	<u>44</u>	<u>(12,644)</u>
Closing fund balance	<u>(12,518)</u>	<u>2,184</u>	<u>388</u>	<u>(9,946)</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>0</u>	<u>2,184</u>	<u>388</u>	<u>2,572</u>
Receipts:				
Taxes	39,122	9,415	12,905	61,442
Miscellaneous receipts	2,333	13,516	912	16,761
Federal grants	0	1	0	1
Total receipts	<u>41,455</u>	<u>22,932</u>	<u>13,817</u>	<u>78,204</u>
Disbursements:				
Grants to local governments	47,361	18,513	0	65,874
State operations:				
Personal Service	7,207	4,322	0	11,529
Non-Personal Service	2,539	2,754	62	5,355
General State charges	4,131	1,276	0	5,407
Debt service	0	0	5,813	5,813
Capital projects	0	2	0	2
Total disbursements	<u>61,238</u>	<u>26,867</u>	<u>5,875</u>	<u>93,980</u>
Other financing sources (uses):				
Transfers from other funds	11,410	4,492	6,154	22,056
Transfers to other funds	(7,298)	(850)	(14,048)	(22,196)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>4,112</u>	<u>3,642</u>	<u>(7,894)</u>	<u>(140)</u>
Deposit to/(use of) Community Projects Fund	<u>(36)</u>	<u>0</u>	<u>0</u>	<u>(36)</u>
HCRA Operating Shortfall	<u>(117)</u>	<u>117</u>	<u>0</u>	<u>0</u>
Change in fund balance	<u>(15,752)</u>	<u>(176)</u>	<u>48</u>	<u>(15,880)</u>
Closing fund balance	<u>(15,752)</u>	<u>2,008</u>	<u>436</u>	<u>(13,308)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2011-2012
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>0</u>	<u>2,008</u>	<u>436</u>	<u>2,444</u>
Receipts:				
Taxes	41,289	9,754	13,682	64,725
Miscellaneous receipts	2,295	13,993	954	17,242
Federal grants	0	1	0	1
Total receipts	<u>43,584</u>	<u>23,748</u>	<u>14,636</u>	<u>81,968</u>
Disbursements:				
Grants to local governments	50,486	19,647	0	70,133
State operations:				
Personal Service	7,384	4,355	0	11,739
Non-Personal Service	2,595	2,763	62	5,420
General State charges	4,463	1,310	0	5,773
Debt service	0	0	6,207	6,207
Capital projects	0	2	0	2
Total disbursements	<u>64,928</u>	<u>28,077</u>	<u>6,269</u>	<u>99,274</u>
Other financing sources (uses):				
Transfers from other funds	11,983	5,028	6,241	23,252
Transfers to other funds	(8,014)	(906)	(14,561)	(23,481)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>3,969</u>	<u>4,122</u>	<u>(8,320)</u>	<u>(229)</u>
Deposit to/(use of) Community Projects Fund	<u>(166)</u>	<u>0</u>	<u>0</u>	<u>(166)</u>
HCRA Operating Shortfall	<u>(25)</u>	<u>25</u>	<u>0</u>	<u>0</u>
Change in fund balance	<u>(17,234)</u>	<u>(182)</u>	<u>47</u>	<u>(17,369)</u>
Closing fund balance	<u>(17,234)</u>	<u>1,826</u>	<u>483</u>	<u>(14,925)</u>

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,754	3,879	(433)	286	6,486
Receipts:					
Taxes	38,704	8,065	2,056	12,463	61,288
Miscellaneous receipts	2,551	13,081	3,007	821	19,460
Federal grants	41	33,985	1,938	0	35,964
Total receipts	<u>41,296</u>	<u>55,131</u>	<u>7,001</u>	<u>13,284</u>	<u>116,712</u>
Disbursements:					
Grants to local governments	38,769	46,476	498	0	85,743
State operations:					
Personal Service	6,260	6,125	0	0	12,385
Non-Personal Service	2,280	3,917	0	73	6,270
General State charges	3,113	2,347	0	0	5,460
Debt service	0	0	0	4,581	4,581
Capital projects	0	3	6,321	0	6,324
Total disbursements	<u>50,422</u>	<u>58,868</u>	<u>6,819</u>	<u>4,654</u>	<u>120,763</u>
Other financing sources (uses):					
Transfers from other funds	12,291	6,603	602	5,800	25,296
Transfers to other funds	(5,698)	(4,085)	(1,234)	(14,372)	(25,389)
Bond and note proceeds	0	0	354	0	354
Net other financing sources (uses)	<u>6,593</u>	<u>2,518</u>	<u>(278)</u>	<u>(8,572)</u>	<u>261</u>
HCRA Operating Shortfall	<u>(88)</u>	<u>88</u>	<u>0</u>	<u>0</u>	<u>0</u>
Legislative/Administrative Actions to Close Gap	<u>1,475</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,475</u>
Change in fund balance	<u>(1,146)</u>	<u>(1,131)</u>	<u>(96)</u>	<u>58</u>	<u>(2,315)</u>
Deposit to/(use of) Community Projects Fund	(168)				
Deposit to/(use of) Prior Year Reserves	(920)				
Deposit to/(use of) Debt Reduction Reserve	(58)				
Closing fund balance	<u>1,608</u>	<u>2,748</u>	<u>(529)</u>	<u>344</u>	<u>4,171</u>

Mid-year receipts and disbursements estimates do not include the \$1.48 billion in savings that are expected to be achieved through legislation or administrative actions to address the current year shortfall, as options are currently under development.

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL 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>2,748</u>	<u>(529)</u>	<u>344</u>	<u>2,563</u>
Receipts:					
Taxes	37,045	8,812	2,144	12,180	60,181
Miscellaneous receipts	2,399	13,330	4,174	906	20,809
Federal grants	0	35,099	1,904	0	37,003
Total receipts	<u>39,444</u>	<u>57,241</u>	<u>8,222</u>	<u>13,086</u>	<u>117,993</u>
Disbursements:					
Grants to local governments	43,452	48,415	536	0	92,403
State operations:					
Personal Service	6,923	6,371	0	0	13,294
Non-Personal Service	2,436	4,187	0	62	6,685
General State charges	3,646	2,058	0	0	5,704
Debt service	0	0	0	5,117	5,117
Capital projects	0	3	7,948	0	7,951
Total disbursements	<u>56,457</u>	<u>61,034</u>	<u>8,484</u>	<u>5,179</u>	<u>131,154</u>
Other financing sources (uses):					
Transfers from other funds	11,051	6,840	1,012	5,748	24,651
Transfers to other funds	(6,353)	(3,600)	(1,122)	(13,611)	(24,686)
Bond and note proceeds	0	0	549	0	549
Net other financing sources (uses)	<u>4,698</u>	<u>3,240</u>	<u>439</u>	<u>(7,863)</u>	<u>514</u>
Deposit to/(use of) Community Projects Fund	<u>31</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>31</u>
Deposit to/(use of) Prior Year Reserves	<u>(145)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(145)</u>
HCRA Operating Shortfall	<u>(317)</u>	<u>317</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in fund balance	<u>(12,518)</u>	<u>(236)</u>	<u>177</u>	<u>44</u>	<u>(12,533)</u>
Closing fund balance	<u>(12,518)</u>	<u>2,512</u>	<u>(352)</u>	<u>388</u>	<u>(9,970)</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>2,512</u>	<u>(352)</u>	<u>388</u>	<u>2,548</u>
Receipts:					
Taxes	39,122	9,415	2,140	12,905	63,582
Miscellaneous receipts	2,333	13,622	4,054	912	20,921
Federal grants	0	36,235	1,794	0	38,029
Total receipts	<u>41,455</u>	<u>59,272</u>	<u>7,988</u>	<u>13,817</u>	<u>122,532</u>
Disbursements:					
Grants to local governments	47,361	50,056	538	0	97,955
State operations:					
Personal Service	7,207	6,640	0	0	13,847
Non-Personal Service	2,539	4,330	0	62	6,931
General State charges	4,131	2,256	0	0	6,387
Debt service	0	0	0	5,813	5,813
Capital projects	0	2	7,948	0	7,950
Total disbursements	<u>61,238</u>	<u>63,284</u>	<u>8,486</u>	<u>5,875</u>	<u>138,883</u>
Other financing sources (uses):					
Transfers from other funds	11,410	7,366	1,555	6,154	26,485
Transfers to other funds	(7,298)	(3,730)	(1,449)	(14,048)	(26,525)
Bond and note proceeds	0	0	591	0	591
Net other financing sources (uses)	<u>4,112</u>	<u>3,636</u>	<u>697</u>	<u>(7,894)</u>	<u>551</u>
Deposit to/(use of) Community Projects Fund	<u>(36)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(36)</u>
HCRA Operating Shortfall	<u>(117)</u>	<u>117</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in fund balance	<u>(15,752)</u>	<u>(259)</u>	<u>199</u>	<u>48</u>	<u>(15,764)</u>
Closing fund balance	<u>(15,752)</u>	<u>2,253</u>	<u>(153)</u>	<u>436</u>	<u>(13,216)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2011-2012
(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	2,253	(153)	436	2,536
Receipts:					
Taxes	41,289	9,754	2,154	13,682	66,879
Miscellaneous receipts	2,295	14,099	3,984	954	21,332
Federal grants	0	37,947	1,854	0	39,801
Total receipts	<u>43,584</u>	<u>61,800</u>	<u>7,992</u>	<u>14,636</u>	<u>128,012</u>
Disbursements:					
Grants to local governments	50,486	52,824	542	0	103,852
State operations:					
Personal Service	7,384	6,678	0	0	14,062
Non-Personal Service	2,595	4,360	0	62	7,017
General State charges	4,463	2,312	0	0	6,775
Debt service	0	0	0	6,207	6,207
Capital projects	0	2	7,846	0	7,848
Total disbursements	<u>64,928</u>	<u>66,176</u>	<u>8,388</u>	<u>6,269</u>	<u>145,761</u>
Other financing sources (uses):					
Transfers from other funds	11,983	7,969	1,661	6,241	27,854
Transfers to other funds	(8,014)	(3,775)	(1,520)	(14,561)	(27,870)
Bond and note proceeds	0	0	440	0	440
Net other financing sources (uses)	<u>3,969</u>	<u>4,194</u>	<u>581</u>	<u>(8,320)</u>	<u>424</u>
Deposit to/(use of) Community Projects Fund	<u>(166)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(166)</u>
HCRA Operating Shortfall	<u>(25)</u>	<u>25</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in fund balance	<u>(17,234)</u>	<u>(157)</u>	<u>185</u>	<u>47</u>	<u>(17,159)</u>
Closing fund balance	<u>(17,234)</u>	<u>2,096</u>	<u>32</u>	<u>483</u>	<u>(14,623)</u>

Source: NYS DOB

**CASHFLOW
GENERAL FUND
2008-2009
(dollars in millions)**

	2008 April Actuals	2008 May Actuals	2008 June Actuals	2008 July Actuals	2008 August Actuals	2008 September Actuals	2008 October Projected	2008 November Projected	2008 December Projected	2009 January Projected	2009 February Projected	2009 March Projected	Total
OPENING BALANCE	2,754	7,589	3,546	3,618	4,234	4,396	5,673	3,561	923	1,011	4,737	3,526	2,754
RECEIPTS:													
Personal Income Tax	5,613	850	2,382	1,715	1,540	2,099	276	(180)	1,420	4,477	1,214	1,580	22,986
User Taxes and Fees	637	651	847	704	684	877	652	687	888	710	606	806	8,749
Business Taxes	104	(17)	948	59	85	1,218	0	62	1,195	89	161	1,741	5,645
Other Taxes	102	134	80	294	82	64	95	95	95	94	94	95	1,324
Total Taxes	6,456	1,618	4,257	2,772	2,391	4,258	1,023	664	3,598	5,370	2,075	4,222	38,704
Licenses, fees, etc.	43	64	42	17	42	57	65	50	44	50	59	63	596
Abandoned Property	0	5	4	0	16	50	17	184	41	74	63	296	750
Reimbursement	5	10	21	6	11	29	13	11	25	9	10	25	175
Investment income	35	0	12	11	5	2	53	16	5	25	0	16	180
Other transactions	33	110	200	45	44	85	39	36	54	41	35	128	850
Total Miscellaneous Receipts	116	189	279	79	118	223	187	297	169	199	167	528	2,551
Federal Grants	3	0	0	13	0	14	2	2	2	2	3	0	41
PIT in excess of Revenue Bond Debt Service	1,870	212	950	571	308	1,017	475	73	853	1,202	147	709	8,387
Sales Tax in Excess of LGAC Debt Service	174	27	424	205	139	272	197	207	267	212	1	154	2,279
Real Estate Taxes in Excess of CW/CA Debt Service	54	54	52	36	52	32	31	34	31	31	16	17	440
All Other	1	10	44	90	20	9	9	110	130	29	29	704	1,185
Total Transfers from Other Funds	2,099	303	1,470	902	519	1,330	712	424	1,281	1,474	193	1,584	12,291
TOTAL RECEIPTS	8,674	2,110	6,006	3,766	3,028	5,825	1,924	1,387	5,050	7,045	2,438	6,334	53,587
DISBURSEMENTS:													
School Aid	410	2,284	1,923	137	477	1,403	585	1,292	1,610	549	843	6,267	17,780
Higher Education	20	18	454	82	223	46	505	28	116	158	350	528	2,528
All Other Education	19	75	394	113	79	133	152	55	99	208	135	254	1,716
Medical - DOH	892	1,271	761	833	363	404	1,224	882	462	714	866	306	8,978
Public Health	50	14	14	19	20	193	29	24	41	95	41	60	600
Mental Hygiene	60	69	359	4	(30)	349	45	113	423	119	35	513	2,059
Children and Families	8	69	167	201	146	144	89	88	79	276	95	368	1,730
Temporary & Disability Assistance	123	123	320	152	153	195	(135)	117	117	(145)	86	129	1,211
Transportation	0	14	32	0	17	0	0	25	8	0	0	2	107
All Other	29	34	413	61	43	244	56	138	479	(27)	29	561	2,060
Total Local Assistance Grants	1,611	3,971	4,837	1,602	1,491	3,112	2,550	2,738	3,434	1,947	2,488	8,988	38,769
Personal Service	775	419	476	661	532	460	700	456	496	477	421	387	6,260
Non-Personal Service	226	206	191	198	181	226	155	141	180	168	166	262	2,280
Total State Operations	1,001	625	667	859	713	686	855	597	656	645	587	649	8,540
General State Charges	489	1,020	(142)	341	278	19	454	147	(60)	346	305	(84)	3,113
Debt Service	240	132	220	49	36	279	24	177	392	8	24	149	1,730
Capital Projects	100	77	72	45	90	118	(94)	76	255	71	91	(466)	435
State Share Medicaid	267	296	203	228	205	232	221	221	238	245	128	180	2,664
Other Purposes	131	32	77	26	53	102	26	69	47	57	26	223	869
Total Transfers to Other Funds	738	537	572	348	384	731	177	543	932	381	269	86	5,898
TOTAL DISBURSEMENTS	3,839	6,153	5,934	3,150	2,866	4,548	4,036	4,025	4,962	3,319	3,649	9,639	56,120
Excess/(Deficiency) of Receipts over Disbursements	4,835	(4,043)	72	616	162	1,277	(2,112)	(2,638)	88	3,726	(1,211)	(3,305)	(2,533)
HCRA Operating Shortfall	0	0	0	0	0	0	0	0	0	0	0	(88)	(88)
Legislative/Administrative Actions to Close Gap	0	0	0	0	0	0	0	0	0	0	0	1,475	1,475
CLOSING BALANCE	7,589	3,546	3,618	4,234	4,396	5,673	3,561	923	1,011	4,737	3,526	1,608	1,608

Source: NYS DOB

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

	2007-2008 Actuals	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT							
Agriculture and Markets, Department of	106,078	0	106,078	107,503	110,111	125,810	114,771
Alcoholic Beverage Control	16,109	0	16,109	17,142	18,634	19,538	19,871
Banking Department	82,523	0	82,523	78,993	79,690	83,343	82,476
Consumer Protection Board	4,002	0	4,002	4,720	4,818	5,128	5,008
Economic Development Capital Programs	41,578	0	41,578	48,800	18,300	0	0
Economic Development, Department of	139,785	0	139,785	125,927	145,832	150,173	141,750
Empire State Development Corporation	280,348	0	280,348	498,136	1,311,434	845,216	688,584
Energy Research and Development Authority	30,416	0	30,416	27,054	29,560	29,798	30,041
Housing and Community Renewal, Division of	303,779	0	303,779	352,845	331,059	329,593	331,036
Insurance Department	249,708	0	249,708	310,974	309,684	317,528	318,583
Olympic Regional Development Authority	6,543	0	6,543	13,559	8,302	8,507	8,717
Public Service, Department of	68,955	0	68,955	77,793	79,608	85,588	88,323
Science, Technology and Innovation, Foundation for	44,350	0	44,350	36,616	33,799	29,387	30,168
Strategic Investment	9,704	0	9,704	8,000	14,000	14,000	10,376
Functional Total	1,383,878	0	1,383,878	1,708,062	2,494,831	2,043,609	1,869,704
PARKS AND THE ENVIRONMENT							
Adirondack Park Agency	5,289	0	5,289	5,703	5,802	6,005	6,008
Environmental Conservation, Department of	964,379	0	964,379	919,802	943,376	965,569	960,785
Environmental Facilities Corporation	20,603	0	20,603	11,417	10,272	10,448	10,630
Hudson River Park Trust	14,370	0	14,370	20,682	15,000	10,000	0
Parks, Recreation and Historic Preservation, Office of	267,441	0	267,441	323,313	275,451	263,329	261,925
Functional Total	1,272,082	0	1,272,082	1,280,917	1,249,901	1,255,351	1,239,348
TRANSPORTATION							
Motor Vehicles, Department of	295,115	0	295,115	328,754	332,715	351,001	361,036
Thruway Authority	1,245	0	1,245	1,734	1,804	1,876	1,951
Metropolitan Transportation Authority	86,371	0	86,371	160,000	195,300	206,500	194,500
Transportation, Department of	6,151,063	0	6,151,063	6,521,865	6,693,232	6,920,423	7,099,323
Functional Total	6,533,794	0	6,533,794	7,012,353	7,223,051	7,479,800	7,656,810
HEALTH AND SOCIAL WELFARE							
Aging, Office for the	234,607	0	234,607	227,121	232,343	240,664	244,704
Children and Family Services, Office of	2,972,714	0	2,972,714	3,117,911	3,335,752	3,574,704	3,766,743
OCFS	2,972,714	(33,505)	2,939,209	3,068,700	3,263,126	3,454,382	3,623,954
OCFS - Medicaid	0	33,505	33,505	49,211	72,626	120,322	142,789
Health, Department of	36,549,449	0	36,549,449	37,138,136	40,152,495	42,640,162	45,606,446
Medical Assistance	31,040,404	0	31,040,404	31,424,629	34,079,277	36,336,803	39,089,845
Medicaid Administration	838,272	0	838,272	853,000	895,500	939,500	983,750
Public Health	4,670,773	0	4,670,773	4,860,507	5,177,718	5,363,859	5,532,851
Health - Medicaid Assistance	0	0	0	0	0	0	0
Human Rights, Division of	16,007	0	16,007	19,768	21,118	21,350	21,391
Labor, Department of	561,263	0	561,263	594,066	661,191	652,111	655,078
Medicaid Inspector General, Office of	47,840	0	47,840	92,248	96,634	99,298	102,715
Prevention of Domestic Violence, Office for	2,432	0	2,432	2,471	2,491	2,591	2,603
Stem Cell and Innovation	163	0	163	15,153	75,621	93,300	50,000

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

	2007-2008 Actuals	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
HEALTH AND SOCIAL WELFARE (Continued)							
Temporary and Disability Assistance, Office of Welfare Assistance	4,756,394	0	4,756,394	4,590,871	4,661,093	4,682,729	4,691,952
Welfare Administration	3,217,951	0	3,217,951	3,053,589	3,117,868	3,117,781	3,118,781
All Other	369,646	0	369,646	368,290	370,005	370,005	370,005
Welfare Inspector General, Office of Workers' Compensation Board	1,168,797	0	1,168,797	1,168,992	1,173,220	1,194,943	1,203,166
	1,073	0	1,073	1,476	1,521	1,581	1,605
	194,007	0	194,007	203,807	194,070	199,636	204,198
Functional Total	45,335,949	0	45,335,949	46,003,028	49,434,329	52,208,126	55,347,435
MENTAL HEALTH							
Mental Health, Office of OMH	2,548,711	442,327	2,991,038	3,139,591	3,470,370	3,755,957	3,889,147
OMH - Medicaid	2,548,711	(1,228,855)	1,319,856	1,427,873	1,644,908	1,784,489	1,861,895
Mental Hygiene, Department of	0	1,671,182	1,671,182	1,711,718	1,825,462	1,971,468	2,027,252
Mental Retardation and Developmental Disabilities, Office of OMRDD	237	449,449	449,686	661,542	406,080	438,611	477,163
OMRDD - Medicaid	3,395,365	548,766	3,944,131	4,150,517	4,346,660	4,585,840	4,703,115
OMRDD - Non-Medicaid	3,395,365	(3,028,003)	367,362	546,847	584,754	592,137	602,537
Alcoholism and Substance Abuse Services, Office of OASAS	598,292	3,576,769	3,576,769	3,603,670	3,761,906	3,993,703	4,100,578
OASAS - Medicaid	598,292	(60,784)	537,508	556,693	667,016	689,342	710,769
Developmental Disabilities Planning Council Quality of Care for the Mentally Disabled, Commission on Functional Total	0	76,971	76,971	79,171	84,431	86,958	87,890
	5,530	0	5,530	4,150	4,150	4,150	4,150
	14,115	0	14,115	17,227	17,876	19,640	19,725
Functional Total	6,562,250	1,456,729	8,018,979	8,608,891	8,996,583	9,580,498	9,891,959
PUBLIC PROTECTION							
Capital Defenders Office	1,035	0	1,035	361	0	0	0
Correctional, Commission of	2,767	0	2,767	2,653	2,785	2,927	2,956
Crime Victims Board	2,723,700	0	2,723,700	2,748,554	2,836,444	2,926,080	2,990,198
Criminal Justice Services, Division of	63,894	0	63,894	63,033	64,185	64,312	64,364
Homeland Security	295,043	0	295,043	315,113	242,331	243,065	241,158
Investigation, Temporary State Commission of	65,821	0	65,821	201,309	366,042	294,150	560,664
Judicial Commissions	3,663	0	3,663	3,882	0	0	0
Military and Naval Affairs, Division of	3,925	0	3,925	5,075	5,511	5,505	5,608
Parole, Division of	449,205	0	449,205	279,501	284,323	223,027	189,131
Probation and Correctional Alternatives, Division of	208,618	0	208,618	196,122	210,093	231,998	236,482
State Police, Division of	74,765	0	74,765	78,470	73,853	75,498	76,186
	663,255	0	663,255	690,401	724,817	769,240	766,662
Functional Total	4,555,691	0	4,555,691	4,584,474	4,810,384	4,835,802	5,133,409

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

	2007-2008 Actuals	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
EDUCATION							
Arts, Council on the	53,425	0	53,425	52,246	52,141	52,281	52,379
City University of New York	1,105,307	0	1,105,307	1,354,141	1,430,458	1,533,863	1,589,664
Education, Department of	28,940,338	0	28,940,338	30,865,704	33,736,102	36,492,963	38,702,946
<i>School Aid</i>	21,543,493	(80,000)	21,463,493	23,231,033	25,341,390	27,443,380	29,324,500
<i>School Aid - Medicaid Assistance</i>	0	80,000	80,000	100,000	80,000	80,000	80,000
<i>STAR Property Tax Relief</i>	4,657,721	0	4,657,721	4,692,899	5,383,170	5,909,569	6,195,582
<i>Special Education Categorical Programs</i>	1,623,565	0	1,623,565	1,729,690	1,828,750	1,902,750	1,980,470
<i>All Other</i>	1,115,559	0	1,115,559	1,112,082	1,104,952	1,122,394	1,122,394
Higher Education Services Corporation	966,555	0	966,555	939,212	953,180	957,962	958,570
Higher Education Capital Grants	0	0	0	50,000	40,000	30,000	30,000
State University Construction Fund	15,813	0	15,813	18,255	19,586	20,992	21,463
State University of New York	6,126,674	0	6,126,674	6,636,079	6,963,773	7,427,322	7,541,119
Functional Total	37,208,112	0	37,208,112	39,915,637	43,197,240	46,515,383	48,876,141
GENERAL GOVERNMENT							
Audit and Control, Department of	250,228	0	250,228	272,777	274,840	283,088	286,517
Budget, Division of the	38,216	0	38,216	78,963	78,505	84,613	84,533
Civil Service, Department of	24,988	0	24,988	23,370	24,231	24,977	25,187
Elections, State Board of	14,269	0	14,269	123,392	141,101	9,009	9,118
Employee Relations, Office of	3,613	0	3,613	4,093	4,043	4,321	4,359
Executive Chamber	20,167	0	20,167	19,577	20,535	21,611	22,235
General Services, Office of	223,178	0	223,178	225,710	226,551	230,934	234,211
Inspector General, Office of	6,567	0	6,567	6,687	7,000	7,246	7,322
Law, Department of	205,403	0	205,403	251,350	259,080	268,996	274,082
Lieutenant Governor, Office of the	1,314	0	1,314	133	0	305	1,222
Lottery, Division of	218,612	0	218,612	184,139	188,569	194,284	194,546
Public Employment Relations Board	3,657	0	3,657	3,985	3,985	4,237	4,280
Public Integrity, Commission on	1,733	0	1,733	4,984	5,147	5,249	5,582
Racing and Wagering Board, State	24,477	0	24,477	20,701	21,240	22,091	22,191
Real Property Services, Office of	62,770	0	62,770	60,412	64,454	66,000	67,455
Regulatory Reform, Governor's Office of	3,850	0	3,850	3,168	3,273	3,396	3,396
State, Department of	200,896	0	200,896	188,604	160,719	163,637	160,102
Tax Appeals, Division of	3,325	0	3,325	3,168	3,245	3,414	3,414
Taxation and Finance, Department of	382,325	0	382,325	372,194	384,396	402,175	402,614
Technology, Office for	21,468	0	21,468	49,815	175,633	214,785	194,869
Lobbying, Temporary State Commission on	1,093	0	1,093	0	0	0	0
Veterans Affairs, Division of	15,429	0	15,429	16,334	16,427	17,382	16,956
Functional Total	1,727,578	0	1,727,578	1,913,556	2,062,974	2,031,750	2,024,191
ALL OTHER CATEGORIES							
Legislature	216,946	0	216,946	219,279	221,931	221,974	221,974
Judiciary (excluding fringe benefits)	2,266,864	0	2,266,864	2,482,852	2,622,960	2,838,328	2,991,500
World Trade Center	39,755	0	39,755	80,000	70,000	35,000	32,500
Local Government Assistance	917,495	0	917,495	1,229,875	1,398,886	1,470,899	1,468,639
Long-Term Debt Service	4,008,752	0	4,008,752	4,128,625	4,636,428	5,297,121	0
Capital Projects	0	0	0	0	0	0	0
General State Charges	3,997,233	(1,456,729)	2,540,504	2,472,282	2,972,905	3,421,704	3,728,225
Miscellaneous	30,028	0	30,028	(876,545)	(238,836)	(351,269)	5,280,421
Functional Total	11,477,073	(1,456,729)	10,020,344	9,736,368	11,684,274	12,933,757	13,723,259
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	116,056,407	0	116,056,407	120,763,286	131,153,567	138,884,076	145,762,256

GSC: Agency disbursements include grants to local governments, state operations and general state charges, which is a departure from prior Financial plan publications. In prior reports, general state charges were excluded from agency spending totals.

Medicaid: To facilitate comparable reporting of spending trends and annual growth, 2007-08 results are adjusted to be consistent with the budgeting of 2008-09 Medicaid spending by agency. Adjustments by agency and financial plan category of spending by fund are available in the 2008-09 Enacted Budget Report.

Source: NYS DOB

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

	<u>First Quarter</u>	<u>Change</u>	<u>Mid-Year</u>
Revenues:			
Taxes:			
Personal income tax	21,901	(1,113)	20,788
User taxes and fees	8,691	(54)	8,637
Business taxes	6,145	(404)	5,741
Other taxes	1,284	23	1,307
Miscellaneous revenues	4,643	3	4,646
Federal grants	41	0	41
Total revenues	<u>42,705</u>	<u>(1,545)</u>	<u>41,160</u>
Expenditures:			
Grants to local governments	40,514	(428)	40,086
State operations	11,597	543	12,140
General State charges	4,070	(34)	4,036
Debt service	0	0	0
Capital projects	1	0	1
Total expenditures	<u>56,182</u>	<u>81</u>	<u>56,263</u>
Other financing sources (uses):			
Transfers from other funds	15,653	(338)	15,315
Transfers to other funds	(6,345)	78	(6,267)
Proceeds from financing arrangements/ advance refundings	0 367	0 26	0 393
Net other financing sources (uses)	<u>9,675</u>	<u>(234)</u>	<u>9,441</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(3,802)</u>	<u>(1,860)</u>	<u>(5,662)</u>
Legislative/Administrative Actions to Close Gap	<u>0</u>	<u>1,387</u>	<u>1,387</u>
Operating Surplus/(Deficit)	<u>(3,802)</u>	<u>(473)</u>	<u>(4,275)</u>
Accumulated Surplus/(Deficit)	<u>149</u>		<u>(324)</u>

Source: NYS DOB

**GAAP FINANCIAL PLAN
GENERAL FUND
2008-2009 THROUGH 2011-2012
(millions of dollars)**

	<u>2008-2009 Mid-Year</u>	<u>2009-2010 Projected</u>	<u>2010-2011 Projected</u>	<u>2011-2012 Projected</u>
Revenues:				
Taxes:				
Personal income tax	20,788	22,106	21,703	23,524
User taxes and fees	8,637	8,951	9,170	9,545
Business taxes	5,741	5,670	6,182	6,363
Other taxes	1,307	1,185	1,228	1,291
Miscellaneous revenues	4,646	4,747	4,735	4,774
Federal grants	41	0	0	0
Total revenues	<u>41,160</u>	<u>42,659</u>	<u>43,018</u>	<u>45,497</u>
Expenditures:				
Grants to local governments	40,086	45,277	49,207	52,361
State operations	12,140	12,880	14,949	15,393
General State charges	4,036	3,938	2,813	3,215
Debt service	0	0	0	0
Capital projects	1	0	0	0
Total expenditures	<u>56,263</u>	<u>62,095</u>	<u>66,969</u>	<u>70,969</u>
Other financing sources (uses):				
Transfers from other funds	15,315	14,189	14,624	15,142
Transfers to other funds	(6,267)	(6,579)	(7,425)	(8,057)
Proceeds from financing arrangements/ advance refundings	393	355	360	359
Net other financing sources (uses)	<u>9,441</u>	<u>7,965</u>	<u>7,559</u>	<u>7,444</u>
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	<u>(5,662)</u>	<u>(11,471)</u>	<u>(16,392)</u>	<u>(18,028)</u>
Legislative/Administrative Actions to Close Gap	<u>1,387</u>	<u>0</u>	<u>0</u>	<u>0</u>
Operating Surplus/(Deficit)	<u>(4,275)</u>	<u>(11,471)</u>	<u>(16,392)</u>	<u>(18,028)</u>

Source: NYS DOB