

NEW ISSUE

In the opinion of the Attorney General of the State of New York, under existing law and assuming compliance with the tax covenants described herein, interest on the Series 2008A Tax-Exempt Bonds is excludable from gross income for Federal income tax purposes and is not a specific preference item for purposes of the Federal alternative minimum tax; such interest is, however, included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax that may be imposed on such corporations. The Attorney General is further of the opinion that, assuming compliance with the tax covenants described herein, interest on the Series 2008A Tax-Exempt Bonds is exempt from personal income taxes of the State of New York and its political subdivisions, including The City of New York and the City of Yonkers, as described more fully herein. See, however, "PART I – SECTION 4 – TAX MATTERS" herein regarding certain other tax considerations.

Interest on the Series 2008B Taxable Bonds will be subject to Federal income taxes and personal income taxes imposed by the State and any political subdivision thereof, including The City of New York and the City of Yonkers.

STATE OF NEW YORK GENERAL OBLIGATION BONDS

\$256,750,000 Series 2008A Tax-Exempt Bonds

\$11,315,000 Series 2008B Taxable Bonds

Dated: Date of Delivery

Due: March 1, as shown on inside cover

The Series 2008A Tax-Exempt Bonds and the Series 2008B Taxable Bonds (together, the "Bonds") will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interests in the Bonds purchased. Interest on the Bonds will be payable beginning September 1, 2008 and semi-annually thereafter on each March 1 and September 1. Principal on the Bonds will be payable on March 1, 2009 and on each March 1 thereafter. See "PART I – SECTION 1 – DESCRIPTION OF THE BONDS – Book-Entry-Only System." The Series 2008A Tax-Exempt Bonds and the Series 2008B Taxable Bonds will be subject to redemption prior to maturity as set forth herein.

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

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

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

Public Resources Advisory Group, New York, New York, is acting as financial advisor to the State in connection with the issuance of the Bonds. The Bonds will be available for delivery through the facilities of DTC on or about March 27, 2008.

Dated: March 13, 2008

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

\$256,750,000 Series 2008A Tax-Exempt Bonds
(Base CUSIP* Number: 649787)

Amount	Maturity	Interest Rate	Yield	CUSIP #	Amount	Maturity	Interest Rate	Yield	CUSIP #
\$14,695,000	2009	2.500%	1.890%	5P9	\$5,825,000	2019	4.000%	4.020%	5Z7
\$15,065,000	2010	4.000	2.250	5Q7	\$6,055,000	2020	4.000	4.110	6A1
\$15,675,000	2011	3.000	2.540	5R5	\$6,295,000	2021	4.125	4.280	6B9
\$16,150,000	2012	3.000	2.800	5S3	\$6,560,000	2022	4.250	4.390	6C7
\$16,265,000	2013	4.000	3.000	5T1	\$6,835,000	2023	4.375	4.520	6D5
\$17,295,000	2014	3.500	3.160	5U8	\$7,135,000	2024	4.500	4.590	6E3
\$17,540,000	2015	4.000	3.360	5V6	\$7,455,000	2025	4.500	4.660	6F0
\$18,255,000	2016	4.000	3.540	5W4	\$7,790,000	2026	4.500	4.760	6G8
\$19,350,000	2017	4.000	3.710	5X2	\$8,140,000	2027	4.500	4.820	6H6
\$20,130,000	2018	4.000	3.940	5Y0	\$8,505,000	2028	4.500	4.840	6J2

\$15,735,000 5.000% Term Bonds due March 1, 2038⁽¹⁾, at a yield of 4.970%
CUSIP*: 649787 6K9

\$11,315,000 Series 2008B Taxable Bonds
(Base CUSIP* Number: 649787)

Amount	Maturity	Interest Rate	Yield	CUSIP #	Amount	Maturity	Interest Rate	Yield	CUSIP #
\$ 965,000	2009	3.000%	3.000%	6L7	\$1,055,000	2012	3.420%	3.420%	6P8
\$ 990,000	2010	3.000	3.000	6M5	\$1,090,000	2013	3.720	3.720	6Q6
\$1,020,000	2011	3.070	3.070	6N3					

\$6,195,000 4.690% Term Bonds due March 1, 2018, at a yield of 4.690%
CUSIP*: 649787 6R4

* Copyright 2003, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds. The State makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

⁽¹⁾ Priced to the March 1, 2018 optional call date.

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

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

\$256,750,000 Series 2008A Tax-Exempt Bonds
 \$11,315,000 Series 2008B Taxable Bonds

INTRODUCTION

This Official Statement of the State of New York (the “State”), including the cover page, inside cover page and exhibits, is provided for the purpose of setting forth information in connection with the sale of \$256,750,000 aggregate principal amount of its Series 2008A Tax-Exempt Bonds and \$11,315,000 aggregate principal amount of its Series 2008B Taxable Bonds (together with the Series 2008A Tax-Exempt Bonds, the “Bonds”), which are general obligations of the State, for the purposes, in the principal amounts and with maturities as set forth below. The proceeds of the Bonds will be allocated to such purposes as set forth below.

\$256,750,000 Series 2008A Tax-Exempt Bonds

<u>Purpose</u>	<u>Amount</u>	<u>Maturing March 1</u>
Accelerated Capacity and Transportation Improvements of the Nineties Bonds.....	\$ 1,957,166	2009-2018
Accelerated Capacity and Transportation Improvements of the Nineties Bonds.....	4,058,611	2009-2028
Clean Water/Clean Air		
Clean Water.....	11,742,996	2009-2018
Clean Water.....	12,175,833	2009-2028
Clean Water.....	19,619,664	2009-2038
Environmental Restoration.....	5,073,264	2009-2028
Environmental Quality 1986		
Solid Waste.....	1,724,910	2009-2028

(Continued on Next Page)

<u>Purpose</u>	<u>Amount</u>	<u>Maturing March 1</u>
Pure Waters.....	\$ 1,501,505	2009-2038
Park and Recreation Land Acquisition.....	27,400	2009-2018
Rebuild and Renew New York Transportation Bonds 2005		
Highway Facilities.....	73,393,725	2009-2018
Highway Facilities.....	76,098,953	2009-2028
Highway Facilities.....	6,206,220	2009-2038
DOT – Mass Transit.....	3,914,332	2009-2018
MTA – Mass Transit.....	34,250,405	2009-2018
MTA – Mass Transit.....	<u>5,005,016</u>	2009-2038
	<u>\$256,750,000</u>	

\$11,315,000 Series 2008B Taxable Bonds

<u>Purpose</u>	<u>Amount</u>	<u>Maturing March 1</u>
Clean Water/Clean Air		
Clean Water.....	\$ 2,020,536	2009-2018
Solid Waste.....	202,054	2009-2018
Environmental Restoration.....	<u>9,092,410</u>	2009-2018
	<u>\$11,315,000</u>	

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

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

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

Part II sets forth or incorporates by reference information concerning the State of New York, including information relating to the State’s current fiscal year, prior fiscal years, economic background, financing activities, State organization and procedures, the State’s public authorities and localities and litigation involving the State in the form of the Annual Information Statement of the State of New York (the “AIS”) dated May 8, 2007, the most recent update to the AIS dated January 30, 2008 (the “Update”), as supplemented by a Supplement to the AIS dated February 14, 2008 (the “Supplement”). The AIS, the Update and the Supplement contain information only through these dates. Part II sets forth the Supplement, the Update and the section of the AIS entitled “Current Fiscal Year.” The remaining sections of the AIS set out under the headings “Prior Fiscal Years,” “Economics and Demographics,” “Debt and Other Financing Activities,” “State Organization,” “Authorities and Localities,” “Litigation,” and “Exhibits” are included by cross reference. The entire AIS, the Update and the Supplement were filed with each Nationally Recognized Municipal Securities Information Repository.

Part III includes by reference the Comprehensive Annual Financial Report of the State for the fiscal year ended March 31, 2007 (FY 2007 CAFR) prepared by the State Comptroller. The Basic Financial Statements and Other Supplementary Information of the State for the fiscal year ended March 31, 2007 have been filed with each Nationally Recognized Municipal Securities Information Repository. The State’s Basic

Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and are independently audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

The State Division of the Budget (“DOB”) has assisted the Office of the State Comptroller (“OSC”) in assembling the information contained herein. Quotations, summaries and explanations of laws of the State contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof.

PART I: INFORMATION CONCERNING THE BONDS BEING OFFERED

SECTION 1 – DESCRIPTION OF THE BONDS

General

The Bonds will constitute general obligations of the State to which its full faith and credit will be pledged. The Series 2008A Tax-Exempt Bonds will be issued pursuant to the authority contained in Article VII, Sections 11 and 12 of the State Constitution, Sections 56, 57 and 61 of the State Finance Law and appropriation acts enacted by the State Legislature. The Series 2008B Taxable Bonds will be issued pursuant to the authority contained in Article VII, Sections 11 and 12 of the State Constitution, Sections 57 and 61 of the State Finance Law and appropriation acts enacted by the State Legislature.

The Bonds will be dated the date of delivery. Principal on the Bonds will be payable on March 1, 2009 and on each March 1 thereafter. Interest on the Bonds will be payable September 1, 2008 and semi-annually thereafter on March 1 and September 1.

Rights of the Bondholders

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

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

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

Optional Redemption Prior to Maturity

The Comptroller reserves to the State the privilege of redeeming on and after March 1, 2018 the Series 2008A Tax-Exempt Bonds maturing on or after March 1, 2019 and then outstanding, at any time, priority among maturities to be directed by the State, and by lot, to be chosen by DTC or any successor and its Participants, within a maturity at par plus accrued interest to the date fixed for redemption. The State will give notice of any such redemption to the registered owners of the Series 2008A Tax-Exempt Bonds to be redeemed at their addresses as they appear in the registration books of the State or its fiscal agent not less than thirty nor more than sixty days prior to the redemption. So long as all of the Series 2008A Tax-Exempt Bonds remain immobilized in the custody of DTC, any such notice of redemption of any Series 2008A Tax-Exempt Bonds will be delivered only to DTC. DTC is responsible for notifying DTC Participants of such redemption and DTC Participants and Indirect Participants are responsible for notifying Beneficial Owners of such redemption. The State is not responsible for sending notices to Beneficial Owners. Interest shall cease to accrue on the Series 2008A Tax-Exempt Bonds called for redemption from and after the date fixed for redemption thereof.

The Series 2008B Taxable Bonds are not subject to optional redemption prior to maturity.

Mandatory Redemption

The Series 2008A Tax-Exempt Bonds that mature on March 1, 2038 and (the “2038 Term Bonds”) are subject to mandatory redemption, in part, by lot, on March 1 in the years shown below, at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, in an amount equal to the Sinking Fund Installment for such Bonds for such date:

SERIES 2008A TAX-EXEMPT BONDS

2038 Term Bonds	
<u>March 1</u>	<u>Sinking Fund Installments</u>
2029	\$1,250,000
2030	\$1,315,000
2031	\$1,380,000
2032	\$1,450,000
2033	\$1,520,000
2034	\$1,595,000
2035	\$1,675,000
2036	\$1,760,000
2037	\$1,850,000
2038*	\$1,940,000

*Stated maturity.

The Series 2008B Taxable Bonds that mature on March 1, 2018 (the “2018 Term Bonds”) are subject to mandatory redemption, in part, by lot, on March 1 in the years shown below, at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, in an amount equal to the Sinking Fund Installment for such Bonds for such date:

SERIES 2008B TAXABLE BONDS

2018 Term Bonds

<u>March 1</u>	<u>Sinking Fund Installments</u>
2014	\$1,130,000
2015	\$1,180,000
2016	\$1,235,000
2017	\$1,295,000
2018*	\$1,355,000

*Stated maturity.

Book-Entry-Only System

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

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other nominee as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchasers may own beneficial ownership interests in the Series 2008A Tax-Exempt Bonds through DTC. Purchasers may own beneficial ownership interests in the Series 2008B Taxable Bonds in the United States through DTC and in Europe through Clearstream Banking, société anonyme (“Clearstream”), or the Euroclear System (“Euroclear”).

DTC. DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfer and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well by the New York Stock Exchange, Inc., the American Stock Exchange, LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial

relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC rules applicable to Participants are on file with the Securities and Exchange Commission.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

SO LONG AS CEDE & CO. (OR SUCH OTHER NOMINEE AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF ALL THE BONDS, REFERENCES HEREIN TO THE OWNERS, HOLDERS OR BONDHOLDERS OF THE BONDS (OTHER THAN UNDER THE SECTION "TAX MATTERS" HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS.

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

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

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

GLOBAL CLEARANCE PROCEDURES

The Bonds initially will be registered in the name of Cede & Co. as registered owner and nominee for DTC, which will act as securities depository for the Bonds. Purchases of the Bonds will be in book-entry form only. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S.

Depositories, which, in turn, hold such positions in customers' securities accounts in the U.S. Depositories' names on the books of DTC. Citibank, N.A. acts as the U.S. Depository for Clearstream and JPMorgan Chase Bank acts as the U.S. Depository for Euroclear.

Clearstream. Clearstream Banking, société anonyme, 42 Avenue J.F. Kennedy, L-1855 Luxembourg ("Clearstream, Luxembourg"), was incorporated in 1970 as "Cedel S.A.", a company with limited liability under Luxembourg law (a société anonyme). Cedel S.A. subsequently changed its name to Cedelbank. On 10 January 2000, Cedelbank's parent company, Cedel International, société anonyme ("CI") merged its clearing, settlement and custody business with that of Deutsche Börse AG ("DBAG"). The merger involved the transfer by CI of substantially all of its assets and liabilities (including its shares in Cedelbank), and the transfer by DBAG of its shares in Deutsche Börse Clearing (DBC), to a new Luxembourg company, which with effect 14 January 2000 was renamed Clearstream International, société anonyme, and was then 50% owned by CI and 50% owned by DBAG. Following this merger, the subsidiaries of Clearstream International were also renamed to give them a cohesive brand name. On 18 January 2000, Cedelbank was renamed "Clearstream Banking, société anonyme", and Cedel Global Services was renamed "Clearstream Services, société anonyme". On 17 January 2000, Deutsche Börse Clearing AG was renamed "Clearstream Banking AG". Today Clearstream International is 100% owned by DBAG. The shareholders of DBAG are comprised of mainly banks, securities dealers and financial institutions.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream, Luxembourg in any of 36 currencies, including United States Dollars. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in over 30 countries through established depository and custodial relationships.

Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier, "CSSF", and the Banque Centrale du Luxembourg ("BCL") which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg's customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Clearstream, Luxembourg's U.S. customers are limited to securities brokers and dealers and banks. Currently, Clearstream, Luxembourg has approximately 2,000 customers located in over 80 countries, including all major European countries, Canada, and the United States. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear Bank S.A./N.V. as the Operator of the Euroclear System (the "Euroclear Operator") in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Euroclear. Euroclear Bank S.A./N.V. ("Euroclear Bank") holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries. Euroclear Bank provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the managers or underwriters for this offering, or other financial entities involved in this offering, may be Euroclear Participants. Non-Participants in the Euroclear System may hold and transfer book-entry interests in

the securities through accounts with a Participant in the Euroclear System or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear Bank.

Although Euroclear Bank has agreed to the procedures provided below in order to facilitate transfers of securities among Participants in the Euroclear System, and between Euroclear Participants and Participants of other intermediaries, it is under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time.

Investors electing to acquire securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of new issues of securities. Securities to be acquired against payment through an account with Euroclear Bank will be credited to the securities clearance accounts of the respective Euroclear Participants in the securities processing cycle for the business day following the settlement date for value as of the settlement date, if against payment.

Investors electing to acquire, hold or transfer securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of secondary market transactions in securities. Euroclear Bank will not monitor or enforce any transfer restrictions with respect to the securities offered herein.

Investors who are Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with Euroclear Bank. Investors who are not Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with a securities intermediary who holds a book-entry interest in the securities through accounts with Euroclear Bank.

Investors that acquire, hold and transfer interests in the securities by book-entry through accounts with Euroclear Bank or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual securities.

Euroclear Bank has advised as follows:

Under Belgian law, investors that are credited with securities on the records of Euroclear Bank have a co-property right in the fungible pool of interests in securities on deposit with Euroclear Bank in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear Bank, Euroclear Participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear Bank. If Euroclear Bank did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all Participants credited with such interests in securities on Euroclear Bank's records, all Participants having an amount of interests in securities of such type credited to their accounts with Euroclear Bank would have the right under Belgian law to the return of their pro-rata share of the amount of interests in securities actually on deposit.

Under Belgian law, Euroclear Bank is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records. Holders of the Bonds may hold their Bonds through DTC (in the United States) or Clearstream or Euroclear (in Europe) if they are participants of such systems, or directly through organizations that are participants in such systems.

Investors electing to hold their Bonds through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional EuroBonds in registered form. Securities will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the Bonds held beneficially through Clearstream will be credited to the cash accounts of Clearstream customers in accordance with its rules and procedures, to the extent received by its U.S. Depository. Distributions with respect to the Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by its U.S. Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations.

Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an owner of the Bonds on behalf of a Clearstream customer or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the U.S. Depository's ability to effect such actions on its behalf through DTC.

Although DTC, Clearstream and Euroclear have agreed to these procedures in order to facilitate transfers of securities among DTC and its Participants, Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

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

THE STATE AND FISCAL AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR, EUROCLEAR PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE INDENTURE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE BONDS.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC, CLEARSTREAM AND EUROCLEAR AND THEIR BOOK-ENTRY SYSTEMS HAS BEEN OBTAINED FROM DTC,

CLEARSTREAM AND EUROCLEAR, RESPECTIVELY, AND THE STATE MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

SECTION 2 – APPLICATION OF PROCEEDS

The net proceeds (“Net Proceeds”) of the Series 2008A Tax-Exempt Bonds will be used to finance capital expenditures made or anticipated to be made, during prior, current or subsequent State fiscal years for Accelerated Capacity and Transportation Improvements of the Nineties, Clean Water/ Clean Air, Pure Waters, Park and Recreation Land Acquisition, Environmental Quality 1986 and Rebuild and Renew New York Transportation purposes.

The Net Proceeds of the Series 2008B Taxable Bonds will be used to finance capital expenditures made or anticipated to be made, during prior, current or subsequent State fiscal years for Clean Water/Clean Air purposes.

ESTIMATED SOURCES AND USES OF FUNDS

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

<u>Sources</u>	<u>Series 2008A</u>	<u>Series 2008B</u>
Principal Amount	\$256,750,000	\$11,315,000
Net Original Issue Premium	2,258,373	0
Payment from the State for Costs of Issuance	169,543	18,224
Total Sources	<u>\$259,177,916</u>	<u>\$11,333,224</u>
<u>Uses</u>		
Deposit to Bond Proceeds Funds	\$258,031,638	\$11,201,850
Costs of Issuance	169,543	18,224
Underwriter’s Discount	976,735	113,150
Total Uses	<u>\$259,177,916</u>	<u>\$11,333,224</u>

SECTION 3 – LEGAL INVESTMENT

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

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

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

SECTION 4 – TAX MATTERS

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

Series 2008A Tax-Exempt Bonds

The Internal Revenue Code of 1986, as amended (the “Code”), sets forth certain requirements that must be met after the Series 2008A Tax-Exempt Bonds have been validly issued and delivered in order that interest on the Series 2008A Tax-Exempt Bonds will be and will remain excludable from gross income pursuant to Section 103 of the Code. Such requirements may include the rebating of certain amounts earned from the investment of the proceeds of the Series 2008A Tax-Exempt Bonds. Rebates of any such amounts are subject to future appropriation by the State Legislature. The Arbitrage and Use of Proceeds Certificate to be prepared and executed by the Comptroller and dated as of the date of delivery of the Series 2008A Tax-Exempt Bonds (the “Certificate”), which will be delivered concurrently with the delivery of the Series 2008A Tax-Exempt Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Comptroller, in executing the Certificate, will certify that he expects to be able to and will comply with the provisions and procedures set forth therein. The Comptroller will also certify in the Certificate that, to the extent authorized by law, he will do and perform all acts and things necessary or desirable to assure that interest paid on the Series 2008A Tax-Exempt Bonds is excludable from gross income under Section 103 of the Code. By the time the Series 2008A Tax-Exempt Bonds have been delivered, the Comptroller will also have received certificates from other governmental officers and entities relating to the use of the proceeds of the Series 2008A Tax-Exempt Bonds.

Assuming compliance with the provisions and procedures set forth in the Certificate and subsequent rebating and other requirements, the Attorney General is of the opinion that, under the Code and other existing statutes, regulations, administrative rulings, and court decisions, interest on the Series 2008A Tax-Exempt Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes pursuant to Section 103 of the Code and that such interest will not be treated as a specific preference item in calculating the alternative minimum tax that may be imposed under the Code with respect to individuals and corporations. However, interest on the Series 2008A Tax-Exempt Bonds will be includable in adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax that may be imposed on such corporations. Assuming compliance with the provisions and procedures set forth in the Certificate and subsequent rebating and other requirements, it is further the opinion of the Attorney General that such interest is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York and the City of Yonkers.

The Attorney General expresses no opinion regarding any other federal, state or local tax consequences with respect to the Series 2008A Tax-Exempt Bonds. The Attorney General renders its opinion under existing law as of the date of issue, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. The Attorney General expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2008A Tax-Exempt Bonds, or under state and local law.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Series 2008A Tax-Exempt Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general,

the “issue price” of a maturity means the first price at which a substantial amount of the Series 2008A Tax-Exempt Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series 2008A Tax-Exempt Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. The Attorney General is further of the opinion that, for any Series 2008A Tax-Exempt Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series 2008A Tax-Exempt Bonds.

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

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

Bond Premium

In general, if an owner acquires a Series 2008A Tax-Exempt Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2008A Tax-Exempt Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Series 2008A Tax-Exempt Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Premium Bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Collateral Tax Consequences

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

indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2008A Tax-Exempt Bonds should consult their tax advisors as to applicability of any such consequences.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities and court decisions, whether at the Federal or the state level, may adversely affect the tax-exempt status of interest on the Series 2008A Tax-Exempt Bonds under Federal or state law and could affect the market price or marketability of the Series 2008A Tax-Exempt Bonds.

Prospective purchasers should be aware that the United States Supreme Court has agreed to review *Davis v. Dep't of Revenue of the Finance and Admin. Cabinet, Commonwealth of Kentucky*, 197 S.W. 3d 557 (Ky. App. 2006), *cert. granted* 127 S. Ct. 2451 (2007), a decision of a Kentucky appellate court, which held that provisions of Kentucky tax law that provided more favorable income tax treatment for holders of bonds issued by Kentucky municipal bond issuers than for holders of non-Kentucky municipal bonds violated the Commerce Clause of the United States Constitution. The Court heard oral arguments in this matter on November 5, 2007, but no decision has yet been released. New York State statutes provide more favorable State and local income tax treatment for holders of bonds issued by the State of New York, its political subdivisions and public authorities, including the Series 2008A Tax-Exempt Bonds, than for bonds issued by other states and their political subdivisions. If the United States Supreme Court affirms the holding of the Kentucky appellate court, subsequent New York State judicial decisions or legislation designed to ensure the constitutionality of New York State tax law could, among other alternatives, adversely affect the New York State and local tax exemption of outstanding bonds, including the Series 2008A Tax-Exempt Bonds, to the extent constitutionally permissible, or result in the exemption from New York State and local income tax of interest on certain bonds issued by the other states and their political subdivisions, either of which actions could affect the market price or marketability of the Series 2008A Tax-Exempt Bonds.

Prospective purchasers of the Series 2008A Tax-Exempt Bonds should consult their own tax advisers regarding the foregoing matters.

Legislation

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Series 2008A Tax-Exempt Bonds will not have an adverse effect on the tax-exempt status or market price of the Series 2008A Tax-Exempt Bonds.

Series 2008B Taxable Bonds

Tax Status of the Series 2008B Taxable Bonds

The following discussion is a summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of the Series 2008B Taxable Bonds by purchasers who are U.S. Holders. As used herein, the term "U.S. Holder" means a beneficial owner of a Series 2008B Taxable Bond that is for United States Federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

The Series 2008B Taxable Bonds will be treated, for Federal and State and local income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the holder as it is paid (or, if the

holder is an accrual method taxpayer, as it is accrued) as interest. Interest on the Series 2008B Taxable Bonds will be subject to Federal income taxes and personal income taxes imposed by the State and any political subdivision thereof, including The City of New York and the City of Yonkers.

Although the Series 2008B Taxable Bonds are expected to trade “flat,” that is, without a specific allocation to accrued interest, for Federal income tax purposes, a portion of the amount realized on a sale attributed to Series 2008B Taxable Bonds will be treated as accrued interest and thus will be taxed as ordinary income to the seller (and will not be subject to tax in the hands of the buyer).

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Series 2008B Taxable Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Series 2008B Taxable Bond of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series 2008B Taxable Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement.

A holder of a Series 2008B Taxable Bond will be required to include OID in gross income as it accrues under a constant yield method, based on the original yield to maturity of the Series 2008B Taxable Bond. Thus, the holders of such Series 2008B Taxable Bonds will be required to include OID in income as it accrues, prior to the receipt of cash attributable to such income. U.S. holders, however, would be entitled to claim a loss upon maturity or other disposition of such Bonds with respect to interest amounts accrued and included in gross income for which cash is not received. Such a loss generally would be a capital loss.

The amount of OID that such holder of a Series 2008B Taxable Bond must include in gross income with respect to a Series 2008B Taxable Bond acquired at a premium as described below will be reduced in proportion that such premium bears to the OID remaining to be accrued as of the acquisition of the Series 2008B Taxable Bond.

Bond Premium

Holders of the Series 2008B Taxable Bonds that allocate a basis in the Series 2008B Taxable Bonds that is greater than the principal amount of the Series 2008B Taxable Bonds or its adjusted issue price if issued with OID (generally its accreted value) should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

Market Discount

If a holder purchases the Series 2008B Taxable Bonds subsequent to its initial issuance for an amount that is less than the principal amount of the Series 2008B Taxable Bonds or its adjusted issue price if issued with OID (generally its accreted value), and such difference is not considered to be de minimis, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a Series 2008B Taxable Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year, will be deferred.

Backup Withholding

Purchasers of the Series 2008B Taxable Bonds who are U.S. holders and who are neither a corporation or other exempt recipient of payments of principal, interest or accrued OID or sale proceeds upon disposition prior to maturity of the Series 2008B Taxable Bonds, nor a holder who provides a correct taxpayer identification number may be subject to backup withholding requirements under Section 3406 of the Code.

Defeasance of Series 2008B Taxable Bonds

Defeasance of any Series 2008B Taxable Bond may result in a deemed reissuance thereof for Federal income tax purposes, meaning that such Series 2008B Taxable Bond will be treated as having been sold or exchanged as of the date of such defeasance for a new obligation which is represented by such defeased Series 2008B Taxable Bond. In such event a holder of a defeased Series 2008B Taxable Bond will recognize taxable gain or loss equal to the difference between the amount realized from such deemed sale or exchange (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in such Series 2008B Taxable Bond.

Foreign Investors

This summary of tax considerations generally does not address the tax consequences to an investor who is not a U.S. Holder. Distributions on the Series 2008B Taxable Bonds to a non-U.S. Holder that has no connection with the United States other than holding its Series 2008B Taxable Bonds generally will be made free of withholding tax, as long as that holder has complied with certain tax identification and certification requirements. Prospective purchasers of the Series 2008B Taxable Bonds who are not U.S. Holders should consult their tax advisors regarding the federal, state and local, and foreign tax consequences of purchasing and holding the Series 2008B Taxable Bonds.

IRS Circular 230 Taxable Disclosure

The advice under the caption, "Series 2008B Taxable Bonds", concerning certain income tax consequences of the acquisition, ownership and disposition of the Series 2008B Taxable Bonds, was written to support the marketing of the Series 2008B Taxable Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service Circular 230, the Attorney General informs you that (i) any federal tax advice contained in this Official Statement (including any attachments) or in writings furnished by Attorney General is not intended to be used, and cannot be used by any holder of the Series 2008B Taxable Bonds, for the purpose of avoiding penalties that may be imposed on the such holder under the Code, and (ii) holders of the Series 2008B Taxable Bonds should seek advice based on the their particular circumstances from their own independent tax advisor.

SECTION 5 – RATINGS

Moody's Investors Service, Inc. ("Moody's") has given the Bonds a rating of "Aa3", Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies ("S&P") has given the Bonds a rating of "AA" and Fitch, Inc. ("Fitch") has given the Bonds a rating of "AA-".

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

SECTION 6 – OPINION OF ATTORNEY GENERAL

The Attorney General will deliver a legal opinion to the Comptroller on the date of delivery of the Bonds, in substantially the form attached as Exhibit B to Part I of this Official Statement, as to the validity and binding effect of the Bonds, and the extent to which interest on the Series 2008A Tax-Exempt Bonds is exempt from Federal and State income taxes.

SECTION 7 – LITIGATION

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

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

SECTION 8 – CLOSING CERTIFICATE

Concurrently with the delivery of the Bonds, the State will furnish: (i) a certificate signed by the Comptroller of the State of New York and dated as of the date of the delivery of and payment for the Bonds certifying with respect to Parts I and III of the Official Statement, but not with respect to Part II of the Official Statement, that as of the date of the Official Statement furnished by the State in relation to the sale of the Bonds, Parts I and III of the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, subject to the condition that, while information in Parts I and III of the Official Statement obtained from sources other than the State is not certified as to accuracy, completeness or fairness, he has no reason to believe and does not believe that such information is materially inaccurate or misleading; and (ii) a certificate signed by the Director of the Budget of the State of New York and dated as of the date of the delivery of and payment for the Bonds certifying with respect to Part II of the Official Statement, but not with respect to Parts I and III of the Official Statement, that as of the date of the Official Statement furnished by the State in relation to the sale of the Bonds and as of the date of delivery of the Bonds, Part II of the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, subject to the condition that, while information in Part II of the Official Statement obtained from sources other than the State is not certified as to accuracy, completeness or fairness, she has no reason to believe and does not believe that such information is materially inaccurate or misleading, and subject to the further condition that with regard to the statements and information in Part II under the caption “Litigation” such statements and information as to legal matters are given to the best of her information and belief, having made such inquiries as she deems appropriate with the Department of Law of the State of New York, without further independent investigation.

SECTION 9 – CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the purchasers in complying with the provisions of paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (“Rule 15c2-12”), the State will undertake in a written agreement for the benefit of the holders of the Bonds (the “Agreement”) to provide to each Nationally Recognized Municipal Securities Information Repository (each a “Repository”), and if and when one is established, the New York State Information Depository (the “State Information Depository”), on an annual basis on or before 120 days after the end of each State fiscal year, commencing the fiscal year ending March 31, 2008, financial and operating data concerning the State of the type included in this Official Statement, referred to herein as “Annual Information” and described in more detail below. The Comptroller is

required by existing law to issue audited annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) of the State within 120 days after the close of the State fiscal year, and the State will undertake to provide the State's annual financial statements prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, if and when such statements are available. In addition, the State will undertake, for the benefit of the holders of the Bonds, to provide to each such Repository or to the Municipal Securities Rulemaking Board (the "MSRB"), and to the State Information Depository, if any, in a timely manner, the notices described below.

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

The notices that the State will undertake to provide as described above, include notices of any of the following eleven events with respect to the Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the security; (7) modifications to the rights of security holders; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the securities; and (11) rating changes. In addition, the State will undertake, for the benefit of the holders of the Bonds, to provide to each Repository or the MSRB, and to the State Information Depository, if any, in a timely manner, notice of any failure by the State to provide the Annual Information and annual financial statements by the date required in the State's undertaking described above.

The sole and exclusive remedy for breach or default under the Agreement described above is an action to compel specific performance of the undertakings of the State, and no person, including a holder of the Bonds, may recover monetary damages thereunder under any circumstances. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the Agreement do not anticipate that it often will be necessary to amend the informational undertakings. The Agreement, however, may be amended or modified under certain circumstances set forth therein.

Copies of the Agreement when executed by the parties thereto on the date of the initial delivery of the Bonds will be on file at the Office of the State Comptroller.

STATE OF NEW YORK
Thomas P. DiNapoli
State Comptroller

By: /s/ Margaret Becker
Margaret Becker
Deputy Comptroller

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BOND AUTHORIZATIONS

The following is a listing of the purposes for which the voters of the State, at general elections in November, have authorized the issuance of general obligation bonds, as required by Article VII, Section 11 of the State Constitution, and the respective dates of authorization. The purposes and amounts for which the Bonds are being issued are listed in the Introduction to this Official Statement. The total amount of general obligation debt authorized, authorized but unissued, and outstanding as of March 31, 2007 by purpose is set forth in the table of State General Obligation Debt in Part II of this Official Statement in the section entitled "Financing Activities – Outstanding Debt of the State and Certain Authorities." The total amount of debt for each purpose listed below, for which the Bonds are being issued, (i) authorized but unissued prior to the issuance of the Bonds, (ii) to be issued as part of the issue of the Bonds, and (iii) remaining authorized but unissued after the issuance of the Bonds, is set forth in the table following the description of the purposes listed below.

Accelerated Capacity and Transportation Improvements of the Nineties Bonds

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

Clean Water/Clean Air Bonds

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

Energy Conservation Through Improved Transportation Bonds

The Energy Conservation Through Improved Transportation Bond Act (Chapter 369 of the Laws of 1979) authorized the creation of a State debt in an aggregate amount not exceeding \$500 million to provide moneys to be used for the preservation and improvement of highways, local streets and rail transportation facilities and equipment needed to assure the availability of safe, economical and energy efficient local streets and highways and urban, commuter and intercity rail passenger and rapid transit systems and rail freight services. Such programs and their respective maximum debt authorizations are as follows: (1) for the acquisition, construction, reconstruction, establishment, improvement and rehabilitation of urban, commuter and intercity rail passenger and rapid transit systems and rail freight capital facilities, for the acquisition of real property and interests in real property required or expected to be required therefore, and for any capital equipment to be used in connection therewith, by the State or any county, city, town, village, special

transportation district, public benefit corporation or other public corporation or two or more of the foregoing acting jointly (\$400 million); and (2) for the reconstruction, improvement, reconditioning and preservation of highways and bridges of the State highway systems, for the acquisition of real property and interests in real property required or expected to be required therefore, by any county, city, town or village, or two or more of the foregoing acting jointly (\$100 million).

Environmental Quality 1972 Bonds

The Environmental Quality Bond Act (Chapter 658 of the Laws of 1972) authorized the creation of a State debt in an aggregate amount not exceeding \$1.150 billion for the purpose of preserving, enhancing, restoring and improving the quality of the State's environment for three basic programs, each of which contains its own maximum debt authorization. Such programs and their respective limitations on the use of proceeds are as follows: (1) for the preservation, enhancement, restoration and improvement of the quality of water (\$650 million); (2) for the preservation, enhancement, restoration and improvement of the quality of air (\$150 million); and (3) for the preservation, enhancement, restoration and improvement of the quality of land (\$350 million).

Environmental Quality 1986 Bonds

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

Housing Bonds and Urban Renewal Bonds

Article XVIII, Section 3 of the State Constitution, which took effect January 1, 1939, authorized the creation of a State debt in an aggregate amount not exceeding \$300 million for the purpose of making loans to any city, town, village, public corporation or limited profit housing corporation for the construction of low rent housing for persons of low income as defined by law and for the clearance, replanning, reconstruction and rehabilitation of substandard and unsanitary areas, and for recreational and other facilities incidental or appurtenant thereto. Subsequently, in each of the years 1947, 1949, 1954, 1956 and 1958, the voters approved the creation of additional housing debt in the amounts of \$135 million, \$300 million, \$200 million, \$100 million and \$200 million, respectively. The \$300 million of original authorization was not segregated by type of housing project. Subsequent authorizations, however, were designated for low income housing, middle income housing or urban renewal.

Outdoor Recreation Development Bonds

The Outdoor Recreation Development Bond Act (Chapter 558 of the Laws of 1965) authorized the creation of a State debt in an aggregate amount not exceeding \$200 million to provide moneys to be used, in such manner and upon such terms and conditions as the Legislature may prescribe, for development and

acquisition of lands for outdoor recreation purposes, including parks, forest recreation areas, marine facilities and historic sites.

Park and Recreation Land Acquisition Bonds

The Park and Recreation Land Acquisition Bond Act (Chapter 522 of the Laws of 1960) and the Park and Recreation Land Acquisition Bond Act of 1962 (Chapter 443 of the Laws of 1962) authorized the creation of a State debt in an aggregate amount not exceeding \$100 million to provide moneys to be used for the purpose of temporarily financing the acquisition of predominately open or natural lands, for conservation and outdoor recreation development particularly in and near rapidly growing urban and suburban areas to meet future needs of an expanding population, for the acquisition of additional State park lands, and for State grants to cities, counties, towns and villages and to cities, counties, towns and villages on behalf of improvements districts in acquiring similar lands for municipal parks for matching Federal funds which may from time to time be made available by Congress for such purposes.

Pure Waters Bonds

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

Rebuild New York Through Transportation Infrastructure Renewal Bonds

The Rebuild New York Through Transportation Infrastructure Renewal Bond Act (Chapter 836 of the Laws of 1983) authorized the creation of a State debt in an aggregate amount not exceeding \$1.250 billion to provide moneys to be used for the preservation, enhancement, restoration and improvement of the quality of the State's transportation infrastructure system by the construction, reconstruction, improvement, reconditioning and preservation of State highways, bridges and parkways and highways and bridges not on the State highway system, including the improvement and/or elimination of highway-railroad grade crossings on or off State highways and the improvement or construction of commuter rail parking facilities, ports, marine terminals, canals, waterways, rail freight, rail passenger, rail rapid transit, commuter rail, omnibus systems and facilities and airport and aviation capital facilities. Such programs and their respective maximum debt authorizations are as follows: (1) highways, bridges, parkways, grade-crossings and commuter rail parking (\$1.005 billion); (2) ports, marine terminals, canals and waterways (\$75 million); and (3) rail freight, rail passenger, rapid transit, commuter rail, omnibus and airport and aviation facilities (\$170 million). In each of the above categories the Legislature may increase the maximum debt authorization provided that such increase is simultaneously offset by appropriate decreases in one or more categories. Such action has been taken and the maximum amount authorized to be issued for each purpose as of the date of this Official Statement is \$1,064.0 million, \$49.36 million and \$136.64 million for the purposes (1), (2), and (3), respectively.

Transportation Capital Facilities Bonds

The Transportation Capital Facilities Bond Act (Chapter 715 of the Laws of 1967) authorized the creation of a State debt in an aggregate amount not exceeding \$2.5 billion to provide moneys to be used for the acquisition, construction, reconstruction and improvement of transportation capital facilities and equipment, including real property required therefore, for three basic programs each of which contains its own maximum authorization. Such programs and their respective maximum debt authorizations are as follows: (1) State highways and parkways and related facilities and structures thereon, including bridges (\$1.250 billion); (2) mass transportation capital facilities, including rapid transit, railroad, omnibus or marine transportation facilities and any capital equipment used in connection therewith (\$1.0 billion); and (3) airport or aviation capital facilities and any capital equipment used in connection therewith (\$250 million).

Rebuild and Renew New York Transportation Bonds

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

GENERAL OBLIGATION BONDS

TABLE OF ISSUANCE

Dated:

March 13, 2008

(Dollars in Thousands)

<u>Purpose</u>	<u>Authorized but Unissued Prior to Issuance of the Bonds</u>	<u>Amount of Issue of the Bonds (Net Proceeds)</u>	<u>Remaining Authorized but Unissued</u>
Accelerated Capacity and Transportation Improvements of the Nineties Bonds	\$ 32,274	\$ 6,000	\$ 26,274
Clean Water/Clean Air			
Clean Water	\$ 243,209	\$ 45,602	\$ 197,607
Environmental Restoration	\$ 148,842	\$ 14,000	\$ 134,842
Solid Waste	\$ 13,327	\$ 200	\$ 13,127
Environmental Quality 1986 Solid Waste	\$ 81,491	\$ 1,700	\$ 79,791
Pure Waters	\$ 28,750	\$ 1,500	\$ 27,250
Park & Recreation Land Acquisition	\$ 800	\$ 28	\$ 772
Rebuild & Renew New York Transportation Bonds Highway Facilities, Rails & Ports, and DOT-Mass Transit MTA - Mass Transit	\$1,394,600 \$1,355,000	\$160,204 \$ 40,000	\$1,234,396 \$1,315,000

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FORM OF ATTORNEY GENERAL’S OPINION

[Closing Date]

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

Dear Sir:

You have requested my opinion regarding the validity of General Obligation Bonds of the State of New York, \$256,750,000 Series 2008A Tax-Exempt Bonds (the “Series 2008A Tax-Exempt Bonds”) and \$11,315,000 Series 2008B Taxable Bonds (the “Series 2008B Taxable Bonds”) (the Series 2008A Tax-Exempt Bonds and the Series 2008B Taxable Bonds being collectively referred to as the “Bonds”) which were sold on March 13, 2008.

You advise that the sale consisted of the issuance of Bonds for the purposes and in the amounts set forth below.

\$256,750,000 Series 2008A Tax-Exempt Bonds

<u>Purpose</u>	<u>Amount</u>	<u>Maturing March 1</u>
Accelerated Capacity and Transportation Improvements of the Nineties Bonds.....	\$ 1,957,166	2009-2018
Accelerated Capacity and Transportation Improvements of the Nineties Bonds.....	4,058,611	2009-2028
Clean Water/Clean Air		
Clean Water.....	11,742,996	2009-2018
Clean Water.....	12,175,833	2009-2028
Clean Water.....	19,619,664	2009-2038
Environmental Restoration.....	5,073,264	2009-2028
Environmental Quality 1986		
Solid Waste.....	1,724,910	2009-2028

(Continued on Next Page)

<u>Purpose</u>	<u>Amount</u>	<u>Maturing March 1</u>
Pure Waters.....	\$ 1,501,505	2009-2038
Park and Recreation Land Acquisition.....	27,400	2009-2018
Rebuild and Renew New York Transportation Bonds 2005		
Highway Facilities.....	73,393,725	2009-2018
Highway Facilities.....	76,098,953	2009-2028
Highway Facilities.....	6,206,220	2009-2038
DOT – Mass Transit.....	3,914,332	2009-2018
MTA – Mass Transit.....	34,250,405	2009-2018
MTA – Mass Transit.....	<u>5,005,016</u>	2009-2038
	<u>\$256,750,000</u>	

\$11,315,000 Series 2008B Taxable Bonds

<u>Purpose</u>	<u>Amount</u>	<u>Maturing March 1</u>
Clean Water/Clean Air		
Clean Water.....	\$ 2,020,536	2009-2018
Solid Waste.....	202,054	2009-2018
Environmental Restoration.....	<u>9,092,410</u>	2009-2018
	<u>\$11,315,000</u>	

You further advise the following with respect to the Bonds. The Bonds will be dated the date of delivery and will mature or be subject to mandatory redemption on March 1 in each of the years set forth above. The Bonds will be issued as registered bonds, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interests in the Bonds purchased. Beneficial ownership interests in each series of the Bonds in the amount of \$5,000 or any integral multiple thereof may be purchased by or through DTC Participants. Interest on the Bonds will be payable semi-annually, beginning September 1, 2008, and on each March 1 and September 1 thereafter.

The Series 2008A Tax-Exempt Bonds will be issued pursuant to the authority contained in Article VII, Sections 11 and 12 of the State Constitution, Sections 56, 57 and 61 of the State Finance Law and appropriation acts enacted by the State Legislature. The Series 2008B Taxable Bonds will be issued pursuant to the authority contained in Article VII, Sections 11 and 12 of the State Constitution, Sections 57 and 61 of the State Finance Law and appropriation acts enacted by the State Legislature.

The transcript of the proceedings and the form of the Bonds enclosed with your request have been examined by members of my staff. You are advised that after consideration of the provisions of the State Constitution, the pertinent sections of the State Finance Law and the statutes above referred to, it is my opinion, based upon such inquiry as members of my staff have deemed appropriate, that the Bonds are legally issued in accordance with such Constitution and laws and that the Bonds constitute valid and legally binding general obligations of the State of New York to which its full faith and credit are pledged.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements that must be met after the Series 2008A Tax-Exempt Bonds have been validly issued and delivered in order that interest on the Series 2008A Tax-Exempt Bonds will be and will remain excludable from gross income pursuant to Section 103 of the Code. Such requirements may include the rebating of certain amounts earned from the investment of the proceeds of the Series 2008A Tax-Exempt Bonds. Rebates of any such amounts are subject to future appropriations by the State Legislature. You have provided me with an Arbitrage and Use of Proceeds Certificate prepared and executed by you, dated the date hereof (the "Certificate"), which contains provisions and procedures regarding compliance with the requirements of the Code. In executing the Certificate, you have certified to the effect that you expect to be able to and will comply with the provisions and procedures set forth therein, including any attachments thereto, and that to the extent authorized by law you will do and perform all acts and things necessary or desirable to assure that interest paid on the Series 2008A Tax-Exempt Bonds is excludable from gross income under Section 103 of the Code. You have also provided me with executed certificates of other governmental officers and entities relating to the use of the proceeds of the Series 2008A Tax-Exempt Bonds. No matters have come to my personal attention which would lead me to believe that your Certificate or such other certificates are incorrect or unreasonable.

Based on the contents of the Certificate and such other certificates, assuming compliance therewith and with subsequent rebating and other requirements, it is my opinion, based upon such inquiry as members of my staff have deemed appropriate, that, under the Code and other existing statutes, regulations, administrative rulings, and court decisions, interest on the Series 2008A Tax-Exempt Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes pursuant to Section 103 of the Code and that such interest will not be treated as a specific preference item in calculating the alternative minimum tax that may be imposed under the Code with respect to individuals and corporations. However, interest on the Series 2008A Tax-Exempt Bonds will be includable in adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax that may be imposed on such corporations. Based on the contents of such Certificate, and assuming compliance therewith and with subsequent rebating and other requirements, it is my further opinion that interest on the Series 2008A Tax-Exempt Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York and the City of Yonkers.

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Series 2008A Tax-Exempt Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity (in general, the "issue price" of a maturity means the first price at which a substantial amount of those Series 2008A Tax-Exempt Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers)). For any Series 2008A Tax-Exempt Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series 2008A Tax-Exempt Bonds.

Except as stated in the two preceding paragraphs, I express no opinion as to any Federal, state or local tax consequences arising with respect to the Series 2008A Tax-Exempt Bonds or the ownership or disposition thereof. This opinion is based on existing law as of the date hereof and I assume no obligation to update this opinion after the date hereof to reflect any future action, fact or circumstance, or change in law. Furthermore, I express no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than myself on the exclusion from gross income for Federal income tax purposes of interest on the Series 2008A Tax-Exempt Bonds, or under state and local law.

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

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

Very truly yours,

ANDREW M. CUOMO
Attorney General

PART II

INFORMATION CONCERNING THE STATE OF NEW YORK

The State Legislature is not legally obligated to appropriate amounts for the payment of principal of, sinking fund installments, if any, or interest on the obligations to which this Official Statement relates. For information about the sources of payment of such obligations, the foregoing Official Statement to which this Part II is attached should be read in its entirety. The continued willingness and ability of the State, however, to make the appropriations and otherwise provide for the payments contemplated in the foregoing Official Statement, and the market for and market prices of the obligations, may depend in part upon the financial condition of the State.

Part II contains the Annual Information Statement of the State of New York ("Annual Information Statement" or "AIS"), as updated or supplemented to the date specified therein. The State intends to update and supplement that Annual Information Statement as described therein. It has been supplied by the State to provide information about the financial condition of the State in the Official Statements of all issuers, including public authorities of the State, that may depend in whole or in part on State appropriations as sources of payment of their respective bonds, notes or other obligations.

The AIS set forth in this Part II is dated May 8, 2007. It was updated on January 30, 2008 and supplemented on February 14, 2008. The AIS was also filed with each Nationally Recognized Municipal Securities Information Repository (NRMSIR). An official copy of the AIS may be obtained by contacting a NRMSIR, or the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. An informational copy of the AIS is available on the Internet at <http://www.budget.state.ny.us>.

The Basic Financial Statements and Other Supplementary Information for the State fiscal year ended March 31, 2007 were prepared by the State Comptroller in accordance with accounting principles generally accepted in the United States of America and independently audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. The Basic Financial Statements and Other Supplementary Information were issued on July 27, 2007 and have been referred to or set forth thereafter in appendices of information concerning the State in Preliminary Official Statements and Official Statements of the State and certain of its public authorities. The Basic Financial Statements and Other Supplementary Information, which are included in the Comprehensive Annual Financial Report, for the State fiscal year ended March 31, 2007 may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 Tel: (518) 474-4015.

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

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Supplement to the Annual Information Statement (AIS) State of New York February 14, 2008

Introduction _____

On February 12, 2008, the Governor submitted amendments to the 2008-09 Executive Budget (the "21-day Amendments"), as authorized by the State Constitution. On the same day, the Division of the Budget issued an updated Executive Budget Financial Plan (the "Updated Executive Financial Plan") that reflects the fiscal impact of (a) the Governor's 21-day amendments and (b) revisions to the revenue and spending forecasts based on actual operating results through January 2008 and updated information on economic, revenue, and spending trends. The Updated Executive Financial Plan for 2008-09 is balanced on a cash basis in the General Fund, as required by the State Constitution. Except as noted herein, the current projections (and the assumptions upon which they are based) are consistent with the Financial Plan projections set forth in the Governor's Executive Budget of January 22, 2008. This Supplement should be read in conjunction with the Update to the Annual Information Statement dated January 30, 2008 for a complete explanation of the receipts and disbursements projections for the 2007-08 through 2011-12 fiscal years.

Impact of Recent Economic Events on Financial Plan _____

Since the Division of the Budget (DOB) finalized its Executive Budget forecast in January, the national economic situation has continued to deteriorate and the risk of a recession has increased. A weaker national economy and more severe financial sector woes are projected to negatively affect the New York State economy as well. In light of recent events, DOB has lowered its U.S. forecasts for corporate profits, equity market prices, employment growth, and wages in calendar year 2008. DOB has also modified its forecast for the State economy, based on continuing write-downs related to mortgage-backed securities, credit tightening, and other events that are likely to affect the State's financial services industry. In particular, DOB now projects finance and insurance sector bonuses will remain essentially flat in 2008-09 (compared to 8.6 percent growth at the time of the Executive Budget) and that the volume of taxable capital gains realized by State taxpayers in 2008 will decline by 9.4 percent from 2007 levels (compared to 1.8 percent growth projected at the time of the Executive Budget).

DOB does not expect the impact of revisions to the economic outlook to materially affect the overall General Fund revenue forecast in the current year, based on tax collections to-date and the relatively strong economic performance over much of calendar year 2007 (on which certain tax payments are based). In 2008-09, however, DOB has reduced its General Fund revenue forecast from \$56.3 billion to \$56.0 billion, a reduction of \$358 million, with the most significant reductions taken in the projections for the personal income tax and business taxes. The revenue forecasts for subsequent years have also been lowered by roughly \$500 million annually, from \$58.7 billion to \$58.2 billion in 2009-10, from \$61.3 billion to \$60.8 billion in 2010-11, and from \$64.5 billion to \$64.0 billion in 2011-12.

2008-09 Executive Budget _____

In response to the deterioration in the revenue forecast, the Governor is recommending a package of savings actions that, along with reestimates in certain program spending based on updated information, will maintain a balanced budget in 2008-09 without the use of additional reserves and hold the projected future budget gaps at manageable levels. General Fund spending in 2008-09 is now recommended to

total \$56.4 billion, a reduction of \$358 million from the Executive Budget. The table below and the following paragraphs summarize the revisions to the Executive Budget forecast.

General Fund Projections Updated for 21-Day Revisions					
Savings/(Costs)					
(millions of dollars)					
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Executive Budget Gaps	0	0	(3,287)	(5,687)	(6,821)
Revenue Reestimates	(1)	(384)	(519)	(523)	(527)
Personal Income Tax*	(150)	(275)	(450)	(450)	(450)
Corporate Franchise Tax	0	(50)	(56)	(60)	(64)
Other Revenue Reestimates	149	(59)	(13)	(13)	(13)
21-Day Actions/Savings Plan	(88)	237	130	129	129
Covered Lives Assessment	0	50	50	50	50
EPIC Mandatory Generic and Prior-Drug Authorization	0	19	45	45	45
Medicaid Trend Factor Reductions	0	18	21	21	21
Finance Health Programs from Insurance Assessments	0	25	25	25	25
Sweep Excess EPF Fund Balance (revenue)	0	25	25	25	25
State Operations/Management Efficiencies	4	36	28	28	28
Pension Prepayment	(86)	88	0	0	0
NYRA Land Acquisition/MLT Facility Construction	0	(6)	(47)	(47)	(47)
State Support for Federal Reduction in Byrne/JAG Funding	0	(6)	(6)	(6)	(6)
NYC School Cafeteria Ventilation Projects	0	(5)	0	0	0
High-Need Nursing Program	0	(2)	(3)	(3)	(3)
Roosevelt School District	(6)	(4)	(6)	(6)	(6)
Local Government Efficiency Grants	0	(1)	(2)	(3)	(3)
Reestimates:	89	147	100	(58)	39
Medicaid	50	50	50	50	50
Family Health Plus Enrollment	10	0	0	0	0
Drug Rebate Revenue	0	60	62	64	66
Berger Commission	0	10	14	14	14
HCRA Spending Revisions	40	40	0	(137)	(18)
Lottery/MLT	(20)	5	(9)	(32)	(53)
Dedicated Highway Fund Subsidy	0	(16)	(15)	(15)	(15)
All Other	9	(2)	(2)	(2)	(5)
Net Savings/(Costs)	0	0	(289)	(452)	(359)
21-Day Surplus/(Gaps)	0	0	(3,576)	(6,139)	(7,180)

*Excludes STAR and Debt Service Reestimates

The downward revision to personal income tax receipts largely reflects lower withholdings. The downward revision to corporate franchise taxes, beginning in 2008-09, reflects the expected impact of lower projected corporate profits. Other revenue revisions, which include upward revisions in 2007-08 and lower revenue projections beginning in 2008-09, largely reflect year-to-date operating results and the reevaluation of certain assumptions.

Savings actions reflected with the 21-day amendments to the 2008-09 Executive Budget include a proposed increase in the covered lives assessment (a regionally calculated assessment on insurance carriers), requiring the use of generic drugs where available and prior authorization of certain prescription drugs that are not covered by Medicare Part D, revised assumptions with respect to Medicaid trend factors, financing certain health programs by assessments on the insurance industry, additional environmental protection fund balances available to the General Fund, and a range of management efficiencies. The State will also prepay a portion of the 2008-09 pension bill in 2007-08, resulting in interest savings of \$1.4 million.

Out-Year Budget Gaps _____

In the Updated Executive Financial Plan, DOB projects General Fund budget gaps of \$3.6 billion in 2009-10, \$6.1 billion in 2010-11, and \$7.2 billion in 2011-12, assuming enactment of all proposed Executive Budget recommendations. Since the January 30, 2008 Update to the AIS, DOB has increased its gap estimates by \$289 million in 2009-10, \$452 million in 2010-11 and \$359 million in 2011-12.

General Fund Closing Balances _____

DOB projects the State will end the 2007-08 fiscal year with a General Fund balance of \$2.6 billion, unchanged from the Executive Budget. The balance consists of \$1.0 billion in the Tax Stabilization Reserve (to cover unanticipated operating deficits), \$175 million in the new Rainy Day Reserve (after a planned deposit at the end of fiscal year 2007-08), \$21 million in the Contingency Reserve for litigation, \$1.0 billion to finance new labor settlements and \$354 million in the Community Projects Fund to support existing spending commitments. In 2008-09, DOB projects to end the fiscal year with a balance of \$2.2 billion in the General Fund, also unchanged from the Executive Budget estimate. The projected closing balance for 2008-09 is \$400 million below the level estimated for 2007-08, which reflects the partial use of planned reserves set aside for labor settlements (\$337 million) and the partial use of the Community Projects Fund (\$63 million).

General Fund Operating Results to Date _____

Through January 2008 preliminary results, General Fund receipts, including transfers from other funds, totaled \$44.0 billion, \$142 million higher than the Executive Budget forecast. The largest component of this variance was in the personal income tax (\$103 million), which is timing-related and primarily due to later-than-expected payment of personal income tax refunds. General Fund disbursements through January 2008 preliminary results totaled \$40.2 billion, \$47 million higher than projected in the Executive Budget. Higher spending in Welfare, Mental Retardation, and Capital Projects was substantially offset by lower spending in other programs. The impact of cash-flow experience to date is reflected in the Updated Executive Financial Plan.

Budget Process: Next Steps _____

Pursuant to State law, the Legislature and the Executive must meet in February with the purpose of reaching a consensus by March 1 on the tax revenues, lottery receipts, and miscellaneous receipts that are expected to be available in 2007-08 and 2008-09. In the event the Executive and Legislature fail to reach consensus by March 1, 2008, the State Comptroller must provide a revenue forecast by March 5, 2008 for the current and the ensuing State fiscal year. The State's new fiscal year begins on April 1, 2008.

Special Consideration

In recent days, a significant number of auction rate municipal bonds have failed to attract buyers, including certain bonds backed by the State, resulting in "failed auctions" and a resetting of the periodic rates to rates in excess of that which would otherwise prevail in the short term market. The auction failures have affected municipal issuers throughout the nation and it is important to note that the failed auctions generally do not reflect the credit strength of individual issuers, but reflect concerns relating to bond insurers that have insured such auction rate bonds as well as changes in the operation of the auction rate market itself. As an outcome of these failed auctions, governmental issuers are experiencing significantly higher debt service costs on auction rate bonds and bondholders are experiencing significantly less liquidity than had been anticipated. The likely duration of the disruption in the auction rate securities market cannot be predicted at this time.

The State is evaluating the financial impact of the recent failed auctions and related increased debt service costs on its Financial Plan projections. On the basis of preliminary estimates, the State is not projecting that the higher interest rate costs on its auction rate bonds arising from failed auctions will have a material adverse impact on the Financial Plan in the current year. Furthermore, in 2008-09, DOB estimates that the State could incur higher debt service costs if (a) all of the approximately \$4 billion of auction rate bonds constituting State-supported and State-related debt reset at the maximum auction rate in every upcoming auction, (b) offsetting savings in other parts of the State's debt portfolio are not realized, and (c) the State took no steps to mitigate its exposure to auction rate bonds. However, the State believes that these conditions are not likely to exist throughout 2008-09, particularly since it is initiating steps to limit its exposure to auction rate bonds. Accordingly, at this time, DOB does not expect that any increased debt service costs arising from failed auctions will materially and adversely affect current Financial Plan projections for 2008-09. DOB is continuing to evaluate the impact of current market events on the State debt service costs and plans to update its debt service forecast as part of the Enacted Budget for 2008-09.

**CASH FINANCIAL PLAN
GENERAL FUND
UPDATED FOR 21-DAY REVISIONS
2007-2008
(millions of dollars)**

	<u>Executive</u>	<u>Change</u>	<u>21-Day</u>
Opening fund balance	<u>3,045</u>	<u>0</u>	<u>3,045</u>
Receipts:			
Taxes:			
Personal income tax	22,735	(97)	22,638
User taxes and fees	8,503	(14)	8,489
Business taxes	6,300	0	6,300
Other taxes	1,030	51	1,081
Miscellaneous receipts	2,444	46	2,490
Federal Grants	71	0	71
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,441	(38)	8,403
Sales tax in excess of LGAC debt service	2,305	0	2,305
Real estate taxes in excess of CW/CA debt service	667	50	717
All other	673	0	673
Total receipts	<u>53,169</u>	<u>(2)</u>	<u>53,167</u>
Disbursements:			
Grants to local governments	36,667	(93)	36,574
State operations	9,677	(4)	9,673
General State charges	4,487	76	4,563
Transfers to other funds:			
Debt service	1,557	0	1,557
Capital projects	93	0	93
Other purposes	1,107	19	1,126
Total disbursements	<u>53,588</u>	<u>(2)</u>	<u>53,586</u>
Change in fund balance	<u>(419)</u>	<u>0</u>	<u>(419)</u>
Closing fund balance	<u>2,626</u>	<u>0</u>	<u>2,626</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	354	0	354
Debt Reduction Reserve Fund	0	0	0
Labor Settlement Reserve/Other Risks	<u>1,045</u>	<u>0</u>	<u>1,045</u>
<i>Prior Year Reserves</i>	1,063	0	1,063
<i>Increase/(Decrease) From Current Year Operations</i>	(18)	0	(18)

Source: NYS DOB

**CASH FINANCIAL PLAN
GENERAL FUND
UPDATED FOR 21-DAY REVISIONS
2008-2009
(millions of dollars)**

	<u>Executive</u>	<u>Change</u>	<u>21-Day</u>
Receipts:			
Taxes:			
Personal income tax	24,391	(186)	24,205
User taxes and fees	8,832	0	8,832
Business taxes	7,254	(127)	7,127
Other taxes	1,194	0	1,194
Miscellaneous receipts	2,238	4	2,242
Federal Grants	41	0	41
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,769	(75)	8,694
Sales tax in excess of LGAC debt service	2,314	(4)	2,310
Real estate taxes in excess of CW/CA debt service	615	0	615
All other	694	30	724
Total receipts	<u>56,342</u>	<u>(358)</u>	<u>55,984</u>
Disbursements:			
Grants to local governments	41,860	(252)	41,608
State operations	8,863	(12)	8,851
General State charges	3,136	(103)	3,033
Transfers to other funds:			
Debt service	1,692	0	1,692
Capital projects	366	15	381
Other purposes	825	(6)	819
Total disbursements	<u>56,742</u>	<u>(358)</u>	<u>56,384</u>
Deposit to/(use of) Community Projects Fund	<u>(63)</u>	<u>0</u>	<u>(63)</u>
Deposit to/(use of) Prior Year Reserves	<u>(337)</u>	<u>0</u>	<u>(337)</u>
Margin	<u>0</u>	<u>0</u>	<u>0</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
GENERAL FUND
UPDATED FOR 21-DAY REVISIONS
2009-2010
(millions of dollars)**

	<u>Executive</u>	<u>Change</u>	<u>21-Day</u>
Receipts:			
Taxes:			
Personal income tax	25,897	(317)	25,580
User taxes and fees	8,913	0	8,913
Business taxes	7,816	(94)	7,722
Other taxes	1,325	0	1,325
Miscellaneous receipts	2,186	7	2,193
Federal Grants	0	0	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,199	(160)	9,039
Sales tax in excess of LGAC debt service	2,331	0	2,331
Real estate taxes in excess of CW/CA debt service	596	0	596
All other	461	25	486
Total receipts	<u>58,724</u>	<u>(539)</u>	<u>58,185</u>
Disbursements:			
Grants to local governments	45,919	(245)	45,674
State operations	9,236	(9)	9,227
General State charges	3,806	(15)	3,791
Transfers to other funds:			
Debt service	1,680	0	1,680
Capital projects	574	15	589
Other purposes	858	4	862
Total disbursements	<u>62,073</u>	<u>(250)</u>	<u>61,823</u>
Deposit to/(use of) Community Projects Fund	<u>(62)</u>	<u>0</u>	<u>(62)</u>
Margin	<u>(3,287)</u>	<u>(289)</u>	<u>(3,576)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
GENERAL FUND
UPDATED FOR 21-DAY REVISIONS
2010-2011
(millions of dollars)**

	<u>Executive</u>	<u>Change</u>	<u>21-Day</u>
Receipts:			
Taxes:			
Personal income tax	27,415	(317)	27,098
User taxes and fees	9,251	0	9,251
Business taxes	7,866	(97)	7,769
Other taxes	1,408	0	1,408
Miscellaneous receipts	2,261	7	2,268
Federal Grants	0	0	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,647	(160)	9,487
Sales tax in excess of LGAC debt service	2,436	0	2,436
Real estate taxes in excess of CW/CA debt service	599	0	599
All other	460	25	485
Total receipts	<u>61,343</u>	<u>(542)</u>	<u>60,801</u>
Disbursements:			
Grants to local governments	49,833	(88)	49,745
State operations	9,780	(9)	9,771
General State charges	4,087	(15)	4,072
Transfers to other funds:			
Debt service	1,706	0	1,706
Capital projects	930	16	946
Other purposes	845	6	851
Total disbursements	<u>67,181</u>	<u>(90)</u>	<u>67,091</u>
Deposit to/(use of) Community Projects Fund	<u>(151)</u>	<u>0</u>	<u>(151)</u>
Margin	<u>(5,687)</u>	<u>(452)</u>	<u>(6,139)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
GENERAL FUND
UPDATED FOR 21-DAY REVISIONS
2011-2012
(millions of dollars)**

	<u>Executive</u>	<u>Change</u>	<u>21-Day</u>
Receipts:			
Taxes:			
Personal income tax	29,315	(317)	28,998
User taxes and fees	9,620	0	9,620
Business taxes	8,218	(102)	8,116
Other taxes	1,498	0	1,498
Miscellaneous receipts	2,060	6	2,066
Federal Grants	0	0	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	10,154	(159)	9,995
Sales tax in excess of LGAC debt service	2,556	0	2,556
Real estate taxes in excess of CW/CA debt service	608	0	608
All other	498	26	524
Total receipts	<u>64,527</u>	<u>(546)</u>	<u>63,981</u>
Disbursements:			
Grants to local governments	53,013	(187)	52,826
State operations	10,046	(9)	10,037
General State charges	4,386	(15)	4,371
Transfers to other funds:			
Debt service	1,673	0	1,673
Capital projects	997	17	1,014
Other purposes	1,312	7	1,319
Total disbursements	<u>71,427</u>	<u>(187)</u>	<u>71,240</u>
Deposit to/(use of) Community Projects Fund	<u>(79)</u>	<u>0</u>	<u>(79)</u>
Margin	<u>(6,821)</u>	<u>(359)</u>	<u>(7,180)</u>

Source: NYS DOB

Annual Information Statement Supplement, February 14, 2008

CASHFLOW
GENERAL FUND
UPDATED FOR 21-DAY REVISIONS
2007-2008
(dollars in millions)

	2008												
	2007 April Actuals	May Actuals	June Actuals	July Actuals	August Actuals	September Actuals	October Actuals	November Actuals	December Actuals	January Preliminary Actuals	February Projected	March Projected	Total
OPENING BALANCE	3,045	6,903	3,136	2,881	3,448	2,854	4,142	2,836	1,320	1,677	6,843	6,651	3,945
RECEIPTS:													
Personal Income Tax	4,017	748	2,414	1,396	1,376	1,971	745	91	1,152	5,322	1,490	1,916	22,638
User Taxes and Fees	679	623	877	671	645	872	632	673	868	662	543	744	8,489
Business Taxes	58	146	1,103	98	139	1,209	123	63	1,145	113	563	1,540	6,300
Other Taxes	81	80	107	100	64	81	80	82	118	105	92	91	1,081
Total Taxes	4,835	1,597	4,501	2,265	2,224	4,133	1,580	909	3,283	6,202	2,688	4,291	38,508
Licenses, fees, etc.	37	98	20	45	66	50	33	70	45	55	40	103	662
Abandoned Property	5	0	0	19	9	33	22	135	25	190	53	193	684
Reimbursement	6	7	25	11	10	20	14	6	22	11	14	38	184
Investment income	70	7	25	22	(11)	6	53	15	3	23	5	7	225
Other transactions	13	15	167	41	45	47	27	30	216	33	31	70	735
Total Miscellaneous Receipts	131	127	237	138	119	156	149	256	311	312	143	411	2,490
Federal Grants	0	12	22	1	5	0	10	10	0	5	6	0	71
PIT in excess of Revenue Bond Debt Service	1,338	198	886	499	401	951	593	79	879	1,597	130	852	8,403
Sales Tax in Excess of LGAC Debt Service	137	41	360	232	196	270	192	205	269	198	1	204	2,305
Real Estate Taxes in Excess of CW/CA Debt Service	55	61	95	62	75	66	44	60	38	41	41	79	717
All Other	3	1	120	29	8	1	19	1	35	146	0	310	673
Total Transfers from Other Funds	1,533	301	1,461	822	680	1,288	848	345	1,221	1,982	172	1,445	12,098
TOTAL RECEIPTS	6,499	2,037	6,221	3,226	3,028	5,577	2,587	1,520	4,815	8,501	3,009	6,147	53,167
DISBURSEMENTS:													
School Aid	236	2,143	1,512	17	504	1,284	511	961	1,365	605	648	6,458	16,244
Higher Education	18	10	335	100	186	77	458	30	214	57	332	507	2,324
All Other Education	26	124	345	161	72	112	175	21	137	68	184	312	1,737
Medicaid - DOH	869	1,267	918	538	1,040	710	673	587	370	754	606	606	8,938
Public Health	16	35	117	32	35	23	131	45	52	5	92	99	682
Mental Hygiene	45	58	62	153	67	135	251	62	180	226	205	394	1,838
Children and Families	5	130	91	223	98	125	73	72	252	68	108	364	1,609
Temporary & Disability Assistance	55	252	248	150	152	184	140	(142)	207	134	40	(29)	1,391
Transportation	0	14	45	1	13	1	0	15	7	0	8	2	106
All Other	22	70	444	50	56	135	63	57	265	81	27	435	1,705
Total Local Assistance Grants	1,292	4,103	4,117	1,425	2,223	2,786	2,475	1,708	3,049	1,996	2,250	9,148	36,574
Personal Service	633	814	599	589	749	546	699	546	417	541	297	380	6,810
Non-Personal Service	203	239	275	209	255	209	219	181	222	252	247	353	2,863
Total State Operations	836	1,053	874	797	1,004	755	918	727	639	793	544	733	9,673
General State Charges	262	430	1,218	258	269	268	285	319	260	367	337	290	4,563
Debt Service	45	144	210	49	40	292	60	163	360	3	26	165	1,557
Capital Projects	89	55	8	51	56	66	133	105	24	152	25	(671)	93
Other Purposes	117	19	49	79	30	122	22	14	126	22	19	507	1,126
Total Transfers to Other Funds	251	218	267	179	126	480	215	282	510	177	70	1	2,776
TOTAL DISBURSEMENTS	2,641	5,804	6,476	2,659	3,622	4,289	3,893	3,036	4,458	3,335	3,201	10,172	53,586
Excess/(Deficiency) of Receipts over Disbursements	3,858	(3,767)	(255)	567	(594)	1,288	(1,306)	(1,516)	357	5,166	(192)	(4,025)	(419)
CLOSING BALANCE	6,903	3,136	2,881	3,448	2,854	4,142	2,836	1,320	1,677	6,843	6,651	2,626	2,626

Source: NYS DOB

**CASHFLOW
GENERAL FUND
UPDATED FOR 21-DAY REVISIONS
2008-2009**
(dollars in millions)

	2008		2009												Total
	April	May	June	July	August	September	October	November	December	January	February	March			
	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected		
OPENING BALANCE	2,626	6,263	1,792	2,872	2,876	2,783	4,044	2,615	1,126	1,505	6,518	6,020	2,826		
RECEIPTS:															
Personal Income Tax	4,570	687	2,372	1,559	1,598	2,102	660	245	1,489	5,371	1,613	1,939	24,205		
User Taxes and Fees	672	647	908	694	665	905	658	702	901	667	559	854	8,832		
Business Taxes	284	50	1,237	183	150	1,283	220	76	1,331	206	236	1,891	7,127		
Other Taxes	99	99	100	100	101	101	99	99	99	99	99	99	1,194		
Total Taxes	5,605	1,483	4,617	2,536	2,514	4,391	1,637	1,122	3,820	6,343	2,507	4,783	41,358		
Licenses, fees, etc.	28	61	44	26	61	41	51	48	32	37	49	60	538		
Abandoned Property	20	0	18	12	8	53	9	167	34	41	39	249	650		
Reimbursement	4	11	24	5	14	13	13	10	23	7	12	27	172		
Investment income	60	7	25	22	(11)	6	53	15	3	14	0	6	200		
Other transactions	26	32	151	43	53	54	34	30	53	34	30	138	682		
Total Miscellaneous Receipts	138	111	262	108	125	176	164	270	145	133	130	480	2,242		
Federal Grants	0	11	4	0	4	0	9	9	0	4	0	0	41		
PIT in excess of Revenue Bond Debt Service	1,522	158	920	539	366	960	620	136	919	1,545	160	849	8,694		
Sales Tax in Excess of LGAC Debt Service	196	24	448	207	200	212	197	211	273	200	1	141	2,310		
Real Estate Taxes in Excess of CW/CA Debt Service	65	57	45	49	59	59	55	40	53	55	41	37	615		
All Other	0	0	96	3	1	5	8	5	122	3	1	480	724		
Total Transfers from Other Funds	1,783	239	1,509	798	626	1,236	880	392	1,367	1,803	203	1,507	12,343		
TOTAL RECEIPTS	7,526	1,844	6,392	3,442	3,269	5,803	2,890	1,793	5,332	8,283	2,840	6,770	55,984		
DISBURSEMENTS:															
School Aid	175	2,320	1,670	135	430	1,790	675	763	1,251	463	635	7,133	17,440		
Higher Education	17	11	483	118	113	95	468	24	287	42	349	466	2,473		
All Other Education	86	100	92	189	141	143	127	66	79	223	141	318	1,705		
Medicaid - DOH	1,608	1,357	1,148	949	1,056	666	1,097	1,006	1,001	948	784	859	12,479		
Public Health	16	38	63	68	34	54	53	42	38	103	28	92	629		
Mental Hygiene	129	127	132	141	131	249	136	127	240	244	124	274	2,054		
Children and Families	79	85	98	291	87	127	79	86	307	83	83	356	1,761		
Temporary & Disability Assistance	157	157	258	157	157	176	157	(135)	176	(143)	106	(54)	1,169		
Transportation	0	11	45	0	14	0	0	17	10	0	8	0	105		
All Other	15	37	414	39	48	204	4	50	402	57	71	452	1,793		
Total Local Assistance Grants	2,282	4,243	4,403	2,087	2,211	3,504	2,796	2,046	3,791	2,020	2,329	9,896	41,808		
Personal Service	685	566	535	619	533	488	630	463	480	542	447	460	6,428		
Non-Personal Service	178	182	177	193	207	246	169	167	178	227	217	282	2,423		
Total State Operations	863	748	712	812	740	734	799	630	638	769	664	742	8,851		
General State Charges	355	1,115	(80)	442	294	(121)	408	284	(64)	325	144	(69)	3,033		
Debt Service	228	139	201	36	46	278	22	175	404	3	19	141	1,692		
Capital Projects	29	33	30	31	30	42	64	77	136	123	157	(371)	381		
Other Purposes	132	37	46	30	41	105	30	70	48	30	25	225	819		
Total Transfers to Other Funds	389	209	277	97	117	425	116	322	588	166	201	(5)	2,892		
TOTAL DISBURSEMENTS	3,889	6,315	5,312	3,438	3,362	4,542	4,119	3,282	4,953	3,270	3,338	10,564	56,384		
Excess/(Deficiency) of Receipts over Disbursements	3,637	(4,471)	1,080	4	(93)	1,261	(1,429)	(1,489)	379	5,013	(498)	(3,794)	(400)		
CLOSING BALANCE	6,263	1,792	2,872	2,876	2,783	4,044	2,615	1,126	1,505	6,518	6,020	2,226	2,226		

Source: NYS DOB

State-Related Debt Outstanding, 1998-99 through 2006-07 (millions of dollars)					
	1998-99	1999-00	2000-01	2001-02	2002-03
Personal Income	\$591,847	\$619,659	\$663,005	\$679,886	\$677,605
State-Related Debt Outstanding	\$37,699	\$38,582	\$38,661	\$38,601	\$40,531
State-Related Debt Outstanding as a % of Personal Income	6.4%	6.2%	5.8%	5.7%	6.0%
		2003-04	2004-05	2005-06	2006-07
Personal Income		\$693,533	\$739,795	\$790,330	\$848,745
State-Related Debt Outstanding		\$46,773	\$46,744	\$46,927	\$48,095
State-Related Debt Outstanding as a % of Personal Income		6.7%	6.3%	5.9%	5.7%

Projected State-Related Debt Outstanding, 2007-08 through 2012-13 (millions of dollars)						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Personal Income	\$912,373	\$951,766	\$991,266	\$1,041,136	\$1,094,735	\$1,151,470
State-Related Debt Outstanding	\$49,991	\$53,681	\$56,657	\$58,985	\$60,270	\$61,184
State-Related Debt Outstanding as a % of Personal Income	5.5%	5.6%	5.7%	5.7%	5.5%	5.3%

State-Related Debt Per Capita, 1998-99 through 2006-07 (millions of dollars)					
	1998-99	1999-00	2000-01	2001-02	2002-03
State-Related Debt Outstanding	\$37,699	\$38,582	\$38,661	\$38,601	\$40,531
State Population (millions)	18.8	18.9	19.0	19.1	19.2
State-Related Debt Per Capita	\$2,008	\$2,042	\$2,033	\$2,021	\$2,114
		2003-04	2004-05	2005-06	2006-07
State-Related Debt Outstanding		\$46,773	\$46,744	\$46,927	\$48,095
State Population (millions)		19.2	19.3	19.3	19.3
State-Related Debt Per Capita		\$2,430	\$2,423	\$2,429	\$2,491

Projected State-Related Debt Per Capita, 2007-08 through 2012-13 (millions of dollars)						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
State-Related Debt Outstanding	\$49,991	\$53,681	\$56,657	\$58,985	\$60,270	\$61,184
State Population (millions)	19.3	19.3	19.3	19.3	19.3	19.3
State-Related Debt Per Capita	\$2,590	\$2,779	\$2,932	\$3,050	\$3,116	\$3,165

State-Related Debt Service, 1998-99 through 2006-07 (millions of dollars)					
	1998-99	1999-00	2000-01	2001-02	2002-03
All Funds Budget	\$72,551	\$76,804	\$83,527	\$84,312	\$88,274
State-Related Debt Service	\$3,738	\$3,887	\$4,368	\$4,437	\$3,358
State-Related Debt Service as a % All Funds Budget	5.2%	5.1%	5.2%	5.3%	3.8%
		2003-04	2004-05	2005-06	2006-07
All Funds Budget		\$99,698	\$101,381	\$107,027	\$112,396
State-Related Debt Service		\$3,847	\$4,412	\$4,264	\$5,004
State-Related Debt Service as a % All Funds Budget		3.9%	4.4%	4.0%	4.5%

Projected State-Related Debt Service, 2007-08 through 2012-13 (millions of dollars)						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
All Funds Budget	\$117,183	\$123,498	\$128,281	\$133,406	\$138,220	\$143,639
State-Related Debt Service	\$4,880	\$5,287	\$5,830	\$6,450	\$6,784	\$7,102
State-Related Debt Service as a % All Funds Budget	4.2%	4.3%	4.5%	4.8%	4.9%	4.9%

Source: NYS DOB

**STATE DEBT OUTSTANDING
SUMMARIZED BY FUNCTION AND FINANCING PROGRAM
2007-2008 THROUGH 2012-2013
(thousands of dollars)**

	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
GENERAL OBLIGATION BONDS						
Economic Development & Housing	120,741	105,526	90,240	77,497	65,364	55,259
Environment	1,879,698	1,733,963	1,606,498	1,487,853	1,377,311	1,271,573
Transportation	1,250,226	1,517,700	1,910,716	2,325,869	2,581,345	2,773,508
REVENUE BONDS						
Personal Income Tax						
Economic Development & Housing	2,387,182	3,306,565	4,149,967	4,818,161	5,245,924	5,342,675
Education	4,332,365	5,842,632	7,382,029	8,461,868	9,544,209	10,727,650
Environment	675,275	983,300	1,159,809	1,277,551	1,384,904	1,471,277
Health Care	66,045	153,191	256,621	392,243	347,295	309,002
State Facilities & Equipment	1,908,085	2,758,665	3,088,774	3,445,543	3,715,922	3,960,257
Transportation	1,645,285	1,921,440	2,183,016	2,429,754	2,661,065	2,875,742
Other Revenue						
Education						
SUNY Dorms	873,355	964,725	1,032,870	1,075,981	1,124,986	1,162,641
Health & Mental Hygiene						
Health Income	339,800	327,055	313,740	299,760	285,095	270,440
Mental Health Services	3,920,705	4,267,222	4,601,516	4,835,826	5,081,234	5,307,549
Local Government Assistance						
Sales Tax	4,036,522	3,874,183	3,678,375	3,474,183	3,244,248	3,003,183
Transportation						
Dedicated Highway	6,559,957	7,071,192	7,633,637	8,306,956	8,815,892	9,337,295
SERVICE CONTRACT & LEASE-PURCHASE BONDS						
Economic Development & Housing	1,260,130	1,167,544	1,075,626	969,328	868,850	801,075
Education	6,017,394	5,715,991	5,363,212	5,048,655	4,625,972	4,203,791
Environment	193,412	171,662	148,817	126,427	107,721	92,992
Health & Mental Hygiene	53,645	50,570	47,365	44,000	40,485	36,970
State Facilities & Equipment	3,395,470	3,226,003	3,045,236	2,852,018	2,652,271	2,437,247
Transportation	3,936,350	3,764,935	3,554,825	3,356,500	3,107,705	2,870,160
TOTAL STATE-SUPPORTED						
Economic Development & Housing	3,768,053	4,579,635	5,315,833	5,864,987	6,180,138	6,199,009
Education	11,223,114	12,523,347	13,778,110	14,586,504	15,295,167	16,094,082
Environment	2,748,385	2,888,925	2,915,124	2,891,831	2,869,936	2,835,842
Health & Mental Hygiene	4,380,195	4,798,039	5,219,242	5,571,830	5,754,109	5,923,961
LGAC	4,036,522	3,874,183	3,678,375	3,474,183	3,244,248	3,003,183
State Facilities & Equipment	5,303,555	5,984,668	6,134,010	6,297,561	6,368,193	6,397,504
Transportation	13,391,818	14,275,267	15,282,193	16,419,079	17,166,007	17,856,704
SUBTOTAL STATE-SUPPORTED	<u>44,851,641</u>	<u>48,924,064</u>	<u>52,322,887</u>	<u>55,105,973</u>	<u>56,877,798</u>	<u>58,310,285</u>
OTHER STATE DEBT OBLIGATIONS						
Tobacco	3,839,480	3,521,110	3,178,205	2,809,835	2,414,020	1,988,710
All Other	1,300,286	1,236,098	1,156,314	1,069,612	978,520	884,565
SUBTOTAL OTHER STATE	<u>5,139,766</u>	<u>4,757,208</u>	<u>4,334,519</u>	<u>3,879,447</u>	<u>3,392,540</u>	<u>2,873,275</u>
GRAND TOTAL STATE-RELATED	<u>49,991,407</u>	<u>53,681,272</u>	<u>56,657,406</u>	<u>58,985,420</u>	<u>60,270,338</u>	<u>61,183,560</u>

Source: NYS DOB

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Update to Annual Information Statement (AIS)

State of New York

January 30, 2008

This quarterly update (the "AIS Update") is the third quarterly update to the Annual Information Statement of the State of New York, dated May 8, 2007 (the "AIS") and contains information only through January 30, 2008. This AIS Update should be read in its entirety, together with the AIS and the first and second quarterly updates to the AIS dated August 3, 2007 (the "First Quarterly Update") and November 15, 2007 (the "Mid-Year Update").

In this AIS Update, readers will find:

1. Extracts from the Governor's Executive Budget Financial Plan for 2008-09 (the "Current State Financial Plan") presented to the Legislature on January 22, 2008. The Current State Financial Plan includes estimates for the State's current fiscal year (2007-08) and detailed projections for fiscal years 2008-09 through 2011-12, which reflect the Executive Budget recommendations. The entire 2008-09 Executive Budget, including the Current State Financial Plan, a detailed forecast of the State's economy and revenues, and the proposed Capital Program and Financing Plan, is available on the Division of the Budget (DOB) website, www.budget.state.ny.us.
2. A discussion of special considerations related the Current State Financial Plan.
3. The status of significant litigation that has the potential to adversely affect the State's finances.

DOB is responsible for preparing the State's Financial Plan and presenting the information that appears in this AIS Update on behalf of the State. In preparing the AIS Update, DOB has utilized significant portions of the Current State Financial Plan, but has also relied on information drawn from other sources, such as the Office of the State Comptroller ("OSC"). Information relating to matters described in the section entitled "Litigation" is furnished by the State Office of the Attorney General.

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

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

Update may be obtained from the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705 or from any NRMSIR.

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

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Current State Financial Plan

Note: DOB issued the Current State Financial Plan, extracts of which are set forth below, on January 22, 2008. The Current State Financial Plan includes updated estimates for 2007-08 and projections for 2008-09 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 Current State Financial Plan.

The State accounts for all of its spending and revenues by the fund in which the activity takes place (such as the General Fund), and the broad category or purpose of that activity (such as State Operations). The Financial Plan tables sort all State projections and results by fund and category. The State Constitution requires the Governor to submit an Executive Budget that is balanced on a cash basis in the General Fund—the Fund that receives the majority of State taxes, and all income not earmarked for a particular program or activity. Since this is the fund that is required to be balanced, the focus of the State’s budget discussion is often weighted toward the General Fund.

In addition to the General Fund, the State reports spending and revenue activity by other broad measures, including State Operating Funds, which includes the General Fund and funds specified for dedicated purposes, but excludes capital project funds and Federal Funds; and All Governmental Funds ("All Funds"), which includes both State and Federal Funds and provides the most comprehensive view of the financial operations of the State.

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

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Update to Annual Information Statement State of New York

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SUMMARY

The national and State economies have continued to perform below expectations in the second half of 2007. The slowdown in economic activity, which DOB expects to persist until at least the end of calendar year 2008, has begun to affect the State's revenue outlook. Since enactment of the Budget for 2007-08, DOB has reduced its General Fund revenue forecast by over \$500 million for the current year and by over \$700 million for 2008-09.

In the current year, the General Fund is kept in balance through offsetting reductions in spending, which reflect revised estimates for a number of programs based on actual results, as well as by the planned use of reserves to finance collective bargaining costs that have been added since budget enactment. The Financial Plan also includes a planned deposit of \$175 million to the State's new rainy day reserve, as authorized in the Enacted Budget. At this time, DOB believes that any deterioration from the Financial Plan forecast in the remaining months of the current year would likely be manageable without the use of additional reserves, based on the best available information on tax collections and spending through the first week of January 2008.

In 2008-09, the revenue shortfall has widened the current services budget gap (the imbalance between expected receipts and disbursements assuming no change in current law) to \$4.4 billion, up by roughly \$1.3 billion from the Enacted Budget forecast. The current services gap is the largest that must be closed by an Executive Budget since 2005-06. And, unlike 2005, when the direction of the economy was favorable, the current Budget proposal is presented in a volatile economic environment that poses substantial risks to State revenues.

2008-09 Executive Budget Recommendations

The Executive Budget for 2008-09 eliminates the entire potential imbalance for fiscal year 2008-09, responding to the current fiscal uncertainties with a plan that emphasizes recurring savings. If enacted as proposed, the Executive Budget would cut the gap that must be addressed in 2009-10 by nearly one-half and reduce the combined structural imbalance by nearly \$12 billion through 2011-12. The table below summarizes the multi-year impact of the Executive Budget recommendations.

General Fund Budget-Balancing Plan: 2008-09 Executive Budget (millions of dollars)				
	2008-09	2009-10	2010-11	2011-12
Current Services Gaps	(4,422)	(6,154)	(7,697)	(9,454)
Savings Plan:	4,838	3,741	3,507	4,071
Savings Actions	2,253	2,495	2,274	2,832
Revenue Initiatives	1,109	1,267	1,254	1,260
Non-recurring Actions	1,139	(21)	(21)	(21)
Use of Reserves for Labor Settlements	337	0	0	0
New Initiatives:	(416)	(874)	(1,497)	(1,438)
Executive Budget Gaps	0	(3,287)	(5,687)	(6,821)

The Budget proposals address the structural imbalance by restraining growth in health care, adjusting the phase-in of the School Tax Relief (STAR) program, realigning program financing with the governmental entities responsible for service delivery, and instituting broad controls on State operations spending.

Additional revenues would be raised through a combination of tax equity and audit initiatives, including the classification of for-profit health maintenance organizations as insurance companies for Tax Law purposes, an increase in audits and recoveries, the elimination of certain tax loopholes, and modifications to the Quick Draw lottery game.

The Budget relies on \$1.1 billion in resources that are not counted on to recur in future years, the largest of which are an expected payment for development rights at Belmont Park and a phased-in restoration of general aid to New York City. Non-recurring resources account for roughly one-quarter of the gap-closing plan. Consistent with the current year, the Financial Plan uses \$337 million in reserves, as planned, to finance certain labor settlements that have been, or are expected to be, ratified in 2007-08.

The Budget finances just over \$400 million in new initiatives in 2008-09, including aid for education; investments in health care, including rate increases for ambulatory care clinics and physicians; and extension through 2011-12 of the cost-of-living adjustment (COLA) for human service providers that is set to expire next year.

DOB projects the State will end the 2008-09 fiscal year with a General Fund balance of \$2.2 billion (3.9 percent of General Fund spending) if the Legislature enacts the Executive Budget recommendations in their entirety. The balance consists of \$1.2 billion in undesignated reserves and \$1.0 billion in reserves designated to finance existing or planned commitments, including potential new labor settlements. The projected closing balance is \$400 million below the level estimated for 2007-08, which reflects primarily the partial use of planned reserves set aside for existing collective bargaining agreements.

Discussion of the Current Services Forecast

The current services forecast for the General Fund formed the starting point for developing the 2008-09 Executive Budget, and therefore determined the scope of the recommendations that had to be advanced to achieve a balanced budget.

Since the Mid-Year Update, DOB has reviewed emerging data and trends and met with legislative fiscal committees in a public “Quick Start” process. As a result, DOB has revised its current services forecast for receipts and disbursements for 2008-09, 2009-10 and 2010-11 and calculated an estimate for 2011-12. The revised forecast reflects the impact of a slowing economy on State revenues, updated expenditure estimates for programs based on a review of actual operating results and trends, and the costs of tentative labor settlements with several of the large unions representing State employees.

Summary of Changes to General Fund Current Services Forecast Since the Mid-Year Update				
Savings/(Costs)				
(millions of dollars)				
	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12*</u>
Mid-Year Current Services Surplus/(Gap)	(4,265)	(6,178)	(7,931)	
Change Since Mid-Year	(157)	24	234	
Revenue Revisions	(381)	(322)	(337)	
Spending Revisions	224	346	571	
School Aid/Lottery	188	390	679	
Medicaid	228	399	484	
Welfare	65	(2)	(2)	
Collective Bargaining Costs	(337)	(510)	(756)	
All Other	80	69	166	
CURRENT BUDGET SURPLUS/(GAP) ESTIMATE	(4,422)	(6,154)	(7,697)	(9,454)

* The 2011-12 gap estimates are published for the first time in the 2008-09 Executive Budget.

DOB has decreased its estimate of General Fund revenues over the multi-year Financial Plan, based on actual results to date, and on slower than expected growth in the State economy and the financial services sector. Base receipts are now forecast to grow by 4.2 percent in 2008-09. Tax receipts are expected to be lower and account for most of the downward revision in estimated growth. The forecast for miscellaneous receipts has remained virtually unchanged.

Since the Mid-Year Update, DOB has decreased the General Fund current services spending forecast. The updated estimates include downward revisions to spending estimates in several areas including: School Aid, based on updated enrollment and other data reported by school districts to the State Education Department (SED) and revisions to estimated lottery revenues, which have been reduced by \$24 million in 2008-09, but increased in later years to reflect game-cycle innovations and marketing improvements; Medicaid, reflecting price and utilization trends and lower costs for the cap on local Medicaid costs, and welfare, based on public assistance claiming trends (\$65 million in 2008-09). Other significant changes include an updated spending estimate for the Judiciary, which submitted a budget request for 2008-09 that was \$18 million higher than planned, but had lower-than-expected costs in subsequent years, and adjustments to estimated cash disbursements for several other programs, including summer school special education and the aid and incentives program for local governments.

The updated current services forecast includes the estimated costs of tentative labor settlements with the Civil Service Employees Association, United University Professions, District Council 37, and comparable pay and benefits changes extended to Management/Confidential employees. The contracts provide for a 3 percent annual salary increase in 2007-08, 2008-09, and 2009-10, and a 4 percent increase in 2010-11. A full discussion of the status of labor settlements and the impact on the Financial Plan appears later in this section.

Sources of the 2008-09 General Fund Budget Gap ("Zero-Based" Perspective)

The State is projected to move from a balanced General Fund budget in 2007-08 to an imbalance of \$4.4 billion in 2008-09, prior to the impact of Executive Budget recommendations. Current services spending is projected to grow by \$5.3 billion over 2007-08 compared to estimated net revenue growth of \$1.3 billion. At this time, the State plans to use \$370 million less in reserves in 2008-09 than in 2007-08 to help balance the budget. The following chart provides a "zero-based" look at the sources of the 2008-09 General Fund budget gap, followed by a brief summary of the assumptions behind the projections.

For a detailed explanation of the specific assumptions supporting the revenue and spending projections, see “2008-09 Financial Plan” and “General Fund Financial Plan Out-Year Projections” herein.

2008-09 General Fund "Current Services" Annual Change	
Savings/(Costs)	
(millions of dollars)	
RECEIPTS	1,301
Base Tax Receipts - "Constant Law" Growth	2,584
Change in STAR	(388)
Change in Debt Service	(295)
Miscellaneous Receipts/Federal Grants	(406)
Non-tax Transfers from Other Funds (primarily non-recurring fund sweeps)	(255)
All Other	61
DISBURSEMENTS	(5,353)
Local Assistance	(4,033)
Medicaid	(1,736)
<i>Base Program Growth</i>	(1,370)
<i>Change in HCRA and Other Financing</i>	(366)
School Aid	(1,363)
Local Government Assistance	(358)
City University	(199)
Mental Hygiene	(202)
Children and Family Services	(182)
All Other Local Assistance	7
State Operations	(825)
Personal Service	(568)
<i>Collective Bargaining Settlement Costs</i>	(197)
<i>Judicial Salary Increase (in Judiciary's Budget Request)</i>	(143)
<i>All Other Salary Growth</i>	(228)
Non-personal Service	(257)
General State Charges	(281)
Health Insurance	(209)
Pensions	(71)
All Other	(1)
Transfers to Other Funds	(214)
Debt Service	(135)
Capital Projects	(341)
All Other	262
Change in Planned Use of Reserves (net)	(370)
CURRENT SERVICES BUDGET GAP FOR 2008-09	(4,422)

The forecast for 2008-09 is based on assumptions of economic performance, revenue collections, spending patterns, and the estimated costs to maintain programs and activities at the level required by current law. DOB believes the estimates of annual change in revenues and spending that create the 2008-09 current services gap forecast are based on reasonable assumptions and methodologies.

Explanation of the 2008-09 Gap-Closing Plan

The General Fund Executive Budget savings plan is valued at \$4.8 billion in 2008-09. The plan is sufficient to eliminate the current services gap of \$4.4 billion and finance new initiatives of just over \$400 million.

The gap-closing actions can be grouped into four categories: actions that reduce overall State current services spending on a recurring basis; actions that increase revenues on a recurring basis; transactions that increase revenues or lower spending in 2008-09, but that are not expected to recur; and the use of reserves. The section below provides details on the actions under each category that are recommended for 2008-09. It is followed by a discussion of the new initiatives and their impact on the General Fund Financial Plan. Additional information on the Budget recommendations for major programs and activities appears in the sections entitled "2008-09 Financial Plan" and "General Fund Financial Plan Outyear Projections" later in this AIS Update.

2008-09 Executive Budget -- General Fund Budget-Balancing Plan				
(millions of dollars)				
	2008-09	2009-10	2010-11	2011-12
Current Services Gaps	(4,422)	(6,154)	(7,697)	(9,454)
Savings Plan	4,838	3,741	3,507	4,071
Savings Actions	2,253	2,495	2,274	2,832
Health Care ¹	826	957	895	1,418
STAR	354	380	165	175
Welfare/TANF	204	204	204	204
Mental Hygiene	212	243	277	280
Criminal Justice	101	131	136	139
General State Charges	89	61	66	67
Higher Education	67	99	101	103
Other Education	66	73	76	79
Transportation/Transit	64	45	47	48
All Other	270	302	307	319
Revenue Actions	1,109	1,267	1,254	1,260
Improve Audit and Compliance Efforts	280	250	250	250
Conforming HMOs Taxation	215	250	250	250
LLC Minimum Partner Fees	75	75	75	75
Capital Base Rate Reduction/Cap Elimination	73	58	58	58
Modify Quick Draw Restrictions	36	60	60	60
All Other	430	574	561	567
Non-Recurring Actions	1,139	(21)	(21)	(21)
Belmont Development Rights	250	0	0	0
Phase in AIM Restoration for NYC	164	0	0	0
Bond Finance Certain Eligible Capital Costs	173	(21)	(21)	(21)
All Other	552	0	0	0
Use of Reserves to Finance Labor Settlements	337	0	0	0
New Initiatives:	416	874	1,497	1,438
School Aid	126	207	512	178
Health Care	120	281	373	443
Human Services COLA	0	88	180	278
All Other	170	298	432	539
Executive Budget Gaps	0	(3,287)	(5,687)	(6,821)

¹ Includes Medicaid, Health, and Aging. Excludes certain non-recurring resources and HCRA savings.

Recurring Savings (Spending)

Actions in this category total \$2.3 billion in 2008-09, comprising slightly less than 50 percent of the overall gap-closing plan. The savings plan recommends continuing efforts to restrain health care costs; slowing the phase-in of the basic middle-class STAR rebate program; realigning costs, where appropriate, to the level of government responsible for service delivery; and enhancing operational controls on State agencies.

Health Care

The 2008-09 savings plan marks another step in a multi-year plan to reform the State's health care system that began in 2007-08. Recommended State-financed savings, including savings in Medicaid, HCRA programs, and Aging, total \$980 million in 2008-09 from all sources, before accounting for reinvestments. In the General Fund, recurring savings total \$826 million in 2008-09 and grow to over \$1.4 billion by 2011-12. Proposals include intensifying audit activities to reduce fraud, expanding controls on pharmaceutical programs, adjusting reimbursement rates for prescription drugs, and enhancing management of high-cost beneficiaries. Other savings include a program to authorize the use of coordinated transportation services, a Diabetes Care Improvement Project in which Medicaid would reimburse for diabetes self-management education, and the implementation of payment auditing to deny ambulatory care claims submitted without the required procedure or diagnosis codes. Outside of Medicaid, health care savings include elimination of the planned COLA for Early Intervention (EI) providers and certain initiatives enacted in 2007-08.

School Tax Relief Program

The Executive Budget recommends a slower phase-in of the basic middle-class STAR rebate; a reduction in the STAR credit for New York City resident personal income taxpayers with incomes above \$250,000; a change in the adjustment that limits annual reductions in the STAR exemption amount from 5 percent to 10 percent; and authorization for the State to offset middle-class STAR rebates owed to individuals who are delinquent on their taxes, child support, or other legal debt obligations. After recommendations, the State will finance \$4.7 billion in total property tax relief in 2008-09 (nearly \$5 billion on a commitment basis), growing to \$6.2 billion over the next few years.

Welfare/Temporary Assistance for Needy Families

Savings in welfare take several forms. First, the level of the Temporary Assistance for Needy Families (TANF) resources available to offset the State's Earned Income Tax Credit (EITC) would be increased by proposed conversion of certain TANF-funded programs to a cash rather than commitment basis, a reduction of TANF funding to reflect 2004-05 program commitments that cost less than originally contemplated to complete, and elimination of several 2007-08 initiatives that are not essential to the agencies' core missions. The Budget also proposes altering the current financing shares for public assistance benefits, requiring local governments to finance more of the costs for certain categories of assistance.

Other Savings

These cover a broad range of State activities and agencies, including nearly \$300 million in recurring savings in State Operations in the General Fund, with reductions in both personal service and non-personal service spending. Operational savings include hiring controls, including not filling vacancies for non-essential positions; overtime management; and energy and other utility savings. Other significant recommendations include closing three under-utilized correctional camps (Pharsalia, Mt. McGregor, and Gabriels) and the medium-security facility at Hudson; assessing a security fee on nuclear power plant operators for State costs; auditing activities to eliminate ineligible dependents from receiving health insurance coverage from the State; and eliminating certain initiatives enacted in 2007-08.

Recurring Savings (Revenues)

The Executive Budget recommends several tax law and administrative reforms to promote equity and ensure compliance, which will generate \$1.1 billion in additional revenue in the General Fund. These include improving audit capabilities, reclassifying HMOs as insurance taxpayers, and other changes.

Non-Recurring Resources

The State typically uses some non-recurring resources each year to support its operations. The Executive Budget uses approximately \$1.1 billion of non-recurring resources to balance the General Fund Financial Plan and another \$337 million in labor reserves to finance expected collective bargaining costs. There are two significant non-recurring transactions in 2008-09. The first is a potential payment for the development rights at Belmont Park. The second is a partial restoration of an aid payment to New York City under the Aid and Incentives to Municipalities (AIM) program. The 2008-09 current services budget had included a full restoration of the payment that had been reduced to \$20 million in 2007-08. Other one-time actions consist of bonding certain capital projects originally planned to be cash financed, and sweeps of excess balances from other funds. A complete list of the items included in this category is provided later in this AIS Update under the "2008-09 Financial Plan" section.

Recommended Initiatives

The Executive Budget proposes new initiatives totaling over \$400 million in 2008-09, growing to \$1.4 billion in 2011-12. The initiatives include additional School Aid, the re-investment of health care savings in ambulatory and primary care, and extension of COLA for human service providers through 2011-12.

In School Aid, the Budget recommends increasing aid to New York City and maintaining the total funding level for High Tax Aid. Additional resources are also recommended for the Healthy Schools Act. As part of the overall aid package, adjustments are proposed to the minimum guaranteed aid increase under Foundation Aid and the timing of reimbursement for certain expense-based aids.

Health care investments total over \$100 million in 2008-09, annualizing to over \$400 million by 2011-12. The most significant proposals would reinvest hospital savings to improve health care, particularly in primary care and increased physicians fees. Additional funding is also recommended for an array of programs, including the creation of a State Enrollment Portal to authorize the State to directly enroll individuals in Medicaid, Family Health Plus, and Child Health Plus (CHP); a three-year extension of COLA which was set to expire in 2008-09; and tobacco control initiatives intended to minimize tobacco use.

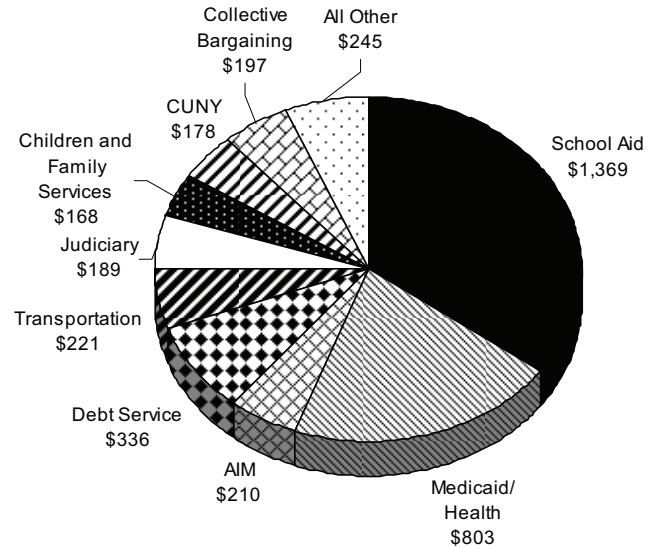
In social services, the Budget also recommends extending the COLA for human service providers through 2011-12. Other investments are made in economic development, Agriculture and Markets, Mental Hygiene, local government aid, and tax credits.

Executive Budget Impact on Spending Growth

In 2008-09, the Executive set a goal of holding State Operating Funds spending to less than the long-term growth rate in State personal income of 5.3 percent. Achieving a spending growth rate at or below the target rate is important because, in the long run, it should permit the State to increase reserves in economic expansions when State tax receipts tend to grow faster than personal income. In difficult years, when personal income and revenue growth is below the historical trend or even negative, sufficient reserves would be available to smooth the impact on spending and provide for a more stable long-term fiscal environment.

In 2008-09, the Executive Budget holds State Operating Funds spending to 5.0 percent, below the target rate of 5.3 percent. State Operating Funds spending, which excludes Federal operating aid and capital spending, is projected to total \$81.8 billion in 2008-09, an increase of \$3.9 billion over the current-year forecast. This growth is for local aid to public schools, Medicaid costs, support for transportation, local government aid programs and debt service, as well as roughly \$800 million for agency operational costs (including fringe benefit costs).

State Operating Funds Spending Growth
\$3.9 billion
(dollars in millions)



Total Disbursements (millions of dollars)				
	2007-08 Current	2008-09 Proposed	Annual \$ Change	Annual % Change
State Operating Funds	77,909	81,825	3,916	5.0%
General Fund *	50,831	53,859	3,028	6.0%
Other State Funds	22,728	23,276	548	2.4%
Debt Service Funds	4,350	4,690	340	7.8%
All Governmental Funds	118,314	124,329	6,015	5.1%
State Operating Funds	77,909	81,825	3,916	5.0%
Capital Projects Funds	6,645	7,927	1,282	19.3%
Federal Operating Funds	33,760	34,577	817	2.4%

*Excludes transfers.

State Operating Funds spending growth in 2008-09 is the product of numerous budget choices. The following table shows that growth is concentrated in a relatively small number of major programs, most significantly in School Aid and Medicaid. Outside of these major agencies, growth in overall State programs is nearly flat in the aggregate.

Main Sources of State Operating Funds Growth						
State Fiscal Year Basis						
(millions of dollars)						
	2007-08 Revised	2008-09			Annual Change	
		Current Services	Chg from Curr. Serv.	Exec. Proposed	Dollar	Percent
STATE OPERATING FUNDS	77,909	83,830	(2,005)	81,825	3,916	5.0%
School Aid	19,025	20,269	125	20,394	1,369	7.2%
Medicaid (excluding Local Cap)*	15,139	16,235	(544)	15,691	552	3.6%
Medicaid: Takeover Initiatives	235	486	0	486	251	106.8%
Debt Service	4,292	4,657	(29)	4,628	336	7.8%
Transportation	2,932	3,133	20	3,153	221	7.5%
Judiciary	1,821	2,010	0	2,010	189	10.4%
Children and Families	1,871	2,095	(56)	2,039	168	9.0%
CUNY	1,134	1,334	(22)	1,312	178	15.7%
AIM	707	1,076	(159)	917	210	29.7%
Collective Bargaining	140	337	0	337	197	140.7%
All Other	30,613	32,198	(1,340)	30,858	245	0.8%

* Medicaid spending total is for all State agencies including those outside of the Department of Health. This total does not include local cap payments. See further discussion in section entitled "Medicaid Transparency" later in this report.

General Fund spending, which now accounts for roughly 65 percent of State-financed spending, is projected to grow at 6 percent (5.9 percent when transfers are included). The General Fund is important because it must, by law, be balanced, but it is not as comprehensive a view of spending paid for by State taxpayers as State Operating Funds.

Capital Projects Funds spending, which includes Federal and State support, is expected to increase by \$1.3 billion or 19.3 percent over the current 2007-08 forecast, which is in part a result of spending on various projects delayed from 2007-08, as well as recommended new initiatives for transportation, economic development, higher education and parks and recreation. This reflects spending reported in actual cash-basis reports. Additional information on capital spending is provided later in this AIS Update and in the 2008-09 Executive Budget Five-Year Capital Program and Financing Plan available on the DOB website.

All Governmental Funds¹ spending, which includes Federal aid, is estimated at \$124.3 billion in 2008-09, an increase of \$6.0 billion (5.1 percent) from 2007-08.

Risks to the Financial Plan

DOB believes the overall Financial Plan estimates and projected out-year budget gaps are based on reasonable assumptions. In any year, however, the Financial Plan is subject to risks that, if they were to materialize, could affect operating results. In DOB's judgment, the three most significant short-term risks, as measured by their potential fiscal impact and the probability that may occur, are that: (a) economic performance will fall below projected levels and perhaps even lapse into a recession at some point in calendar

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

year 2008, which could have a potentially severe impact on State finances; (b) labor settlements will be reached with the remaining State employee unions, the costs of which have not been completely financed in the Financial Plan after 2008-09; and (c) specific transactions included as part of the Executive Budget may not occur as planned. Other risks include potential Federal disallowances arising from audits related to Medicaid claims under the School Supportive Health Services program and proposed Federal rule changes concerning Medicaid payments. See "Financial Plan Reserves and Risks," later in this AIS Update for additional information.

Labor Settlements

The State has reached tentative labor settlements with three labor unions, the Civil Service Employees Association, United University Professions (UUP), and District Council 37, and will extend similar changes in pay and benefits to "management/confidential" employees. Under terms of the tentative four-year contracts, which run from April 2, 2007 through April 1, 2011 (July 2, 2007 through July 1, 2011 for UUP), employees will receive pay increases of 3 percent annually in 2007-08, 2008-09, and 2009-10 and 4 percent in 2010-11. The Civil Service Employees Association ratified its contract on January 3, 2008. The UUP and District Council 37 are expected to vote on their contracts before the end of the current State fiscal year.

The State's Financial Plan funds the costs of these tentative contract agreements in 2007-08 and 2008-09 through the use of \$477 million of the \$1.18 billion in existing reserves set aside for this purpose. DOB estimates the General Fund costs of the tentative agreements at \$140 million in the current year, \$337 million in 2008-09, \$510 million in 2009-10, and \$756 million in both 2010-11 and 2011-12. The current Financial Plan includes these costs.

The unions representing uniformed officers (i.e., Police Benevolent Association, New York State Correctional Officers and Police Benevolent Association) and the Public Employees Federation have not reached settlements with the State at this time. The earliest any costs for these contracts could be paid would be in 2008-09. These costs are not included in the current Financial Plan spending forecast, but a reserve is set aside to partially fund them. The State currently has \$708 million in labor reserves remaining (i.e., not programmed in the Financial Plan) to help finance the costs of potential new settlements.

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2007-08 FINANCIAL PLAN UPDATE

The Executive Budget Financial Plan includes the third quarterly update to the 2007-08 Enacted Budget Financial Plan. The following describes the substantive revisions to Financial Plan estimates for the current year since the last update to the AIS in November 2007. Please refer to the AIS Updates issued in August 2007 and November 2007, which are available on-line, for detailed explanations of the earlier revisions.

Since the Mid-Year Update, DOB has revised its revenue and spending estimates based on operating results through the end of the 2007-08 fiscal year, and a review of factors affecting the long-term current services forecast. In addition, DOB has added costs for collective bargaining agreements reached with several of the State's major employee unions that have fiscal implications for 2007-08 and beyond. The revisions result in net General Fund costs in 2007-08 of \$137 million, which will be funded by existing reserves.

Despite the continued slowdown in economic growth reflected in the updated revenue forecast, DOB projects the General Fund will remain in balance in 2007-08. Lower-than-expected local aid payments and operational savings across all State agencies, along with the use of reserves as planned to finance labor settlements, are expected to be sufficient to cover the expected revenue decline. As summarized in the table below, since the beginning of the fiscal year, the roughly \$500 million decline in expected General Fund receipts has been almost entirely offset by a decline in projected growth in Medicaid spending, resulting in no material change (down \$17 million) in net operations.

2007-08 General Fund						
Quarterly Financial Plan Revisions From Enacted Budget						
Increase/(Decrease)						
(millions of dollars)						
	Enacted Estimate	Revisions			Current Estimate	Change From Enacted
		First Quarter	Mid-Year	Executive		
Opening Balance	3,045	0	0	0	3,045	0
Revenue Revisions	53,672	324	(609)	(218)	53,169	(503)
Spending Revisions	53,684	311	(326)	(81)	53,588	(96)
Medicaid	9,496	80	(555)	16	9,037	(459)
School Aid	16,170	0	60	8	16,238	68
Children and Families	1,787	70	7	0	1,864	77
Higher Education	3,706	10	(74)	1	3,643	(63)
Mental Hygiene	3,113	5	0	1	3,119	6
State	81	(28)	2	0	55	(26)
Legislature/Judiciary	1,834	0	3	(9)	1,828	(6)
Transportation	107	0	0	0	107	0
Debt Service	1,579	(1)	(27)	6	1,557	(22)
General State Charges	4,530	(6)	(29)	(8)	4,487	(43)
Transfers to Other Funds	2,375	204	3	(75)	2,507	132
Use of Debt Reduction Reserve	0	0	250	0	250	250
All Other	8,906	(23)	34	(21)	8,896	(10)
Planned Use of Reserves For Specified Purposes	0	0	250	140	390	390
Debt Reduction Reserve	0	0	250	0	250	250
Labor Reserve	0	0	0	140	140	140
Net Change from Operations	(12)	13	(33)	3	(29)	(17)
Projected Year-End Reserve Levels	3,033	13	(283)	(137)	2,626	(407)
General Reserves	1,203	12	(33)	(137)	1,045	(158)
Tax Stabilization Reserve	1,031	0	0	0	1,031	0
Rainy Day Reserve Fund (assumed deposit)	175	0	0	0	175	0
Community Projects Fund Reserve	353	1	0	0	354	1
Contingency Reserve	21	0	0	0	21	0
Debt Reduction Reserve	250	0	(250)	0	0	(250)

Since the Mid-Year Update, General Fund receipts, including transfers from other funds, have been revised downward by \$218 million. The slowdown in economic activity is the main reason for the revision. In addition, recent stresses on Wall Street suggest modest declines in bonus payouts over the remainder of the fiscal year.

General Fund disbursements, including transfers to other funds, are expected to total \$53.6 billion in 2007-08, \$81 million lower than the Mid-Year Update estimate. Lower General Fund spending in School Aid based on higher than expected lottery revenues, a reduction in the General Fund subsidy to the Dedicated Highway and Bridge Trust Fund, and adjustments to cash disbursements in other areas based on results to date are offset, in part, by expected spending for tentative labor contracts that will be financed from designated reserves (\$140 million).

2007-08 Closing Balance

General Fund Estimated Closing Balance (millions of dollars)			
	2007-08 Mid-Year Estimate	2007-08 Current Estimate	Change
Projected Year-End Fund Balance	2,763	2,626	(137)
<i>Undesignated Reserves</i>			
Tax Stabilization Reserve Fund	1,031	1,031	0
Rainy Day Reserve Fund	175	175	0
Contingency Reserve Fund	21	21	0
<i>Designated Reserves</i>			
Labor Settlement Reserve/Likely Risks	1,182	1,045	(137)
Community Projects Fund	354	354	0

DOB projects the State will end the 2007-08 fiscal year with a General Fund balance of \$2.6 billion, consisting of \$1.2 billion in undesignated reserves and \$1.4 billion in designated reserves. The projected closing balance is \$137 million lower than the balance projected at the time of the Mid-Year Update and is due primarily to the use of the labor reserve as planned.

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2007-08 OPERATING RESULTS THROUGH DECEMBER 2007

The table below compares actual results for the period from April 2007 through December 31, 2007 to the estimates included in the Mid-Year Update to the Financial Plan and the Enacted Budget Financial Plans, as well as actual results for the same nine-month period in 2006.

General Fund

2007-08 Fiscal Year-to-Date Results						
Actual Year-to-Date Results: April through December 2007						
General Fund Results vs. Projections; Year-to-Year Comparison						
(millions of dollars)						
	Enacted Budget	Mid-Year Update Projection	Actual Results	Actuals vs. Estimates Favorable/ (Unfavorable) vs. Plan		Increase/ (Decrease) from Prior Year
				Enacted Budget	Mid-Year Update Projection	
Opening Balance (April 1, 2007)	3,045	3,045	3,045	N/A	N/A	(212)
Receipts	36,041	35,616	35,513	(528)	(103)	448
Personal Income Tax	13,889	13,915	13,910	21	(5)	(695)
User Taxes and Fees	6,543	6,521	6,540	(3)	19	276
Business Taxes	4,589	4,378	4,086	(503)	(292)	(433)
All Other Taxes, Receipts & Grants	2,536	2,345	2,478	(58)	133	(109)
Transfers From Other Funds	8,484	8,457	8,499	15	42	1,409
Disbursements	36,637	36,897	36,881	(244)	16	926
Local Assistance	22,827	22,936	23,179	(352)	(243)	1,028
State Operations						
Personal Service	5,690	5,644	5,592	98	52	(78)
Non-Personal Service	1,986	1,995	2,011	(25)	(16)	206
General State Charges	3,829	3,605	3,569	260	36	(52)
Transfers To Other Funds	2,305	2,717	2,530	(225)	187	(178)
Change in Operations	(596)	(1,281)	(1,368)	(772)	(87)	(478)
Closing Balance (December 31, 2007)	2,449	1,764	1,677	N/A	N/A	(690)

The following describes the difference between estimates and actual results. All comparisons are for the nine-month period for April 1 through December 31, 2007 and, in discussions of annual change, for the comparable nine-month period in 2006.

General Fund Comparison to Mid-Year Update Projections

The General Fund ended December 2007 with a cash balance of \$1.7 billion, \$87 million lower than projected in the Mid-Year Update. Through December 2007, General Fund receipts, including transfers from other funds, totaled \$35.5 billion, \$103 million lower than the public forecast, mainly due to higher-than-expected refunds of personal income tax and lower-than-expected business tax collections, offset by higher-than-expected real estate transfer tax collections and miscellaneous receipts collections.

General Fund disbursements through December 2007 totaled \$36.9 billion, \$16 million lower than projected as described below. The relatively minor variance is the result of several offsetting factors:

- **School Aid (\$102 million higher than planned):** Largely attributable to the timing of general aid and categorical aid payments.
- **Public Health (\$69 million higher than planned):** Largely due to the timing of EI program payments.

- **Medicaid, including Administration (\$76 million higher than planned):** Largely reflects faster-than-anticipated administrative payments to local governments for the cost of administering Medicaid programs.
- **General State Charges (\$36 million lower than planned):** Primarily attributable to the timing of taxes paid on State-owned lands to certain municipalities and lower-than-projected Workers' Compensation payments.
- **Transfers to Other Funds (\$187 million lower than planned):** The decrease is due to the timing of the expected transfer from the General Fund to the Debt Reduction Reserve Fund, which was originally projected to occur in December 2007 and is now projected to be completed in March 2008.

General Fund Comparison to Enacted Budget Projections

General Fund receipts totaled \$35.5 billion, \$528 million lower than the Enacted Budget forecast. This variance is due in large part to lower-than-expected collections in the corporation franchise tax (\$388 million), which were below expectations due to the timing of large audit collections originally expected in December, and now expected in the last quarter of 2007-08.

General Fund disbursements totaled \$36.9 billion, \$244 million higher than projected in the Enacted Budget. The most significant spending variances include:

- **School Aid (\$188 million higher than planned):** Largely attributable to earlier-than-anticipated payments which are non-statutory and largely based on the execution of contracts and the submission of claims by school districts.
- **Other Education Aid (\$77 million higher than planned):** Attributable to earlier-than-anticipated payments for library aid, case services to individuals with disabilities, community projects funds, workforce education, and various other education programs.
- **Medicaid (\$146 million lower than planned):** Lower than projected Medicaid spending is driven largely by a moderation in caseload and the timing of certain payments and offsets, which has resulted in lower overall utilization of Medicaid services.
- **Children and Family Services (\$77 million higher than planned):** Due to variations from the anticipated spending patterns across all programs.
- **Special Education (\$96 million higher than planned):** Primarily attributable to earlier-than-projected claiming for preschool special education, following administrative accelerations.
- **General State Charges (\$260 million lower than planned):** Underspending was primarily driven by earlier than expected escrow payments which reduce General Fund costs, as well as various timing issues mostly related to Workers' Compensation Claims.
- **Transfers to Other Funds (\$225 million higher than planned):** Driven primarily by earlier than anticipated spending for economic development and higher education projects.

General Fund Annual Change

On a year-over-year basis, General Fund receipts through December 2007 were up \$448 million, or 1.3 percent, compared to the same period in 2006-07. Increases in transfers from other funds, user taxes and fees and miscellaneous receipts, slightly offset by declines in the personal income tax, business taxes, other taxes and Federal Grants, account for the growth.

General Fund spending was \$926 million higher than actual results through the same period for fiscal year 2006-07. Significant changes in spending levels from the same period last year include:

- **School Aid (\$674 million growth):** Reflects growth associated with increased tail payments for the final three months of the 2006-07 school year (\$239 million) and increased payments for the first six months of the 2007-08 school year as authorized in the Enacted Budget for 2007-08 (\$429 million).
- **Special Education (\$196 million growth):** Annual growth primarily reflects the accelerated submission of claims by counties and accelerated processing of claims by SED in 2007-08 compared to 2006-07.
- **Children and Family Services (\$200 million growth):** Higher spending is primarily attributable to growth in child welfare services (\$93 million), growth in Foster Care Block Grant payments (\$31 million) and payments made for residential education placements for children with needs that cannot be accommodated by public school districts (\$23 million).
- **Medicaid, including Administration (\$315 million decline):** Consistent with current year reestimates in Medicaid, the year-over-year decline is primarily due to a moderation in enrollment and the timing of certain payments and offsets, which has resulted in lower overall utilization of Medicaid services.
- **Public Health (\$112 million growth):** Higher spending is largely attributable to the timing of local public health program payments, as well as additional health care investments included in the 2007-08 Enacted Budget.
- **Local Government Aid (\$257 million decline):** Largely reflects a one-time reduction in New York City's unrestricted local government assistance in 2007-08.
- **Welfare (\$170 million growth):** Reflects a return to the traditional pattern of local district advances.
- **Non-Personal Service (\$206 million growth):** Reflects inflationary growth in non-personal service spending primarily in the State University of New York (SUNY) (\$77 million), Corrections (\$57 million), and the Judiciary (\$19 million).
- **Transfers to Other Funds (\$178 million decline):** Transfers to Capital Projects Funds increased by \$224 million, primarily due to increased spending for authority bonded economic development programs and General Obligation bonded transportation and environment programs, as well as the timing of authority bond receipts. The growth in transfers to Capital Project Funds was offset by a decline in transfers to Debt Service Funds (\$172 million), due mainly to the payment of debt service on certain SUNY construction bonds in March 2007 rather than April 2007, and the decline in transfers to other funds (\$230 million), due mainly to a delay in the expected transfer to the Debt Reduction Reserve Fund.

State Operating Funds

2007-08 Fiscal Year-to-Date Results						
Actual Year-to-Date Results: April through December 2007						
State Operating Funds Results vs. Projections; Year-to-Year Comparison						
(millions of dollars)						
	Enacted Budget	Mid-Year Update Projection	Actual Results	Actuals vs. Estimates		
				Favorable/ (Unfavorable) vs. Plan		Increase/ (Decrease) from Prior Year
			Enacted Budget	Mid-Year Update Projection		
Total Receipts	53,420	53,341	53,072	(348)	(269)	1,571
Personal Income Tax	24,825	24,859	24,855	30	(4)	1,500
User Taxes and Fees	9,896	9,806	9,816	(80)	10	367
Business Taxes	5,705	5,455	5,143	(562)	(312)	(466)
Other Taxes	1,378	1,427	1,446	68	19	(140)
Miscellaneous Receipts	11,571	11,721	11,738	167	17	372
Federal Grants	45	73	74	29	1	(62)
Total Disbursements	55,797	55,636	55,231	566	405	2,741
Local Assistance						
Medicaid, including admin	9,245	8,986	9,143	102	(157)	233
School Aid	11,095	11,101	11,162	(67)	(61)	960
STAR	4,730	4,730	4,622	108	108	989
Transportation	2,665	2,642	2,604	61	38	552
Temporary and Disability Assistance	1,203	1,231	1,249	(46)	(18)	142
Public Health	2,079	1,977	1,908	171	69	(179)
Higher Education	1,460	1,411	1,430	30	(19)	21
Children and Family Services	991	1,083	1,069	(78)	14	201
Mental Hygiene	1,165	1,202	1,215	(50)	(13)	169
All Other Education	1,005	1,202	1,185	(180)	17	243
All Other	1,449	1,320	1,288	161	32	(640)
State Operations	11,714	11,721	11,603	111	118	364
General State Charges	4,306	4,062	4,025	281	37	(35)
Capital Projects	3	4	6	(3)	(2)	(2)
Debt Service Funds	2,687	2,964	2,722	(35)	242	(277)

State Operating Funds Comparison to Second Quarterly Update Projections

State Operating Funds receipts totaled \$53.1 billion or \$269 million less than the last forecast. Tax receipts totaled \$41.3 billion, \$287 million below the Mid-Year Update estimate. The decrease is the result of lower-than-anticipated collections in business taxes, slightly offset by higher-than-anticipated collections in the other tax categories.

Disbursements totaled \$55.2 billion, \$405 million below the Second Quarterly Update forecast. The largest variances outside the General Fund include the timing of HCRA-supported public health spending, particularly in the HCRA Program Account and in CHP (\$158 million); and lower-than-projected STAR payments (\$108 million). These variances are believed to be timing related and are not expected to result in lower spending for the fiscal year.

State Operating Funds Comparison to Enacted Budget Projections

Through December 2007, State Operating Funds receipts totaled \$53.1 billion or \$348 million less than the Enacted Budget projection. Tax receipts totaled \$41.3 billion, \$544 million less than the Enacted Budget estimate. The variance is due in large part to lower-than-expected collections in the corporate franchise tax (\$456 million) reflecting a delayed audit settlement payment, slightly offset by higher than expected

collections in personal income tax (\$30 million) due to higher than expected receipts from withholding and estimated payments.

State Operating Funds disbursements totaled \$55.2 billion, \$566 million below the Enacted Budget. The largest variances outside the General Fund include the timing of HCRA-supported public health spending (\$122 million); lower-than-projected STAR payments (\$108 million), and lower than projected EPIC spending (\$86 million).

State Operating Funds Annual Change

Total taxes increased by \$1.3 billion, or 3.2 percent, compared to the same period in 2006-07. This increase is largely attributable to two factors. First, there were large one-time audit recoveries in business taxes in 2006. Second, the child credit enacted in 2006 significantly increased income tax refunds during the April-May period. Annual miscellaneous receipts growth is largely driven by lottery revenue growth (\$230 million).

Compared to the same period in 2006-07, State Operating Funds disbursements were \$2.7 billion higher in the current year. The largest increases were for School Aid, reflecting growth in payments of general aid (\$960 million); transportation programs, largely Mass Transportation Operating Assistance (\$552 million); STAR, driven by middle-class STAR property tax rebates (\$989 million); State Operations (\$364 million), largely reflecting salary increases, workforce growth and non-personal service inflation; and Welfare (\$142 million); Special Education (\$196 million); and Children and Family Services (\$201 million).

Capital Projects Funds

2007-08 Fiscal Year-to-Date Results						
Actual Year-to-Date Results: April through December 2007						
Capital Projects Funds Results vs. Projections; Year-to-Year Comparison						
(millions of dollars)						
	Enacted Budget	Mid-Year Update Projection	Actual Results	Actuals vs. Estimates Favorable/ (Unfavorable) vs. Plan		Increase/ (Decrease) from Prior Year
				Enacted Budget	Mid-Year Update Projection	
Total Receipts	4,540	4,326	4,288	(252)	(38)	178
Taxes	1,584	1,488	1,519	(65)	31	70
Miscellaneous Receipts	1,452	1,607	1,498	46	(109)	82
Federal Grants	1,504	1,231	1,271	(233)	40	26
Total Disbursements	5,105	4,548	4,507	598	41	399
Transportation	2,572	2,560	2,703	(131)	(143)	(55)
Economic Development	225	295	279	(54)	16	172
Public Protection	250	230	190	60	40	22
Mental Hygiene	163	155	158	5	(3)	28
Environment	400	380	371	29	9	64
Higher Education	490	462	454	36	8	(20)
All Other	1,005	466	352	653	114	188

Capital Projects Funds Comparison to Mid-Year Financial Plan Projections

Receipts totaled \$4.3 billion or \$38 million less than the Mid-Year Update forecast. Total tax receipts were \$31 million higher than anticipated. Lower-than-anticipated reimbursements for bond-financed programs resulted in lower-than-projected miscellaneous receipts. Federal grants exceeded the estimated forecast. Disbursements totaled \$4.5 billion, \$41 million below the Mid-Year projection, largely driven by lower-than-anticipated spending for economic development, health, and public protection projects offset by higher than anticipated spending for transportation projects.

Capital Projects Funds Comparison to Enacted Budget Projections

Through December 2007, Capital Projects Funds receipts totaled \$4.3 billion or \$252 million less than the Enacted Budget forecast. Higher than anticipated reimbursements for transportation projects resulted in higher than projected miscellaneous receipts. Federal grant reimbursements for spending lagged behind the estimated forecast, as did related disbursements.

Through December 2007, Capital Projects Funds disbursements totaled \$4.5 billion, \$598 million below the Enacted Budget projection, largely driven by slower than anticipated spending for environmental projects financed with general obligation bonds (\$29 million), and higher education, public protection, and health projects financed with authority bonds (\$276 million).

Capital Projects Funds Annual Change

Total taxes increased by \$70 million, or 4.8 percent, compared to the same period in 2006-07, driven by growth in other taxes and business taxes, offset slightly by declines in user taxes and fees. Annual miscellaneous receipts growth is largely driven by an increase in bond proceeds used to finance capital projects. Disbursements were \$399 million higher primarily driven by increased spending for economic development (\$172 million), environmental (\$64 million) and health (\$35 million) projects.

Federal Operating Funds

2007-08 Fiscal Year-to-Date Results						
Actual Year-to-Date Results: April through December 2007						
Federal Operating Fund Results vs. Projections; Year-to-Year Comparison						
(millions of dollars)						
	Enacted Budget	Mid-Year Update Projection	Actual Results	Actuals vs. Estimates		
				Favorable/ (Unfavorable) vs. Plan		
				Enacted Budget	Mid-Year Update Projection	Increase/ (Decrease) from Prior Year
Total Receipts	24,981	22,918	23,406	(1,575)	488	(670)
Miscellaneous Receipts	128	145	157	29	12	6
Federal Grants	24,853	22,773	23,249	(1,604)	476	(676)
Total Disbursements	24,902	23,727	23,315	1,587	412	(734)
Local Assistance						
Medicaid, Including admin	15,193	14,497	14,141	1,052	356	(669)
School Aid	1,693	1,558	1,508	185	50	(339)
Temporary and Disability Assistance	1,944	1,920	2,012	(68)	(92)	(63)
Children and Family Services	768	645	665	103	(20)	111
Public Health	823	823	758	65	65	55
All Other	2,415	2,331	2,274	141	57	115
State Operations	1,905	1,790	1,794	111	(4)	43
General State Charges	161	163	163	(2)	0	13

Federal Operating Funds Comparison to Mid-Year Financial Plan Projections

Federal Operating Funds receipts totaled \$23.4 billion or \$488 million more than the Mid-Year forecast due to Federal grants exceeding the estimated forecast. Disbursements totaled \$23.3 billion, \$412 million below the Mid-Year Update Budget projection largely attributable to lower Federal spending for Medicaid (\$356 million), lower-than-projected Federal School Aid payments (\$50 million), lower public health spending (\$65 million), and partially offset by higher-than-projected Federal spending for social services (\$112 million).

Federal Operating Funds Comparison to Enacted Budget Projections

Federal Operating Funds receipts totaled \$23.4 billion or \$1.6 billion less than the Mid-Year Update due to Federal grants falling below the Enacted Budget forecast. Disbursements totaled \$23.3 billion, \$1.6 billion below the Enacted Budget projection largely attributable to lower than anticipated Federal spending for Medicaid (\$1.0 billion), Children and Family Services (\$103 million), and School Aid (\$185 million).

Federal Operating Funds Annual Change

Total receipts decreased by \$670 million compared to the same period in 2006-07. The annual decline is driven by the timing of Federal aid. Total disbursements were \$734 million lower, due primarily to lower Federal Medicaid spending (\$669 million), the timing of the federally supported School Aid spending, including free and reduced-price meals (\$339 million), and partially offset by higher Federal spending for adoption and child care.

All Funds Summary

2007-08 Fiscal Year-to-Date Results						
Actual Year-to-Date Results: April through December 2007						
All Funds Results vs. Projections; Year-to-Year Comparison						
(millions of dollars)						
	Enacted Budget	Mid-Year Update Projection	Actual Results	Actuals vs. Estimates Favorable/ (Unfavorable) vs. Plan		
				Enacted Budget	Mid-Year Update Projection	Increase/ (Decrease) from Prior Year
Total Receipts	83,371	80,584	80,765	(2,606)	181	803
Personal Income Tax	24,825	24,859	24,855	30	(4)	1,341
User Taxes and Fees	10,823	10,674	10,694	(129)	20	323
Business Taxes	6,201	5,928	5,636	(565)	(292)	(421)
Other Taxes	1,514	1,574	1,594	80	20	(90)
Miscellaneous Receipts	13,631	13,472	13,392	(239)	(80)	363
Federal Grants	26,377	24,077	24,594	(1,783)	517	(713)
Total Disbursements	85,804	83,887	83,053	2,751	834	2,406
General Fund*	34,332	34,180	34,351	(19)	(171)	1,104
Special Revenue Funds	43,680	42,195	41,473	2,207	722	1,180
Capital Projects Funds	5,105	4,548	4,507	598	41	399
Debt Service Funds	2,687	2,964	2,722	(35)	242	(277)

* Excludes Transfers

2008-09 FINANCIAL PLAN

Introduction

This section describes (1) the economic forecast that served as the basis for developing the Executive Budget and (2) the State's Financial Plan projections for receipts and disbursements based on the 2008-09 Executive Budget recommendations. 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 and the impact of Executive Budget recommendations on each of the State's major categories of spending (Local Assistance, State Operations, General State Charges, Debt Service and Capital Projects).

Financial Plan projections are presented on an All Funds basis, which encompasses activity in the General Fund, State Operating Funds, Capital Projects Funds, and Federal Operating Funds, thus providing the most comprehensive view of the financial operations of the State.

Economic Outlook

The U.S. Economy

The U.S. economy has continued to lose momentum since the summer. Large declines in residential construction and reduced demand for autos and housing-related durable goods, combined with past energy price increases and credit market tightening, continue to generate a significant drag on economic growth. The uncertainty associated with the still unfolding subprime mortgage problem has substantially increased financial market volatility, reduced financial sector profits, and diminished the accessibility of credit to the nation's households and businesses. In addition, labor market growth has decelerated since the early part of 2007. In response to these developments, the Federal Reserve has lowered its short-term interest rate target 100 basis points to 4.25 percent since August 2007 and has intervened in credit markets to enhance liquidity several times.

On the positive side, robust global growth and a weak dollar have produced strong demand for U.S. exports. In addition, the Federal government, in concert with the banking community, is developing a plan under which subprime borrowers whose rates are due to reset at much higher levels over the next several years can arrange more favorable terms with their lenders. Some states and private lenders are offering their own initiatives to forestall a rising foreclosure rate. In combination with Federal Reserve actions, these interventions are expected to allow the economy to gradually rebound to its long-term trend growth rate over the course of 2008, after bottoming out below 2 percent in the fourth quarter of 2007 and first quarter of 2008. DOB projects growth of 2.2 percent for 2008, following growth of about the same magnitude for 2007. Though DOB is not forecasting a recession at this time, the risk of a recession is judged to have increased significantly since the fall.

The risks notwithstanding, there are good reasons to believe that the economy will experience a period of low growth, but elude recession. The global economy overall is strong and should be able to sustain solid growth even in the face of a U.S. slowdown. Moreover, a falling dollar increases U.S. competitiveness in the global marketplace. Though the labor market has slowed, initial unemployment insurance claims are still low by historical standards and employee earnings growth remains healthy. Though credit markets are tight, interest rates are also low by historical standards. Finally, government spending has been strong and, perhaps more importantly, both the Federal government and the Federal Reserve are playing active roles in trying to keep the economy out of recession. As a result of all of these factors, following two quarters of very low growth in the fourth quarter of 2007 and the first quarter of 2008, the national economy is expected to improve with each subsequent quarter, until reaching growth of 3.0 percent by the fourth quarter of 2008.

The New York State Economy

The national economic slowdown is having a significant impact on the New York State economy. Indeed, the New York State Leading Index is signaling a mild downturn in the State economy starting in early 2008. The impact of the current credit market crisis on State wages is projected to be greatest in the first quarter 2008, during the height of the financial sector bonus season. Indeed, the current credit crisis could have a more deleterious effect on the New York State economy than on the nation as a whole given New York City's status as an international financial center. Though State economic growth is expected to slow in 2008, conditions are not expected to approach those of a recession. The State's large education and health sectors are expected to continue exhibiting robust growth. In addition, tourism and trade are expected to continue to be bolstered by the weak dollar, particularly in New York City and those areas bordering Canada.

The credit crunch and expected decline in finance and insurance sector bonuses, combined with slowing job growth, will result in significantly lower wage growth in 2008. DOB projects total wage growth of 3.3 percent for 2008, following an estimated increase of 7.6 percent for 2007. Slower growth in both the wage and non-wage components of income will result in total personal income growth of 4.3 percent for 2008, following 7.4 percent growth for 2007. The low growth in 2008 is due largely to a projected decline in finance and insurance sector bonuses for the first quarter 2008 and generally weak bonus growth for the other sectors due to the overall economic slowdown.

Consistent with flat securities industry profits for 2007, DOB is projecting a decline in finance and insurance sector bonuses of 2.8 percent for the 2007-08 bonus season now in progress. However, there is considerable risk to this forecast. Though bonus payouts have historically been evenly split between cash and stock incentive payments, the split is expected to be more heavily weighted toward stocks for the current bonus season. This shift could have substantial implications for Federal, State, and local tax revenues since income derived from stock options is not taxed until the option is exercised.

Though there are parallels between State and national labor market trends, there are differences as well. As at the national level, State private sector job growth is expected to be greatest in education and health care and social assistance services, with healthy gains expected for leisure, hospitality, and other services and professional, scientific, and technical services. Similarly, both the State and the nation are projected to see large declines in the manufacturing and mining sector. However, trends appear to diverge dramatically for the construction sector. DOB projects national construction employment to decline for 2008, consistent with the national housing market contraction. However, State construction employment is projected to grow in 2008, albeit at a slower rate than in 2007. The continued strength of the New York City real estate market and the absence of a significant housing boom in much of upstate New York explain most of this difference. As for the nation, the State's average annual unemployment rate is expected to rise in 2008, from 4.4 percent for 2007 to 4.9 percent this year.

Receipts Forecast

Financial Plan receipts comprise a variety of taxes, fees, charges for State-provided services, Federal grants, and other miscellaneous receipts. The receipts estimates and projections have been prepared by DOB on a multi-year basis with the assistance of the Department of Taxation and Finance and other agencies responsible for the collection of State receipts. See the Executive Budget volume entitled, "Economic and Revenue Outlook" available at the DOB website for detailed information on the economic and receipts projections underlying the Executive Budget.

Overview of the Revenue Situation

- Base receipt growth over the period 2004-05 to 2006-07, supported by a strong financial services sector and real estate market, averaged over 11 percent. However, the current slowdown in

economic activity is estimated to negatively impact receipt growth for 2007-08 and 2008-09. As a result, base tax receipt growth (correcting for law changes) falls to 4.2 percent in 2008-09 from 6.5 percent in 2007-08.

- The negative impact of the subprime mortgage situation on the financial services industry is expected to result in declines in bonus payouts over the remainder of the current fiscal year (5.5 percent decline) and reduced growth in business tax receipts over the remaining years of the Financial Plan.
- The financial sector is expected to slowly recover in 2008 and bonus growth levels return to roughly 10 percent per year over the 2008-09 to 2010-11 period.
- The risks stemming from the volatile real estate and financial markets represent even greater risks to revenues due to the high concentration of taxable income among a relatively small segment of the taxpaying population.
- The slowdown in the residential housing market is projected to largely eliminate the recent surge in taxable capital gains realizations associated with real estate sales.
- The economy is expected to slow but not enter recession, and as a result, it is expected that personal income tax withholding (6.2 percent) and sales tax collections (2.7 percent) will continue to grow but at a more modest pace in 2008-09.
- The combined impact of slowing real estate and financial markets and weakening profitability in the financial sector projected for 2008 results in estimated personal income tax liability growth of only 3.9 percent in 2008, rebounding to 6.5 percent in 2009.
- The large audit settlements associated with financial service industry firms continued into 2007-08 but are expected to be largely concluded before 2008-09, and this loss of resources represents another negative to the receipts forecast.

All Funds receipts are projected to total \$123.1 billion, an increase of \$6.3 billion over 2007-08 projections. The following table summarizes the receipts projections for 2007-08 and 2008-09.

Total Receipts (millions of dollars)				
	2007-08 Current	2008-09 Proposed	Annual \$ Change	Annual % Change
State Operating Funds	75,692	80,040	4,348	5.7%
General Fund *	41,083	43,950	2,867	7.0%
Other State Funds	21,391	22,283	892	4.2%
Debt Service Funds	13,218	13,807	589	4.5%
All Governmental Funds	116,834	123,105	6,271	5.4%
State Operating Funds	75,692	80,040	4,348	5.7%
Capital Projects Funds	7,087	8,084	997	14.1%
Federal Operating Funds	34,055	34,981	926	2.7%

*Excludes transfers.

The following table provides historical and projected data on the growth of actual and base receipts compared to personal income.

Governmental Funds Actual and Base Tax Receipts Growth (percent growth)				
State Fiscal Year	Actual Receipts	Base Receipts	Personal Income Growth	
2000-01	7.9	10.1	6.1	
2001-02	(4.9)	(4.2)	(0.2)	
2002-03	(6.7)	(8.0)	0.2	
2003-04	8.2	5.8	4.2	
2004-05	13.4	11.4	6.5	
2005-06	10.2	9.5	8.7	
2006-07	9.6	12.9	7.2	
2007-08	3.7	6.5	5.6	
2008-09	6.5	4.2	4.6	
2009-10	6.0	6.1	4.9	
2010-11	4.8	5.2	5.2	
2011-12	5.5	5.5	5.1	
	Actual	Base	Inflation Adjusted	Personal
	Receipts	Receipts	Base Change	Income
Historical Average (87-88 to 06-07)	4.6	4.4	1.3	5.2
Forecast Average (07-08 to 11-12)	5.3	5.5	2.9	5.1
Recessions	1.5	(0.6)	(3.3)	2.6
Expansions	4.5	5.3	2.1	6.3

Base growth, adjusted for law changes, in tax receipts for fiscal year 2007-08 is estimated at 6.5 percent and 4.2 percent for 2008-09. Overall base growth in tax receipts is dependent on many factors. Over the past several fiscal years the most important factors explaining tax receipt growth have been related to:

- improvements in overall economic activity, especially in New York City and surrounding counties;

- continued profitability and compensation gains of financial services companies;
- continued growth in the downstate commercial real estate market; and
- continued positive impact of high-income taxpayers on personal income tax growth.

Each of these factors is expected to become a negative drag on receipts over the next fiscal year. The same factors that spurred economic and tax receipt growth in recent fiscal years are now expected to retard growth in 2007-08 and 2008-09.

Personal Income Tax

Personal Income Tax (millions of dollars)					
	2006-07	2007-08	Annual	2008-09	Annual
	<u>Actual</u>	<u>Estimated</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>
General Fund	22,940	22,735	(205)	24,391	1,656
Gross Collections	40,090	43,123	3,033	45,861	2,738
Refunds	(5,510)	(6,572)	(1,062)	(7,056)	(484)
STAR	(3,994)	(4,678)	(684)	(4,713)	(35)
RBTF	(7,646)	(9,138)	(1,492)	(9,701)	(563)
State/All Funds	34,580	36,551	1,971	38,805	2,254
Gross Collections	40,090	43,123	3,033	45,861	2,738
Refunds	(5,510)	(6,572)	(1,062)	(7,056)	(484)

All Funds personal income tax (PIT) receipts, which reflects the net of gross payments minus refunds, for 2007-08 are estimated at \$36.6 billion, an increase of nearly \$2.0 billion or 5.7 percent over the prior year. The increase is primarily attributable to moderately strong growth in withholding of \$1.6 billion, or 6 percent, and solid growth in estimated taxes for tax year 2007 liabilities of \$1.0 billion (13.2 percent). In addition, reflecting taxpayer uncertainty with the expiration of the temporary surcharge, final settlement payments for the 2006 tax year were mixed. The strongest component was a 12.3 percent (\$342 million) increase in extension payments. The \$64 million (3.3 percent) growth in payments accompanying final returns was relatively weak, and the 19.3 increase (roughly \$1.1 billion) in refunds reflected in large part some \$650 million of claims for the Empire State child credit effective in tax year 2006. The following table summarizes, by component, actual receipts for 2006-07 and forecast amounts through 2011-12.

Personal Income Tax Fiscal Year Collection Components						
All Funds						
(millions of dollars)						
	2006-07 (Actual)	2007-08 (Estimated)	2008-09 (Projected)	2009-10 (Projected)	2010-11 (Projected)	2011-12 (Projected)
Receipts						
Withholding	26,802	28,401	30,176	32,093	33,795	36,283
Estimated Payments	10,355	11,697	12,527	13,481	14,751	15,455
Current Year	7,572	8,572	9,152	9,726	10,576	11,030
Prior Year*	2,783	3,125	3,375	3,755	4,175	4,425
Final Returns	2,102	2,116	2,211	2,359	2,516	2,682
Current Year	194	145	180	180	180	180
Prior Year*	1,907	1,971	2,031	2,179	2,336	2,502
Delinquent Collections	831	909	947	986	1027	1065
Gross Receipts	40,090	43,123	45,861	48,919	52,089	55,485
Refunds						
Prior Year*	3,231	4,248	4,412	4415	4765	5163
Previous Years	257	315	290	310	330	330
Current Year*	1,500	1500	1,750	1,750	1,750	1,750
State-City Offset*	522	509	604	684	758	842
Total Refunds	5,510	6,572	7,056	7,159	7,603	8,085
Net Receipts	34,580	36,551	38,805	41,760	44,486	47,400

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

All Funds income tax receipts for 2008-09 of \$38.8 billion are projected to increase \$2.3 billion or 6.2 percent over the prior year. Gross receipts are projected to increase 6.3 percent and reflect projected withholding growth of 6.2 percent (\$1.8 billion), while the growth in estimated taxes for tax year 2008 liabilities is expected to reach 6.8 percent (\$580 million). Payments from extensions and final returns for tax year 2007 are projected to increase by 8.0 percent and 4.5 percent, respectively. Receipts from delinquencies are projected to increase \$38 million over the prior year. Growth in total refunds is estimated at \$484 million or 7.4 percent.

General Fund income tax receipts are net of deposits to the STAR Fund, which provides property tax relief, and the Revenue Bond Tax Fund (RBTF), which supports debt service payments on State Personal Income Tax Revenue bonds. General Fund income tax receipts for 2007-08 of \$22.7 billion are expected to decrease by \$205 million or 0.9 percent from the prior year. This decline reflects both a large increase in STAR deposits of \$685 million associated with the middle-class rebate program, and a \$1,492 million increase in deposits to the RBTF. The latter reflects Enacted Budget legislation that provides that deposits to the RBTF be calculated before the deposit of income tax receipts to the STAR Fund; in previous fiscal years this transfer was calculated after the STAR transfer, so the RBTF transfer was changed by 25 percent of the amount of the STAR deposit.

General Fund income tax receipts for 2008-09 of \$24.4 billion are projected to increase by \$1.7 billion or 7.3 percent over the prior year. The increase reflects a slight reduction in the STAR transfer which in turn is attributable to a one-time delay of a \$250 million payment to New York City until June 2009. Deposits to the RBTF are expected to increase by 6.2 percent, the same percentage increase as projected for net collections since the transfer equals 25 percent of net collections.

Personal Income Tax Change From Mid-Year Update Estimates & Projections (millions of dollars)								
	2007-08	2007-08	Change	Percent	2008-09	2008-09	Change	Percent
	Mid-Year Update	Executive Budget		Change	Change	Mid-Year Update		Executive Budget
General Fund	22,697	22,735	38	0.2	23,940	24,391	451	1.9
Gross Collections	42,933	43,123	190	0.4	45,896	45,861	(35)	(0.1)
Refunds	(6,363)	(6,572)	(209)	3.3	(6,832)	(7,056)	(224)	3.3
STAR	(4,730)	(4,678)	52	(1.1)	(5,358)	(4,713)	645	(12.0)
RBTF	(9,143)	(9,138)	5	(0.1)	(9,766)	(9,701)	65	(0.7)
State/All Funds	36,570	36,551	(19)	(0.1)	39,064	38,805	(259)	(0.7)
Gross Collections	42,933	43,123	190	0.4	45,896	45,861	(35)	(0.1)
Refunds	(6,363)	(6,572)	(209)	3.3	(6,832)	(7,056)	(224)	3.3

Compared to the Mid-Year Update, 2007-08 All Funds income tax receipts are revised down by \$19 million. The decrease reflects a modest decrease in withholding of \$100 million, and higher-than-projected estimated and final return payments for tax year 2007 of \$250 million and \$40 million, respectively, offset by higher-than-expected refunds of \$209 million (\$164 million for tax year 2006 and \$45 million for prior tax years).

Compared to the Mid-Year Update, 2008-09 All Funds income tax receipts are revised downward by \$259 million. This reflects lower withholding of \$200 million, additional estimated tax payments related to tax year 2008 of \$130 million, an increase in current return payments of \$35 million related to legislation proposed with this Budget, and a \$224 million increase in total refunds. The increase in refunds is the net of a \$500 million upward re-estimate for current tax year 2007 refunds, \$250 million of which is the one-time impact of increasing the January-March refund cap from \$1,500 million to \$1,750 million, a \$100 million downward revision in the State-city offset, and a \$176 million reduction in refunds due to legislation intended to promote improved tax compliance.

Personal Income Tax (millions of dollars)							
	2008-09	2009-10	Annual	2010-11	Annual	2011-12	Annual
	Projected	Projected	Change	Projected	Change	Projected	Change
General Fund	24,391	25,897	1,506	27,415	1,518	29,315	1,900
Gross Collections	45,861	48,919	3,058	52,089	3,170	55,485	3,396
Refunds	(7,056)	(7,159)	(103)	(7,603)	(444)	(8,085)	(482)
STAR	(4,713)	(5,423)	(710)	(5,949)	(526)	(6,235)	(286)
RBTF	(9,701)	(10,440)	(739)	(11,122)	(682)	(11,850)	(728)
State/All Funds	38,805	41,760	2,955	44,486	2,726	47,400	2,914
Gross Collections	45,861	48,919	3,058	52,089	3,170	55,485	3,396
Refunds	(7,056)	(7,159)	(103)	(7,603)	(444)	(8,085)	(482)

All Funds income tax receipts for 2009-10 of \$41.8 billion are projected to increase \$2.95 billion or 7.6 percent over the prior year. Gross receipts are projected to increase 6.7 percent and reflect withholding that is projected to grow by 6.4 percent (\$1.9 billion). Total estimated taxes on prior and current year liabilities reflect the expectation of continued growth in incomes of wealthy taxpayers and will increase by an estimated 7.6 percent (\$954 million). Payments from final returns are expected to increase 6.7 percent (\$148 million). Delinquencies are projected to increase \$39 million or 4.1 percent over the prior year. Growth in total refunds

is projected at \$103 million or 1.5 percent over the prior year. This low growth reflects the one-time \$250 million increase in 2008-09 refunds noted above.

General Fund income tax receipts for 2009-10 of \$25.9 billion are projected to increase by \$1.5 billion, or 6.2 percent. General Fund receipts for 2009-10 reflect an increase in STAR deposits of \$710 million due to the resumption of the middle-class rebate program as well as the fact that 2008-09 transfers were reduced by \$250 million for the New York City timing change noted above, and a \$739 million increase in deposits to the RBTF.

All Funds income tax receipts for 2010-11 and 2011-12 are projected to reach \$44.5 billion and \$47.4 billion, respectively. General Fund receipts are projected at \$27.4 billion and \$29.3 billion, respectively.

User Taxes and Fees

User Taxes and Fees (millions of dollars)					
	2006-07	2007-08	Annual	2008-09	Annual
	<u>Actual</u>	<u>Estimated</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>
General Fund	8,186	8,503	317	8,832	329
Sales Tax	7,539	7,865	326	8,080	215
Cigarette and Tobacco Taxes	411	407	(4)	437	30
Motor Vehicle Fees	(16)	(21)	(5)	47	68
Alcoholic Beverage Taxes	194	200	6	220	20
ABC License Fees	58	52	(6)	48	(4)
State/All Funds	13,456	13,903	447	14,217	314
Sales Tax	10,738	11,199	461	11,504	305
Cigarette and Tobacco Taxes	985	973	(12)	1,052	79
Motor Fuel	513	511	(2)	351	(160)
Motor Vehicle Fees	769	772	3	830	58
Highway Use Tax	153	148	(5)	162	14
Alcoholic Beverage Taxes	194	200	6	219	19
ABC License Fees	58	51	(7)	48	(3)
Auto Rental Tax	46	49	3	51	2

All Funds user taxes and fees receipts for 2007-08 are estimated to be \$13.9 billion, an increase of \$447 million or 3.3 percent from 2006-07. Sales tax receipts are expected to increase by \$461 million from the prior year due to a base growth of 3.5 percent before the impact of law changes. This is due largely to projected modest increases in employment, income and overall taxable consumption. Non-sales tax user taxes and fees are estimated to decrease by \$14 million from 2006-07 mainly due a decrease in cigarette tax and highway use tax collections.

General Fund user taxes and fees receipts are expected to total \$8.5 billion in 2007-08, an increase of \$317 million or 3.9 percent from 2006-07. The increase reflects an increase in sales tax receipts of \$326 million due to base growth.

All Funds user taxes and fees receipts for 2008-09 are projected to be \$14.2 billion, an increase of \$314 million, or 2.3 percent from 2007-08. General Fund user taxes and fees receipts are projected to total \$8.8 billion in 2008-09, an increase of \$329 million, or 3.9 percent from 2007-08. This increase largely reflects a projected increase in sales tax and motor vehicle fee receipts. Motor vehicle fee receipts are projected to increase due to a proposal to offer a "Western Hemisphere Travel Initiative" compliant driver's license in New York State. The large decline in motor fuel tax receipts reflects the proposal in this Budget to combine the motor fuel tax into the petroleum business tax.

User Taxes and Fees Change From Mid-Year Update Estimates & Projections (millions of dollars)								
	2007-08		Change	Percent Change	2008-09		Change	Percent Change
	Mid-Year Update	Executive Budget			Mid-Year Update	Executive Budget		
General Fund	8,506	8,503	(3)	(0.0)	8,805	8,832	27	0.3
Sales Tax	7,865	7,865	0	0.0	8,103	8,080	(23)	(0.3)
Cigarette and Tobacco Taxes	407	407	0	0.0	436	437	1	0.2
Motor Vehicle Fees	(18)	(21)	(3)	16.7	13	47	34	261.5
Alcoholic Beverage Taxes	200	200	0	0.0	205	220	15	7.3
ABC License Fees	52	52	0	0.0	48	48	0	0.0
State/All Funds	13,906	13,903	(3)	(0.0)	14,369	14,217	(152)	(1.1)
Sales Tax	11,199	11,199	0	0.0	11,546	11,504	(42)	(0.4)
Cigarette and Tobacco Taxes	973	973	0	0.0	1,048	1,052	4	0.4
Motor Fuel	511	511	0	0.0	523	351	(172)	(32.9)
Motor Vehicle Fees	775	772	(3)	(0.4)	794	830	36	4.5
Highway Use Tax	148	148	0	0.0	154	162	8	5.2
Alcoholic Beverage Taxes	200	200	0	0.0	205	219	14	6.8
ABC License Fees	51	51	0	0.0	48	48	0	0.0
Auto Rental Tax	49	49	0	0.0	51	51	0	0.0

All Funds user taxes and fees in 2007-08 are revised down by \$3 million from the Mid-Year Update. All Funds user taxes and fees are revised down by \$152 million for 2008-09; this revision is mainly due to the proposed combination of the State sales tax on motor fuel and diesel motor fuel and the motor fuel tax with the petroleum business tax effective December 1, 2008. This will be offset by an increase in the petroleum business tax rate.

User Taxes and Fees (millions of dollars)							
	2008-09	2009-10	Annual	2010-11	Annual	2011-12	Annual
	Projected	Projected	Change	Projected	Change	Projected	Change
General Fund	8,832	8,912	80	9,251	339	9,620	369
Sales Tax	8,080	8,125	45	8,438	313	8,778	340
Cigarette and Tobacco Taxes	437	432	(5)	428	(4)	428	0
Motor Vehicle Fees	47	76	29	105	29	126	21
Alcoholic Beverage Taxes	220	227	7	232	5	236	4
ABC License Fees	48	52	4	48	(4)	52	4
State/All Funds	14,217	14,017	(200)	14,470	453	15,006	536
Sales Tax	11,504	11,597	93	12,044	447	12,527	483
Cigarette and Tobacco Taxes	1,052	1,040	(12)	1,027	(13)	1,025	(2)
Motor Fuel	351	0	(351)	0	0	0	0
Motor Vehicle Fees	830	870	40	883	13	919	36
Highway Use Tax	162	178	16	181	3	188	7
Alcoholic Beverage Taxes	219	227	8	232	5	236	4
ABC License Fees	48	52	4	48	(4)	53	5
Auto Rental Tax	51	53	2	55	2	58	3

All Funds user taxes and fees in 2009-10 are projected to decrease by \$200 million and then increase by \$453 million in 2010-11 and \$536 million in 2011-12. Again, the 2009-10 decrease reflects the proposed consolidation of the motor fuel tax, and sales tax on motor fuel and diesel motor fuel into the petroleum business tax.

Business Taxes

Business Taxes (millions of dollars)					
	2006-07	2007-08	Annual	2008-09	Annual
	<u>Actual</u>	<u>Estimated</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>
General Fund	6,468	6,300	(168)	7,254	954
Corporate Franchise Tax	3,676	3,575	(101)	4,138	563
Corporation & Utilities Tax	626	618	(8)	589	(29)
Insurance Tax	1,142	1,176	34	1,405	229
Bank Tax	1,024	931	(93)	942	11
Petroleum Business Tax	0	0	0	180	180
State/All Funds	8,606	8,437	(169)	9,721	1,284
Corporate Franchise Tax	4,228	4,106	(122)	4,745	639
Corporation & Utilities Tax	820	816	(4)	787	(29)
Insurance Tax	1,258	1,292	34	1,555	263
Bank Tax	1,210	1,094	(116)	1,096	2
Petroleum Business Tax	1,090	1,129	39	1,538	409

All Funds business tax receipts for 2007-08 are estimated at over \$8.4 billion, a decrease of \$169 million, or 2.0 percent from the prior year. The decrease is primarily due to decreases in corporate franchise tax receipts of 2.9 percent and bank tax receipts of 9.6 percent. The decrease in corporate franchise tax receipts is attributable to reduced audit and compliance payments and high refund payments, more than offsetting current-year receipts growth in the ongoing base. In addition, current year receipts were supplemented by the closing of several loopholes in the 2007-08 Enacted Budget. The change in current year bank tax receipts reflects a significant decrease in audit receipts and a modest increase in the payments on current year estimated liability. In addition, an overall 0.5 percent decrease in corporation and utilities taxes reflects growth of 4.6 percent in non-audit receipts and a decline of 40 percent in audit receipts from 2006-07 levels. Year-to-date trends suggest that increases in receipts from electric utilities will be offset by decreases in receipts from the telecommunications industry.

All Funds Business Tax Audit and Non Audit Receipts (millions of dollars)					
	2003-04	2004-05	2005-06	2006-07	2007-08
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Estimated</u>
Corporate Franchise Tax	1,701	2,110	3,053	4,228	4,106
Audit	232	397	653	1,133	1,020
Non-Audit	1,470	1,713	2,400	3,095	3,086
Corporation and Utilities Taxes	882	827	832	820	816
Audit	30	43	101	52	20
Non-Audit	852	784	731	768	796
Insurance Taxes	1,031	1,108	1,083	1,258	1,292
Audit	28	32	33	56	41
Non-Audit	1,003	1,076	1,050	1,202	1,251
Bank Tax	342	675	975	1,210	1,094
Audit	39	24	330	299	116
Non-Audit	303	651	645	911	978

The decreases in All Funds corporate franchise and bank tax receipts are partially offset by increases in the All Funds receipts from the insurance tax of 2.7 percent and the petroleum business tax of 3.6 percent. The overall increase in insurance tax receipts reflects modest growth in the ongoing base of insurance tax receipts of 4.1 percent over the prior year and a 27 percent decline in audit receipts from the prior year. The

increase in petroleum business tax receipts is primarily due to the increase of 5.0 percent in the petroleum business tax rate index effective January 1, 2007, offset by an expected 1.2 percent decrease in January 2008. The petroleum business tax increase also reflects the impact of proposed legislation to consolidate the motor fuel and petroleum business taxes.

All Funds business tax receipts for 2008-09 of \$9.7 billion are projected to increase by nearly \$1.3 billion, or 15.2 percent over the prior year. Proposed legislation that would reclassify receipts from the motor fuel tax and sales tax on motor fuel and diesel motor fuel as petroleum business tax receipts accounts for \$358 million of the increase. This increase will be offset by a comparable decrease in the sales tax and motor fuel tax receipts in the user taxes and fees category. (See “User Taxes and Fees” above.)

Non-audit business tax receipts before these Executive Budget initiatives are projected to increase by just 0.2 percent. The overall increase reflects a projected increase in the growth of non-audit corporate franchise tax receipts of 4.3 percent, a decrease of 16.0 percent in non-audit bank tax receipts, an increase in non-audit corporation and utilities taxes of 0.6 percent, and a 4.4 percent increase in the petroleum business tax receipts. Non-audit receipts from the insurance taxes are projected to decrease by 1.3 percent. Audit receipts related to All Funds business taxes are projected to increase by approximately 5.3 percent or roughly \$58 million from 2007-08.

General Fund business tax receipts for 2007-08 of \$6.3 billion are estimated to decrease by \$168 million, or 2.6 percent below 2006-07. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

General Fund business tax receipts for 2008-09 of nearly \$7.3 billion are projected to increase \$954 million, or 15 percent over the prior year. Business tax receipts deposited to the General Fund reflect the All Funds trends and the Executive Budget initiatives discussed above.

Business Taxes Change From Mid-Year Update Estimates & Projections (millions of dollars)								
	2007-08		Change	Percent Change	2008-09		Change	Percent Change
	Mid-Year Update	Executive Budget			Mid-Year Update	Executive Budget		
General Fund	6,500	6,300	(200)	(3.1)	6,669	7,254	585	8.8
Corporate Franchise Tax	3,675	3,575	(100)	(2.7)	3,966	4,138	172	4.3
Corporation & Utilities Tax	618	618	0	0.0	623	589	(34)	(5.5)
Insurance Tax	1,176	1,176	0	0.0	1,161	1,405	244	21.0
Bank Tax	1,031	931	(100)	(9.7)	919	942	23	2.5
Petroleum Business Tax	0	0	0	0.0	0	180	180	-
State/All Funds	8,652	8,437	(215)	(2.5)	8,881	9,721	840	9.5
Corporate Franchise Tax	4,206	4,106	(100)	(2.4)	4,531	4,745	214	4.7
Corporation & Utilities Tax	816	816	0	0.0	821	787	(34)	(4.1)
Insurance Tax	1,292	1,292	0	0.0	1,276	1,555	279	21.9
Bank Tax	1,209	1,094	(115)	(9.5)	1,073	1,096	23	2.1
Petroleum Business Tax	1,129	1,129	0	0.0	1,180	1,538	358	30.3

Compared to the Second Quarterly Update, 2007-08 All Funds business tax receipts are revised down by \$215 million, or 2.5 percent to \$8.4 billion. The decrease in the estimate reflects year-to-date results in the business taxes, which suggest lower growth in the corporate franchise tax receipts and bank tax receipts than anticipated.

All Funds business tax receipts for 2008-09 are revised up by \$840 million, or 9.5 percent from the Mid-Year Update. The increase reflects a downward revision in the base of \$235 million, more than offset by the first-year impact of initiatives proposed with the 2008-09 Executive Budget.

Business Taxes (millions of dollars)							
	2008-09	2009-10	Annual	2010-11	Annual	2011-12	Annual
	Projected	Projected	Change	Projected	Change	Projected	Change
General Fund	7,254	7,816	562	7,866	50	8,218	352
Corporate Franchise Tax	4,138	4,265	127	4,258	(7)	4,497	239
Corporation & Utilities Tax	589	599	10	608	9	612	4
Insurance Tax	1,405	1,466	61	1,505	39	1,549	44
Bank Tax	942	928	(14)	935	7	997	62
Petroleum Business Tax	180	558	378	560	2	563	3
State/All Funds	9,721	10,700	979	10,763	63	11,171	408
Corporate Franchise Tax	4,745	4,891	146	4,883	(8)	5,156	273
Corporation & Utilities Tax	787	797	10	807	10	812	5
Insurance Tax	1,555	1,625	70	1,668	43	1,716	48
Bank Tax	1,096	1,076	(20)	1,084	8	1,156	72
Petroleum Business Tax	1,538	2,311	773	2,321	10	2,331	10

All Funds business tax receipts for 2009-10, 2010-11 and 2011-12 reflect trend growth that is determined in part by the expected level of corporate profits, the projected increase in taxable insurance premiums, estimated increases in electric utility consumption prices and the consumption of telecommunications services. In addition, the fully effective impact of the Executive Budget initiatives supplements out-year growth. Business tax receipts will increase to \$10.7 billion (10.1 percent) in 2009-10, \$10.8 billion (0.6 percent) in 2010-11, and \$11.2 billion (3.8 percent) in 2011-12. Projected General Fund business tax receipts reflect the factors outlined above and the out-year impact of Executive Budget initiatives. General Fund business tax receipts over this period are expected to increase to \$7.8 billion (7.7 percent) in 2009-10, \$7.9 billion (0.6 percent) in 2010-11, and \$8.2 billion (4.5 percent) in 2011-12.

Other Taxes

Other Taxes (millions of dollars)					
	2006-07	2007-08	Annual	2008-09	Annual
	Actual	Estimated	Change	Projected	Change
General Fund	1,075	1,030	(45)	1,194	164
Estate Tax	1,063	1,006	(57)	1,170	164
Gift Tax	(10)	0	10	0	0
Real Property Gains Tax	0	0	0	0	0
Pari-mutuel Taxes	21	23	2	23	0
All Other Taxes	1	1	0	1	0
State/All Funds	2,097	2,036	(61)	2,169	133
Estate Tax	1,063	1,006	(57)	1,170	164
Gift Tax	(10)	0	10	0	0
Real Property Gains Tax	0	0	0	0	0
Real Estate Transfer Tax	1,022	1,006	(16)	975	(31)
Pari-mutuel Taxes	21	23	2	23	0
All Other Taxes	1	1	0	1	0

All Funds other tax receipts for 2007-08 are estimated to be more than \$2.0 billion, down \$61 million or 2.9 percent from 2006-07 receipts, reflecting declines in estate tax receipts and the real estate transfer tax. General Fund other tax receipts are expected to total \$1.0 billion in fiscal year 2007-08, a decrease of \$45 million.

All Funds other tax receipts in 2008-09 are projected to be nearly \$2.2 billion, up \$133 million or 6.5 percent from 2007-08, reflecting modest retrenchment in real estate transfer tax receipts as well as a return to a normal estate tax collection pace. General Fund receipts for 2008-09 are projected to total nearly \$1.2 billion, an increase of \$164 million.

Other Taxes Change From Mid-Year Update Estimates & Projections (millions of dollars)								
	2007-08	2007-08	Change	Percent	2008-09	2008-09	Change	Percent
	Mid-Year Update	Executive Budget		Change	Change	Mid-Year Update		Executive Budget
General Fund	1,102	1,030	(72)	(6.5)	1,211	1,194	(17)	(1.4)
Estate Tax	1,081	1,006	(75)	(6.9)	1,190	1,170	(20)	(1.7)
Gift Tax	0	0	0	0.0	0	0	0	0.0
Real Property Gains Tax	0	0	0	0.0	0	0	0	0.0
Pari-mutuel Taxes	20	23	3	15.0	20	23	3	15.0
All Other Taxes	1	1	0	0.0	1	1	0	0.0
State/All Funds	2,077	2,036	(41)	(2.0)	2,186	2,169	(17)	(0.8)
Estate Tax	1,081	1,006	(75)	(6.9)	1,190	1,170	(20)	(1.7)
Gift Tax	0	0	0	0.0	0	0	0	0.0
Real Property Gains Tax	0	0	0	0.0	0	0	0	0.0
Real Estate Transfer Tax	975	1,006	31	3.2	975	975	0	0.0
Pari-mutuel Taxes	20	23	3	15.0	20	23	3	15.0
All Other Taxes	1	1	0	0.0	1	1	0	0.0

All Funds other tax receipt estimates for 2007-08 have been revised down \$41 million from the Mid-Year Update estimate. Receipts estimates for the estate tax have been reduced reflecting the decline in collections from larger estates while the real estate transfer tax estimate has been increased modestly as the strength of the Downstate commercial real estate market continues.

Other Taxes (millions of dollars)							
	2008-09	2009-10	Annual	2010-11	Annual	2011-12	Annual
	Projected	Projected	Change	Projected	Change	Projected	Change
General Fund	1,194	1,325	131	1,408	83	1,498	90
Estate Tax	1,170	1,301	131	1,384	83	1,474	90
Gift Tax	0	0	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0	0	0
Pari-mutuel Taxes	23	23	0	23	0	23	0
All Other Taxes	1	1	0	1	0	1	0
State/All Funds	2,169	2,325	156	2,408	83	2,498	90
Estate Tax	1,170	1,301	131	1,384	83	1,474	90
Gift Tax	0	0	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0	0	0
Real Estate Transfer Tax	975	1,000	25	1,000	0	1,000	0
Pari-mutuel Taxes	23	23	0	23	0	23	0
All Other Taxes	1	1	0	1	0	1	0

General Fund other taxes receipts projections for 2008-09 are revised down by \$17 million from the Mid-Year Update, reflecting slightly slower growth in estate tax collections.

The 2009-10 All Funds receipts projection for other taxes is just over \$2.3 billion, up \$156 million or 7.2 percent from 2008-09 receipts. Growth in the estate tax is projected to follow expected increases in household net worth and receipts from the real estate transfer tax continue to reflect the slowdown in the housing market.

The 2010-11 All Funds receipts projection for other taxes is approximately \$2.4 billion, up \$83 million or 3.6 percent from 2009-10 receipts. The forecast reflects continued increases in household net worth as well as in the value of real property transfers.

The 2011-12 All Funds receipts projection for other taxes is nearly \$2.5 billion, up \$90 million (3.7 percent) from 2010-11 as continued moderate growth in estate tax collections is expected.

Miscellaneous Receipts and Federal Grants

Miscellaneous Receipts and Federal Grants					
(millions of dollars)					
	2006-07	2007-08	Annual	2008-09	Annual
	Actual	Estimated	Change	Projected	Change
General Fund	2,420	2,515	95	2,279	(236)
Miscellaneous Receipts	2,268	2,444	176	2,238	(206)
Federal Grants	152	71	(81)	41	(30)
State Funds	18,015	19,994	1,979	21,206	1,212
Miscellaneous Receipts	17,863	19,922	2,059	21,164	1,242
Federal Grants	152	72	(80)	42	(30)
All Funds	53,657	55,908	2,251	58,193	2,285
Miscellaneous Receipts	18,078	20,067	1,989	21,310	1,243
Federal Grants	35,579	35,841	262	36,883	1,042

All Funds miscellaneous receipts include moneys received from the Health Care Reform Act (HCRA) financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total \$20.1 billion in 2007-08, an increase of \$2.0 billion from 2006-07 largely driven by growth in: HCRA surcharge revenues (\$689 million); lottery revenues, including video lottery terminals (VLTs) (\$256 million); and children and family services restructuring of the Youth Facility Per Diem Account (\$114 million.)

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, School Aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans that Federal reimbursement will be received in the State fiscal year in which spending occurs, but timing sometimes varies. All Funds Federal grants are projected to total \$35.8 billion in 2007-08, an increase of \$262 million from 2006-07. Federal spending is expected to increase for Public Health (\$315 million), mental hygiene (\$147 million), transportation (\$129 million), homeland security (\$141 million) and temporary and disability assistance (\$80 million). These increases are partially offset by a reduction in Federal Medicaid (\$593 million).

General Fund miscellaneous receipts collections are estimated to be approximately \$2.4 billion in 2007-08, up \$176 million from 2006-07 receipts. This increase is primarily due to a New York Power Authority payment, an ESDC property sale, a Driver's Responsibility Program portion dedicated to the General Fund

and the Hartford Financial Services Settlement. General Fund Federal grants are expected to decline by \$81 million from the prior-year, reflecting the loss of the Medicare Part D subsidy.

All Funds miscellaneous receipts are projected to total \$21.3 billion in 2008-09, an increase of more than \$1.2 billion from the current year, driven by: growth in programs financed with authority bond proceeds (\$706 million), including spending for economic development, environment, education and mental health; projected first year receipts for the proposal to redirect all unclaimed bottle deposits to support spending in the Environmental Protection Fund (\$25 million); growth in lottery revenues, including VLTs (\$340 million); SUNY revenue (\$68 million); and statewide Civil Legal Services funding (\$53 million.) All Funds Federal grants are projected to total \$36.9 billion in 2008-09, an increase of \$1.0 billion from the current year. Federal spending is expected to increase for Medicaid (\$471 million), social services (\$160 million), and homeland security (\$76 million). These increases would be slightly offset by a decrease of approximately \$14 million due to the potential loss of the Medicare Part D Subsidy should a conversion occur. Such a conversion would have no negative impact on retirees while potentially reducing State spending. In most cases, the grant levels reflect projected changes in State spending levels and a corresponding change in estimated Federal reimbursement, not changes in aid levels for New York authorized by Congress.

General Fund miscellaneous receipts collections in 2008-09 are projected to reach approximately \$2.2 billion, down \$206 million from 2007-08 estimates, due to the loss of revenue from the New York Power Authority, and decreases in indirect costs revenue and abandoned property transfers, partially offset by increases in receipts due to the Monroe County Medicaid sales tax intercept payments.

Miscellaneous Receipts & Federal Grants Change From Mid-Year Update Estimates & Projections								
(millions of dollars)								
	2007-08	2007-08			2008-09	2008-09		
	Mid-Year	Executive	Percent	Percent	Mid-Year	Executive	Change	Percent
	Update	Budget	Change	Change	Update	Budget		Change
General Fund	2,515	2,515	0	0.0	2,107	2,279	172	8.2
Miscellaneous Receipts	2,444	2,444	0	0.0	2,052	2,238	186	9.1
Federal Grants	71	71	0	0.0	55	41	(14)	(25.5)
State Funds	19,983	19,994	11	0.1	19,928	21,206	1,278	6.4
Miscellaneous Receipts	19,911	19,922	11	0.1	19,872	21,164	1,292	6.5
Federal Grants	72	72	0	0.0	56	42	(14)	(25.0)
All Funds	56,075	55,908	(167)	(0.3)	57,850	58,193	343	0.6
Miscellaneous Receipts	20,059	20,067	8	0.0	20,015	21,310	1,295	6.5
Federal Grants	36,016	35,841	(175)	(0.5)	37,835	36,883	(952)	(2.5)

All Funds miscellaneous receipts are projected to total \$20.1 billion in 2007-08, virtually unchanged from the Mid-Year Update. All Funds Federal grants are projected to total \$35.8 billion in 2007-08, a downward revision of \$175 million. This results from slower than expected spending against Federal homeland security grants and delayed implementation of the Federal Help Americans Vote Act mandate.

General Fund miscellaneous receipts and Federal grants in 2007-08 have not been revised from the Mid-Year Update.

All Funds Federal grants are projected to total \$36.9 billion in 2008-09, a downward revision of nearly \$1.0 billion from the Mid-Year Update. Federal aid is expected to decrease for Medicaid (\$620 million), homeland security (\$202 million) and elections (\$103 million).

General Fund miscellaneous receipts and Federal grants projections for 2008-09 are revised up by \$172 million from the Mid-Year Update, primarily due to a larger than expected payment from the State of New York Mortgage Agency and increases in investment income, abandoned property and bond issuance charges.

Miscellaneous Receipts and Federal Grants (millions of dollars)							
	2008-09 Projected	2009-10 Projected	Annual Change	2010-11 Projected	Annual Change	2011-12 Projected	Annual Change
General Fund	2,279	2,186	(93)	2,261	75	2,060	(201)
Miscellaneous Receipts	2,238	2,186	(52)	2,261	75	2,060	(201)
Federal Grants	41	0	(41)	0	0	0	0
State Funds	21,206	21,166	(40)	21,681	515	21,408	(273)
Miscellaneous Receipts	21,164	21,165	1	21,680	515	21,407	(273)
Federal Grants	42	1	(41)	1	0	1	0
All Funds	58,193	59,405	1,212	61,186	1,781	62,220	1,034
Miscellaneous Receipts	21,310	21,305	(5)	21,826	521	21,547	(279)
Federal Grants	36,883	38,100	1,217	39,360	1,260	40,673	1,313

In 2009-10, General Fund miscellaneous receipts and Federal grants are projected to be nearly \$2.2 billion, down \$52 million from 2008-09. This decrease primarily results from the loss of the SONYMA payment and reduced transfers from abandoned property and a possible conversion of a Medicare D (Prescription Drug) Plan for retirees to a contracted Medicare D plan.

General Fund miscellaneous receipts in 2010-11 are projected to be almost \$2.3 billion, up \$75 million from the prior year. This increase is primarily due to projected collections from other transactions.

In 2011-12, General Fund receipts are projected to be nearly \$2.1 billion, a decrease of approximately \$201 million from 2010-11. This decrease is almost solely due to reduced collections from other transactions.

Proposed Law Changes

The 2008-09 Budget contains no tax increases. Measures are included to ensure that taxpayers are properly reflecting New York taxable income and that unintended and anachronistic tax statutes are changed to eliminate tax loopholes. In addition, given the current fiscal stress caused by the slowdown in national economic activity, measures are proposed to delay certain already enacted STAR provisions. Other actions reform existing provisions of Tax Law to make them operate more effectively and equitably. This Budget proposes several modest tax reduction initiatives. The tax policy changes proposed with this Budget are reported in summary below and in detail in the tax-by-tax write-ups contained in the separate "Economic and Revenue Outlook" report provided with the Executive Budget.

All Funds Legislation (millions of dollars)				
	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Revenue Enhancements	1,519	1,588	1,350	1,365
Personal Income Tax	211	247	247	247
Amend Definitions of Temporary Stay	0	15	15	15
Amend Definition of Presence in New York	0	5	5	5
Tax Gain from Sale of Partnerships	0	10	10	10
Refund Offsets	1	1	1	1
Improve Audit and Compliance Efforts	175	175	175	175
LLC Minimum Partner Fees	35	35	35	35
Make Permanent Reporting of Tax Shelters	0	6	6	6
STAR	354	380	165	175
Increase STAR Exemption Floor from 5 percent to 10 percent	110	115	120	125
Delay Basic Middle Class Rebates	169	175	0	0
Authorize Tax Department to Offset Debts Against STAR Rebates	15	15	15	15
Restructure New York City STAR	60	75	30	35
User Taxes and Fees	192	200	177	182
Voluntary Disclosure and Compliance Program	30	0	0	0
Repeal Bad Debt Provisions	7	9	9	9
Limit Tax Exemptions for Sales by Non-Profits	8	15	15	15
Close Loophole on Tax Avoidance	4	6	6	6
Require Sales Tax Vendors to Re-register	12	37	12	4
Conform Tax Treatment of Little Cigars	4	5	5	5
Conform Tax Treatment of Flavored Malt Beverages	15	18	18	18
Require Tax Stamp on Illegal Drugs	13	17	17	17
Western Hemisphere Travel Initiative	53	20	10	10
Sales Tax Nexus	47	73	85	98
Business Taxes	762	761	761	761
Improve Audit and Compliance Efforts	55	75	75	75
Voluntary Disclosure and Compliance Program	20	0	0	0
LLC Minimum Partner Fees	40	40	40	40
Make Permanent Reporting of Tax Shelters	0	11	11	11
Credit Card Nexus	95	75	75	75
Conforming HMOs Taxation	247	288	288	288
Capital Base	98	70	70	70
Decoupling from Federal QPAI Regulations	56	56	56	56
Expiration of ITC for Financial Services	35	75	75	75
Simplify Taxation of Motor Fuel	13	56	56	56
License Reader Enforcement	8	15	15	15
Modify Pre-Payment Requirements	95	0	0	0
Tax Reductions	(24)	(23)	(23)	(20)
Encourage Alternative Fuel Production - Biofuel	0	(1)	(1)	(1)
Expand the New York State Film Credit	(5)	(10)	(15)	(15)
Low Income Housing Credit	(4)	(4)	(4)	(4)
Handicapped Accessible Taxis Credit	0	(3)	(3)	0
Power for Jobs Program	(15)	(5)	0	0
All Funds Legislation Change With STAR	1,495	1,565	1,327	1,345
All Funds Legislation Change Without STAR	1,141	1,185	1,162	1,170

School Tax Relief

- Postpone for one year scheduled increases in Basic Middle-Class STAR Rebates and New York City personal income tax credits.
- Increase the "floor" in STAR exemption amounts from 5 percent to 10 percent.
- Authorize the Tax Department to offset tax and other debts against STAR rebates.
- Eliminate the New York City STAR credit to taxpayers with income over \$250,000.

Personal Income Tax

- Create a tax credit for purchases of clean heating fuel ("bioheat") used for residential purposes.
- Restructure and reform the fees and minimum taxes imposed on limited liability companies, other partnerships, and corporations.
- Amend the definition of "presence in New York" for determining the residency of taxpayers.
- Require inclusion of the gain from the sale of partnership interests as NY-source income to non-resident taxpayers to the extent that these gain are from sales of real property located in New York.
- Require taxpayers to pay the fees charged by the Federal government and other states for offsetting refunds for New York State income tax debts owed by those taxpayers.
- Enact a tax enforcement and compliance reform program.
- Reform the Brownfields Tax Credit program.
- Make tax shelter reporting requirements permanent.
- Authorize the Department of Taxation and Finance to conduct a study of the taxation of nonresidents with limited work presence in New York (administrative).

Business Taxes

- Increase the aggregate amount of low-income housing tax credits that the Commissioner of Housing and Community Renewal may allocate.
- Continue to deter the use of tax shelters by making permanent the provisions allowing the Department of Taxation and Finance to require the reporting and disclosure of Federal and New York reportable and listed transactions that may be improper tax avoidance practices.
- Conform to the practices of 18 other states that have decoupled from the Federal deduction related to qualified production activities and require taxpayers to add back income from this deduction for New York tax purposes.
- Make statutory technical corrections and structural alterations necessary to eliminate real estate investment trust (REIT) and regulated investment company (RIC) loopholes that remained after legislation was enacted in 2007 to address REIT and RIC loopholes.
- Restructure and reform the fees and minimum taxes imposed on limited liability companies, other partnerships, and corporations.
- Reduce the corporation franchise tax capital base rate, eliminate the tax liability cap on this base for non-manufacturers, and conform the definition of "manufacturer" under the capital base to the definition under the entire net income base.

- Reclassify for-profit health maintenance organizations (HMOs) as insurance taxpayers so that these HMOs would be subject to the premiums tax of Tax Law section 1502-a instead of the business corporation tax of Article 9-A and would be treated like traditional health insurers for tax purposes.
- Classify credit card companies doing a specified level of business in the State as taxpayers under the Article 32 bank tax.
- Reform the Brownfields tax credit program.
- Extend MTA surcharges on business taxes by four years.
- Change the mandatory first estimated tax payment for all business taxes from 25 percent to 30 percent.
- Extend for two years the credit for taxicabs and livery service vehicles that are accessible by individuals with disabilities.
- Expand the New York State film credit.
- Extend the Power for Jobs program by one year, through June 30, 2009.
- Create a new personal income and corporate franchise tax credit for purchases of clean heating fuel ("bioheat") used for residential purposes.
- Enact a tax enforcement and compliance reform program.
- Combine the Petroleum Business Tax, the Motor Fuel Tax and the State sales tax on fuel into one Petroleum Business Tax.
- Allow the Commissioner of Taxation and Finance to use new technologies to help combat bootlegging of fuels into the State and provide a level playing field.

Other Actions

- Require non-profit tax-exempt organizations to collect sales tax on certain sales, rentals and leases.
- Narrow the sales tax exemption for commercial aircraft and the use tax exemption for motor vehicle, vessels, and aircraft in order to curtail certain abusive sales and use tax avoidance schemes.
- Institute a re-registration program that would be applicable to new registrations and re-registrations of vendors.
- Create an evidentiary presumption that certain sellers using New York State residents to solicit sales in the State are vendors required to collect sales and use tax.
- Institute a voluntary disclosure and compliance program.
- Extend the seven day liquor sales law.
- Eliminate the sunset of Quick Draw and remove the location restrictions.
- Reclassify little cigars as cigarettes.
- Modify the tax treatment of flavored malt beverages.
- Repeal the private label credit card provision.
- Require a tax stamp on illegal drugs.
- Authorize VLT facility at Belmont Park.

Disbursements Forecast

Total Disbursements (millions of dollars)				
	2007-08 Current	2008-09 Proposed	Annual \$ Change	Annual % Change
State Operating Funds	77,909	81,825	3,916	5.0%
General Fund *	50,831	53,859	3,028	6.0%
Other State Funds	22,728	23,276	548	2.4%
Debt Service Funds	4,350	4,690	340	7.8%
All Governmental Funds	118,314	124,329	6,015	5.1%
State Operating Funds	77,909	81,825	3,916	5.0%
Capital Projects Funds	6,645	7,927	1,282	19.3%
Federal Operating Funds	33,760	34,577	817	2.4%

*Excludes transfers.

State Operating Funds spending, which includes both the General Fund and spending from other operating funds supported by assessments, tuition, HCRA resources and other non-Federal revenues, is projected to total \$81.8 billion in 2008-09. All Funds spending, which includes capital spending and Federal aid in addition to State Operating Funds, is projected to total \$124.3 billion in 2008-09. The Financial Plan projections assume that the 2008-09 Executive Budget is enacted in its entirety.

The major sources of annual spending change between 2007-08 and 2008-09 (after Executive Budget recommendations) are summarized in the table below.

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Executive Budget Spending Projections -- After Executive Budget Recommendations						
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 Revised Estimate***	50,831	27,078	77,909	6,645	33,760	118,314
Major Functions						
<i>Public Health:</i>						
Medicaid	1,038	(207)	831	0	471	1,302
Public Health/Aging	(21)	22	1	63	(7)	57
<i>K-12 Education:</i>						
School Aid	1,203	166	1,369	0	11	1,380
All Other Education Aid	(42)	5	(37)	66	16	45
STAR	0	34	34	0	0	34
Higher Education	109	29	138	93	5	236
<i>Social Services:</i>						
Temporary and Disability Assistance	(246)	1	(245)	0	62	(183)
Children and Family Services	167	1	168	0	98	266
Mental Hygiene	84	30	114	83	56	253
Transportation	0	221	221	389	0	610
General State Charges	155	22	177	0	10	187
Debt Service	135	201	336	0	0	336
All Other Changes						
Economic Development	(27)	23	(4)	304	0	300
Judiciary	186	3	189	14	(1)	202
Local Government Aid	199	0	199	0	0	199
Collective Bargaining	197	0	197	0	0	197
Correctional Services	16	5	21	45	30	96
Empire State Stem Cell Trust Fund	0	85	85	0	0	85
Homeland Security	0	(1)	(1)	(7)	76	68
Parks and Recreation	(3)	(3)	(6)	69	0	63
State Equipment Financing	0	0	0	61	0	61
Elections	0	(7)	(7)	0	47	40
State Police	(41)	42	1	27	1	29
Interest on Lawyer Account	0	28	28	0	0	28
Department of State	(10)	7	(3)	(47)	0	(50)
Military and Naval Affairs	(65)	18	(47)	17	(72)	(102)
All Other	(6)	163	157	105	14	276
2008-09 Executive Budget Estimate	53,859	27,966	81,825	7,927	34,577	124,329
<i>Annual Dollar Change</i>	<i>3,028</i>	<i>888</i>	<i>3,916</i>	<i>1,282</i>	<i>817</i>	<i>6,015</i>
<i>Annual Percent Change</i>	<i>6.0%</i>	<i>3.3%</i>	<i>5.0%</i>	<i>19.3%</i>	<i>2.4%</i>	<i>5.1%</i>

*Excludes Transfers

**Includes State Special Revenue and Debt Service Funds

***Adjusted to reflect a Medicaid Transparency initiative described later.

The spending forecast for each of the State's major Financial Plan categories follows. In general, the forecasts are described in two parts: the current services estimate for each functional area or activity; and the Executive Budget recommendations and resulting annual change in spending.

Projected current services disbursements are based on agency staffing levels, program caseloads, formulas contained in State and Federal law, inflation and other factors. The factors that affect spending estimates vary by program. For example, welfare spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends, projected economic conditions, and changes in Federal law. All projections account for the timing of payments, since not all the amounts appropriated in the Budget are disbursed in the same fiscal year.

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

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Forecast for Selected Program Measures Affecting Local Assistance						
(millions of dollars, where applicable)						
	Actual			Forecast		
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Medicaid						
Medicaid Enrollment	3,608,075	3,581,311	3,665,541	3,746,047	3,994,438	4,149,548
Family Health Plus Enrollment	514,058	525,596	545,996	563,084	605,390	605,390
Child Health Plus Enrollment	388,187	396,375	460,614	494,112	499,053	504,043
Medicaid Inflation	2.4%	2.0%	2.9%	3.0%	3.0%	3.0%
Medicaid Utilization	1.1%	-3.3%	1.6%	3.3%	3.7%	4.0%
State Takeover of County/NYC Costs (Total)	\$622	\$677	\$939	\$1,198	\$1,539	\$1,920
- Family Health Plus	\$424	\$442	\$453	\$467	\$484	\$484
- Medicaid*	\$198	\$235	\$486	\$731	\$1,055	\$1,436
Education						
School Aid (School Year)	\$17,800	\$19,600	\$21,000	\$23,100	\$25,600	\$27,200
K-12 Enrollment	2,783,153	2,758,856	2,758,856	2,758,856	2,758,856	2,758,856
Public Higher Education Enrollment (FTEs)	499,082	512,362	518,431	525,408	529,133	528,780
TAP Recipients	320,930	312,779	309,436	310,936	312,686	314,861
Welfare						
Family Assistance Caseload	402,348	348,901	339,686	344,328	331,340	329,517
Single Adult/No Children Caseload	158,513	158,576	166,597	172,876	179,708	186,053
Mental Hygiene						
Mental Hygiene Community Beds	81,737	85,058	87,731	90,520	92,614	95,332

*Includes the State's costs associated with Monroe County's Medicaid payments, which are offset by General Fund Revenue

Forecast of Selected Program Measures Affecting State Operations						
	Actual			Forecast		
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
State Operations						
Prison Population (Corrections)	63,577	62,800	62,200	61,800	61,600	61,400
Negotiated Salary Increases ⁽¹⁾	3.0%	3.0%	3.0%	3.0%	4.0%	0.0%
Personal Service Inflation	0.8%	1.0%	1.0%	1.0%	1.0%	1.0%
State Workforce	195,526	199,424	201,270	202,388	202,388	202,388

(1) Negotiated salary increases reflect recent labor settlements included in the Financial Plan estimates

Forecast of Selected Program Measures Affecting General State Charges						
	Actual			Forecast		
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
General State Charges						
Pension Contribution Rate as % of Salary	10.2%	9.7%	8.8%	9.0%	9.0%	9.3%
Employee/Retiree Health Insurance Growth Rates	10.3%	5.5%	5.5%	9.5%	9.5%	9.5%

Forecast of Selected Program Measures Affecting Debt Service						
	Actual			Forecast		
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
State Debt						
Interest on Variable Rate Debt	3.50%	3.55%	3.15%	3.20%	3.15%	2.80%
Interest on Fixed Rate 30-Year Bonds	4.55%	4.75%	4.75%	4.90%	5.10%	5.25%

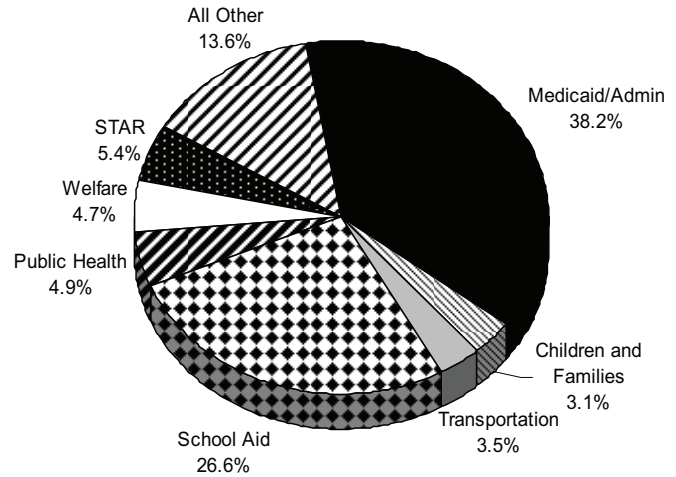
The following sections provide a summary of the 2008-09 Executive Budget by purpose of spending. The presentation summarizes the annual growth in current services spending and the impact of Executive Budget recommendations for each purpose on an All Funds basis, which encompasses activity in the General Fund, State Operating Funds, Capital Projects Funds, and Federal Operating Funds, thus providing the most comprehensive view of the financial operations of the State.

Grants to Local Governments

Grants to Local Governments (Local Assistance) include payments to local governments, school districts, healthcare providers, and other local entities, as well as certain financial assistance to, or on behalf of, individuals, families, and nonprofit organizations. Local Assistance comprises 70 percent of All Funds spending.

In 2008-09, All Funds spending for local assistance is expected to total \$87.4 billion. Total spending comprises State aid to medical assistance providers and public health programs (\$37.7 billion); State aid to school districts, universities, and tuition assistance (\$33.0 billion); temporary and disability assistance (\$4.1 billion); mental hygiene programs (\$3.7 billion); transportation (\$3.1 billion); children and family services (\$2.7 billion); and local government assistance (\$1.1 billion). Other local assistance programs include criminal justice, economic development, housing, parks and recreation, and environmental quality.

**2008-09 All Funds Local Assistance Spending
\$87.4 Billion**



The following chart highlights proposed local assistance annual spending changes from 2007-08 to 2008-09 by major program and/or agency.

Local Assistance Spending Projections (millions of dollars)						
	2007-08 Revised	Medicaid Transparency	2007-08 Adjusted	2008-09 Proposed	Annual Change	Percent Change
General Fund	36,667	2,753	39,420	41,860	2,440	6.2%
Other State Support	16,440	(1,971)	14,469	14,811	342	2.4%
State Operating Funds	53,107	782	53,889	56,671	2,782	5.2%
Capital Project Funds	603	0	603	615	12	2.0%
Federal Operating Funds	30,256	0	30,256	30,141	(115)	-0.4%
All Funds	83,966	782	84,748	87,427	2,679	3.2%

Local Assistance Spending Projections			
Major Sources of Annual Change			
(millions of dollars)			
	General Fund	State Operating Funds	All Governmental Funds
2007-08 Revised	36,667	53,107	83,966
Medicaid Transparency Adjustment	2,753	782	782
2007-08 Adjusted	39,420	53,889	84,748
School Aid	1,203	1,369	1,380
Medicaid (incl Admin)	1,038	830	1,301
Children and Families	152	153	252
Mental Hygiene	112	142	214
Transportation	(1)	213	213
Local Government Assistance	198	198	198
City University	178	178	178
Temporary and Disability Assistance	(226)	(226)	(192)
Economic Development	(133)	(134)	(153)
Other Education Aid	(36)	(36)	(26)
All Other	(46)	95	(686)
2008-09 Executive Budget	41,860	56,671	87,427
<i>Annual Dollar Change</i>	<i>2,440</i>	<i>2,782</i>	<i>2,679</i>
<i>Annual Percent Change</i>	<i>6.2%</i>	<i>5.2%</i>	<i>3.2%</i>

For 2008-09, All Funds local assistance spending is projected to total \$87.4 billion, an increase of \$3.5 billion (4.1 percent) over the current year. The growth is primarily driven by projected increases in School Aid (\$1.4 billion) and Medicaid (\$1.3 billion).

These annual changes in local assistance, as further categorized by current service requirements and Executive Budget savings and initiatives, are outlined in more detail below. For more information on specific local programs, see the narratives by function in the complete 2008-09 Executive Budget Financial Plan available on the DOB website.

Local Assistance Sources of Annual Spending Increase/(Decrease) (millions of dollars)						
	General Fund	Other State Funds	Total State Operating Funds	Capital Projects	Federal Funds	All Funds
2007-08 Revised	36,667	16,440	53,107	603	30,256	83,966
Medicaid Transparency Adjustment	2,753	(1,971)	782	0	0	782
2007-08 Adjusted	39,420	14,469	53,889	603	30,256	84,748
Current Services:	4,033	273	4,307	12	1,140	5,459
Medicaid (incl Admin)	1,735	(272)	1,463	0	1,072	2,535
School Aid	1,363	(120)	1,243	0	11	1,254
STAR	0	388	388	0	0	388
Local Government Assistance	358	0	358	0	0	358
Mental Hygiene	202	30	232	78	(5)	304
Children and Families	182	1	183	0	99	282
City University	200	0	200	0	0	200
Transportation	(1)	193	192	0	0	192
Public Health	45	68	113	24	6	143
Economic Development	(104)	(0)	(104)	(19)	0	(123)
Temporary and Disability Assistance	(16)	0	(16)	0	(100)	(116)
Other Education Aid	(24)	(0)	(24)	0	10	(14)
All Other	93	(14)	79	(70)	47	55
Recommended Savings:	(1,940)	22	(1,918)	0	(562)	(2,480)
Medicaid Actions	(787)	64	(723)	0	(691)	(1,414)
STAR	0	(354)	(354)	0	0	(354)
Local Government Assistance	(165)	0	(165)	0	0	(165)
Public Health	(93)	(36)	(129)	0	(12)	(141)
Mental Hygiene	(112)	0	(112)	0	0	(112)
Temporary and Disability Assistance	(216)	0	(216)	0	134	(82)
Other Education Aid	(68)	0	(68)	0	0	(68)
Economic Development	(53)	(1)	(54)	0	0	(54)
Higher Education Services	(35)	0	(35)	0	0	(35)
Criminal Justice/Parole	(39)	0	(39)	0	8	(31)
City University	(23)	0	(23)	0	0	(23)
Children and Families	(30)	0	(30)	0	0	(30)
Transportation	0	3	3	0	0	3
School Aid	(286)	286	0	0	0	0
All Other	(33)	60	27	0	(1)	26
New Initiatives:	346	47	393	0	89	482
Medicaid	89	0	89	0	89	178
School Aid	126	0	126	0	0	126
Other Education	56	0	56	0	0	56
Judiciary/IOLA	0	28	28	0	0	28
Economic Development	24	0	24	0	0	24
Mental Hygiene	22	0	22	0	0	22
Transportation	0	18	18	0	0	18
Public Health	8	1	9	0	0	9
Temporary and Disability Assistance	6	0	6	0	0	6
Local Government Assistance	5	0	5	0	0	5
City University	1	0	1	0	0	1
Children and Families	0	0	0	0	0	0
All Other	9	0	9	0	0	9
2008-09 Executive Budget	41,860	14,811	56,671	615	30,141	87,427
Total Annual Change	2,440	342	2,782	12	(115)	2,679

Current Services

For 2008-09, on an All Funds basis, current service requirements increase by \$5.5 billion above revised 2007-08 estimates. Most of this increase is concentrated in School Aid and Medicaid (\$3.8 billion). The annual decrease in economic development largely reflects a shift in spending categories, from local assistance to State operations, for State payments made pursuant to “Timothy’s Law” to reimburse employers for costs associated with providing mental health insurance coverage. The decrease in Temporary and Disability Assistance largely reflects a decrease in the level of Federal TANF disbursements. The program areas with the greatest growth in current services are described in more detail below.

- **Medicaid:** Medicaid spending is growing due to several factors, including the increasing cost of providing health care services, particularly nursing home services, a projected rise in the number of recipients, and increases in medical service utilization, particularly in managed care and home care programs. Other changes affecting growth include increases in managed care programs and escalating hospital and prescription drug costs. The number of Medicaid recipients is projected to reach over 3.6 million in 2008-09, an increase of 2.4 percent over the current fiscal year.
- **School Aid:** Growth reflects the balance of the 2007-08 school year increase and the level of spending growth which was already projected in the State’s current services plan. School aid commitments are made on a July 1 starting school-year basis, thus, each fiscal year, there is a “tail” of payments related to the prior school year increase (roughly 30 percent of the prior-year total).
- **STAR:** Reflects an increase in tax rebates to local property owners, and other school tax relief to taxpayers across New York.

Recommended Savings

More than half of the Executive Budget’s All Funds local assistance savings plan relies on Medicaid actions. Significant savings initiatives are described in more detail below.

- **Medicaid Actions:** Largely reflects pharmaceutical savings, savings from reduced Medicaid fraud, greater efficiencies in hospital and ambulatory care spending, and a reconfiguration in funding for nursing homes.
- **STAR:** The Executive Budget recommends a slower phase-in of the basic middle-class STAR rebate; a reduction in the STAR credit for New York City resident personal income taxpayers with incomes above \$250,000; a change in the adjustment that limits annual reductions in the STAR exemption amount from 5 percent to 10 percent; and authorization for the State to offset middle-class STAR rebates owed to individuals who are delinquent on their taxes, child support, or other legal debt obligations.
- **Local Government Assistance:** Reflects the partial restoration of New York City funding from the Aid and Incentives for Municipalities program (AIM).
- **Public Health:** Largely reflects savings associated with the Early Intervention program through the recovery of an overpayment made to New York City, and the elimination of the cost of living adjustment for Early Intervention providers authorized in the 2006-07 Enacted Budget.
- **Mental Hygiene:** Largely reflects proposed actions to implement various cash management and revenue maximization initiatives in several program areas, including for Intermediate Care Facility Day Services, Home and Community-Based Services Waiver, NY/NY III Supportive Housing agreement and Day Habilitation services.
- **Temporary and Disability Assistance:** Largely reflects the reprogramming of TANF funding.

New Initiatives

The largest areas of investment in local assistance are described below.

- **Medicaid:** Reflects investments in hospitals, including ambulatory surgery, emergency room services, and outpatient services.
- **School Aid:** Reflects increased aid to New York City schools.
- **Other Education:** Largely reflects additional resources for preschool special education and non-public schools.

State Operations

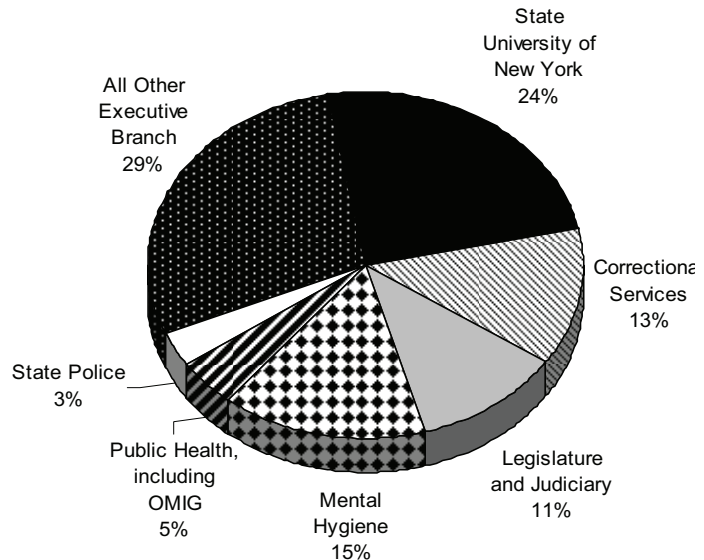
State Operations spending is for personal service and non-personal service costs. Personal service costs, which account for approximately two-thirds of State Operations spending, includes salaries of State employees of the Executive Branch, Legislature, and Judiciary, as well as overtime payments and costs for temporary employees. Non-personal service costs, which account for the remaining one-third of State Operations, represent other operating costs of State agencies, including real estate rental, utilities, contractual payments (i.e., consultants, information technology and professional business services), supplies and materials, equipment, telephone service and employee travel.

All Funds State Operations spending is projected at \$19.4 billion in 2008-09, which finances the costs of Executive agencies (\$17.3 billion) and the Legislature and Judiciary (\$2.1 billion). The largest agencies include SUNY (\$4.7 billion; 40,632 Full Time Equivalent Employees (FTEs)), Correctional Services (\$2.5 billion; 31,603 FTEs), Mental Hygiene (\$3.0 billion; 40,907 FTEs), Public Health, including Office of the Medicaid Inspector General (\$875 million; 6,793 FTEs), and State Police (\$637 million; 5,989 FTEs).

Approximately 93 percent of the State workforce is unionized. The largest unions include the Civil Service Employees Association, which primarily represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; the Public Employees Federation which primarily represents professional and technical personnel (i.e., attorneys, nurses, accountants, social workers, and institution teachers); United University Professions which represents faculty and non-teaching professional staff within the State University system; and the New York State Correctional Officers and Police Benevolent Association which represents security personnel (correction officers, safety and security officers).

The State workforce, which reflects full-time employees of the Executive branch, excluding the Legislature, Judiciary, and contractual labor, is projected to total 201,270 in 2008-09, an increase of 1,846 FTEs over 2007-08 levels. Increases are expected in Transportation (322 FTEs) primarily for bridge maintenance; Mental Hygiene agencies (335 FTEs) primarily due to staffing related to the Sex Offender

**2008-09 All Funds State Operations
Spending
\$19.4 Billion**



Management and Treatment Act and the NYS-CARES II program; Office of the Medicaid Inspector General (227 FTEs), reflecting staffing growth needed for Medicaid audit and fraud prevention activities; Motor Vehicles (114 FTEs) driven by the Federal Western Hemisphere Travel Initiative; and Health (256 FTEs), CUNY (140 FTEs) and Education (113 FTEs) reflecting authorized fill levels for 2008-09. Declines in Children and Family Services (243 FTEs) and Correctional Services (153 FTEs) are expected mainly through attrition as a result of facility closures.

State Operations Spending Projections (millions of dollars)						
	2007-08 Revised	Medicaid Transparency	2007-08 Adjusted	2008-09 Proposed	Annual Change	Percent Change
General Fund	9,677	(1,247)	8,430	8,863	433	5.1%
Other State Support	5,693	1,135	6,828	7,018	190	2.8%
State Operating Funds	15,370	(112)	15,258	15,881	623	4.1%
Capital Projects Funds	0	0	0	0	0	N/A
Federal Operating Funds	3,260	112	3,372	3,511	139	4.1%
Total All Funds	18,630	0	18,630	19,392	762	4.1%

All Funds State Operations spending is expected to total \$19.4 billion in 2008-09, comprising Personal Service (\$12.6 billion) and Non-Personal Service (\$6.8 billion). The majority of State Operations spending is for SUNY (\$4.7 billion), Correctional Services (\$2.5 billion), Judiciary (\$2.1 billion), OMRDD (\$1.5 billion) and OMH (\$1.4 billion).

State Operations spending by category, based upon historical spending trends, is allocated among employee base salaries (62 percent), overtime payments (3 percent), contractual services (24 percent), supplies and materials (6 percent), equipment (3 percent), employee travel (1 percent) and other operational costs (1 percent).

State Operations Spending Projections Major Sources of Annual Change -- State Operating Funds (millions of dollars)			
	Personal Service	Non-Personal Service	State Operations
2007-08 Revised	9,935	5,435	15,370
Medicaid Transparency Adjustment	(21)	(91)	(112)
2007-08 Adjusted	9,914	5,344	15,258
Collective Bargaining*	197	0	197
Judiciary	177	5	182
Insurance	1	109	110
Stem Cell Research	0	85	85
Correctional Services	(14)	35	21
Mental Health	(18)	35	17
Health, including OMIG	12	4	16
All Other	50	(55)	(5)
2008-09 Executive Budget	10,319	5,562	15,881
<i>Annual Dollar Change</i>	<i>405</i>	<i>218</i>	<i>623</i>
<i>Annual Percent Change</i>	<i>4.1%</i>	<i>4.1%</i>	<i>4.1%</i>

* Not allocated by agency at this time.

The All Funds State Operations spending increase of \$762 million (4.1 percent) is primarily driven by projected increases for collective bargaining agreements (\$197 million), the Judiciary (\$181 million),

Insurance (\$110 million), Stem Cell Research (\$85 million), Correctional Services (\$51 million), OMH (\$28 million), and Public Health (\$26 million). The annual changes are described in more detail below.

Personal Service

Personal Service						
Sources of Annual Spending Increase/(Decrease)						
from 2007-08 to 2008-09						
(millions of dollars)						
	General Fund	Other State Funds	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
2007-08 Revised	6,813	3,122	9,935	0	2,169	12,104
Medicaid Transparency Adjustment	(688)	667	(21)	0	0	(21)
2007-08 Adjusted	6,125	3,789	9,914	0	2,169	12,083
Current Services:	568	33	601	0	(22)	579
Current Collective Bargaining	197	0	197	0	0	197
Judiciary	175	1	176	0	0	176
Agency Salary Adjustments	93	31	124	0	22	146
Workforce Changes	45	1	46	0	14	60
Offsets	58	0	58	0	(58)	0
Recommended Savings:	(281)	60	(221)	0	121	(100)
Maximize Revenues	(136)	8	(128)	0	121	(7)
Auto Insurance Surcharge	(44)	44	0	0	0	0
Homeland Security	(17)	0	(17)	0	0	(17)
Mental Hygiene	(22)	0	(22)	0	0	(22)
DOCS Facility Closures	(9)	0	(9)	0	0	(9)
Youth Facility Closures	(2)	0	(2)	0	0	(2)
Power Plant Security	0	12	12	0	0	12
All Other	(51)	(4)	(55)	0	0	(55)
New Initiatives:	22	3	25	0	10	35
All Other	22	3	25	0	10	35
2008-09 Executive Budget	6,434	3,885	10,319	0	2,278	12,597
<i>Total Annual Change</i>	<i>309</i>	<i>96</i>	<i>405</i>	<i>0</i>	<i>109</i>	<i>514</i>

Current Services

Current Collective Bargaining: Reflects tentative labor settlements for the Civil Service Employees Association, United University Professions, District Council 37, and the extension of those increases to Management/Confidential State employees that provide a 3 percent salary increase each year beginning on April 1, 2007 and a 4 percent increase in the final year (2010-11).

Judiciary: Reflects the Judiciary's budget request for a salary increase (\$143 million), as well as the annualization of prior-year Judiciary actions, including increasing the number of full-time judges and adding Court of Claims and Family judges. The Governor must submit the Judiciary's budget request to the Legislature without modification.

Agency Salary Adjustments: Includes performance advances which systematically raise an employee's salary annually until the "job rate" is reached, longevity payments which increase salary for employees at their job rate for more than five years, merit awards and other promotional factors.

Workforce Changes: Reflects payroll increases driven by workforce changes.

Offsets: A reduction in Federal revenue available to offset General Fund costs, primarily resulting from the rate methodology change in the Medicaid Service Coordination program.

Recommended Savings

Maximize Revenues: Proposed Mental Hygiene Patient Income Account actions are expected to increase the amount of patient care revenues available to support State costs (\$121 million). In addition, an increase in Federal revenues earned in various OTDA programs and an increase in Federal funding for the State Criminal Alien Assistance Program lowers General Fund costs (\$8 million and \$5 million, respectively)

Auto Insurance Surcharge: Reflects an increase in the auto insurance surcharge from \$5 to \$10 in the portion of the fee used to support State Police highway and public safety activities.

Homeland Security: Recommendations include implementation of a security assessment on nuclear power plants to recover costs of National Guard activities at those sites (\$11.7 million) and consolidation of National Guard missions in the New York City area. In addition, a projected increase in Federal funds resulting from the State's use of all available Office of Homeland Security Federal funding will result in one-time General Fund savings of \$5 million.

Mental Hygiene: Primarily reflects adjusted estimates of Sex Offender Management and Treatment Act related costs, driven by assessment differences, procedural delays and a backlog in court reviews.

Correctional Services Facility Closures: Savings would be generated by the closure of three minimum security correctional camps at Pharsalia, Mt. McGregor, and Gabriels (\$5 million) and the Hudson medium security correctional facility (\$4 million).

Youth Facility Closures: Savings would be generated by the previously announced closure of seven underutilized youth facilities and the downsizing of one facility.

All Other: Primarily reflects reductions in workforce driven by attrition, consolidation of services and overtime savings.

New Initiatives

All Other: Includes additional funding for the Office of the Medicaid Inspector General staffing (\$1 million).

Non-Personal Service

Non-Personal Service Sources of Annual Spending Increase/(Decrease) from 2007-08 to 2008-09 (millions of dollars)						
	General Fund	Other State Funds	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	All Funds
2007-08 Revised	2,864	2,571	5,435	0	1,091	6,526
Medicaid Transparency Adjustment	(559)	468	(91)	0	112	21
2007-08 Adjusted	2,305	3,039	5,344	-	1,203	6,547
Current Services:	257	93	350	0	8	358
Correctional Services	52	1	53	0	(1)	52
Mental Hygiene	35	1	36	0	(5)	31
State University	(17)	28	11	0	5	16
Children and Family Services	27	0	27	0	7	34
Environmental Conservation	1	(23)	(22)	0	0	(22)
Insurance	92	4	96	0	0	96
Stem Cell Research	0	85	85	0	0	85
All Other	67	(3)	64	0	2	66
Recommended Savings:	(163)	(6)	(169)	0	10	(159)
Software Bonding	(43)	0	(43)	0	0	(43)
Education	(5)	0	(5)	0	0	(5)
General Services	(10)	0	(10)	0	0	(10)
Maximize Revenues	(9)	6	(3)	0	9	6
Medical Parole	(5)	0	(5)	0	0	(5)
Auto Insurance Surcharge	(4)	4	0	0	0	0
HESC Student Default Fee	0	(32)	(32)	0	0	(32)
Efficiencies	(87)	16	(71)	0	1	(70)
New Initiatives:	30	7	37	0	12	49
Economic Development	10	0	10	0	0	10
Public Health	10	1	11	0	1	12
OMIG	4	0	4	0	4	8
Cook Chill Expansion	0	5	5	0	0	5
HAVA	0	0	0	0	5	5
All Other	6	1	7	0	2	9
2008-09 Executive Budget	2,429	3,133	5,562	-	1,233	6,795
<i>Total Annual Change</i>	<i>124</i>	<i>94</i>	<i>218</i>	<i>0</i>	<i>30</i>	<i>248</i>

Current Services

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

Mental Hygiene: Primarily reflects overall inflationary increases, including assumed 4 percent increases for energy costs; roughly 10 percent for pharmacy costs driven by increased drug costs and higher utilization (\$29 million); and additional costs resulting from the Sex Offender Management and Treatment Act (\$3 million).

State University: Primarily reflects funding for inflationary increases.

Children and Family Services: Growth is driven by the exhaustion of prior-year Federal revenues supporting development costs of the child welfare computer system (\$5 million), the modernization of the child welfare computer system (\$17 million), general inflation (\$3 million), and projected Office for Technology rate increases for services provided to the agency (\$1 million).

Environmental Conservation: Primarily reflects non-recurring spending in the oil spill compensation program.

Insurance: Reflects payments to be made to insurance companies in accordance with Timothy's Law.

Stem Cell Research: Growth is from additional funding for stem cell research which was included in the 2007-08 Enacted Budget.

Recommended Savings

Software Bonding: Recommends bonding software development costs for CONNECTIONS (\$20 million), the Medicaid Management Information System (\$10 million), the statewide Welfare Management System (\$5 million), and the School Aid Management System (\$2 million).

Education: Reflects a reduction in planned growth associated with the implementation of SED accountability measures.

General Services: Proposals include shifting maintenance costs to capital (\$3 million), a planned reduction in energy consumption (\$1 million) and replacing certain contractors with State employees (\$1 million).

Maximize Revenues: Reflects a projected increase in Federal revenues earned in various OTDA programs which is used to lower General Fund costs, as well as the use of available Federal funding to support the New York Alert initiative.

Medical Parole: Establishes an expedited release process for inmates with terminal or incapacitating illnesses, leading to savings in pharmaceutical costs and outside hospital costs.

Auto Insurance Surcharge: Reflects an increase in the auto insurance surcharge from \$5 to \$10 in the portion of the fee used to support State Police highway and public safety activities.

Higher Education Services Corporation (HESC) Student Default Fees: HESC will discontinue coverage of the 1 percent default fee. The savings will be used to offset TAP expenses.

Efficiencies: Non-personal service spending efficiencies across nearly all State agencies including Mental Hygiene (\$19 million), DOCS (\$13 million) and SUNY (\$9 million) are expected to generate savings in energy, utilities, and travel costs.

New Initiatives

Economic Development: Increased funding for the "I Love New York" and international trade programs, and funding for a new business marketing program.

Public Health: Authorizes funding for the State to directly enroll individuals in Medicaid, CHP and FHP.

Office of Medicaid Inspector General: Reflects investment in equipment, including data mining tools and cardswipe terminals.

Cook/Chill Expansion: This proposal recommends increasing DOCS Cook-Chill food production to provide county jails outside of NYC with food for their inmates. These additional costs are expected to be offset by the revenue generated by the activity.

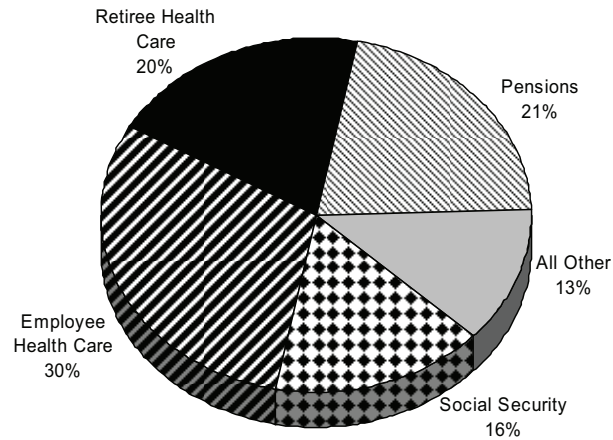
Help America Vote Act: Additional funding for the implementation of the Help America Vote Act to ensure compliant voting machines are available in the State.

General State Charges

General State Charges account for the costs of fringe benefits provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State. Fringe benefit payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, Social Security, health insurance, workers' compensation and unemployment insurance. Fixed costs include State taxes paid to local governments for certain State-owned lands, and payments related to lawsuits against the State and its public officers.

For most agencies, employee fringe benefit costs are paid centrally from appropriations made to General State Charges. These centrally-paid fringe benefit costs represent the majority of General State Charges spending. However, certain agencies, such as the Judiciary and the State University of New York, directly pay all or a portion of their employees' fringe benefit costs from their respective budgets. Employee fringe benefits paid through the General State Charges account are paid from the General Fund in the first instance and then partially reimbursed by revenue collected from fringe benefit assessments on Federal funds and other special revenue accounts. The funding source of fringe benefit costs directly paid by certain agencies is dependent on the respective agencies' funding sources. Fixed costs are paid in full by General Fund revenues from the General State Charges account.

General State Charges
2008-09 All Funds Spending - \$5.6 billion



General State Charges Spending Projections (millions of dollars)						
	2007-08 Revised	Medicaid Transparency*	2007-08 Adjusted	2008-09 Proposed	Annual Change	Percent Change
General Fund	4,487	(1,506)	2,981	3,136	155	5.2%
Other State Support	639	835	1,474	1,496	22	1.5%
State Operating Funds	5,126	(671)	4,455	4,632	177	4.0%
Federal Operating Funds	243	671	914	924	10	1.1%
Total All Funds	5,369	0	5,369	5,556	187	3.5%

* For detailed discussion please see the "Medicaid Transparency" discussion earlier.

All Funds spending on GSCs is expected to total \$5.6 billion in 2008-09, and includes health insurance spending for employees (\$1.7 billion) and retirees (\$1.0 billion), pensions (\$1.2 billion) and Social Security (\$889 million). The annual changes are described in more detail below.

General State Charges						
Sources of Annual Spending Increase/(Decrease)						
from 2007-08 to 2008-09						
(millions of dollars)						
	General Fund	Other State Funds	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
2007-08 Revised Estimate	4,487	639	5,126	0	243	5,369
Medicaid Transparency Adjustment	(1,506)	835	(671)	0	671	0
2007-08 Adjusted Estimate	2,981	1,474	4,455	0	914	5,369
Current Services:	281	20	301	0	9	310
Employee and Retiree Health Care	209	0	209	0	0	209
Pension Contribution	71	0	71	0	0	71
All Other	1	20	21	0	9	30
Recommended Savings:	(126)	2	(124)	0	1	(123)
Audit Savings	(17)	0	(17)	0	0	(17)
Pensions	(24)	0	(24)	0	0	(24)
Health Dividends	(50)	0	(50)	0	0	(50)
Waiver Savings	(18)	0	(18)	0	0	(18)
All Other	(17)	2	(15)	0	1	(14)
2008-09 Proposed	3,136	1,496	4,632	0	924	5,556
Annual Change	155	22	177	0	10	187

Current Services

Employee/Retiree Health Care: Spending for the State health plan is projected to increase by 5.0 percent in 2008-09, or by a total of \$209 million for active employees and retirees.

Pension Contribution: Projected contributions to the New York State and Local Retirement Systems for fiscal year 2008-09 are based on estimated pension contribution rates provided by the State Comptroller. Baseline projections from the Comptroller show an employer pension contribution rate of 8.8 percent of payroll in 2008-09 compared to 9.7 percent in 2007-08. The increase of \$71 million (6 percent) in 2008-2009 reflects large reconciliation charges in 2008-09 associated with larger-than-expected salary growth in 2006-07.

All Other: General Fund spending increases in employee benefit programs are driven by additional costs incurred as a result of planned workforce growth, primarily for Social Security costs (\$16 million) and increases for taxes on public lands (\$12 million). These increases are partially offset by higher escrow payments made by State agencies that reduce General Fund spending (\$21 million).

Recommended Savings

Audit Savings: The Executive Budget recommends an eligibility audit to eliminate ineligible dependents from receiving health insurance coverage from the State (\$16 million), as well as increasing audit recoveries through the addition of five audit staff (\$1 million).

Pensions: Savings are derived from accelerating the State’s pension payment from September 1, 2008 to May 1, 2008, resulting in interest savings.

Health Insurance Dividends: One-time use of health insurance dividends to pay for health care spending in 2008-09.

Waiver Savings: Savings are expected from efforts to ensure all non-General Fund State programs are paying their appropriate share of fringe benefit costs. In 2008-09, approximately \$18 million in savings will be realized from the cessation of certain fringe benefit waivers which had previously been granted.

Debt Service

The State pays debt service on all outstanding State-supported bonds. These include general obligation bonds, for which the State is constitutionally obligated to pay debt service, as well as bonds issued by State public authorities (i.e., Empire State Development Corporation (ESDC), the Dormitory Authority of the State of New York (DASNY), and the Thruway Authority (TA) for which the State is contractually obligated to pay debt service, subject to an appropriation. Depending on the credit structure, debt service is financed through transfers from the General Fund, dedicated taxes and fees, and other resources, such as patient income revenues.

For a more complete discussion on State debt levels, debt service costs and debt management initiatives, please refer to the 2008-09 Executive Budget Five-Year Capital Program and Financing Plan available on the DOB website.

Debt Service Spending Projections (millions of dollars)				
	2007-08 Revised	2008-09 Proposed	Annual Change	Percent Change
General Fund	1,557	1,692	135	8.7%
Other State Support	2,735	2,936	201	7.3%
State Operating Funds	4,292	4,628	336	7.8%
Capital Projects Funds	0	0	0	0.0%
Total All Funds	4,292	4,628	336	7.8%

All Funds debt service is projected at \$4.6 billion in 2008-09, of which \$1.7 billion is paid from the General Fund through transfers and \$2.9 billion from other State funds. Debt service is paid on revenue credits supported by dedicated taxes and fees and patient income, including Personal Income Tax Revenue bonds, Dedicated Highway and Bridge Trust Fund bonds and Mental Health facilities bonds, as well as service contract bonds that are secured mainly by the General Fund.

Debt Service					
Sources of Annual Spending Increase/(Decrease)					
from 2007-08 to 2008-09					
(millions of dollars)					
	<u>General Fund</u>	<u>Other State Funds</u>	<u>Total State Operating Funds</u>	<u>Capital Projects Funds</u>	<u>Total All Funds</u>
2007-08 Revised Estimates	1,557	2,735	4,292	0	4,292
Current Services:	135	232	367	0	367
Recommended Savings:	0	(31)	(31)	0	(31)
2008-09 Proposed	1,692	2,936	4,628	0	4,628
Annual Change	135	201	336	0	336

Current Services

Underlying Growth: Primarily reflects increases in debt service costs to support ongoing capital spending. The increased spending is for education purposes (\$158 million, of which \$68 million is for EXCEL), transportation (\$112 million), health and mental hygiene (\$65 million), and economic development and housing (\$63 million), as offset by slightly reduced spending for State facilities and equipment (\$18 million) and the \$250 million Debt Reduction Reserve Fund spending in 2007-08. In addition, spending for SUNY educational facilities and the Local Government Assistance Corporation (LGAC) increased by \$222 million due to the timing of debt service payments made during 2006-07. Variable interest rates are projected at 3.15 percent for 2008-09, slightly lower than 2007-08 levels of 3.55 percent.

The State continues to implement measures to reduce growth in debt service costs, such as using highly rated personal income tax revenue bonds (in lieu of more costly service contract bonds) to finance a variety of capital programs.

Recommended Savings

Reflects \$31 million in savings from a variety of debt management actions, including continuing increased competitive processes for bond sales, maximizing savings opportunities through consolidated service contract refunding structures and more flexible personal income tax new money structures, and – if market conditions become more favorable – further diversifying the State’s debt portfolio with variable rate obligations and interest rate exchange agreements. The State will also continue to use less costly AAA-rated (by Standard and Poor’s) personal income tax bonds to reduce borrowing costs.

New Initiatives

A number of new capital initiatives are proposed to be bond-financed with the Executive Budget. These include increased capital programs for SUNY and CUNY (\$2.9 billion), over \$1 billion for various economic development initiatives and capital enhancements at State parks, \$75 million of bond-eligible capital spending from the Environmental Protection Fund (EPF), and \$65 million of software development costs.

The newly recommended bond-financed capital programs are expected to have a minimal impact on 2008-09 debt service spending, although they will produce higher costs in later years. The recommended additions are explained in detail in the 2008-09 Executive Budget Five-Year Capital Program and Financing Plan available on the DOB website.

Capital Projects

The following section briefly summarizes activity in Capital Projects Funds. A complete explanation of the State's capital programs is contained in the Five-Year Capital Program and Financing Plan.

Capital Projects account for spending across all functional areas to finance costs related to the acquisition, construction, repair or renovation of fixed assets. Spending from appropriations made from over 30 capital projects funds are financed from four sources: annual State taxes or dedicated miscellaneous receipts, grants from the Federal government, the proceeds of notes or bonds issued pursuant to General Obligation Bond Acts which are approved by the State voters, and the proceeds of notes or bonds issued by public authorities pursuant to legal authorization for State capital spending.

Capital Projects Spending Projections (millions of dollars)				
	2007-08 Revised	2008-09 Proposed	Annual Change	Percent Change
General Fund	93	366	272	291.7%
Other State Support	4,666	5,589	923	19.8%
State Funds	4,759	5,955	1,195	25.1%
Federal Funds	1,885	1,973	87	4.6%
All Funds	6,645	7,927	1,282	19.3%

All Funds capital spending is projected at \$6.6 billion in 2007-08 and \$7.9 billion in 2008-09. In fiscal year 2008-09, transportation spending, primarily for improvements and maintenance to the State's highways and bridges, continues to account for the largest share (51 percent) of this total. The balance of projected spending will support capital investments in the areas of economic development and government oversight (12 percent), education (10 percent), mental hygiene and public protection (9 percent), and parks and the environment (8 percent). The remainder of projected capital projects spending will be spread across health and social welfare, general government and other areas (10 percent).

Capital Projects				
Sources of Annual Spending Increase/(Decrease)				
(millions of dollars)				
	General Fund	State Funds	Federal Funds	All Funds
Current Services:	271	567	87	925
Transportation	118	119	106	343
Economic Development	112	88	0	200
Higher Education/Education	0	94	0	94
All Other Reestimates	41	266	(19)	288
Recommended Savings:	(3)	0	0	(3)
All Agencies	(3)	0	0	(3)
New Initiatives:	4	356	0	360
Economic Development	0	90	0	90
Environment	0	75	0	75
Transportation	0	74	0	74
Higher Education/Education	4	55	0	59
All Other Additions	0	62	0	62
Annual Change	272	923	87	1,282

Current Services

The projected \$200 million spending increase for economic development reflects the cumulative impacts of initiatives begun over the previous several years. They include projects at State University facilities and its Research Foundation and private universities; various local projects across the State; cultural facilities needs, and energy-related projects. The \$343 million increase for transportation reflects spending for ongoing commitments, including \$106 million in Federal grants and \$181 million for spending from the 2005 Rebuild and Renew New York General Obligation Bond Act, as those projects begin to spend more fully. The \$403 million increase for other spending is spread across all other program areas, including \$163 million for mental hygiene and public protection projects, \$86 million for higher education projects, and \$90 million for DOH projects (primarily HEAL-NY).

Recommended Savings

Approximately \$3 million has been identified as savings for shifting environmental spending to bond financing.

New Initiatives

Please see the 2008-09 Executive Budget Capital Program and Financing Plan for a complete discussion of Capital investments recommended in the Executive Budget.

Non-Recurring Resources

The State typically uses some non-recurring resources each year to support its operations. The Executive Budget uses approximately \$1.1 billion of non-recurring resources to balance the General Fund Financial Plan and another \$337 million in labor reserves to finance expected collective bargaining costs. The following table summarizes the non-recurring actions.

General Fund Non-Recurring Resources (millions of dollars)	
	2008-09
Belmont Development Rights	250
Partial Restoration of NYC AIM	164
Bonding Capital projects Originally Planned to be Cash Financed	110
Transfer SONYMA Excess Balances to the General Fund	100
Additional 5 Percent Tax Prepayment	95
Sweep Excess EPF Fund Balances to General Fund	80
Recovery of Early Intervention Overpayments to New York City	60
Bond Eligible Software Costs	63
Abandoned Property	50
Mental Hygiene: Federal PIA revenues/Cash Managemnt	66
Student Loan Default Fee	27
Interest Savings for Pension Bill Prepayment	24
Sweep Excess Motor Vehicle Fund Balances to General Fund	16
All other	34
Total One-Time Resources	1,139
Use of Reserves to Finance Labor Settlements	337
Total Non-Recurring Resources	1,476

There are two significant non-recurring transactions in 2008-09. The first is a potential payment for development rights at Belmont Park. The second is a partial restoration of an aid payment to New York City under the AIM program. The 2008-09 current services budget included a full restoration of the payment that had been reduced to \$20 million in 2007-08. Other one-time actions include:

- Bonding certain costs related to the Environmental Protection Fund, the Department of Education, the Office General Services, and software development capital projects originally planned to be cash financed;
- Recovering overpayments made to New York City for Early Intervention claims;
- Accelerating the payment of certain tax liabilities within the calendar year;
- Using one-time Federal revenues that are expected as a result of accelerated Disproportionate Share and Prepaid Mental Health Program claiming for services provided to mental hygiene consumers, revenue maximization in Day Habilitation services, increased Medicare enrollments, residential conversions, and measured bed development; and
- Assigning financial responsibility for the payment of a 1 percent student loan default fee from the State to the actual borrowers.

The remaining actions generally consist of routine sweeps and fund balances.

GENERAL FUND FINANCIAL PLAN OUT-YEAR PROJECTIONS (2009-10 Through 2011-12)

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. The following discussion of out-year projections focuses on the State's General Fund, since that is the fund that is required to be balanced.

Current Services Gaps

The current services gaps, which form the starting point for developing the Executive Budget projections, are calculated at \$6.2 billion in 2009-10, \$7.7 billion in 2010-11, and \$9.5 billion in 2011-12. Since the Mid-Year Update, DOB has revised its current services forecasts for receipts and disbursements for 2009-10 and 2010-11 and calculated an estimate of the 2011-12 gap.

Executive Budget Impact on the Out-Year Gaps

The recommendations set forth in the Budget result in a balanced General Fund Financial Plan in 2008-09 and reduce projected out-year budget gaps to \$3.3 billion in 2009-10, \$5.7 billion in 2010-11, and \$6.8 billion in 2011-12. The projections assume that the Legislature will enact the 2008-09 Executive Budget recommendations in their entirety.

The following tables summarize the impact of the 2008-09 Budget recommendations on the 2009-10 through 2011-12 budget gaps, as well as the annual changes in projected receipts, disbursements, and the use of reserves.

General Fund Budget-Balancing Plan: 2008-09 Executive Budget				
(millions of dollars)				
	2008-09	2009-10	2010-11	2011-12
Current Services Gaps	(4,422)	(6,154)	(7,697)	(9,454)
Savings Plan:	4,838	3,741	3,507	4,071
Savings Actions	2,253	2,495	2,274	2,832
Revenue Initiatives	1,109	1,267	1,254	1,260
Non-recurring Actions	1,139	(21)	(21)	(21)
Use of Reserves for Labor Settlements	337	0	0	0
New Initiatives:	(416)	(874)	(1,497)	(1,438)
Executive Budget Gaps	0	(3,287)	(5,687)	(6,821)

After recommendations, General Fund spending is projected to grow at an average annual rate of 8.0 percent. The spending is driven by School Aid investments, rising costs for education, public health care, the State-financed cap on local Medicaid spending, employee and retiree health benefits, local government aid and child welfare programs, and the recommended initiatives for health care and human services cost-of-living-adjustment. Over the same period, General Fund receipts are estimated to grow at approximately 5 percent a year, consistent with the DOB's forecast of moderating economic growth. The following table summarizes the General Fund projections by major tax and Financial Plan category.

General Fund Executive Budget Forecast				
(millions of dollars)				
	2008-09	2009-10	2010-11	2010-12
Receipts				
Taxes	41,671	43,951	45,940	48,651
Personal Income Tax	24,391	25,897	27,415	29,315
User Taxes and Fees	8,832	8,913	9,251	9,620
Business Taxes	7,254	7,816	7,866	8,218
Other Taxes	1,194	1,325	1,408	1,498
Miscellaneous Receipts	2,238	2,186	2,261	2,060
Federal Grants	41	0	0	0
Transfers from Other Funds	12,392	12,587	13,142	13,816
PIT in Excess of Revenue Bond Debt Service	8,769	9,199	9,647	10,154
Sales Tax in Excess of LGAC Debt Service	2,314	2,331	2,436	2,556
Real Estate Taxes in Excess of CW/CA Debt Service	615	596	599	608
All Other	694	461	460	498
Total Receipts	56,342	58,724	61,343	64,527
Disbursements				
Grants to Local Governments	41,860	45,919	49,833	53,013
State Operations	8,863	9,236	9,780	10,046
General State Charges	3,136	3,806	4,087	4,386
Transfers to Other Funds	2,883	3,112	3,481	3,982
Debt Service	1,692	1,680	1,706	1,673
Capital Projects	366	574	930	997
Other Purposes	825	858	845	1,312
Total Disbursements	56,742	62,073	67,181	71,427
Change in Reserves				
Prior Year Reserves	(337)	0	0	0
Community Projects Fund	(63)	(62)	(151)	(79)
Deposit to/(Use of) Reserves	(400)	(62)	(151)	(79)
Revised Budget Surplus/(Gap) Estimate	0	(3,287)	(5,687)	(6,821)

In evaluating the State's out-year operating forecast, it should be noted that the reliability of the estimates as a predictor of the State's future fiscal condition is likely to diminish as one moves further from the current year and budget year estimates. Accordingly, the 2008-09 forecast is perhaps the most relevant from a planning perspective, since any gap in that year must be closed with the next budget and the variability of the estimates is likely to be less than in later years. The State will provide quarterly revisions to its multi-year estimates.

The following chart provides a "zero-based" look at the causes of the 2009-10 General Fund budget gap, followed by a brief summary of the assumptions behind the projections. For a detailed explanation of the assumptions underlying the out-year revenue and spending projections, see "Out-year General Fund Receipt Projections" and "Out-year General Fund Disbursement Projections" later in this AIS Update.

2009-10 General Fund Annual Change Savings/(Costs) (millions of dollars)	
	<u>2009-10</u>
RECEIPTS	2,382
Constant Law Growth	3,394
Change in STAR Deposits	(710)
Change in Debt Service (RBTF/LGAC/CWCA)	(302)
DISBURSEMENTS	(5,331)
Local Assistance	(4,059)
Medicaid (incl. admin)	(1,488)
<i>Program Growth/Other</i>	(1,229)
<i>Medicaid Cap/Family Health Plus Takeover</i>	(259)
School Aid	(1,793)
Other Education Aid	(132)
Children and Family Services	(133)
Local Government Aid	(239)
All Other Local Assistance	(274)
State Operations	(373)
Personal Service	(246)
Non-personal Service	(127)
General State Charges	(670)
Health Insurance	(228)
Pensions	(71)
All Other	(371)
Transfers to Other Funds	(229)
Change in Reserves Used for Operations	(338)
"CURRENT SERVICES" BUDGET GAP FOR 2009-10	(3,287)

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, and assumes enactment of the Executive Budget in its entirety. 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. Significant assumptions that affect the forecast include:

- **The Executive Budget will be enacted without modification.** The estimates assume that any legislative changes to the 2008-09 Executive Budget would be matched with a corresponding amount of recurring resources.
- **Economic growth will continue during the forecast period.** DOB's forecast calls for moderate expansion in the economy. The momentum of the State's expansion appears to have peaked in 2005, and the forecast calls for positive, but below average, growth through calendar year 2008 and a return to trend growth in the out-years.
- **Revenues, adjusting for tax law changes, will grow in the range of 5.2 percent to 6.1 percent annually.** The growth rate is consistent with DOB's forecast for the economy but, as in any year,

is subject to significant volatility. Changes in the economic growth rate, Federal law, and taxpayer behavior all have a significant influence on receipts collections.

- **The Federal government will not make substantive funding changes** to major aid programs or make substantive regulatory changes that adversely affect the State.
- **The projections do not include any extra costs for unsettled labor settlements.** The Financial Plan projections do not include spending for unions that have not yet reached tentative labor settlements with the State. These include unions representing uniformed officers and the Public Employees Federation. DOB estimates that if all the unsettled unions were to agree to the same terms that have been ratified by the Civil Service Employees Association, it would result in added costs of \$144 million in 2007-08, \$303 million in 2008-09, \$444 million in 2009-10, and \$636 million in 2010-11. Financial Plan reserves set aside for this purpose are sufficient to cover all but \$183 million of these costs through 2009-10.
- **The projections do not assume the use of one-time resources.** In a typical year, however, the Financial Plan usually includes some such resources.

Changes to these or other assumptions have the potential to materially alter the size of the budget gaps for 2009-10 and beyond.

Out-Year General Fund Receipts Projections

General Fund Receipts Projections (millions of dollars)							
	2008-09	2009-10	Annual \$ Change	2010-11	Annual \$ Change	2011-12	Annual \$ Change
Receipts							
Personal Income Tax	24,391	25,897	1,506	27,415	1,518	29,315	1,900
User Taxes and Fees	8,832	8,913	81	9,251	338	9,620	369
Business Taxes	7,254	7,816	562	7,866	50	8,218	352
Other Taxes	1,194	1,325	131	1,408	83	1,498	90
Miscellaneous Receipts	2,238	2,186	(52)	2,261	75	2,060	(201)
Federal Grants	41	0	(41)	0	0	0	0
Transfers from Other Funds	12,392	12,587	195	13,142	555	13,816	674
PIT in Excess of Revenue Bond Debt Service	8,769	9,199	430	9,647	448	10,154	507
Sales Tax in Excess of LGAC Debt Service	2,314	2,331	17	2,436	105	2,556	120
Real Estate Taxes in Excess of CW/CA Debt Service	615	596	(19)	599	3	608	9
All Other	694	461	(233)	460	(1)	498	38
Total Receipts	56,342	58,724	2,382	61,343	2,619	64,527	3,184

Fiscal Years 2009-10, 2010-11 and 2011-12 Overview

Overall, tax receipts growth in the three fiscal years following 2008-09 is expected to remain in the range of 4.8 to 6.0 percent. This is consistent with a projected return to trend economic growth in the U.S. and New York economies in the second half of 2008. Receipt growth is supported by proposals contained with this Budget that eliminate unintended tax loopholes, reform and simplify the Tax Law, and supplement Department of Taxation and Finance efforts to find non-compliant and fraudulent taxpayers. These factors are expected to continue to enhance expected receipt growth through 2011-12.

- Total General Fund receipts are projected to reach nearly \$59 billion in 2009-10, over \$61 billion in 2010-11 and nearly \$65 billion in 2011-12.
- Total State Funds receipts are projected to be approximately \$85 billion in 2009-10, over \$88 billion in 2010-11 and nearly \$92 billion in 2011-12.

- Total All Funds receipts in 2009-10 are projected to reach over \$128 billion, an increase of \$5.0 billion, or 4.1 percent from 2008-09 estimates. All Funds receipts in 2010-11 are expected to increase by nearly \$5.1 billion (4.0 percent) over the prior year. In 2011-12, receipts are expected to increase by nearly \$5.0 billion (3.7 percent) over 2010-11 projections.
- All Funds tax receipts are expected to increase by 6.0 percent in 2009-10, 4.8 percent in 2010-11 and 5.5 percent in 2011-12. Again, the growth pattern is consistent with an economic forecast of continued, but slower, economic growth.

Out-Year General Fund Disbursement Projections

DOB forecasts General Fund spending of \$62.1 billion in 2009-10, an increase of \$5.3 billion (9.4 percent) over recommended 2008-09 levels. Growth in 2010-11 is projected at \$5.1 billion (8.2 percent) and in 2011-12 at \$4.2 billion (6.4 percent). The growth levels are based on current services projections, as modified by the recommendations contained in the 2008-09 Executive Budget. They do not incorporate any estimate of potential new actions to control spending, that would likely result from the constitutional requirement for the Governor to submit balanced budgets annually. The main sources of annual spending growth for 2009-10, 2010-11, and 2011-12 are itemized in the table below.

Grants to Local Governments

Out-year Disbursement Projections - General Fund (millions of dollars)							
	2008-09	2009-10	Annual \$ Change	2010-11	Annual \$ Change	2011-12	Annual \$ Change
Grants to Local Governments:	41,860	45,919	4,059	49,833	3,914	53,013	3,180
School Aid	17,441	19,234	1,793	21,273	2,039	22,789	1,516
Medicaid (including administration)	11,785	13,014	1,229	13,872	858	14,765	893
Medicaid: Takeover Initiatives	939	1,198	259	1,539	341	1,920	381
Mental Hygiene	2,057	2,115	58	2,320	205	2,496	176
Children and Family Services	1,760	1,893	133	2,065	172	2,213	148
Local Government Assistance	1,137	1,376	239	1,440	64	1,410	(30)
Higher Education	2,470	2,540	70	2,602	62	2,623	21
Public Health	644	747	103	796	49	817	21
Other Education Aid	1,702	1,834	132	1,936	102	2,043	107
Temporary and Disability Assistance	1,167	1,240	73	1,240	0	1,242	2
Transportation	105	105	0	105	0	105	0
All Other	653	623	(30)	645	22	590	(55)
State Operations:	8,863	9,236	373	9,780	544	10,046	266
Personal Service	6,434	6,680	246	7,114	434	7,293	179
Non-Personal Service	2,429	2,556	127	2,666	110	2,753	87
General State Charges	3,136	3,806	670	4,087	281	4,386	299
Pensions	1,216	1,287	71	1,285	(2)	1,342	57
Health Insurance (Active Employees)	1,652	1,790	138	1,950	160	2,127	177
Health Insurance (Retired Employees)	1,039	1,129	90	1,233	104	1,347	114
Medicaid Adjustment	(1,506)	(1,136)	370	(1,135)	1	(1,207)	(72)
All Other	735	736	1	754	18	777	23
Transfers to Other Funds:	2,883	3,112	229	3,481	369	3,982	501
Debt Service	1,692	1,680	(12)	1,706	26	1,673	(33)
Capital Projects	366	574	208	930	356	997	67
All Other	825	858	33	845	(13)	1,312	467
TOTAL DISBURSEMENTS	56,742	62,073	5,331	67,181	5,108	71,427	4,246

Annual growth in local assistance is driven primarily by School Aid, Medicaid, local government assistance, other education aid and children and family services. 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						
(millions of dollars, where applicable)						
	Actual	Forecast				
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Medicaid						
Medicaid Enrollment	3,608,075	3,581,311	3,665,541	3,746,047	3,994,438	4,149,548
Family Health Plus Enrollment	514,058	525,596	545,996	563,084	605,390	605,390
Child Health Plus Enrollment	388,187	396,375	460,614	494,112	499,053	504,043
Medicaid Inflation	2.4%	2.0%	2.9%	3.0%	3.0%	3.0%
Medicaid Utilization	1.1%	-3.3%	1.6%	3.3%	3.7%	4.0%
State Takeover of County/NYC Costs (Total)	\$622	\$677	\$939	\$1,198	\$1,539	\$1,920
- Family Health Plus	\$424	\$442	\$453	\$467	\$484	\$484
- Medicaid*	\$198	\$235	\$486	\$731	\$1,055	\$1,436
Education						
School Aid (School Year)	\$17,800	\$19,600	\$21,000	\$23,100	\$25,600	\$27,200
K-12 Enrollment	2,783,153	2,758,856	2,758,856	2,758,856	2,758,856	2,758,856
Public Higher Education Enrollment (FTEs)	499,082	512,362	518,431	525,408	529,133	528,780
TAP Recipients	320,930	312,779	309,436	310,936	312,686	314,861
Welfare						
Family Assistance Caseload	402,348	348,901	339,686	344,328	331,340	329,517
Single Adult/No Children Caseload	158,513	158,576	166,597	172,876	179,708	186,053
Mental Hygiene						
Mental Hygiene Community Beds	81,737	85,058	87,731	90,520	92,614	95,332

Medicaid

General Fund spending for Medicaid is expected to grow by \$1.5 billion in 2009-10, \$1.1 billion in 2010-11, and another \$1.3 billion in 2011-12.

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 (i.e., hospitals, nursing homes, etc.). 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 \$262 million in 2008-09, \$259 million in 2009-10, and \$341 million in 2010-11. In 2009-10, an extra weekly payment to providers adds \$300 million in base spending across all categories of service. The remaining growth is primarily attributed to the available resources in other State Funds which are used to lower General Fund costs, including certain nursing home delinquent payor assessment collections in 2007-08 that are not expected to recur in 2008-09, and lower levels of HCRA financing beginning in 2008-09.

The average number of Medicaid recipients is expected to grow to 3.7 million in 2008-09, an increase of 2.4 percent from the estimated 2007-08 caseload of more than 3.6 million. FHP enrollment is estimated to grow to approximately 546,000 individuals in 2008-09, an increase of 3.8 percent over projected 2007-08 enrollment of almost 526,000 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	13,644	14,543	899	16,000	1,457	17,900	1,900	18,800	900
Universal Pre-kindergarten	373	452	79	542	90	632	90	657	25
High Tax Aid	100	100	0	100	0	100	0	100	0
Supplemental Public Excess Cost	20	0	(20)	0	0	0	0	0	0
New York City Academic Achievement Grant	89	179	90	179	0	179	0	179	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)	4,634	4,961	327	5,400	439	5,800	400	6,300	500
Other Aid Categories/Initiatives	628	645	17	700	55	798	98	973	175
Total School Aid	19,558	21,015	1,457	23,100	2,085	25,600	2,500	27,200	1,600
<i>Cumulative Increase since 2006-07</i>	<i>1,723</i>		<i>3,180</i>		<i>5,265</i>		<i>7,765</i>		<i>9,365</i>

On a school-year basis, School Aid is projected at \$23.1 billion in 2009-10, \$25.6 billion in 2010-11, and \$27.2 billion in 2011-12. On a State fiscal-year basis, General Fund School Aid spending is projected to grow by \$1.8 billion in 2009-10, \$2.0 billion in 2010-11, and \$1.5 billion in 2011-12. Outside the General Fund, revenues from core lottery sales are projected to increase by \$161 million in 2009-10, \$74 million in 2010-11, and \$108 million in 2011-12 (totaling \$2.5 billion in 2011-12). Revenues from VLTs are projected to total \$764 million in 2008-09, then decrease by \$120 million in 2009-10 following the expected one-time receipt of \$250 million in revenues during 2008-09 for the sale of development rights. They are then projected to increase by \$243 million in 2010-11 and \$229 million in 2011-12. VLTs are expected to total \$1.1 billion in 2011-12. The VLT estimates assume the start of operations at Aqueduct in 2009-10 and Belmont in 2010-11.

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.

Mental Hygiene

Mental Hygiene spending is projected at \$2.1 billion in 2009-10, \$2.3 billion in 2010-11, and \$2.5 billion in 2011-12. Sources of growth include: increases in the projected State share of Medicaid costs; cost-of-living increases, including a proposed three-year extension of the human services COLA; and projected expansions of the various mental hygiene service systems including the 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 several new chemical dependence treatment and prevention initiatives in OASAS.

Children and Family Services

Children and Family Services local assistance spending is projected to grow by \$133 million in 2009-10, \$172 million in 2010-11 and \$148 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 \$1.2 billion in 2009-10, an increase of \$73 million from 2008-09, and is expected at the same level through 2011-12. Although public assistance caseload is projected to increase marginally between 2009-10 and 2011-12, this spending is countered by an increase in Federal offsets, which decrease the level of General Fund resources needed.

Other Local Assistance

All other local assistance programs total \$4.7 billion in 2009-10, an increase of \$444 million over 2008-09 levels. This growth in spending primarily reflects increases in local government assistance including a full restoration of unrestricted aid to New York City (\$164 million), and additional AIM funding (\$75 million), various public health program costs, and other education aid.

State Operations

Forecast of Selected Program Measures Affecting State Operations						
	Actual			Forecast		
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
State Operations						
Prison Population (Corrections)	63,577	62,800	62,200	61,800	61,600	61,400
Negotiated Salary Increases ⁽¹⁾	3.0%	3.0%	3.0%	3.0%	4.0%	0.0%
Personal Service Inflation	0.8%	1.0%	1.0%	1.0%	1.0%	1.0%
State Workforce	195,526	199,424	201,270	202,388	202,388	202,388

(1) Negotiated salary increases reflect recent labor settlements included in the Financial Plan estimates

State Operations spending is expected to total \$9.2 billion in 2009-10, an annual increase of \$373 million (4.2 percent). In 2010-11, spending is projected to grow by another \$544 million (5.9 percent) to a total of \$9.8 billion, followed by another \$266 million (2.7 percent) for a total of \$10.0 billion in 2011-12. The personal service portion of these increases reflects the impact of the settled labor contracts; salary adjustments for performance advances, longevity payments and promotions; and increased staffing levels, primarily in the Judiciary and Mental Hygiene. Inflationary increases for non-personal service costs result in higher spending in all years. Additional growth is driven by spending for ongoing initiatives, including the civil commitment program for sexual offenders, and medical and pharmacy costs in the areas of mental hygiene and corrections.

The agencies experiencing the most significant personal service and non-personal service growth are depicted in the charts below, followed by brief descriptions.

Personal Service

General Fund - Personal Service (millions of dollars)							
	2008-09	2009-10	Annual \$ Change	2010-11	Annual \$ Change	2011-12	Annual \$ Change
Total	6,434	6,680	246	7,114	434	7,293	179
Collective Bargaining	336	510	174	756	246	756	0
Correctional Services	1,804	1,821	17	1,847	26	1,866	19
Judiciary	1,498	1,511	13	1,640	129	1,777	137
Environmental Conservation	99	107	8	107	0	107	0
All Other	2,697	2,731	34	2,764	33	2,787	23

- Collective Bargaining:** Reflects the impact of settled labor negotiations 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 settled unions represent roughly one-half of total costs.

- **Correctional Services:** Growth is attributable primarily to the Sex Offender Management and Treatment Act and the restricted use of special housing units for mentally ill inmates, which are expected to result in an increased need for correction officers, thus driving higher workforce levels and costs.
- **Judiciary:** Reflects Office of Court Administration (OCA) projections for non-judicial OCA employees, as well as the annualization of prior-year Judiciary actions, including increasing the number of full-time judges and adding Court of Claims and Family Judges.
- **Environmental Conservation:** Out-year General Fund personal service increases stem from the continued impact of the Administrative Law Enforcement Settlement (ALES) and out-year impacts of 2008-09 Executive Budget recommendations.

Non-Personal Service

General Fund - Non-Personal Service (millions of dollars)							
	2008-09	2009-10	Annual \$ Change	20010-11	Annual \$ Change	2011-12	Annual \$ Change
Total	2,429	2,556	127	2,666	110	2,753	87
Correctional Services	627	660	33	698	38	741	43
State Police	56	78	22	77	(1)	77	0
Public Health	127	146	19	165	19	169	4
Temporary and Disability Assistance	37	55	18	56	1	59	3
State University	443	453	10	471	18	491	20
All Other	1,139	1,164	25	1,199	35	1,216	17

- **Correctional Services:** Growth is primarily driven by the escalating costs of food, fuel, utilities, and providing 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 will be supported by General Fund revenues in 2009-10.
- **Public Health:** Growth is largely driven by the annualization in the Executive Budget recommendation providing funding for the State to directly enroll individuals into Medicaid, Child Health Plus and Family Health Plus.
- **Temporary and Disability Assistance:** Spending will 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 at SUNY.

General State Charges

Forecast of Selected Program Measures Affecting General State Charges						
	Actual	Forecast				
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
General State Charges						
Pension Contribution Rate as % of Salary	10.2%	9.7%	8.8%	9.0%	9.0%	9.3%
Employee/Retiree Health Insurance Growth Rates	10.3%	5.5%	5.5%	9.5%	9.5%	9.5%

General State Charges are projected to total \$3.8 billion in 2009-10, \$4.1 billion in 2010-11 and \$4.4 billion in 2011-12. The annual increases are due mainly to anticipated cost increases in pensions and health insurance for State employees and retirees. Additional growth is projected in 2009-10 resulting from the Medicaid adjustment transaction described earlier.

The State’s pension contribution rate to the New York State and Local Retirement System, which is 8.8 percent of payroll for 2008-09, is expected to increase to 9.0 percent for 2009-10 and 2010-11 and to 9.3 percent in 2011-12. Pension costs in 2009-10 are projected to total \$1.3 billion, an increase of \$71 million over 2008-09 due to projected growth in the salary base. In 2010-11, pension costs are expected to remain virtually unchanged. In 2011-12, they are expected to increase by \$57 million due to an anticipated increase in the State contribution rate.

Forecast of New York State Employee Health Insurance Costs (millions of dollars)			
Health Insurance			
Year	Active Employees	Retirees	Total State
2006-07	1,518	913	2,431
2007-08	1,572	992	2,564
2008-09	1,652	1,039	2,691
2009-10	1,790	1,129	2,919
2010-11	1,950	1,233	3,183
2011-12	2,127	1,347	3,474

All numbers reflect the cost of health insurance for General State Charges (Executive and Legislative branches) and the Office of Court Administration.

Spending for employee and retiree health care costs is expected to increase by \$228 million in 2009-10, \$264 million in 2010-11, and another \$291 million in 2011-12 and assumes an average annual premium increase of roughly 9.5 percent. Health insurance is projected at \$2.9 billion in 2009-10 (\$1.8 billion for active employees and \$1.1 billion for retired employees), \$3.2 billion in 2010-11 (\$2.0 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).

See discussion of the Governmental Accounting Standards Board (GASB) 45, later in this AIS Update under the “Special Considerations” section, for the valuation of future State health insurance costs for State employees.

Transfers to Other Funds

Out-Year 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:	2,883	3,112	229	3,481	369	3,982	501
Debt Service	1,692	1,680	(12)	1,706	26	1,673	(33)
Capital Projects	366	574	208	930	356	997	67
Dedicated Highway and Bridge Trust Fund	119	212	93	586	374	689	103
All Other Capital	247	362	115	344	(18)	308	(36)
All Other Transfers	825	858	33	845	(13)	1,312	467
Medicaid Payments for State Facility Patients	174	174	0	174	0	174	0
Judiciary Funds	156	167	11	177	10	184	7
HCRA	0	0	0	0	0	464	464
SUNY- Hospital Operations	141	159	18	167	8	167	0
Banking Services	63	63	0	63	0	63	0
Empire State Stem Cell Trust Fund	50	35	(15)	0	(35)	0	0
Statewide Financial System	6	25	19	30	5	25	(5)
All Other	235	235	0	234	(1)	235	1

In 2009-10, transfers to other funds are estimated at \$3.1 billion, an increase of \$229 million over 2008-09. This increase includes potential transfers to the Dedicated Highway and Bridge Trust Fund aimed at reducing fund gaps and an increase in other capital transfers of \$115 million.

All other transfers are expected to increase by \$33 million from 2008-09. The most significant changes include an increase in the State's SUNY subsidy to hospitals and a decline in General Fund transfers to support stem cell research, 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 \$369 million. This reflects expected growth in General Fund support to the Dedicated Highway and Bridge Trust Fund, partially offset by the shift in stem cell research support described above. In 2011-12 transfers are expected to increase by \$501 million, mainly to provide subsidies to HCRA and the Dedicated Highway and Bridge Trust Fund.

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FINANCIAL PLAN RESERVES AND RISKS

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 plans to make its first deposit of \$175 million by the end of 2007-08. When combined with the existing Tax Stabilization Reserve, which has an authorized balance of 2 percent of General Fund spending and can be used only to cover unforeseen year-end deficits, the State's rainy day reserve authorization now totals 5 percent of General Fund spending.

The State projects that General Fund reserves will total \$2.2 billion at the end of 2008-09, with \$1.2 billion in undesignated reserves available to deal with unforeseen contingencies and \$1.0 billion designated for subsequent use.

The \$1.2 billion of undesignated reserves includes a balance 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 \$708 million set aside for potential labor settlements (after the use of \$477 million for existing settlements) and \$291 million in the Community Projects Fund to finance existing initiatives.

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.

Risks

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

In any year, the Financial Plan is subject to risks that, if they were to materialize, could affect operating results. The most significant current risks include the following:

Risks to the Economic Forecast

At the national level, the DOB outlook calls for a slowdown in growth for much of 2008 but does not anticipate a recession at this time. However, there are a number of risks to the forecast. Larger financial sector write-downs associated with the subprime mortgage debacle could result in a more severe credit situation than anticipated and result in lower business investment in plant and equipment than projected. Should the housing market contraction be even deeper than reflected in the current forecast, residential investment could take even longer to recover. Moreover, if housing prices fall further than anticipated, the rate of foreclosure could jump even higher than expected, impacting both construction spending and household net worth, which in turn could result in less consumption spending than anticipated. A resurgence in the growth in energy and food prices could serve to disrupt inflation expectations and result in even higher inflation than expected. That risk could be compounded by lower productivity growth or a weaker dollar than

currently projected. Higher inflation, in turn, would further impinge upon the Federal Reserve's ability to stimulate the economy by lowering interest rates. Higher interest rates could result in weaker equity prices and further delay the recovery of the financial sector from the subprime mortgage problem. On the other hand, lower energy prices or stronger global growth than anticipated could result in stronger economic growth than is reflected in the forecast.

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, the current credit tightening poses a particularly large degree of uncertainty for New York. Although the failure of a major Wall Street institution is not anticipated and the large volume of write-downs has been revealing, the full extent of the losses associated with the subprime mortgage problem remains to be seen. Higher losses than anticipated could result in even lower bonuses than projected, reducing household spending. Should the State's commercial real estate market cool more rapidly than anticipated, taxable capital gains realizations could be negatively affected. These effects could ripple through the economy, depressing both employment and wage growth. In contrast, should the national and world economies grow faster than expected, a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities, could result in higher wage and bonuses growth than projected for 2008 and the 2008-09 bonus season.

Labor Settlements

The State has reached tentative labor settlements with three labor unions, the Civil Service Employees Association, United University Professions (UUP), and District Council 37, and will extend comparable changes in the pay and benefits to "management/confidential" employees. Under terms of the tentative four-year contracts, which run from April 2, 2007 through April 1, 2011 (July 2, 2007 through July 1, 2011 for UUP), employees will receive pay increases of 3 percent annually in 2007-08, 2008-09, and 2009-10 and 4 percent in 2010-11. The Civil Service Employees Association ratified its contract on January 3, 2008. The United University Professions and District Council 37 are expected to vote on their contracts before the end of the current State fiscal year.

The State's Financial Plan funds the costs of these tentative contract agreements in 2007-08 and 2008-09 through the use of \$476 million of the \$1.18 billion in existing reserves set aside for this purpose. DOB estimates the General Fund costs of the tentative agreements at \$140 million in the current year, \$336 million in 2008-09, \$510 million in 2009-10, and \$756 million in both 2010-11 and 2011-12. The current Financial Plan includes these costs.

The unions representing uniformed officers (i.e., Police Benevolent Association, New York State Correctional Officers and Police Benevolent Association) and the Public Employees Federation have not reached settlements with the State at this time. DOB estimates that if all the unsettled unions were to agree to the same terms that have been ratified by the Civil Service Employees Association, it would result in added costs of \$144 million in 2007-08, \$303 million in 2008-09, \$444 million in 2009-10, and \$636 million in both 2010-11 and 2011-12. The earliest any costs for these contracts could be paid would be in 2008-09. These costs are not included in the current Financial Plan spending forecast, but a reserve is set aside to partially fund them. The State currently has \$708 million in labor reserves remaining (i.e., not programmed in the Financial Plan) to help finance the costs of potential new settlements, which is sufficient to cover all costs of a Civil Service Employees Association-type settlement through 2008-09, and all but \$183 million of the \$444 million of potential costs in 2009-10.

School Supportive Health Services

The Office of the Inspector General (OIG) of the United States Department of Health and Human Services is conducting six audits of aspects of New York State's School Supportive Health Services program with regard to Medicaid reimbursement. The audits cover \$1.4 billion in claims submitted between 1990 and

2001. To date, OIG has issued four final audit reports, which cover claims submitted by upstate and New York City school districts for speech pathology and transportation services. The final audits recommend that the Centers for Medicare and Medicaid Services (CMS) disallow \$173 million of the \$362 million in claims for upstate speech pathology services, \$17 million of \$72 million for upstate transportation services, \$436 million of the \$551 million in claims submitted for New York City speech pathology services, and \$96 million of the \$123 million for New York City transportation services. New York State disagrees with the audit findings on several grounds and has requested that they be withdrawn. If the recommended disallowances are not withdrawn, the State expects to appeal.

While CMS has not taken any action with regard to the disallowances recommended by OIG, CMS is deferring 25 percent of New York City claims and 9.7 percent of claims submitted by the rest of the State, pending completion of the audits.

Proposed Federal Rule on Medicaid Funding

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

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

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

The states affected by these regulations are challenging such adoption on the basis that CMS is overstepping its authority and ignoring the intent of Congress. As a result, Congress passed a one-year moratorium barring implementation of these proposed rule changes which expires on May 29, 2008.

CMS has proposed other regulations that could pose a risk to the State's Financial Plan beyond the moratorium. On May 23, 2007, CMS proposed changes to the rules that regulate State taxation of healthcare entities. It is anticipated that this rule could be finalized shortly. The proposal would essentially undo current authorized State flexibility and render a tax invalid if there is any "linkage" between the tax and a Medicaid payment. The State currently uses a substantial amount of provider tax receipts to finance various healthcare programs that serve the State's most vulnerable populations. While the State strongly believes that our imposed taxes are in full compliance, the vagueness of the new rules provides no assurance that these funding streams are adequately protected.

Further, CMS proposes to restrict Medicaid reimbursement for hospital outpatient services and restrict coverage to rehabilitative services, which could pose a risk to the Financial Plan and result in hundreds of millions in lost Federal Share. However, the State argues that the proposed regulation regarding outpatient services is in direct violation of the current moratorium.

The State is actively lobbying the Federal government to be held harmless, either through an extension/modification of the current moratorium or through other administrative or statutory means. The State continues to believe that these risks will be minimized and not realized.

FUND BALANCES AND CASH FLOW FORECAST

General Fund

General Fund Estimated Closing Balance (millions of dollars)			
	2007-08	2008-09	Change
Projected Year-End Fund Balance	2,626	2,226	(400)
<u>Undesignated Reserves</u>	1,227	1,227	0
Tax Stabilization Reserve Fund	1,031	1,031	0
Rainy Day Reserve Fund	175	175	0
Contingency Reserve Fund	21	21	0
<u>Designated Reserves</u>	1,399	999	(400)
Labor Settlement Reserve/Likely Risks	1,045	708	(337)
Community Projects Fund	354	291	(63)

DOB projects the State will end the 2008-09 fiscal year with a General Fund balance of \$2.2 billion if the Legislature enacts the Executive Budget recommendations in their entirety. The balance consists of \$1.2 billion in undesignated reserves and \$1.0 billion in reserves designated to finance existing or planned commitments, including potential new labor settlements. The projected closing balance is \$400 million below the level estimated for 2007-08, which primarily reflects the partial use of planned reserves set aside for collective bargaining.

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

The designated reserves include \$291 million in the Community Projects Fund to finance existing legislative initiatives, and \$708 million remaining from prior-year reserves designated for potential collective bargaining agreements and Financial Plan risks.

State Operating Funds

State Operating Funds Estimated Closing Balance (millions of dollars)			
	<u>2007-08</u>	<u>2008-09</u>	<u>Change</u>
Projected Year-End Fund Balance	5,754	4,892	(862)
General Fund	2,626	2,226	(400)
Special Revenue Funds	2,850	2,359	(491)
Miscellaneous Special Revenue	898	639	(259)
<i>Industry Assessments</i>	152	138	(14)
<i>Health and Social Welfare</i>	241	134	(107)
<i>General Government</i>	244	165	(79)
<i>All Other</i>	261	202	(59)
State University Income	644	636	(8)
Mass Transportation Operating Assistance	407	199	(208)
Health Care Resources Fund	515	453	(62)
Lottery Fund	101	96	(5)
All Other	285	336	51
Debt Service Funds	278	307	29

The combined balances in State Operating Funds are projected to total \$4.9 billion in 2008-09, a decrease of \$864 million from the level estimated for 2007-08. The balances held in State Special Revenue Funds include moneys designated to finance existing or planned 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. See the Financial Plan tables for a comprehensive list of balances for All Governmental Funds and accounts.

Monthly Cash Flow Forecast

In 2008-09, the General Fund is projected to have quarterly-ending balances of \$2.8 billion in June 2008, \$3.9 billion in September 2008, \$1.4 billion in December 2008, and \$2.2 billion at the end of March 2009. The lowest projected month-end cash flow balance is \$893 million in November 2008. The 2008-09 General Fund cash flow estimates assume on time enactment of all Executive Budget recommendations.

The Office of the State Comptroller (OSC) invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments through the Short-Term Investment Pool (STIP), which is comprised of joint custody funds (Governmental Funds, Internal Service Funds, Enterprise Funds and Private Purpose Trust Funds), as well as several sole custody funds including the Tobacco Settlement Fund.

OSC is authorized to make short-term loans from STIP to cover temporary cash shortfalls in certain funds and accounts resulting from the timing of receipts and disbursements. The Legislature authorizes the funds and accounts that may receive loans each year, based on legislation submitted with the Executive Budget. Loans may be granted only for amounts that the Director of the Budget certifies are “receivable on account” or can be repaid from the current operating receipts of the fund (i.e., loans cannot be granted in expectation of future revenue enhancements).

GAAP-BASIS FINANCIAL PLANS

In addition to the cash-basis Financial Plans, DOB prepares the General Fund and All Funds Financial Plans on a Generally Accepted Accounting Principles (GAAP)-basis in accordance with the Governmental Accounting Standards Board (GASB) regulations. Tables summarizing the GAAP Financial Plan and comparing the cash basis and GAAP basis General Fund Financial Plans are provided at the end of this AIS Update. The GAAP projections are based on the accounting principles applied by the State Comptroller in the financial statements issued for 2006-07.

In 2007-08, the General Fund GAAP Financial Plan reflects total revenues of \$44.0 billion, total expenditures of \$55.0 billion, and net other financing sources of \$9.9 billion, resulting in an operating deficit of roughly \$1.1 billion. The accumulated surplus at the end of 2007-08 is projected to total \$1.2 billion. The operating results primarily reflect the impact of enacted tax reductions and economic conditions on revenue accruals and a partial use of reserves to support 2007-08 operations.

In 2008-09, the General Fund GAAP Financial Plan shows total revenues of \$47.4 billion, total expenditures of \$60.8 billion, and net other financing sources of \$12.9 billion, resulting in an operating deficit of \$521 million and a projected accumulated surplus of \$712 million. These changes are due primarily to the use of a portion of reserves to support 2008-09 operations.

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SPECIAL CONSIDERATIONS

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

Financial Plan Update

The Governor is expected to submit amendments to his Executive Budget by February 12, 2008, as authorized by law. At that time, the DOB will issue a revised update to the Current Financial Plan that reflects the fiscal impact of any amendments, as well as updated economic, revenue, and spending forecasts through January 2008. DOB is currently evaluating the potential Financial Plan impact of recent financial market events, and the economic data, tax collection information, and other data that have become available. As a result, the DOB expects to issue a Supplement to this AIS Update in February 2008 that will reflect potential updated forecasts, as well as the fiscal impact of the Governor's amendments.

Recent Events in the Municipal Bond Market

The State is monitoring events in the municipal bond market related to the impact that actual and potential credit rating downgrades to certain bond insurers is having on variable rate debt, as well as changes in investor demand for auction rate securities (ARS) and variable rate demand bonds (VRDBs). The resulting volatility has affected interest rates and the spreads among different variable rate products and has been a concern to governmental issuers of bonds across the country.

At this time, DOB believes that current market events are not likely to have a material adverse effect on the State's Current Financial Plan. The State has entered into interest rate exchange agreements ("swaps") (based on an index equal to 65 percent of LIBOR) that have hedged \$6 billion of its approximately \$8 billion in variable rate debt into "synthetic" fixed rate debt. In October 2007, one of the State's swap counterparties was downgraded to below AA, a level that could trigger the counterparty to comply with enhanced collateral provisions (swap agreements and State law require that collateral be posted at 102 percent of the mark-to-market value if the State is due money upon termination). No collateral is currently required to be posted on the \$323 million of swaps with this counterparty since the State is not in a positive mark-to-market position. Plans are already underway to transition these swaps to an entity that is rated AAA, which is expected to be completed within the current fiscal year.

The State is, however, paying higher costs on certain variable rate products than it is receiving under its swap agreements on certain hedged variable rate debt, and for Auction Rate Securities (ARS) in general, due in part to the events concerning bond insurers. The State is unable to predict how long the higher costs will continue but it does not expect that the additional payments will, in the aggregate, be materially adverse to the State's Current Financial Plan. Currently, overall variable rate costs are slightly below current Financial Plan projections. DOB is evaluating a range of potential options that could be taken to reduce costs, including transitioning out of ARS products.

Davis v. Kentucky

On May 21, 2007, the United States Supreme Court agreed to review the decision of the Court of Appeals of Kentucky in *Davis v. Kentucky Dep't of Revenue of the Finance and Admin. Cabinet*, 197 S.W.^{3d} 557 (Ky. App. 2006) *cert. granted* 2007 U.S. Lexis 5914 (May 21, 2007), which held that the disparate state tax treatment of interest income on obligations issued by the State of Kentucky or its political subdivisions and obligations issued by other states or their political subdivisions violated the Commerce Clause of the United States Constitution. Currently, the vast majority of states employ a tax system that provides a preferential treatment that exempts the interest income earned on in-state municipal bonds from state taxation while subjecting the interest income earned on extraterritorially-issued bonds to state taxation.

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

On Monday, November 5, 2007, the Supreme Court heard oral arguments in the *Davis* case.

GASBS 45

The GAAP basis results for 2006-07 showed the State having total net assets of \$48.9 billion. The net positive asset condition is before the State reflects the impact of GASBS 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions." GASBS 45 requires State and local governments to reflect the value of post-employment benefits, predominantly health care, for current employees and retirees beginning with the financial statements for the 2008-09 fiscal year.

The State used an independent actuarial consulting firm to calculate retiree health care liabilities. Assuming there is no pre-funding of this liability, the analysis indicates that the present value of the actuarial accrued total liability for benefits to date would be roughly \$49.7 billion, using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method. This is the actuarial methodology recommended to be used to implement GASBS 45 by the Office of the State Comptroller. The actuarial accrued liability was calculated using a 4.155 percent annual discount rate.

The State's total unfunded liability will be disclosed in the 2008-09 basic financial statements. While the total liability is substantial, GASB rules indicate it may be amortized over a 30-year period; therefore, only the annual amortized liability above the current pay-as-you-go costs would be recognized in the financial statements. Assuming no pre-funding, the 2008-09 liability would total roughly \$3.8 billion under the Frozen Entry Age actuarial cost method amortized based on a level percent of salary, or \$2.7 billion above the current pay-as-you-go retiree costs. This difference between the State's pay-as-you-go costs and the actuarially determined annual required contribution under GASBS 45 would reduce the State's currently positive net asset condition.

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

History and Forecast of New York State Employee Health Insurance (millions of dollars)			
Health Insurance			
Year	Active Employees	Retirees	Total State
2002-03	1,023	634	1,657
2003-04	1,072	729	1,801
2004-05	1,216	838	2,054
2005-06	1,331	885	2,216
2006-07	1,518	913	2,431
2007-08	1,572	992	2,564
2008-09	1,652	1,039	2,691
2009-10	1,790	1,129	2,919
2010-11	1,950	1,233	3,183
2011-12	2,127	1,347	3,474

All numbers reflect the cost of Health Insurance for General State Charges (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, the additional cost above the pay-as-you-go amounts would be \$2.7 billion in 2008-09. The State's Health Insurance Council, which consists of the Governor's Office of Employee Relations, Civil Service, and DOB will continue to review this matter, seek input from the State Comptroller, the legislative fiscal committees and outside parties, and provide options for consideration.

DOB's detailed GAAP Financial Plans are provided in the tables at the end of this AIS Update.

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GAAP-Basis Results for Prior Fiscal Years

(Reprinted from August 3, 2007 Update to the AIS)

The Comptroller prepares Basic Financial Statements on a GAAP basis for governments as promulgated by GASB. The Basic Financial Statements, released in July each year, include the Statement of Net Assets and Activities, the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds, the Statements of Net Assets, Revenues, Expenses and Changes in Fund Net Assets and Cash Flows for the Enterprise Funds, the Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets and the Combining Statements of Net Assets and Activities for Discretely Presented Component Units. These statements are audited by independent certified public accountants. The Comptroller also prepares and issues a Comprehensive Annual Financial Report, which includes a financial overview, the Basic Financial Statements, other supplementary information which includes individual fund combining statements, and a statistical section. For information regarding the State's accounting and financial reporting requirements, see the section in the AIS dated May 8, 2007 entitled "State Organization—Accounting, Financial Reporting and Budgeting."

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

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

<u>Fiscal Year Ended</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>All Governmental Funds</u>	<u>Accum. General Fund Surplus/(Deficit)</u>
March 31, 2007	202	(840)	92	501	(45)	2,384
March 31, 2006	1,636	3,142	(664)	(265)	3,849	2,182
March 31, 2005	827	833	361	89	2,110	546

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

Summary of Net Assets (millions of dollars)

<u>Fiscal Year Ended</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
March 31, 2007	45,327	3,599	48,926
March 31, 2006	45,997	3,136	49,133
March 31, 2005	41,190	2,645	43,835

State Organization

(Reprinted from November 15, 2007 Update to the AIS)

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 2006-07 fiscal year. There were 3,009 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, 2007, 662,633 persons were members and 350,066 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. Members cannot be required to begin making contributions or make increased contributions beyond what was required when membership began.

Contributions

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

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

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

The State bill for the fiscal year ending March 31, 2009 is estimated to be \$1,087.8 million, assuming a payment date of September 1, 2008.

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, 2007 were \$156.6 billion (including \$2.7 billion in receivables), an increase of \$14.0 billion or 9.8 percent from the 2005-06 level of \$142.6 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 \$153.7 billion on April 1, 2006 to \$163.1 billion (including \$61.9 billion for current retirees and beneficiaries) on April 1, 2007. 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, 2007 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 2007 fiscal year, 40 percent of the unexpected gain for the 2006 fiscal year and 60 percent of the unexpected gain for the 2005 fiscal year. Actuarial assets increased from \$132.1 billion on April 1, 2006 to \$142.6 billion on April 1, 2007. The funded ratio, as of April 1, 2006, using the entry age normal funding method, was 104%. 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 <u>March 31</u>	<u>Total Assets(2)</u>	Percent Increase/ (Decrease) <u>From Prior Year</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

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, 2007 includes approximately \$2.7 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 <u>March 31</u>	<u>Contributions Recorded</u>				<u>Total Benefits Paid(2)</u>
	<u>All Participating Employers(1)</u>	<u>Local Employers(1)</u>	<u>State(1)</u>	<u>Employees</u>	
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

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

(2) Includes payments from Group Life Insurance Plan.

Authorities and Localities

(Reprinted from November 15, 2007 Update to the AIS)

Public Authorities

For the purposes of this disclosure, public authorities refer to certain of its public benefit corporations, created pursuant to State law. Public authorities are not subject to the constitutional restrictions on the incurrence of debt that apply to the State itself and may issue bonds and notes within the amounts and restrictions set forth in legislative authorization. The State's access to the public credit markets could be impaired and the market price of its outstanding debt may be materially and adversely affected if certain of its public authorities were to default on their respective obligations, particularly those using the financing techniques referred to as State-supported or State-related debt under the section entitled "Debt and Other Financing Activities" in this statement. As of December 31, 2006, each of the 19 public authorities below had outstanding debt of \$100 million or more, and the aggregate outstanding debt, including refunding bonds, of these public authorities was approximately \$129 billion, only a portion of which constitutes State-supported or State-related debt. The table below summarizes the outstanding debt of these public authorities.

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

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

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

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

(2) Reflects original par amounts for bonds and financing arrangements or original gross proceeds in the case of capital appreciation bonds. Amounts outstanding do not reflect accretion of capital appreciation bonds or premiums received.

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

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

(5) Includes debt previously issued by New York State Medical Care Facilities Finance Agency, which was consolidated with the Dormitory Authority on September 1, 1995.

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

The City of New York

The fiscal demands on the State may be affected by the fiscal condition of the City, which relies in part on State aid to balance its budget and meet its cash requirements. It is also possible that the State's finances may be affected by the ability of the City, and certain entities issuing debt for the benefit of the City, to market securities successfully in the public credit markets. The official financial disclosure of The City of New York and the financing entities issuing debt on its behalf is available by contacting Raymond J. Orlando, City Director of Investor Relations, (212) 788-5875 or contacting the City Office of Management and Budget, 75 Park Place, 6th Floor, New York, NY 10007. The State assumes no liability or responsibility for any financial information reported by The City of New York. The following table summarizes the debt of New York City.

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

Year	General Obligation Bonds	Obligations of TFA (1)	Obligations of MAC	Obligations of STAR Corp. (2)	Obligations of TSASC, Inc.	HYIC (3)	Other(4) Obligations	Treasury Obligations	Total
1980	6,179	—	6,116	--	--	--	995	(295)	12,995
1990	13,499	—	7,122	--	--	--	1,077	(1,671)	20,027
1995	24,992	—	4,882	--	--	--	1,299	(1,243)	29,930
1996	26,627	—	4,724	--	--	--	1,394	(1,122)	31,623
1997	27,549	—	4,424	--	--	--	1,464	(391)	33,046
1998	27,310	2,150	4,066	--	--	--	1,529	(365)	34,690
1999	27,834	4,150	3,832	--	--	--	1,835	(299)	37,352
2000	27,245	6,438 (5)	3,532	--	709	--	2,065	(230)	39,759
2001	27,147	7,386	3,217	--	704	--	2,019	(168)	40,305
2002	28,465	10,489 (6)	2,880	--	740	--	2,463	(116)	44,921
2003	29,679	13,134 (7)	2,151	--	1,258	--	2,328	(64)	48,486
2004	31,378	13,364	1,758	--	1,256	--	2,561	(52)	50,265
2005	33,903	12,977	--	2,551	1,283	--	3,746	(39)	54,421
2006	35,844	12,233	--	2,470	1,334	--	3,500	--	55,381
2007	34,506	14,607	--	2,368	1,317	2,100	3,394	--	58,292

Source: Office of the State Comptroller.

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

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

(3) Includes a \$100 million obligation to the MTA.

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

(5) Includes \$515 million of bond anticipation notes issued to finance the City's capital expenditures.

(6) Includes \$2.2 billion of bond anticipation notes used to finance the City's capital expenditures in the amount of \$1.2 billion and Recovery notes for costs related to and arising from events on September 11, 2001 at the World Trade Center in the amount of \$1 billion.

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

The staffs of the Financial Control Board for the City of New York (FCB), the Office of the State Deputy Comptroller (OSDC), the City Comptroller and the Independent Budget Office, issue periodic reports on the City's financial plans. Copies of the most recent reports are available by contacting: FCB, 123 William Street, 23rd Floor, New York, NY 10038, Attention: Executive Director; OSDC, 59 Maiden Lane, 29th Floor, New York, NY 10038, Attention: Deputy Comptroller; City Comptroller, Municipal Building, 6th Floor, One Centre Street, New York, NY 10007-2341, Attention: Deputy Comptroller for Budget; and IBO, 110 William Street, 14th Floor, New York, NY 10038, Attention: Director.

Other Localities

Certain localities outside New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing has become more common in recent years. Between 2004 and 2007, the State Legislature authorized 14 bond issuances to finance local government operating deficits. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's 2007-08 fiscal year or thereafter.

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Litigation

(Reprinted from November 15, 2007 Update to the AIS)

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 ejectment 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 ejectment, 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 ejectment.

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

Further efforts at settlement of this action failed to reach a successful outcome. While such discussions were underway, two significant decisions were rendered by the Supreme Court and the Second Circuit Court of Appeals which changed the legal landscape pertaining to ancient land claims: *City of Sherrill v. Oneida Indian Nation of New York*, 544 U.S. 197 (2005), and *Cayuga Indian Nation of New York v. Pataki*, 413 F.3d 266 (2d Cir. 2005), *cert. denied*, 126 S.Ct. 2021, 2022 (2006). Taken together, these cases have made clear that the equitable doctrines of laches, acquiescence, and impossibility can bar ancient land claims. These decisions prompted the District Court to reassess its 2002 decision, which in part had struck such defenses, and to permit the filing of a motion for summary judgment predicated on the *Sherrill* and *Cayuga* holdings. On August 11, 2006, the defendants moved for summary judgment dismissing the action, based on the defenses of laches, acquiescence, and impossibility. By order dated May 21, 2007, the District Court dismissed plaintiffs' claims to the extent that they asserted a possessory interest, but permitted plaintiffs to pursue a claim seeking the difference between the amount paid and the fair market value of the lands at the time of the transaction. The District Court certified the May 21, 2007 order for interlocutory appeal and, on July 13, 2007, the Second Circuit granted motions by both sides seeking leave to pursue interlocutory appeals of that order.

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

In the *Canadian St. Regis Band of Mohawk Indians* case, plaintiffs seek ejectment and monetary damages with respect to their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. By decision dated July 28, 2003, the District Court granted, in most respects, a motion by plaintiffs to strike defenses and dismiss counterclaims contained in defendants' answers. By decision dated October 20, 2003, the District Court denied the State's motion for

reconsideration of that portion of the July 28, 2003 decision which struck a counterclaim against the United States for contribution. On February 10, 2006, after renewed efforts at settlement failed to resolve this action, and recognizing the potential significance of the *Sherrill* and *Cayuga* appeals, the District Court stayed all further proceedings in this case until 45 days after the United States Supreme Court issued a final decision in the *Cayuga Indian Nation of New York* Case. On November 6, 2006, after certiorari was denied in *Cayuga*, the defendants moved for judgment on the pleadings.

In *The Onondaga Nation v. The State of New York, et al.*, plaintiff seeks a judgment declaring that certain lands allegedly constituting the aboriginal territory of the Onondaga Nation within the State are the property of the Onondaga Nation and the Haudenosaunee, or "Six Nations Iroquois Confederacy," and that conveyances of portions of that land pursuant to treaties during the period 1788 to 1822 are null and void. The "aboriginal territory" described in the complaint consists of an area or strip of land running generally north and south from the St. Lawrence River in the north, along the east side of Lake Ontario, and south as far as the Pennsylvania border, varying in width from about 10 miles to more than 40 miles, including the area constituting the City of Syracuse. On August 15, 2006, based on *Sherrill* and *Cayuga*, the defendants moved for an order dismissing this action, based on laches.

West Valley Litigation

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

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

	<u>Mid-Year</u>	<u>Change</u>	<u>Executive</u>
Opening fund balance	<u>3,045</u>	<u>0</u>	<u>3,045</u>
Receipts:			
Taxes:			
Personal income tax	22,697	38	22,735
User taxes and fees	8,506	(3)	8,503
Business taxes	6,500	(200)	6,300
Other taxes	1,102	(72)	1,030
Miscellaneous receipts	2,444	0	2,444
Federal Grants	71	0	71
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,445	(4)	8,441
Sales tax in excess of LGAC debt service	2,305	0	2,305
Real estate taxes in excess of CW/CA debt service	636	31	667
All other	681	(8)	673
Total receipts	<u>53,387</u>	<u>(218)</u>	<u>53,169</u>
Disbursements:			
Grants to local governments	36,763	(96)	36,667
State operations	9,579	98	9,677
General State charges	4,496	(9)	4,487
Transfers to other funds:			
Debt service	1,551	6	1,557
Capital projects	112	(19)	93
Other purposes	1,168	(61)	1,107
Total disbursements	<u>53,669</u>	<u>(81)</u>	<u>53,588</u>
Change in fund balance	<u>(282)</u>	<u>(137)</u>	<u>(419)</u>
Closing fund balance	<u>2,763</u>	<u>(137)</u>	<u>2,626</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	354	0	354
Debt Reduction Reserve Fund	0	0	0
Labor Settlement Reserve/Other Risks	<u>1,182</u>	<u>(137)</u>	<u>1,045</u>
<i>Prior Year Reserves</i>	1,203	(140)	1,063
<i>Increase/(Decrease) From Current Year Operations</i>	(21)	3	(18)

Source: NYS DOB

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

	<u>Mid-Year</u>	<u>Change</u>	<u>Executive</u>
Receipts:			
Taxes:			
Personal income tax	23,939	452	24,391
User taxes and fees	8,805	27	8,832
Business taxes	6,669	585	7,254
Other taxes	1,211	(17)	1,194
Miscellaneous receipts	2,052	186	2,238
Federal Grants	55	(14)	41
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,793	(24)	8,769
Sales tax in excess of LGAC debt service	2,327	(13)	2,314
Real estate taxes in excess of CW/CA debt service	614	1	615
All other	386	308	694
Total receipts	<u>54,851</u>	<u>1,491</u>	<u>56,342</u>
Disbursements:			
Grants to local governments	41,332	528	41,860
State operations	10,015	(1,152)	8,863
General State charges	4,808	(1,672)	3,136
Transfers to other funds:			
Debt service	1,687	5	1,692
Capital projects	452	(86)	366
Other purposes	885	(60)	825
Total disbursements	<u>59,179</u>	<u>(2,437)</u>	<u>56,742</u>
Deposit to/(use of) Community Projects Fund	<u>(63)</u>	<u>0</u>	<u>(63)</u>
Deposit to/(use of) Prior Year Reserves	<u>0</u>	<u>(337)</u>	<u>(337)</u>
Margin	<u>(4,265)</u>	<u>4,265</u>	<u>0</u>

Source: NYS DOB

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

	<u>Mid-Year</u>	<u>Change</u>	<u>Executive</u>
Receipts:			
Taxes:			
Personal income tax	25,463	434	25,897
User taxes and fees	9,150	(237)	8,913
Business taxes	6,854	962	7,816
Other taxes	1,342	(17)	1,325
Miscellaneous receipts	2,163	23	2,186
Federal Grants	55	(55)	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,152	47	9,199
Sales tax in excess of LGAC debt service	2,425	(94)	2,331
Real estate taxes in excess of CW/CA debt service	595	1	596
All other	358	103	461
Total receipts	<u>57,557</u>	<u>1,167</u>	<u>58,724</u>
Disbursements:			
Grants to local governments	45,156	763	45,919
State operations	10,415	(1,179)	9,236
General State charges	5,097	(1,291)	3,806
Transfers to other funds:			
Debt service	1,676	4	1,680
Capital projects	561	13	574
Other purposes	892	(34)	858
Total disbursements	<u>63,797</u>	<u>(1,724)</u>	<u>62,073</u>
Deposit to/(use of) Community Projects Fund	<u>(62)</u>	<u>0</u>	<u>(62)</u>
Margin	<u>(6,178)</u>	<u>2,891</u>	<u>(3,287)</u>

Source: NYS DOB

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

	<u>Mid-Year</u>	<u>Change</u>	<u>Executive</u>
Receipts:			
Taxes:			
Personal income tax	27,203	212	27,415
User taxes and fees	9,508	(257)	9,251
Business taxes	6,889	977	7,866
Other taxes	1,425	(17)	1,408
Miscellaneous receipts	2,233	28	2,261
Federal Grants	55	(55)	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,641	6	9,647
Sales tax in excess of LGAC debt service	2,534	(98)	2,436
Real estate taxes in excess of CW/CA debt service	598	1	599
All other	392	68	460
Total receipts	<u>60,478</u>	<u>865</u>	<u>61,343</u>
Disbursements:			
Grants to local governments	48,909	924	49,833
State operations	10,729	(949)	9,780
General State charges	5,386	(1,299)	4,087
Transfers to other funds:			
Debt service	1,703	3	1,706
Capital projects	966	(36)	930
Other purposes	867	(22)	845
Total disbursements	<u>68,560</u>	<u>(1,379)</u>	<u>67,181</u>
Deposit to/(use of) Community Projects Fund	<u>(151)</u>	<u>0</u>	<u>(151)</u>
Margin	<u>(7,931)</u>	<u>2,244</u>	<u>(5,687)</u>

Source: NYS DOB

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

	<u>2008-2009</u> <u>Projected</u>	<u>2009-2010</u> <u>Projected</u>	<u>2010-2011</u> <u>Projected</u>	<u>2011-2012</u> <u>Projected</u>
Receipts:				
Taxes:				
Personal income tax	24,391	25,897	27,415	29,315
User taxes and fees	8,832	8,913	9,251	9,620
Business taxes	7,254	7,816	7,866	8,218
Other taxes	1,194	1,325	1,408	1,498
Miscellaneous receipts	2,238	2,186	2,261	2,060
Federal grants	41	0	0	0
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,769	9,199	9,647	10,154
Sales tax in excess of LGAC debt service	2,314	2,331	2,436	2,556
Real estate taxes in excess of CW/CA debt service	615	596	599	608
All other transfers	694	461	460	498
Total receipts	<u>56,342</u>	<u>58,724</u>	<u>61,343</u>	<u>64,527</u>
Disbursements:				
Grants to local governments	41,860	45,919	49,833	53,013
State operations	8,863	9,236	9,780	10,046
General State charges	3,136	3,806	4,087	4,386
Transfers to other funds:				
Debt service	1,692	1,680	1,706	1,673
Capital projects	366	574	930	997
Other purposes	825	858	845	1,312
Total disbursements	<u>56,742</u>	<u>62,073</u>	<u>67,181</u>	<u>71,427</u>
Deposit to/(use of) Community Projects Fund	<u>(63)</u>	<u>(62)</u>	<u>(151)</u>	<u>(79)</u>
Deposit to/(use of) Prior Year Reserves	<u>(337)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Margin	<u>0</u>	<u>(3,287)</u>	<u>(5,687)</u>	<u>(6,821)</u>

Source: NYS DOB

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

	<u>2006-2007</u> <u>Actuals</u>	<u>2007-2008</u> <u>Current</u>	<u>Annual</u> <u>Change</u>
Opening fund balance	<u>3,257</u>	<u>3,045</u>	<u>(212)</u>
Receipts:			
Taxes:			
Personal income tax	22,939	22,735	(204)
User taxes and fees	8,186	8,503	317
Business taxes	6,468	6,300	(168)
Other taxes	1,075	1,030	(45)
Miscellaneous receipts	2,268	2,444	176
Federal Grants	151	71	(80)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,136	8,441	1,305
Sales tax in excess of LGAC debt service	2,093	2,305	212
Real estate taxes in excess of CW/CA debt service	753	667	(86)
All other	310	673	363
Total receipts	<u>51,379</u>	<u>53,169</u>	<u>1,790</u>
Disbursements:			
Grants to local governments	34,302	36,667	2,365
State operations	9,319	9,677	358
General State charges	4,403	4,487	84
Transfers to other funds:			
Debt service	1,906	1,557	(349)
Capital projects	389	93	(296)
Other purposes	1,272	1,107	(165)
Total disbursements	<u>51,591</u>	<u>53,588</u>	<u>1,997</u>
Change in fund balance	<u>(212)</u>	<u>(419)</u>	<u>(207)</u>
Closing fund balance	<u>3,045</u>	<u>2,626</u>	<u>(419)</u>
Reserves			
Tax Stabilization Reserve Fund	1,031	1,031	0
Statutory Rainy Day Reserve Fund	0	175	175
Contingency Reserve Fund	21	21	0
Community Projects Fund	278	354	76
Debt Reduction Reserve Fund	0	0	0
Labor Settlement Reserve/Other Risks	<u>1,715</u>	<u>1,045</u>	<u>(670)</u>
Prior Year Reserves	1,715	1,063	(652)
Increase/(Decrease) From Current Year Operations	0	(18)	(18)

Source: NYS DOB

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

	<u>2007-2008 Current</u>	<u>2008-2009 Recommended</u>	<u>Annual Change</u>
Opening fund balance	<u>3,045</u>	<u>2,626</u>	<u>(419)</u>
Receipts:			
Taxes:			
Personal income tax	22,735	24,391	1,656
User taxes and fees	8,503	8,832	329
Business taxes	6,300	7,254	954
Other taxes	1,030	1,194	164
Miscellaneous receipts	2,444	2,238	(206)
Federal grants	71	41	(30)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,441	8,769	328
Sales tax in excess of LGAC debt service	2,305	2,314	9
Real estate taxes in excess of CW/CA debt service	667	615	(52)
All other transfers	673	694	21
Total receipts	<u>53,169</u>	<u>56,342</u>	<u>3,173</u>
Disbursements:			
Grants to local governments	36,667	41,860	5,193
State operations	9,677	8,863	(814)
General State charges	4,487	3,136	(1,351)
Transfers to other funds:			0
Debt service	1,557	1,692	135
Capital projects	93	366	273
Other purposes	1,107	825	(282)
Total disbursements	<u>53,588</u>	<u>56,742</u>	<u>3,154</u>
Change in fund balance	<u>(419)</u>	<u>(400)</u>	<u>19</u>
Closing fund balance	<u>2,626</u>	<u>2,226</u>	<u>(400)</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	354	291	(63)
Labor Settlement Reserve/Other Risks	1,045	708	(337)

Source: NYS DOB

**CURRENT STATE RECEIPTS
GENERAL FUND
2007-2008 and 2008-2009
(millions of dollars)**

	<u>2007-2008 Current</u>	<u>2008-2009 Recommended</u>	<u>Annual Change</u>
Personal income tax	22,735	24,391	1,656
User taxes and fees	8,503	8,832	329
Sales and use tax	7,865	8,080	215
Cigarette and tobacco taxes	407	437	30
Motor vehicle fees	(21)	47	68
Alcoholic beverages taxes	200	220	20
Alcoholic beverage control license fees	52	48	(4)
Business taxes	6,300	7,254	954
Corporation franchise tax	3,575	4,138	563
Corporation and utilities tax	618	589	(29)
Insurance taxes	1,176	1,405	229
Bank tax	931	942	11
Petroleum business tax	0	180	180
Other taxes	1,030	1,194	164
Estate tax	1,006	1,170	164
Gift tax	0	0	0
Real property gains tax	0	0	0
Pari-mutuel taxes	23	23	0
Other taxes	1	1	0
Total taxes	<u>38,568</u>	<u>41,671</u>	<u>3,103</u>
Miscellaneous receipts	<u>2,444</u>	<u>2,238</u>	<u>(206)</u>
Federal Grants	<u>71</u>	<u>41</u>	<u>(30)</u>
Total	<u><u>41,083</u></u>	<u><u>43,950</u></u>	<u><u>2,867</u></u>

Source: NYS DOB

**CASH RECEIPTS
GENERAL FUND
2008-2009 THROUGH 2011-2012
(millions of dollars)**

	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
Personal income tax	<u>24,391</u>	<u>25,897</u>	<u>27,415</u>	<u>29,315</u>
User taxes and fees	<u>8,832</u>	<u>8,913</u>	<u>9,251</u>	<u>9,620</u>
Sales and use tax	8,080	8,125	8,438	8,778
Cigarette and tobacco taxes	437	433	428	428
Motor fuel tax	0	0	0	0
Motor vehicle fees	47	76	105	126
Alcoholic beverages taxes	220	227	232	236
Alcoholic beverage control license fees	48	52	48	52
Auto rental tax	0	0	0	0
Business taxes	<u>7,254</u>	<u>7,816</u>	<u>7,866</u>	<u>8,218</u>
Corporation franchise tax	4,138	4,265	4,258	4,497
Corporation and utilities tax	589	599	608	612
Insurance taxes	1,405	1,466	1,505	1,549
Bank tax	942	928	935	997
Petroleum business tax	180	558	560	563
Other taxes	<u>1,194</u>	<u>1,325</u>	<u>1,408</u>	<u>1,498</u>
Estate tax	1,170	1,301	1,384	1,474
Gift tax	0	0	0	0
Real property gains tax	0	0	0	0
Pari-mutuel taxes	23	23	23	23
Other taxes	1	1	1	1
Total Taxes	<u>41,671</u>	<u>43,951</u>	<u>45,940</u>	<u>48,651</u>
Miscellaneous receipts	<u>2,238</u>	<u>2,186</u>	<u>2,261</u>	<u>2,060</u>
Licenses, fees, etc.	538	537	549	551
Abandoned property	650	600	600	600
Reimbursements	172	170	170	170
Investment income	200	200	200	200
Other transactions	678	679	742	539
Federal Grants	<u>41</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u><u>43,950</u></u>	<u><u>46,137</u></u>	<u><u>48,201</u></u>	<u><u>50,711</u></u>

Source: NYS DOB

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

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

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	3,045	3,671	(228)	233	6,721
Receipts:					
Taxes	38,568	7,794	2,017	12,547	60,926
Miscellaneous receipts	2,444	13,596	3,211	671	19,922
Federal grants	71	1	0	0	72
Total receipts	<u>41,083</u>	<u>21,391</u>	<u>5,228</u>	<u>13,218</u>	<u>80,920</u>
Disbursements:					
Grants to local governments	36,667	16,440	461	0	53,568
State operations	9,677	5,635	0	58	15,370
General State charges	4,487	639	0	0	5,126
Debt service	0	0	0	4,292	4,292
Capital projects	0	14	4,299	0	4,313
Total disbursements	<u>50,831</u>	<u>22,728</u>	<u>4,760</u>	<u>4,350</u>	<u>82,669</u>
Other financing sources (uses):					
Transfers from other funds	12,086	1,311	252	5,680	19,329
Transfers to other funds	(2,757)	(795)	(930)	(14,503)	(18,985)
Bond and note proceeds	0	0	298	0	298
Net other financing sources (uses)	<u>9,329</u>	<u>516</u>	<u>(380)</u>	<u>(8,823)</u>	<u>642</u>
Change in fund balance	<u>(419)</u>	<u>(821)</u>	<u>88</u>	<u>45</u>	<u>(1,107)</u>
Closing fund balance	<u>2,626</u>	<u>2,850</u>	<u>(140)</u>	<u>278</u>	<u>5,614</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>2,626</u>	<u>2,850</u>	<u>(140)</u>	<u>278</u>	<u>5,614</u>
Receipts:					
Taxes	41,671	8,023	2,095	13,123	64,912
Miscellaneous receipts	2,238	14,259	3,979	684	21,160
Federal grants	41	1	0	0	42
Total receipts	<u>43,950</u>	<u>22,283</u>	<u>6,074</u>	<u>13,807</u>	<u>86,114</u>
Disbursements:					
Grants to local governments	41,860	14,811	449	0	57,120
State operations	8,863	6,956	0	62	15,881
General State charges	3,136	1,496	0	0	4,632
Debt service	0	0	0	4,628	4,628
Capital projects	0	13	5,505	0	5,518
Total disbursements	<u>53,859</u>	<u>23,276</u>	<u>5,954</u>	<u>4,690</u>	<u>87,779</u>
Other financing sources (uses):					
Transfers from other funds	12,392	1,292	607	5,764	20,055
Transfers to other funds	(2,883)	(790)	(1,195)	(14,852)	(19,720)
Bond and note proceeds	0	0	457	0	457
Net other financing sources (uses)	<u>9,509</u>	<u>502</u>	<u>(131)</u>	<u>(9,088)</u>	<u>792</u>
Deposit to/(use of) Community Projects Fund	<u>(63)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(63)</u>
Change in fund balance	<u>(337)</u>	<u>(491)</u>	<u>(11)</u>	<u>29</u>	<u>(810)</u>
Closing fund balance	<u>2,226</u>	<u>2,359</u>	<u>(151)</u>	<u>307</u>	<u>4,804</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	0	2,359	(151)	307	2,515
Receipts:					
Taxes	43,951	8,797	2,199	13,855	68,802
Miscellaneous receipts	2,186	14,136	4,155	687	21,164
Federal grants	0	1	0	0	1
Total receipts	<u>46,137</u>	<u>22,934</u>	<u>6,354</u>	<u>14,542</u>	<u>89,967</u>
Disbursements:					
Grants to local governments	45,919	15,707	481	0	62,107
State operations	9,236	7,225	0	62	16,523
General State charges	3,806	1,116	0	0	4,922
Debt service	0	0	0	5,106	5,106
Capital projects	0	3	5,962	0	5,965
Total disbursements	<u>58,961</u>	<u>24,051</u>	<u>6,443</u>	<u>5,168</u>	<u>94,623</u>
Other financing sources (uses):					
Transfers from other funds	12,587	1,327	784	5,897	20,595
Transfers to other funds	(3,112)	(662)	(1,125)	(15,261)	(20,160)
Bond and note proceeds	0	0	608	0	608
Net other financing sources (uses)	<u>9,475</u>	<u>665</u>	<u>267</u>	<u>(9,364)</u>	<u>1,043</u>
Deposit to/(use of) Community Projects Fund	<u>(62)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(62)</u>
Change in fund balance	<u>(3,287)</u>	<u>(452)</u>	<u>178</u>	<u>10</u>	<u>(3,551)</u>
Closing fund balance	<u>(3,287)</u>	<u>1,907</u>	<u>27</u>	<u>317</u>	<u>(1,036)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
STATE 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	0	1,907	27	317	2,251
Receipts:					
Taxes	45,940	9,348	2,196	14,642	72,126
Miscellaneous receipts	2,261	14,651	4,087	687	21,686
Federal grants	0	1	0	0	1
Total receipts	<u>48,201</u>	<u>24,000</u>	<u>6,283</u>	<u>15,329</u>	<u>93,813</u>
Disbursements:					
Grants to local governments	49,833	16,496	452	0	66,781
State operations	9,780	7,311	0	62	17,153
General State charges	4,087	1,075	0	0	5,162
Debt service	0	0	0	5,737	5,737
Capital projects	0	2	6,065	0	6,067
Total disbursements	<u>63,700</u>	<u>24,884</u>	<u>6,517</u>	<u>5,799</u>	<u>100,900</u>
Other financing sources (uses):					
Transfers from other funds	13,142	1,309	1,219	6,327	21,997
Transfers to other funds	(3,481)	(749)	(1,465)	(15,861)	(21,556)
Bond and note proceeds	0	0	655	0	655
Net other financing sources (uses)	<u>9,661</u>	<u>560</u>	<u>409</u>	<u>(9,534)</u>	<u>1,096</u>
Deposit to/(use of) Community Projects Fund	<u>(151)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(151)</u>
Change in fund balance	<u>(5,687)</u>	<u>(324)</u>	<u>175</u>	<u>(4)</u>	<u>(5,840)</u>
Closing fund balance	<u>(5,687)</u>	<u>1,583</u>	<u>202</u>	<u>313</u>	<u>(3,589)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
STATE 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	1,583	202	313	2,098
Receipts:					
Taxes	48,651	9,719	2,221	15,483	76,074
Miscellaneous receipts	2,060	14,964	3,695	686	21,405
Federal grants	0	1	0	0	1
Total receipts	<u>50,711</u>	<u>24,684</u>	<u>5,916</u>	<u>16,169</u>	<u>97,480</u>
Disbursements:					
Grants to local governments	53,013	17,392	472	0	70,877
State operations	10,046	7,376	0	62	17,484
General State charges	4,386	1,109	0	0	5,495
Debt service	0	0	0	6,064	6,064
Capital projects	0	2	5,488	0	5,490
Total disbursements	<u>67,445</u>	<u>25,879</u>	<u>5,960</u>	<u>6,126</u>	<u>105,410</u>
Other financing sources (uses):					
Transfers from other funds	13,816	1,767	1,245	6,428	23,256
Transfers to other funds	(3,982)	(759)	(1,549)	(16,511)	(22,801)
Bond and note proceeds	0	0	514	0	514
Net other financing sources (uses)	<u>9,834</u>	<u>1,008</u>	<u>210</u>	<u>(10,083)</u>	<u>969</u>
Deposit to/(use of) Community Projects Fund	<u>(79)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(79)</u>
Change in fund balance	<u>(6,821)</u>	<u>(187)</u>	<u>166</u>	<u>(40)</u>	<u>(6,882)</u>
Closing fund balance	<u>(6,821)</u>	<u>1,396</u>	<u>368</u>	<u>273</u>	<u>(4,784)</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	3,257	4,238	(648)	221	7,068
Receipts:					
Taxes	38,668	7,109	1,929	11,033	58,739
Miscellaneous receipts	2,268	12,715	2,247	848	18,078
Federal grants	151	33,690	1,738	0	35,579
Total receipts	<u>41,087</u>	<u>53,514</u>	<u>5,914</u>	<u>11,881</u>	<u>112,396</u>
Disbursements:					
Grants to local governments	34,302	45,693	730	0	80,725
State operations	9,319	8,164	0	44	17,527
General State charges	4,403	820	0	0	5,223
Debt service	0	0	0	4,451	4,451
Capital projects	0	9	4,829	0	4,838
Total disbursements	<u>48,024</u>	<u>54,686</u>	<u>5,559</u>	<u>4,495</u>	<u>112,764</u>
Other financing sources (uses):					
Transfers from other funds	10,292	3,857	454	5,600	20,203
Transfers to other funds	(3,567)	(2,916)	(774)	(12,974)	(20,231)
Bond and note proceeds	0	0	181	0	181
Net other financing sources (uses)	<u>6,725</u>	<u>941</u>	<u>(139)</u>	<u>(7,374)</u>	<u>153</u>
Change in fund balance	<u>(212)</u>	<u>(231)</u>	<u>216</u>	<u>12</u>	<u>(215)</u>
Closing fund balance	<u>3,045</u>	<u>4,007</u>	<u>(432)</u>	<u>233</u>	<u>6,853</u>

Source: NYS DOB

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
2006-2007
(millions of dollars)

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
Personal income tax	22,939	3,994	0	7,647	34,580
User taxes and fees	8,186	1,598	1,161	2,511	13,456
Sales and use tax	7,539	688	0	2,511	10,738
Cigarette and tobacco taxes	411	574	0	0	985
Motor fuel tax	0	108	406	0	514
Motor vehicle fees	(16)	228	557	0	769
Alcoholic beverages taxes	194	0	0	0	194
Highway Use tax	0	0	153	0	153
Alcoholic beverage control license fees	58	0	0	0	58
Auto rental tax	0	0	45	0	45
Business taxes	6,468	1,517	621	0	8,606
Corporation franchise tax	3,676	551	0	0	4,227
Corporation and utilities tax	626	178	17	0	821
Insurance taxes	1,142	116	0	0	1,258
Bank tax	1,024	186	0	0	1,210
Petroleum business tax	0	486	604	0	1,090
Other taxes	1,075	0	147	875	2,097
Estate tax	1,063	0	0	0	1,063
Gift tax	(10)	0	0	0	(10)
Real property gains tax	0	0	0	0	0
Real estate transfer tax	0	0	147	875	1,022
Pari-mutuel taxes	21	0	0	0	21
Other taxes	1	0	0	0	1
Total Taxes	38,668	7,109	1,929	11,033	58,739
Miscellaneous receipts	2,268	12,715	2,247	848	18,078
Federal grants	151	33,690	1,738	0	35,579
Total	41,087	53,514	5,914	11,881	112,396

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	3,045	4,007	(432)	233	6,853
Receipts:					
Taxes	38,568	7,794	2,017	12,547	60,926
Miscellaneous receipts	2,444	13,741	3,211	671	20,067
Federal grants	71	33,911	1,859	0	35,841
Total receipts	<u>41,083</u>	<u>55,446</u>	<u>7,087</u>	<u>13,218</u>	<u>116,834</u>
Disbursements:					
Grants to local governments	36,667	46,696	603	0	83,966
State operations	9,677	8,895	0	58	18,630
General State charges	4,487	882	0	0	5,369
Debt service	0	0	0	4,292	4,292
Capital projects	0	15	6,042	0	6,057
Total disbursements	<u>50,831</u>	<u>56,488</u>	<u>6,645</u>	<u>4,350</u>	<u>118,314</u>
Other financing sources (uses):					
Transfers from other funds	12,086	3,804	252	5,680	21,822
Transfers to other funds	(2,757)	(3,653)	(943)	(14,503)	(21,856)
Bond and note proceeds	0	0	298	0	298
Net other financing sources (uses)	<u>9,329</u>	<u>151</u>	<u>(393)</u>	<u>(8,823)</u>	<u>264</u>
Change in fund balance	<u>(419)</u>	<u>(891)</u>	<u>49</u>	<u>45</u>	<u>(1,216)</u>
Closing fund balance	<u>2,626</u>	<u>3,116</u>	<u>(383)</u>	<u>278</u>	<u>5,637</u>

Source: NYS DOB

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
2007-2008
(millions of dollars)

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
Personal income tax	22,735	4,678	0	9,138	36,551
User taxes and fees	8,503	1,621	1,163	2,615	13,902
Sales and use tax	7,865	718	0	2,615	11,198
Cigarette and tobacco taxes	407	565	0	0	972
Motor fuel tax	0	107	405	0	512
Motor vehicle fees	(21)	231	562	0	772
Alcoholic beverages taxes	200	0	0	0	200
Highway Use tax	0	0	147	0	147
Alcoholic beverage control license fees	52	0	0	0	52
Auto rental tax	0	0	49	0	49
Business taxes	6,300	1,495	642	0	8,437
Corporation franchise tax	3,575	531	0	0	4,106
Corporation and utilities tax	618	181	17	0	816
Insurance taxes	1,176	116	0	0	1,292
Bank tax	931	163	0	0	1,094
Petroleum business tax	0	504	625	0	1,129
Other taxes	1,030	0	212	794	2,036
Estate tax	1,006	0	0	0	1,006
Gift tax	0	0	0	0	0
Real property gains tax	0	0	0	0	0
Real estate transfer tax	0	0	212	794	1,006
Pari-mutuel taxes	23	0	0	0	23
Other taxes	1	0	0	0	1
Total Taxes	38,568	7,794	2,017	12,547	60,926
Miscellaneous receipts	2,444	13,741	3,211	671	20,067
Federal grants	71	33,911	1,859	0	35,841
Total	41,083	55,446	7,087	13,218	116,834

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>2,626</u>	<u>3,116</u>	<u>(383)</u>	<u>278</u>	<u>5,637</u>
Receipts:					
Taxes	41,671	8,023	2,095	13,123	64,912
Miscellaneous receipts	2,238	14,409	3,979	684	21,310
Federal grants	41	34,832	2,010	0	36,883
Total receipts	<u>43,950</u>	<u>57,264</u>	<u>8,084</u>	<u>13,807</u>	<u>123,105</u>
Disbursements:					
Grants to local governments	41,860	44,952	615	0	87,427
State operations	8,863	10,467	0	62	19,392
General State charges	3,136	2,420	0	0	5,556
Debt service	0	0	0	4,628	4,628
Capital projects	0	14	7,312	0	7,326
Total disbursements	<u>53,859</u>	<u>57,853</u>	<u>7,927</u>	<u>4,690</u>	<u>124,329</u>
Other financing sources (uses):					
Transfers from other funds	12,392	3,854	607	5,764	22,617
Transfers to other funds	(2,883)	(3,758)	(1,213)	(14,852)	(22,706)
Bond and note proceeds	0	0	457	0	457
Net other financing sources (uses)	<u>9,509</u>	<u>96</u>	<u>(149)</u>	<u>(9,088)</u>	<u>368</u>
Deposit to/(use of) Community Projects Fund	<u>(63)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(63)</u>
Deposit to/(use of) Prior Year Reserves	<u>(337)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(337)</u>
Change in fund balance	<u>0</u>	<u>(493)</u>	<u>8</u>	<u>29</u>	<u>(456)</u>
Closing fund balance	<u>2,226</u>	<u>2,623</u>	<u>(375)</u>	<u>307</u>	<u>5,181</u>

Source: NYS DOB

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
2008-2009
(millions of dollars)

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
Personal income tax	24,391	4,713	0	9,701	38,805
User taxes and fees	8,832	1,660	1,042	2,684	14,218
Sales and use tax	8,080	742	0	2,684	11,506
Cigarette and tobacco taxes	437	614	0	0	1,051
Motor fuel tax	0	74	277	0	351
Motor vehicle fees	47	230	553	0	830
Alcoholic beverages taxes	220	0	0	0	220
Highway Use tax	0	0	161	0	161
Alcoholic beverage control license fees	48	0	0	0	48
Auto rental tax	0	0	51	0	51
Business taxes	7,254	1,650	816	0	9,720
Corporation franchise tax	4,138	607	0	0	4,745
Corporation and utilities tax	589	181	17	0	787
Insurance taxes	1,405	150	0	0	1,555
Bank tax	942	154	0	0	1,096
Petroleum business tax	180	558	799	0	1,537
Other taxes	1,194	0	237	738	2,169
Estate tax	1,170	0	0	0	1,170
Gift tax	0	0	0	0	0
Real property gains tax	0	0	0	0	0
Real estate transfer tax	0	0	237	738	975
Pari-mutuel taxes	23	0	0	0	23
Other taxes	1	0	0	0	1
Total Taxes	41,671	8,023	2,095	13,123	64,912
Miscellaneous receipts	2,238	14,409	3,979	684	21,310
Federal grants	41	34,832	2,010	0	36,883
Total	43,950	57,264	8,084	13,807	123,105

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>2,623</u>	<u>(375)</u>	<u>307</u>	<u>2,555</u>
Receipts:					
Taxes	43,951	8,797	2,199	13,855	68,802
Miscellaneous receipts	2,186	14,277	4,155	687	21,305
Federal grants	0	36,031	2,044	0	38,075
Total receipts	<u>46,137</u>	<u>59,105</u>	<u>8,398</u>	<u>14,542</u>	<u>128,182</u>
Disbursements:					
Grants to local governments	45,919	47,123	647	0	93,689
State operations	9,236	10,561	0	62	19,859
General State charges	3,806	2,067	0	0	5,873
Debt service	0	0	0	5,106	5,106
Capital projects	0	4	7,795	0	7,799
Total disbursements	<u>58,961</u>	<u>59,755</u>	<u>8,442</u>	<u>5,168</u>	<u>132,326</u>
Other financing sources (uses):					
Transfers from other funds	12,587	3,867	784	5,897	23,135
Transfers to other funds	(3,112)	(3,647)	(1,143)	(15,261)	(23,163)
Bond and note proceeds	0	0	608	0	608
Net other financing sources (uses)	<u>9,475</u>	<u>220</u>	<u>249</u>	<u>(9,364)</u>	<u>580</u>
Deposit to/(use of) Community Projects Fund	<u>(62)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(62)</u>
Change in fund balance	<u>(3,287)</u>	<u>(430)</u>	<u>205</u>	<u>10</u>	<u>(3,502)</u>
Closing fund balance	<u>(3,287)</u>	<u>2,193</u>	<u>(170)</u>	<u>317</u>	<u>(947)</u>

Source: NYS DOB

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
2009-2010
(millions of dollars)

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
Personal income tax	25,897	5,423	0	10,440	41,760
User taxes and fees	8,913	1,607	794	2,702	14,016
Sales and use tax	8,125	769	0	2,702	11,596
Cigarette and tobacco taxes	433	607	0	0	1,040
Motor fuel tax	0	0	0	0	0
Motor vehicle fees	76	231	563	0	870
Alcoholic beverages taxes	227	0	0	0	227
Highway Use tax	0	0	178	0	178
Alcoholic beverage control license fees	52	0	0	0	52
Auto rental tax	0	0	53	0	53
Business taxes	7,816	1,767	1,118	0	10,701
Corporation franchise tax	4,265	626	0	0	4,891
Corporation and utilities tax	599	181	17	0	797
Insurance taxes	1,466	159	0	0	1,625
Bank tax	928	148	0	0	1,076
Petroleum business tax	558	653	1,101	0	2,312
Other taxes	1,325	0	287	713	2,325
Estate tax	1,301	0	0	0	1,301
Gift tax	0	0	0	0	0
Real property gains tax	0	0	0	0	0
Real estate transfer tax	0	0	287	713	1,000
Pari-mutuel taxes	23	0	0	0	23
Other taxes	1	0	0	0	1
Total Taxes	43,951	8,797	2,199	13,855	68,802
Miscellaneous receipts	2,186	14,277	4,155	687	21,305
Federal grants	0	36,031	2,044	0	38,075
Total	46,137	59,105	8,398	14,542	128,182

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>2,193</u>	<u>(170)</u>	<u>317</u>	<u>2,340</u>
Receipts:					
Taxes	45,940	9,348	2,196	14,642	72,126
Miscellaneous receipts	2,261	14,791	4,087	687	21,826
Federal grants	0	37,347	1,989	0	39,336
Total receipts	<u>48,201</u>	<u>61,486</u>	<u>8,272</u>	<u>15,329</u>	<u>133,288</u>
Disbursements:					
Grants to local governments	49,833	49,034	618	0	99,485
State operations	9,780	10,756	0	62	20,598
General State charges	4,087	2,082	0	0	6,169
Debt service	0	0	0	5,737	5,737
Capital projects	0	3	7,830	0	7,833
Total disbursements	<u>63,700</u>	<u>61,875</u>	<u>8,448</u>	<u>5,799</u>	<u>139,822</u>
Other financing sources (uses):					
Transfers from other funds	13,142	3,895	1,219	6,327	24,583
Transfers to other funds	(3,481)	(3,795)	(1,479)	(15,861)	(24,616)
Bond and note proceeds	0	0	655	0	655
Net other financing sources (uses)	<u>9,661</u>	<u>100</u>	<u>395</u>	<u>(9,534)</u>	<u>622</u>
Deposit to/(use of) Community Projects Fund	<u>(151)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(151)</u>
Change in fund balance	<u>(5,687)</u>	<u>(289)</u>	<u>219</u>	<u>(4)</u>	<u>(5,761)</u>
Closing fund balance	<u>(5,687)</u>	<u>1,904</u>	<u>49</u>	<u>313</u>	<u>(3,421)</u>

Source: NYS DOB

CASH RECEIPTS
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>Total</u>
Personal income tax	27,415	5,949	0	11,122	44,486
User taxes and fees	9,251	1,625	786	2,807	14,469
Sales and use tax	8,438	798	0	2,807	12,043
Cigarette and tobacco taxes	428	599	0	0	1,027
Motor fuel tax	0	0	0	0	0
Motor vehicle fees	105	228	550	0	883
Alcoholic beverages taxes	232	0	0	0	232
Highway Use tax	0	0	181	0	181
Alcoholic beverage control license fees	48	0	0	0	48
Auto rental tax	0	0	55	0	55
Business taxes	7,866	1,774	1,123	0	10,763
Corporation franchise tax	4,258	625	0	0	4,883
Corporation and utilities tax	608	182	17	0	807
Insurance taxes	1,505	163	0	0	1,668
Bank tax	935	149	0	0	1,084
Petroleum business tax	560	655	1,106	0	2,321
Other taxes	1,408	0	287	713	2,408
Estate tax	1,384	0	0	0	1,384
Gift tax	0	0	0	0	0
Real property gains tax	0	0	0	0	0
Real estate transfer tax	0	0	287	713	1,000
Pari-mutuel taxes	23	0	0	0	23
Other taxes	1	0	0	0	1
Total Taxes	45,940	9,348	2,196	14,642	72,126
Miscellaneous receipts	2,261	14,791	4,087	687	21,826
Federal grants	0	37,347	1,989	0	39,336
Total	48,201	61,486	8,272	15,329	133,288

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	<u>0</u>	<u>1,904</u>	<u>49</u>	<u>313</u>	<u>2,266</u>
Receipts:					
Taxes	48,651	9,719	2,221	15,483	76,074
Miscellaneous receipts	2,060	15,106	3,695	686	21,547
Federal grants	0	38,703	1,945	0	40,648
Total receipts	<u>50,711</u>	<u>63,528</u>	<u>7,861</u>	<u>16,169</u>	<u>138,269</u>
Disbursements:					
Grants to local governments	53,013	51,204	638	0	104,855
State operations	10,046	10,858	0	62	20,966
General State charges	4,386	2,171	0	0	6,557
Debt service	0	0	0	6,064	6,064
Capital projects	0	3	7,216	0	7,219
Total disbursements	<u>67,445</u>	<u>64,236</u>	<u>7,854</u>	<u>6,126</u>	<u>145,661</u>
Other financing sources (uses):					
Transfers from other funds	13,816	4,375	1,245	6,428	25,864
Transfers to other funds	(3,982)	(3,819)	(1,563)	(16,511)	(25,875)
Bond and note proceeds	0	0	514	0	514
Net other financing sources (uses)	<u>9,834</u>	<u>556</u>	<u>196</u>	<u>(10,083)</u>	<u>503</u>
Deposit to/(use of) Community Projects Fund	<u>(79)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(79)</u>
Change in fund balance	<u>(6,821)</u>	<u>(152)</u>	<u>203</u>	<u>(40)</u>	<u>(6,810)</u>
Closing fund balance	<u>(6,821)</u>	<u>1,752</u>	<u>252</u>	<u>273</u>	<u>(4,544)</u>

Source: NYS DOB

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
2011-2012
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	29,315	6,235	0	11,850	47,400
User taxes and fees	9,620	1,658	807	2,920	15,005
Sales and use tax	8,778	829	0	2,920	12,527
Cigarette and tobacco taxes	428	598	0	0	1,026
Motor fuel tax	0	0	0	0	0
Motor vehicle fees	126	231	562	0	919
Alcoholic beverages taxes	236	0	0	0	236
Highway Use tax	0	0	188	0	188
Alcoholic beverage control license fees	52	0	0	0	52
Auto rental tax	0	0	57	0	57
Business taxes	8,218	1,826	1,127	0	11,171
Corporation franchise tax	4,497	659	0	0	5,156
Corporation and utilities tax	612	183	17	0	812
Insurance taxes	1,549	167	0	0	1,716
Bank tax	997	159	0	0	1,156
Petroleum business tax	563	658	1,110	0	2,331
Other taxes	1,498	0	287	713	2,498
Estate tax	1,474	0	0	0	1,474
Gift tax	0	0	0	0	0
Real property gains tax	0	0	0	0	0
Real estate transfer tax	0	0	287	713	1,000
Pari-mutuel taxes	23	0	0	0	23
Other taxes	1	0	0	0	1
Total Taxes	48,651	9,719	2,221	15,483	76,074
Miscellaneous receipts	2,060	15,106	3,695	686	21,547
Federal grants	0	38,703	1,945	0	40,648
Total	50,711	63,528	7,861	16,169	138,269

Source: NYS DOB

CASHFLOW
GENERAL FUND
2007-2008
(dollars in millions)

	2007		2008		March Projected	Total							
	April Actuals	May Actuals	June Actuals	July Actuals			August Actuals	September Actuals	October Actuals	November Actuals	December Actuals	January Projected	February Projected
OPENING BALANCE	3,045	6,903	3,136	2,881	2,854	4,142	2,836	1,320	1,678	6,782	6,438	3,045	
RECEIPTS:													
Personal Income Tax	4,017	748	2,414	1,396	1,971	745	91	1,152	5,219	1,678	1,928	22,735	
User Taxes and Fees	679	623	877	671	872	632	673	868	648	648	547	8,503	
Business Taxes	58	146	1,103	98	1,209	123	83	1,145	378	1,145	173	6,300	
Other Taxes	81	80	107	100	81	80	82	118	79	79	79	1,030	
Total Taxes	4,835	1,597	4,501	2,265	4,133	1,580	909	3,283	6,324	2,477	4,440	38,568	
Licenses, fees, etc.	37	98	20	45	50	33	70	45	25	35	35	637	
Abandoned Property	5	0	0	19	33	22	135	25	71	53	312	684	
Reimbursement	6	7	25	11	20	14	6	22	10	16	53	200	
Investment Income	70	7	25	22	(11)	53	15	3	14	(4)	0	200	
Other transactions	13	15	167	41	47	27	30	217	30	27	64	723	
Total Miscellaneous Receipts	131	127	237	138	156	149	256	312	150	127	542	2,444	
Federal Grants	0	12	22	1	0	10	10	0	5	6	0	71	
PIT in excess of Revenue Bond Debt Service	1,338	198	886	489	951	593	79	879	1,657	133	827	8,441	
Sales Tax in Excess of LGAC Debt Service	137	41	360	232	270	192	205	269	197	3	203	2,305	
Real Estate Taxes in Excess of CW/CA Debt Service	55	61	95	62	66	44	60	38	25	25	61	667	
All Other	3	1	120	29	8	19	1	35	0	0	456	673	
Total Transfers from Other Funds	1,533	301	1,461	822	1,288	848	345	1,221	1,879	161	1,547	12,086	
TOTAL RECEIPTS	6,499	2,037	6,221	3,226	5,577	2,587	1,520	4,816	8,358	2,771	6,529	53,169	
DISBURSEMENTS:													
School Aid	236	2,143	1,512	17	1,284	511	961	1,365	581	494	6,631	16,239	
Higher Education	18	10	335	100	186	458	30	214	38	334	524	2,324	
All Other Education	26	124	345	161	112	175	21	137	110	143	312	1,738	
Medicaid - DOH	869	1,267	918	538	710	673	587	370	819	626	621	9,038	
Public Health	16	35	117	32	23	131	45	52	54	53	89	682	
Mental Hygiene	45	58	62	153	135	251	62	180	237	180	408	1,838	
Children and Families	5	130	91	223	125	73	72	252	99	90	350	1,608	
Temporary & Disability Assistance	55	252	248	150	184	140	(142)	207	10	138	(2)	1,392	
Transportation	0	14	45	1	1	0	15	7	0	8	2	106	
All Other	22	70	444	50	135	63	57	265	81	27	432	1,702	
Total Local Assistance Grants	1,292	4,103	4,117	1,425	2,786	2,475	1,708	3,049	2,029	2,093	9,367	36,667	
Personal Service	633	814	599	589	749	699	546	417	513	317	391	6,813	
Non-Personal Service	203	239	275	208	209	219	181	222	247	253	353	2,864	
Total State Operations	836	1,053	874	797	755	918	727	639	760	570	744	9,677	
General State Charges	262	430	1,218	258	268	285	319	260	389	235	294	4,487	
Debt Service	45	144	210	49	292	60	110	413	4	26	164	1,557	
Capital Projects	89	55	8	51	66	133	105	24	50	124	(688)	93	
Other Purposes	117	19	49	79	122	22	67	73	22	67	440	1,107	
Total Transfers to Other Funds	251	218	267	179	480	215	282	510	76	217	(64)	2,757	
TOTAL DISBURSEMENTS	2,641	5,804	6,476	2,659	4,289	3,893	3,036	4,458	3,254	3,115	10,341	53,588	
Excess/(Deficiency) of Receipts over Disbursements	3,858	(3,767)	(255)	567	1,288	(1,306)	(1,516)	358	5,104	(344)	(3,812)	(419)	
CLOSING BALANCE	6,903	3,136	2,881	3,448	4,142	2,836	1,320	1,678	6,782	6,438	2,626	3,045	

Source: NYS DOB

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

	2008		2009		2008		2009		2008		2009		2008		2009	
	April	May	June	July	August	September	October	November	December	January	February	March	April	May	June	July
	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
OPENING BALANCE	2,626	6,289	1,713	2,773	2,742	2,655	3,856	2,384	893	1,368	6,448	5,924	2,626			
RECEIPTS:																
Personal Income Tax	4,576	683	2,387	1,556	1,595	2,114	656	248	1,506	5,395	1,716	1,959	24,391			
User Taxes and Fees	672	647	908	694	665	905	658	702	901	667	559	854	8,832			
Business Taxes	266	50	1,214	185	151	1,260	223	77	1,427	232	204	1,965	7,254			
Other Taxes	99	99	100	100	101	101	99	99	99	99	99	99	1,194			
Total Taxes	5,613	1,479	4,609	2,535	2,512	4,380	1,636	1,126	3,933	6,393	2,578	4,877	41,671			
Licenses, fees, etc.	28	61	44	26	61	41	51	48	32	37	49	60	538			
Abandoned Property	20	0	18	12	8	53	9	167	34	41	39	249	650			
Reimbursement	4	11	24	5	14	22	13	10	23	7	12	27	172			
Investment income	60	7	25	22	(11)	6	53	15	3	14	0	6	200			
Other transactions	26	32	151	43	53	54	38	30	53	34	30	134	678			
Total Miscellaneous Receipts	138	111	262	108	125	176	164	270	145	133	130	476	2,238			
Federal Grants	0	11	4	0	4	0	9	9	0	4	0	0	41			
PI in excess of Revenue Bond Debt Service	1,525	157	925	539	366	966	622	136	926	1,593	160	854	8,769			
Sales Tax in Excess of LGAC Debt Service	196	24	448	207	200	212	197	211	273	200	2	144	2,314			
Real Estate Taxes in Excess of CW/CA Debt Service	65	57	45	49	59	59	55	40	53	55	41	37	615			
All Other	0	0	96	3	1	5	8	5	122	122	3	1	450			
Total Transfers from Other Funds	1,786	238	1,514	798	626	1,242	882	392	1,374	1,851	204	1,485	12,392			
TOTAL RECEIPTS	7,537	1,839	6,389	3,441	3,267	5,798	2,691	1,797	5,452	8,381	2,912	6,838	56,342			
DISBURSEMENTS:																
School Aid	175	2,320	1,670	135	430	1,790	675	763	1,251	463	635	7,134	17,441			
Higher Education	17	11	483	118	113	95	468	24	287	42	348	464	2,470			
All Other Education	86	100	92	189	141	143	127	66	79	223	141	315	1,702			
Medicaid - DOH	1,608	1,357	1,172	974	1,080	890	1,145	1,031	1,026	973	808	859	12,723			
Public Health	16	38	63	68	34	54	53	42	46	111	28	92	645			
Mental Hygiene	129	127	132	141	131	249	136	127	240	244	124	274	2,054			
Children and Families	79	85	98	291	87	127	79	86	307	83	83	356	1,761			
Temporary & Disability Assistance	157	157	258	157	157	176	157	(135)	176	(143)	106	(54)	1,169			
Transportation	0	11	45	0	14	0	0	17	10	0	8	0	105			
All Other	15	37	415	38	49	205	5	50	402	56	73	445	1,790			
Total Local Assistance Grants	2,282	4,243	4,428	2,111	2,236	3,529	2,845	2,071	3,824	2,052	2,354	9,885	41,860			
Personal Service	686	566	535	619	533	488	631	463	460	542	447	463	6,433			
Non-Personal Service	178	182	177	193	207	246	169	167	178	227	217	289	2,430			
Total State Operations	864	748	712	812	740	734	800	630	638	769	664	752	8,863			
General State Charges	339	1,215	(86)	452	261	(91)	402	265	(73)	324	217	(87)	3,136			
Debt Service	228	139	201	36	46	278	22	175	404	3	19	141	1,692			
Capital Projects	29	33	30	31	30	42	64	77	136	123	157	(386)	366			
Other Purposes	132	37	46	30	41	105	30	70	48	30	25	231	825			
Total Transfers to Other Funds	389	209	277	97	117	425	116	322	588	156	201	(14)	2,883			
TOTAL DISBURSEMENTS	3,874	6,415	5,929	3,472	3,354	4,597	4,163	3,288	4,977	3,301	3,436	10,536	56,742			
Excess/(Deficiency) of Receipts over Disbursements	3,663	(4,576)	1,060	(31)	(87)	1,201	(1,472)	(1,491)	475	5,080	(524)	(3,698)	(400)			
CLOSING BALANCE	6,289	1,713	2,773	2,742	2,655	3,856	2,384	893	1,368	6,448	5,924	2,626	2,626			

Source: NYS DOB

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

	2006-2007 Actuals	2007-2008 January	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Recommended	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT								
Agriculture and Markets, Department of	94,987	103,857	0	103,857	131,524	99,241	99,843	100,618
Alcoholic Beverage Control	11,696	13,012	0	13,012	13,719	14,125	14,187	14,380
Banking Department	57,224	61,413	0	61,413	62,337	63,549	64,347	62,977
Consumer Protection Board	2,792	3,055	0	3,055	3,703	3,747	3,790	3,677
Economic Development Capital Programs	45,777	134,010	0	134,010	103,405	269,980	224,430	66,077
Economic Development, Department of	42,681	53,968	0	53,968	59,377	60,006	60,025	59,824
Empire State Development Corporation	169,786	471,955	0	471,955	811,885	676,285	456,545	376,869
Energy Research and Development Authority	28,865	28,623	0	28,623	29,413	29,597	29,796	29,997
Housing and Community Renewal, Division of	272,073	315,865	0	315,865	285,417	268,637	269,553	266,312
Insurance Department	145,590	250,421	0	250,421	262,999	263,604	264,748	264,748
Olympic Regional Development Authority	8,250	14,126	0	14,126	9,009	9,217	9,437	9,663
Public Service, Department of	50,931	56,484	0	56,484	59,887	61,572	63,363	65,212
Science, Technology and Innovation, Foundation for	52,263	52,576	0	52,576	44,232	40,800	41,312	37,187
Strategic Investment	4,840	28,000	0	28,000	10,000	14,000	14,000	10,376
Functional Total	987,735	1,587,365	0	1,587,365	1,886,907	1,874,360	1,616,375	1,367,917
PARKS AND THE ENVIRONMENT								
Adirondack Park Agency	4,599	5,740	0	5,740	5,929	5,935	5,942	5,942
Environmental Conservation, Department of	818,004	913,498	0	913,498	893,889	912,210	909,813	917,109
Environmental Facilities Corporation	8,416	16,160	0	16,160	11,815	6,760	6,760	6,760
Hudson River Park Trust	26,284	20,000	0	20,000	20,682	15,000	10,000	0
Parks, Recreation and Historic Preservation, Office of	257,877	256,888	0	256,888	319,996	289,627	256,158	254,800
Functional Total	1,115,180	1,212,286	0	1,212,286	1,252,311	1,229,532	1,186,673	1,184,611
TRANSPORTATION								
Motor Vehicles, Department of	257,839	285,613	0	285,613	316,215	305,133	311,759	319,602
Thruway Authority	1,775	1,734	0	1,734	1,734	1,804	1,876	1,951
Metropolitan Transportation Authority	0	93,700	0	93,700	188,550	258,700	278,922	262,600
Transportation, Department of	5,553,463	6,291,418	0	6,291,418	6,777,123	6,969,066	7,177,524	7,246,077
Functional Total	5,813,077	6,672,465	0	6,672,465	7,283,622	7,534,703	7,770,081	7,830,230
HEALTH AND SOCIAL WELFARE								
Aging, Office for the	197,862	229,194	0	229,194	240,097	245,042	253,378	257,524
Children and Family Services, Office of	2,711,049	2,910,937	0	2,910,937	3,175,932	3,318,432	3,498,975	3,651,761
OCFS	2,711,049	2,910,937	(33,505)	2,877,432	3,132,462	3,252,565	3,387,181	3,519,160
OCFS - Medicaid	0	0	33,505	33,505	43,505	65,867	111,794	132,601
Health, Department of	37,770,678	37,313,545	0	37,313,545	38,671,751	41,366,769	43,804,199	46,452,940
Medical Assistance	32,388,167	31,233,203	0	31,233,203	32,500,763	34,987,577	37,233,503	39,921,945
Medicaid Administration	745,408	820,000	0	820,000	853,000	887,000	922,500	959,250
DOH - Other	4,637,103	5,260,342	0	5,260,342	5,317,988	5,492,192	5,648,196	5,571,745
Human Rights, Division of	16,226	15,816	0	15,816	17,068	17,819	17,791	17,850
Labor, Department of	518,146	511,893	0	511,893	511,053	501,096	501,096	506,055
Medicaid Inspector General, Office of	34,842	74,017	0	74,017	91,603	94,148	95,267	95,942
Prevention of Domestic Violence, Office for	2,315	2,556	0	2,556	2,563	2,575	2,587	2,597
Stem Cell and Innovation	0	15,000	0	15,000	100,000	85,000	50,000	50,000

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

	2006-2007 Actuals	2007-2008 January	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Recommended	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
HEALTH AND SOCIAL WELFARE (Continued)								
Temporary and Disability Assistance, Office of Welfare Assistance	4,458,278	4,664,522	0	4,664,522	4,481,508	4,564,415	4,570,869	4,578,495
Welfare Administration	3,016,154	3,189,923	0	3,189,923	3,005,309	3,074,568	3,073,881	3,074,381
All Other	380,349	376,933	0	376,933	371,233	373,233	373,233	373,233
Welfare Inspector General, Office of	1,061,775	1,097,666	0	1,097,666	1,104,966	1,116,614	1,123,755	1,130,881
Workers' Compensation Board	1,074	1,181	0	1,181	1,243	1,261	1,279	1,297
Functional Total	448,277	162,246	0	162,246	152,828	154,944	157,199	157,199
	45,858,747	45,900,907	0	45,900,907	47,445,881	50,351,501	52,952,640	55,771,660
MENTAL HEALTH								
Mental Health, Office of	2,335,339	2,543,085	478,586	3,021,671	2,644,468	2,865,799	2,998,123	3,087,952
OMH	2,335,339	2,543,085	(1,492,746)	1,050,339	1,139,723	1,409,358	1,541,682	1,631,511
OMH - Medicaid	0	0	1,971,332	1,971,332	1,504,745	1,456,441	1,456,441	1,456,441
Mental Hygiene, Department of	8,473	7,800	0	7,800	7,800	7,800	7,800	7,800
Mental Retardation and Developmental Disabilities, Office of	3,168,254	3,421,345	1,002,750	4,424,095	3,515,663	3,675,618	3,789,062	3,828,490
OMRDD	3,168,254	3,421,345	(2,550,379)	870,966	492,105	486,346	611,851	669,976
OMRDD - Medicaid	0	0	3,553,129	3,553,129	3,023,558	3,189,272	3,177,231	3,158,514
Alcoholism and Substance Abuse Services, Office of	521,906	592,931	24,423	617,354	649,878	732,923	722,331	758,665
OASAS	521,906	592,931	(46,580)	546,351	603,298	686,343	675,751	712,085
OASAS - Medicaid	0	0	71,003	71,003	46,580	46,580	46,580	46,580
Developmental Disabilities Planning Council	4,129	3,621	0	3,621	3,617	3,617	3,617	3,617
Quality of Care for the Mentally Disabled, Commission on	12,605	15,592	0	15,592	16,414	16,715	16,768	16,802
Functional Total	6,060,706	6,584,374	1,505,759	8,090,133	6,837,840	7,302,472	7,537,701	7,703,326
PUBLIC PROTECTION								
Capital Defenders Office	1,568	1,300	0	1,300	368	0	0	0
Correction, Commission of	2,621	2,629	0	2,629	2,753	2,784	2,814	2,846
Correctional Services, Department of	2,736,338	2,702,380	0	2,702,380	2,797,864	2,852,013	2,927,428	2,995,137
Crime Victims Board	60,073	62,709	0	62,709	62,483	62,537	62,591	62,647
Criminal Justice Services, Division of	267,326	248,655	0	248,655	259,754	249,809	245,474	237,867
Homeland Security	29,562	230,148	0	230,148	298,782	460,327	559,052	559,832
Investigation, Temporary State Commission of	3,551	3,929	0	3,929	4,076	0	0	0
Judicial Commissions	2,785	4,785	0	4,785	5,139	5,221	5,283	5,386
Military and Naval Affairs, Division of	401,627	462,207	0	462,207	360,263	150,619	171,438	186,481
Parole, Division of	194,729	206,318	0	206,318	208,482	221,011	237,792	242,593
Probation and Correctional Alternatives, Division of	72,752	74,649	0	74,649	78,931	81,157	81,196	80,886
State Police, Division of	644,506	613,303	0	613,303	641,595	643,161	636,979	627,256
Functional Total	4,417,428	4,613,012	0	4,613,012	4,720,490	4,728,639	4,930,047	5,000,931

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

	2006-2007 Actuals	2007-2008 January	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Recommended	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
EDUCATION								
Arts, Council on the	49,244	55,766	0	55,766	55,662	55,842	55,823	55,923
City University of New York	1,064,544	1,143,206	0	1,143,206	1,321,507	1,375,671	1,441,356	1,467,236
Education, Department of	26,657,044	29,344,857	0	29,344,857	30,763,488	33,440,853	36,459,421	38,681,129
<i>School Aid</i>	20,088,579	21,848,418	(80,000)	21,768,418	23,148,155	24,982,432	27,337,670	29,191,350
<i>School Aid - Medicaid Assistance</i>	0	0	80,000	80,000	80,000	80,000	80,000	80,000
<i>Special Education Categorical Programs</i>	1,620,800	1,719,600	0	1,719,600	1,752,690	1,863,590	1,946,590	2,052,090
<i>STAR Property Tax Relief</i>	3,983,970	4,678,570	0	4,678,570	4,712,899	5,423,170	5,949,569	6,235,582
<i>All Other</i>	953,695	1,098,269	0	1,098,269	1,069,744	1,091,661	1,145,592	1,122,107
Higher Education Services Corporation	956,737	954,454	0	954,454	914,493	932,715	932,239	931,795
Higher Education Capital grants	0	10,000	0	10,000	50,000	30,000	30,000	30,000
State University Construction Fund	13,157	12,478	0	12,478	13,680	13,822	13,966	14,112
State University of New York	5,447,926	5,774,221	0	5,774,221	5,872,410	6,011,760	6,161,001	6,210,428
Functional Total	34,188,652	37,294,982	0	37,294,982	38,991,240	41,860,663	45,093,806	47,390,623
GENERAL GOVERNMENT								
Audit and Control, Department of	244,078	251,534	0	251,534	258,612	261,688	265,560	267,913
Budget, Division of the	54,817	73,362	0	73,362	91,000	86,243	94,614	91,563
Civil Service, Department of	24,363	23,653	0	23,653	23,922	24,102	24,335	24,571
Elections, State Board of	13,037	29,119	0	29,119	68,917	184,442	9,716	9,833
Employee Relations, Office of	14,517	4,000	0	4,000	4,134	4,119	4,160	4,200
Executive Chamber	255,060	20,320	0	20,320	20,930	21,560	22,200	22,870
General Services, Office of	193,461	229,724	0	229,724	233,381	228,087	239,644	238,089
Inspector General, Office of	360	6,908	0	6,908	7,153	7,327	7,447	7,529
Law, Department of	177,360	182,527	0	182,527	180,147	184,318	188,393	188,393
Lieutenant Governor, Office of the	0	0	0	0	1,420	1,460	1,500	1,550
Lottery, Division of	16,899	18,754	0	18,754	18,178	18,622	18,803	18,803
Commission on Public Integrity	47,620	51,651	0	51,651	52,655	54,202	55,040	56,032
Racing and Wagering Board, State	3,509	3,781	0	3,781	3,480	3,526	3,550	3,550
Real Property Services, Office of	3,376	4,077	0	4,077	4,207	4,243	4,284	4,331
Regulatory Reform, Governor's Office of	148,140	210,303	0	210,303	159,916	156,199	156,162	152,338
Public Employment Relations Board	3,228	3,233	0	3,233	3,273	3,308	3,343	3,343
State, Department of	355,452	367,658	0	367,658	367,454	374,708	378,963	379,018
Tax Appeals, Division of	19,258	28,309	0	28,309	94,073	144,605	239,775	156,264
Taxation and Finance, Department of	2,338	0	0	0	0	0	0	(332)
Technology, Office for	14,117	15,568	0	15,568	17,820	16,844	16,508	16,071
Lobbying, Temporary State Commission on	1,600,775	1,731,422	0	1,731,422	1,845,185	2,017,672	1,975,053	1,892,325
Veterans Affairs, Division of	213,118	220,319	0	220,319	226,879	229,531	229,574	229,574
Functional Total	112,763,918	118,313,828	0	118,313,828	124,329,336	132,325,901	139,821,760	145,661,106
ALL OTHER CATEGORIES								
Legislature	1,731,791	1,829,753	0	1,829,753	2,032,399	2,072,858	2,217,176	2,347,564
Judiciary (excluding fringe benefits)	37,020	50,000	0	50,000	70,000	70,000	35,000	32,500
World Trade Center	1,156,176	938,461	0	938,461	1,136,649	1,376,151	1,440,247	1,410,278
Local Government Assistance	4,450,737	4,291,999	0	4,291,999	4,628,094	5,106,458	5,737,221	6,063,808
Long-Term Debt Service	5,222,834	5,368,881	(1,505,759)	3,863,122	5,555,509	5,873,099	6,168,791	6,556,793
General State Charges	(80,058)	17,602	0	17,602	416,330	698,262	930,375	878,966
Miscellaneous	12,731,618	12,717,015	(1,505,759)	11,211,256	14,065,860	15,426,359	16,758,384	17,519,483
Functional Total	112,763,918	118,313,828	0	118,313,828	124,329,336	132,325,901	139,821,760	145,661,106

Source: NYS DOB

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

	<u>2007-2008</u> <u>Current</u>	<u>2008-09</u> <u>Recommended</u>	<u>Annual</u> <u>Change</u>
Revenues:			
Taxes:			
Personal income tax	22,245	24,802	2,557
User taxes and fees	8,581	8,831	250
Business taxes	6,604	7,229	625
Other taxes	1,118	1,272	154
Miscellaneous revenues	5,357	5,262	(95)
Federal grants	71	41	(30)
Total revenues	<u>43,976</u>	<u>47,437</u>	<u>3,461</u>
Expenditures:			
Grants to local governments	38,998	43,986	4,988
State operations	12,139	12,888	749
General State charges	3,891	3,962	71
Debt service	0	0	0
Capital projects	10	11	1
Total expenditures	<u>55,038</u>	<u>60,847</u>	<u>5,809</u>
Other financing sources (uses):			
Transfers from other funds	15,085	18,295	3,210
Transfers to other funds	(5,504)	(5,736)	(232)
Proceeds from financing arrangements/ advance refundings	330	330	0
Net other financing sources (uses)	<u>9,911</u>	<u>12,889</u>	<u>2,978</u>
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	<u>(1,151)</u>	<u>(521)</u>	<u>630</u>
Accumulated Surplus/(Deficit)	<u>1,233</u>	<u>712</u>	<u>(521)</u>

Source: NYS DOB

**GAAP FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
EXECUTIVE BUDGET
2007-2008
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	38,548	7,786	2,017	12,596	60,947
Patient fees	0	0	0	326	326
Miscellaneous revenues	5,357	5,119	312	24	10,812
Federal grants	71	36,416	1,859	0	38,346
Total revenues	43,976	49,321	4,188	12,946	110,431
Expenditures:					
Grants to local governments	38,998	46,602	602	0	86,202
State operations	12,139	1,802	0	58	13,999
General State charges	3,891	339	0	0	4,230
Debt service	0	0	0	3,606	3,606
Capital projects	10	5	7,455	0	7,470
Total expenditures	55,038	48,748	8,057	3,664	115,507
Other financing sources (uses):					
Transfers from other funds	15,085	2,865	217	5,680	23,847
Transfers to other funds	(5,504)	(3,872)	(960)	(14,861)	(25,197)
Proceeds of general obligation bonds	0	0	298	0	298
Proceeds from financing arrangements/ advance refundings	330	0	3,689	0	4,019
Net other financing sources (uses)	9,911	(1,007)	3,244	(9,181)	2,967
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses					
	(1,151)	(434)	(625)	101	(2,109)

Source: NYS DOB

**GAAP FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
EXECUTIVE BUDGET
2008-2009
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	42,134	8,023	2,095	13,123	65,375
Patient fees	0	0	0	330	330
Miscellaneous revenues	5,262	5,246	373	25	10,906
Federal grants	41	37,394	2,010	0	39,445
Total revenues	47,437	50,663	4,478	13,478	116,056
Expenditures:					
Grants to local governments	43,986	47,853	614	0	92,453
State operations	12,888	1,870	0	62	14,820
General State charges	3,962	347	0	0	4,309
Debt service	0	0	0	3,704	3,704
Capital projects	11	3	8,607	0	8,621
Total expenditures	60,847	50,073	9,221	3,766	123,907
Other financing sources (uses):					
Transfers from other funds	18,295	3,192	579	5,764	27,830
Transfers to other funds	(5,736)	(3,930)	(1,230)	(15,440)	(26,336)
Proceeds of general obligation bonds	0	0	457	0	457
Proceeds from financing arrangements/ advance refundings	330	0	4,570	0	4,900
Net other financing sources (uses)	12,889	(738)	4,376	(9,676)	6,851
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses					
	(521)	(148)	(367)	36	(1,000)

Source: NYS DOB

NOTES ON MEDICAID FINANCIAL PLAN PRESENTATION

Medicaid Transparency

The 2008-09 Financial Plan reflects a cost-neutral restructuring of the reporting of certain spending that is intended to improve transparency and assist in analysis of the State's largest program. Specifically, and as explained in detail below, the Financial Plan is adjusted to:

- Provide more budgeting transparency for the State's Medicaid Program such that the Financial Plan will clearly identify the total amount of Medicaid spending for every agency.
- Allocate employee fringe benefit costs to Mental Hygiene agencies, to provide a more accurate depiction of the total costs of providing services in these agencies.

Previously, the State's Medicaid appropriations and spending had been dispersed among various agencies, with the Federal share of Medicaid generally appropriated in DOH, and the State share of Medicaid appropriated through various agencies participating in the Medicaid program, including: the Office of Mental Health (OMH), the Office of Mental Retardation and Developmental Disabilities (OMRDD), the Office of Alcoholism and Substance Abuse Services (OASAS), the State Education Department (SED), and the Office of Children and Family Services (OCFS). For 2008-09, transparency is advanced by consolidating and recognizing for the first time in DOH's appropriations, the State share of Medicaid for OMRDD, OMH and OASAS State Operations.

As a result of these changes, for the first time ever, readers of the State's Financial Plan will be able to easily see the total costs of the State's Medicaid program (excluding the share provided by local governments) for each agency that provides Medicaid services. The following table summarizes this Medicaid information that is now provided in the Financial Plan tables.

2008-09 Statewide Medicaid Program				
Total Disbursements*				
(millions of dollars)				
	General Fund	Special Revenue	Federal Funds	All Government
DOH - Medicaid	12,724	475	20,156	33,355
Mental Hygiene - Medicaid	1,693	1,163	2,703	5,559
OCFS - Medicaid	43	0	0	43
SED - Medicaid	80	0	0	80
State and Federal Share Total	14,540	1,638	22,859	39,037
Local Share	0	0	0	7,221
Grand Total	14,540	1,638	22,859	46,258

*Includes Local Assistance, State Operations, and General State Charges

A second component of budgeting transparency and rationalizing reimbursement involves charging OMH, OMRDD and OASAS their appropriate share of employee fringe benefits as is currently the practice with other State agencies whose revenue is partially or totally derived from non-General Fund sources.

As summarized in the following tables, this results in appropriation restructurings and cost-neutral spending adjustments which generally reflect a roughly \$2.7 billion increase in General Fund State Medicaid share resources in DOH and a concomitant decrease in General Fund fringe benefits spending in the General State Charges (GSCs) budget and in the Mental Hygiene agencies. Corresponding adjustments are also made in State Funds and All Funds reporting. Accordingly, this initiative has no impact on the State's Financial Plan, but is recommended with the goal of achieving greater transparency in the budgeting of Medicaid and a more accurate reporting of fringe benefit responsibilities.

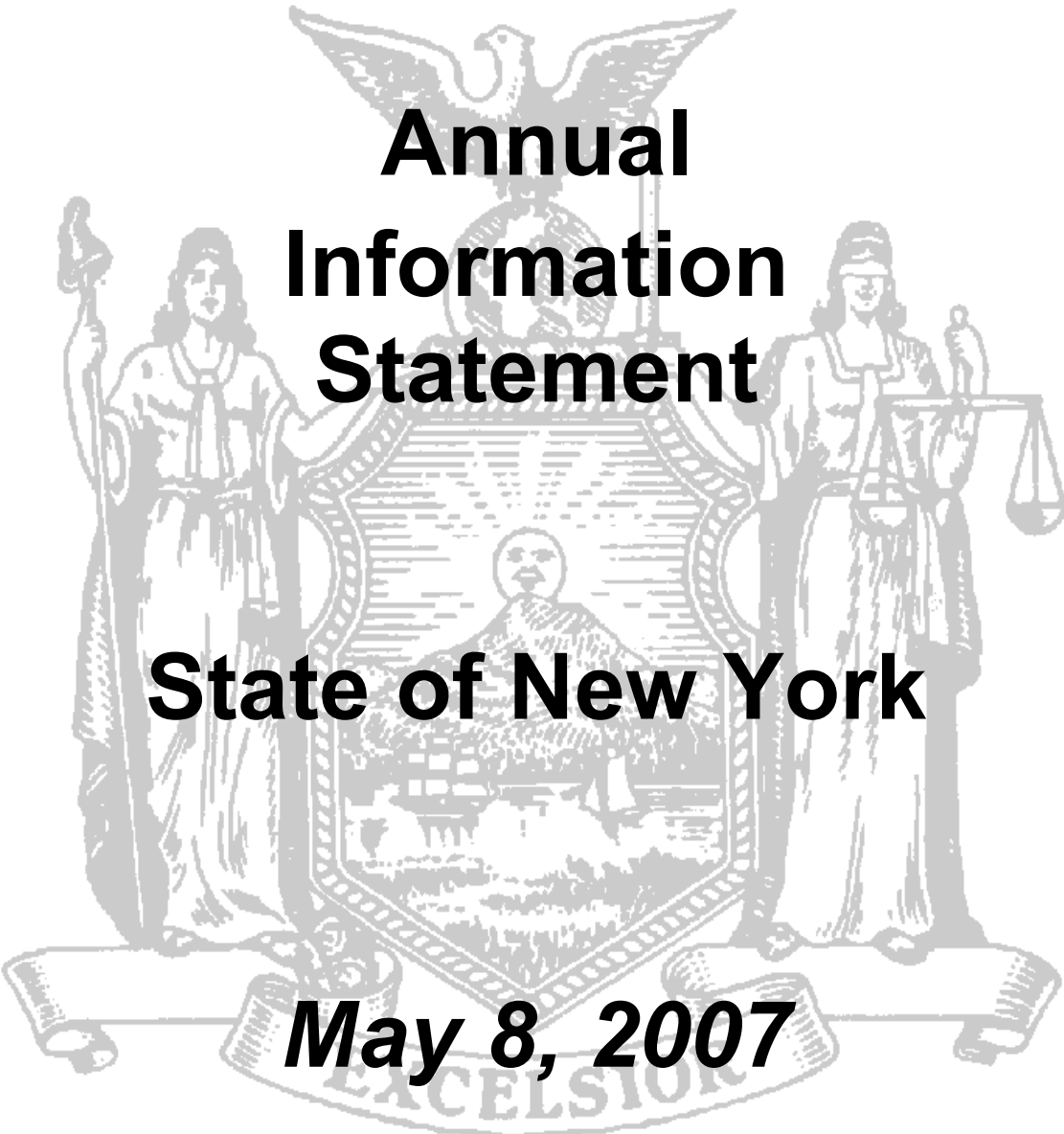
To facilitate comparable reporting of spending trends and annual growth, the Financial Plan tables for 2007-08 provide projections on an actual basis and on an adjusted basis (with details on each adjustment) by agency for each financial plan category of spending and by fund. The multi-year adjustments are summarized in the following tables.

General Fund Medicaid Transparency Increase/(Decrease) in Spending (millions of dollars)					
	<u>2007-08⁽¹⁾</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
DOH - Medicaid	2,649	2,649	2,636	2,646	2,656
OMH	(1,249)	(1,249)	(1,477)	(1,381)	(1,296)
OMRDD	377	377	277	184	178
OASAS	(271)	(271)	(300)	(314)	(331)
Central GSCs	<u>(1,506)</u>	<u>(1,506)</u>	<u>(1,136)</u>	<u>(1,135)</u>	<u>(1,207)</u>
Total	0	0	0	0	0

State Funds Medicaid Transparency Increase/(Decrease) in Spending (millions of dollars)					
	<u>2007-08⁽¹⁾</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
DOH - Medicaid	-	-	-	-	-
OMH	226	226	254	307	327
OMRDD	1,262	1,262	862	807	858
OASAS	18	18	20	21	22
Central GSCs	<u>(1,506)</u>	<u>(1,506)</u>	<u>(1,136)</u>	<u>(1,135)</u>	<u>(1,207)</u>
Total	0	0	0	0	0

All Funds Medicaid Transparency Increase/(Decrease) in Spending (millions of dollars)					
	<u>2007-08⁽¹⁾</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
DOH - Medicaid	-	-	-	-	-
OMH	479	479	503	568	602
OMRDD	1,003	1,003	607	540	576
OASAS	24	24	26	27	29
Central GSCs	<u>(1,506)</u>	<u>(1,506)</u>	<u>(1,136)</u>	<u>(1,135)</u>	<u>(1,207)</u>
Total	0	0	0	0	0

⁽¹⁾ For purposes of the 2007-08 adjustment, the 2008-09 amounts were used to ensure reports on annual spending growth were not impacted by the adjustment, and because actual 2007-08 adjusted results will not be reflected in the State's accounting system for this transaction.

The seal of the State of New York is centered in the background. It features an eagle with wings spread at the top, perched on a globe. Below the eagle is a shield with a landscape scene, including a sun, a plow, and a sheaf of wheat. On either side of the shield stand two female figures: Liberty on the left, holding a staff with a Phrygian cap, and Justice on the right, holding a scale of justice. A banner at the bottom of the shield contains the word "EXCELSIOR".

**Annual
Information
Statement**

State of New York

May 8, 2007

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Annual Information Statement

State of New York

Dated: May 8, 2007

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Exhibit A to Annual Information Statement

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Principal State Taxes and Fees

Annual Information Statement of the State of New York

Introduction

This Annual Information Statement (“AIS”) is dated May 8, 2007 and contains information only through that date. This AIS constitutes the official disclosure information regarding the financial condition of the State of New York (the “State”) and replaces the Annual Information Statement dated June 12, 2006 and all updates and supplements thereto. The AIS is scheduled to be updated on a quarterly basis (in August 2007, November 2007, and February 2008) and is subject to being supplemented from time to time as developments may warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any update or supplement issued during the fiscal year.

In this AIS, readers will find:

1. A section entitled the “Current Fiscal Year” that contains (a) extracts from the 2007-08 Enacted Budget Financial Plan dated April 19, 2007 (the “Financial Plan”) prepared by the Division of the Budget (“DOB”), including the State’s official Financial Plan projections, and (b) a discussion of potential risks that may affect the Financial Plan during the State’s current fiscal year under the heading “Special Considerations.” The first part of the section entitled “Current Fiscal Year” summarizes the major components of the 2007-08 Enacted Budget and the projected impact on operations, annual spending growth, and the magnitude of future potential budget gaps; the second part provides detailed information on projected total receipts and disbursements in the State’s governmental funds in 2007-08.
2. Information on other subjects relevant to the State’s fiscal condition, including: (a) operating results for the three prior fiscal years, (b) the State’s revised economic forecast and a profile of the State economy, (c) debt and other financing activities, (d) governmental organization, and (e) activities of public authorities and localities.
3. The status of significant litigation that has the potential to adversely affect the State’s finances.

DOB is responsible for organizing and presenting the information that appears in this AIS on behalf of the State. In preparing the AIS, DOB relies on information drawn from other sources, such as the Office of the State Comptroller (“OSC”). Information relating to matters described in the section entitled “Litigation” is furnished by the State Office of the Attorney General.

During the 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 this AIS. Investors and other market participants should, however, refer to this AIS, as updated or supplemented, for official information regarding the financial condition of the State.

The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS in Official Statements or related disclosure documents for State or State-supported debt issuance. The State has filed this AIS directly

with the Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) and with the Central Post Office, Disclosure USA. The Municipal Advisory Council of Texas 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 may be obtained by contacting Mr. Louis Raffaele, Chief Budget Examiner, New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705 or from any NRMSIR. OSC expects to issue the Basic Financial Statements for the 2006-07 fiscal year in July 2007. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and will be available on its website at www.osc.state.ny.us.

Usage Notice

The AIS has been supplied by the State to provide updated information about the financial condition of the State in connection with financings of certain issuers, including public authorities of the State, that may depend in whole or in part on State appropriations as sources of payment of their respective bonds, notes or other obligations and for which the State has contractually obligated itself to provide such information pursuant to an applicable continuing disclosure agreement (a “CDA”).

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

Neither this AIS nor any portion thereof may be (i) included in a Preliminary Official Statement, Official Statement, or other offering document, or incorporated by reference therein, unless DOB has expressly consented thereto following a written request to the State of New York, Division of the Budget, State Capitol, Albany, NY 12224 or (ii) considered to be continuing disclosure in connection with any offering unless a CDA relating to the series of bonds or notes has been executed by DOB. Any such use, or incorporation by reference, of this AIS or any portion thereof in a Preliminary Official Statement, Official Statement, or other offering document or continuing disclosure filing without such consent and agreement by DOB is unauthorized and the State expressly disclaims any responsibility with respect to the inclusion, intended use, and updating of this AIS if so misused.

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Current Fiscal Year

The 2007-08 Enacted Budget Financial Plan, extracts of which are set forth below, was prepared by the DOB and reflects the actions of the Legislature and Governor.

The 2007-08 Enacted Budget Financial Plan contains estimates for 2007-08 and projections for 2008-09 through 2010-11. As such, it contains estimates and projections of future results that should not be construed as statements of fact. These estimates and projections are based upon various assumptions, 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 2007-08 Enacted Budget Financial Plan set forth below.

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 statutorily required to be balanced, the focus of the State's budget discussion is often weighted toward the General Fund.

The State also reports spending and revenue activity by two other broad measures: State Funds, which includes the General Fund and funds specified for dedicated purposes, but excludes Federal Funds; and All Governmental Funds, 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.

2007-08 Enacted Budget Financial Plan Overview

Governor Spitzer submitted his \$120.6 billion Executive Budget for fiscal year 2007-08 to the Legislature on January 31, 2007. During budget negotiations, the Executive and Legislature reached agreement that a total of \$1 billion in resources above the Executive Budget forecast were available to finance legislative changes to the Governor's Executive Budget. The Executive, Senate, and Assembly negotiated a budget agreement that culminated with enactment of the budget on April 1, 2007, in time for the start of the State's fiscal year. As in past years, the Legislature enacted the debt service bill in March prior to taking final action on the entire budget. The Governor did not veto any legislative additions.

2007-08 Enacted Budget at a Glance: Impact on Key Measures			
	2006-07 Results*	2007-08 Executive	2007-08 Enacted
Size of the Budget (millions)			
General Fund	\$51,591	\$53,248	\$53,684
State Funds	\$77,311	\$83,545	\$83,779
All Funds	\$112,764	\$120,635	\$120,675
Annual Spending Growth			
General Fund	11.0%	4.2%	4.1%
State Funds	10.9%	7.8%	8.4%
All Funds	8.1%	6.3%	7.0%
Capital Spending			
Capital Projects State Funds	\$3,822	\$5,628	\$5,354
Capital Projects All Funds	\$5,559	\$7,604	\$7,352
State Funds Growth (excl. Capital)	10.8%	6.2%	6.7%
All Funds Growth (excl. Capital)	8.1%	5.1%	5.7%
Receipts (All Funds) (millions)			
Taxes	\$58,739	\$60,961	\$61,960
Miscellaneous Receipts	\$18,078	\$20,058	\$20,402
Federal Grants	\$35,579	\$37,313	\$37,128
Underlying Tax Growth	12.8%	6.5%	7.8%
Outyear Gap Forecast (billions)			
2008-09	n/ap	\$2.3	\$3.1
2009-10	n/ap	\$4.5	\$4.8
2010-11	n/ap	\$6.3	\$6.6
Total General Fund Reserves (billions)	\$3.0	\$3.0	\$3.0
State Workforce	195,526	197,068	198,413
Debt (billions)			
Debt Service as % All Funds	4.4%	4.2%	4.0%
State Related Debt Outstanding	\$48.1	\$52.6	\$52.0

* Preliminary, unaudited results.

The Enacted Budget Financial Plan for 2007-08 is balanced on a cash basis in the General Fund, based on DOB's current estimates. Annual spending in the General Fund is projected to grow by \$2.1 billion (4.1 percent) from 2006-07 levels, which includes substantial increases in aid to public schools. The growth in spending is moderated by cost containment initiatives that reduce the overall rate of growth in health care spending. All Governmental Funds¹ spending, which includes Federal aid, is estimated at \$120.7 billion in 2007-08, an increase of \$7.9 billion (7.0 percent) from 2006-07. Consistent with the Executive Budget recommendations, the Enacted Budget establishes \$1.2 billion in flexible reserves that are planned to help balance future budgets. The General Fund is projected to have a closing balance of

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

\$3.0 billion in 2007-08, comparable to the level at the close of 2006-07. The balance consists of \$1.2 billion in undesignated reserves and \$1.8 billion in reserves for designated purposes.

The Enacted Budget Financial Plan projects potential General Fund budget gaps in future years in the range of \$3.1 billion in 2008-09 growing to \$4.8 billion in 2009-10 and \$6.6 billion in 2010-11. State law requires that the annual budget submitted by the Governor and enacted by the Legislature be in balance.

The table below summarizes the multi-year General Fund fiscal impact of the 2007-08 Enacted Budget.

Changes to General Fund Operating Forecast for 2007-08 Through 2010-11				
Savings/(Costs)				
(millions of dollars)				
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Executive Budget "Current Services" Gap Estimates (Before Actions)	(1,540)	(2,965)	(5,060)	(5,331)
Proposed Savings Actions	3,850	3,774	4,851	5,050
Proposed Initiatives	(1,885)	(3,101)	(4,274)	(5,964)
Proposed Deposit to Debt Reduction Reserve	(250)	0	0	0
Proposed Deposit to New Rainy Day Reserve	(175)	0	0	0
Executive Budget Surplus/(Gap) Estimate	0	(2,292)	(4,483)	(6,245)
Net Legislative Additions	(1,215)	(1,719)	(1,649)	(1,750)
Net Available Resources	1,215	906	1,361	1,370
Enacted Budget Surplus/(Gap) Estimate	0	(3,105)	(4,771)	(6,625)

Entering the 2007-08 budget cycle, the State estimated a General Fund budget imbalance of \$1.6 billion in 2007-08 and gaps in the range of \$3 billion to \$6 billion in future years. The Enacted Budget Financial Plan, which incorporates both the Legislature's modifications to Executive recommendations and revisions to current service receipts and spending estimates, is also balanced in 2007-08, with gaps somewhat greater than those forecast at the time of the Executive Budget.

During budget negotiations, the Executive and Legislature agreed that additional net resources were available to finance changes to the 2007-08 Executive Budget. The resources included \$1 billion in higher projected tax revenues; \$50 million in additional abandoned property receipts; \$50 million in savings in State programs based on updated information on program trends; new spending cuts and proposed spending not accepted by the Legislature totaling roughly \$92 million in addition to \$69 million in savings (such as retroactive Judicial salary increases) that affected 2006-07 estimated disbursements; and approximately \$187 million in available fund balances. Planned payments from New York City of \$428 million in 2007-08 and \$350 million in 2008-09, which were originally added to the State's receipts forecast in 2005, have been removed from the Financial Plan, partially offsetting the increase in available

resources. New York City did not make similar planned payments in 2005-06 or 2006-07 and, accordingly, any such payments in the current or future years are no longer counted in the Financial Plan.

The Enacted Budget Financial Plan includes a number of substantive fiscal and policy initiatives:

- **School Aid:** A new Foundation Aid formula is enacted in permanent law that bases the amount of School Aid on a district's educational needs and its ability to provide local support for education. Under the Foundation Aid formula, approximately 72 percent of the aid increase will go to high-needs districts.
- **School Tax Relief (STAR):** The Enacted Budget expands the STAR program, providing a new benefit that is targeted to middle class taxpayers.
- **Expanded access to health care for children:** Access to health insurance coverage is made available for the 400,000 children that are without coverage in New York State.
- **Investment in stem cell research:** Provides initial funding for stem cell research.
- **Increased deposits in reserves:** The Enacted Budget finances deposits of \$250 million to the Debt Reduction Reserve and \$175 million to the new Rainy Day Reserve.

To finance the initiatives and eliminate the "current services" imbalance, the Enacted Budget Financial Plan includes \$3.5 billion in savings and the use of prior-year surpluses:

- Savings of \$2.0 billion in spending restraint of which more than \$1 billion will slow growth in Health, Medicaid and Mental Hygiene spending.
- Approximately \$450 million in loophole-closing revenue actions, which is partially offset by \$150 million in revenue reductions from broad-based business tax cuts.
- About \$1.0 billion from the use of prior year surplus moneys.

The Enacted Budget Financial Plan maintains reserves of \$3.0 billion in 2007-08, comparable to the level at the close of 2006-07. Reserves equal roughly 5.7 percent of projected General Fund spending. The Budget includes an initial deposit of \$175 million to the new Rainy Day Reserve that may be used to respond to an economic downturn or catastrophic event and a \$250 million deposit to the State's Debt Reduction Reserve that will be used to eliminate high-cost debt. The reserves also include \$1.0 billion in the Tax Stabilization Reserve Fund, \$1.2 billion in a flexible reserve that is planned to lower the outyear budget gaps, and \$353 million in the Community Projects Fund to finance existing legislative "member item" appropriations.

Size of the Enacted Budget and impact by major program

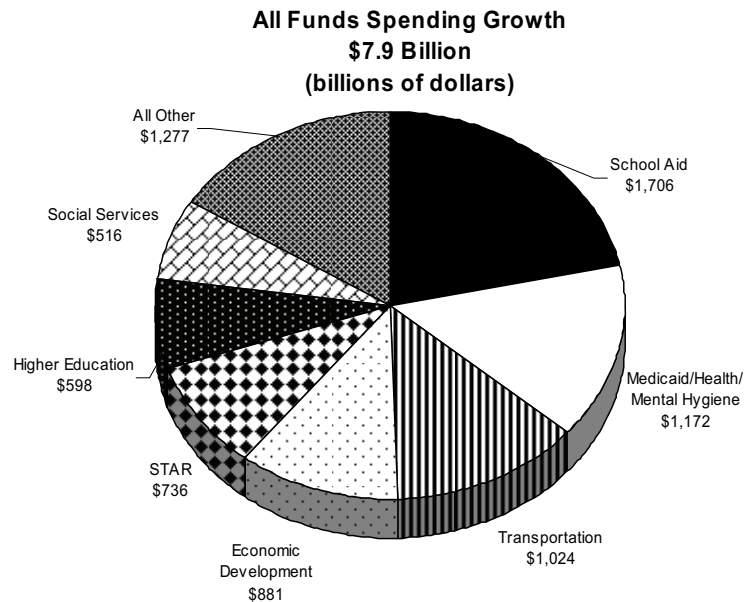
Total Disbursements (millions of dollars)					
	2006-07 Results*	2007-08 Enacted	Annual \$ Change	Annual % Change	Adjusted % Change**
General Fund	51,591	53,684	2,093	4.1%	n/a
State Funds	77,311	83,779	6,468	8.4%	6.7%
All Funds	112,764	120,675	7,911	7.0%	5.7%

* Unaudited year-end results.

** Reflects operational spending growth which excludes Capital Projects Funds spending.

General Fund spending, including transfers to other funds, is projected to total \$53.7 billion in 2007-08, an increase of \$2.1 billion over the 2006-07 forecast (4.1 percent). State Funds spending, which includes both the General Fund and spending from other funds supported by State revenues, is projected to increase by \$6.5 billion (8.4 percent) and total \$83.8 billion in 2007-08. All Funds spending, the broadest measure of spending, is projected to total \$120.7 billion in 2007-08, an increase of \$7.9 billion (7.0 percent).

The major sources of annual spending from 2006-07 to 2007-08 are presented in the following table, and are explained in detail later in this section.



Enacted Budget Disbursement Projections			
Major Sources of Annual Change			
(millions of dollars)			
	General Fund	State Funds	All Funds
2006-07 Year-End Results	51,591	77,311	112,764
School Aid	1,506	1,660	1,706
Transportation	46	867	1,024
Economic Development	148	876	881
Public Health	145	410	731
STAR	0	736	736
Higher Education	266	556	598
Social Services	322	336	516
Mental Hygiene	261	332	461
Homeland Security	47	47	378
Other Education Aid	182	212	265
General State Charges	127	147	163
Medicaid (inc. takeover)	161	21	(20)
Capital/Other Transfers	(865)	0	0
All Other	(253)	268	472
2007-08 Enacted Budget Estimate	53,684	83,779	120,675
<i>Dollar Change</i>	<i>2,093</i>	<i>6,468</i>	<i>7,911</i>
<i>Percent Change</i>	<i>4.1%</i>	<i>8.4%</i>	<i>7.0%</i>
<i>Percent Change Excluding Capital Spending</i>	<i>n/a</i>	<i>6.7%</i>	<i>5.7%</i>

Projected 2007-08 Year-End Balances

DOB projects the State will end the 2007-08 fiscal year with a General Fund balance of \$3.0 billion (5.7 percent of spending). The balance consists of \$1.2 billion in undesignated reserves and \$1.8 billion in reserves designated to finance existing or planned commitments. The projected closing balance is \$12 million lower than the 2006-07 year-end results.

General Fund Estimated Closing Balance			
(millions of dollars)			
	2006-07 Results*	2007-08 Enacted	Change
Year-End Fund Balance	3,045	3,033	(12)
<i>Undesignated Reserves</i>	<i>1,052</i>	<i>1,227</i>	<i>175</i>
Tax Stabilization Reserve Fund	1,031	1,031	0
Rainy Day Reserve Fund	0	175	175
Contingency Reserve Fund	21	21	0
<i>Designated Reserves</i>	<i>1,993</i>	<i>1,806</i>	<i>(187)</i>
Debt Reduction Reserve Fund	0	250	250
Remaining 2005-06 Surplus	787	0	(787)
Remaining 2006-07 Surplus	1,493	1,203	(290)
2006-07 Timing Related Changes	(565)	0	565
Community Projects Fund	278	353	75

* Unaudited year-end results.

The undesignated reserves include \$1.0 billion in the State's Tax Stabilization Reserve, after a deposit of \$87 million in 2006-07 that maintained the balance at the statutory maximum of 2 percent of General Fund spending, \$175 million in the new Rainy Day Reserve after an initial planned deposit in 2007-08, and \$21 million in the Contingency Reserve Fund for litigation risks. The new Rainy Day Reserve can have a statutory maximum balance of 3 percent of General Fund spending and may be used to respond to an economic downturn or catastrophic event.

The designated reserves include \$353 million in the Community Projects Fund to finance existing "member item" initiatives for the Legislature, \$1.2 billion remaining from the 2006-07 surplus that is planned to be used in three equal amounts to lower the projected outyear budget gaps, and \$250 million to reduce State debt levels. The 2006-07 closing balance is affected by the timing of \$565 million in certain transactions across fiscal years. Specifically, certain revenues that were expected in late 2006-07 are now expected in 2007-08, and certain payments that were originally planned in 2007-08 were made in 2006-07. These transactions have no net impact over the two fiscal years, but do have the effect of decreasing the 2006-07 fund balance.

Risks to the Financial Plan

In any year, the Financial Plan is subject to risks that, if they were to materialize, could affect operating results. The most significant short-term risks include the potential cost of collective bargaining agreements and salary increases for the Judiciary (and possibly other elected officials) in 2007-08 and beyond; potential Federal disallowances arising from audits related to Medicaid claims under the School Supportive Health Services program; proposed Federal rule changes concerning Medicaid payments; and under-performance of the national and State economies that can affect State revenues and increase the demand for means-tested programs such as Medicaid and welfare. For more information, see the "Financial Plan Reserves and Risks" section later in this AIS. A full discussion of risks to the State Financial Plan appears in the sections entitled "Special Considerations" and "Litigation" later in this AIS.

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Changes to the Executive Budget

Recap of Multi-Year General Fund Operating Forecast: Initial Budget through Enactment

Since the 2007-08 Executive Budget forecast, the operating forecast for 2007-08 has remained in balance from the combined impact of enacted cost containment, new spending initiatives and new resources. At the same time, the gap between spending and revenues for 2008-09 and beyond has widened slightly.

The table below summarizes the evolution of the General Fund operating forecast for 2007-08 through 2010-11 from the Executive Budget forecast through enactment.

Changes to General Fund Operating Forecast for 2007-08 Through 2010-11				
(millions of dollars)				
	2007-08	2008-09	2009-10	2010-11
"Current Services" Gap Estimates (Before Executive Recommendations)	(1,548)	(2,971)	(5,066)	(5,337)
Savings Plan	3,858	3,780	4,857	5,056
New Initiatives	(2,310)	(3,101)	(4,274)	(5,964)
Executive Budget Surplus/(Gap) Estimate	0	(2,292)	(4,483)	(6,245)
Additional Resources Available:	<u>1,215</u>	<u>906</u>	<u>1,361</u>	<u>1,370</u>
Additional Revenues	1,039	900	900	900
New York City Payment	(428)	(358)	0	0
Abandoned Property	50	0	0	0
STAR	218	242	288	280
Current Service Revisions	101	73	114	104
Spending Cuts	48	49	59	86
Fund Balances	187	0	0	0
Additions:	<u>(1,215)</u>	<u>(1,719)</u>	<u>(1,649)</u>	<u>(1,750)</u>
Education	(436)	(429)	(491)	(683)
Higher Education	(39)	(55)	(55)	(55)
Health and Medicaid	(328)	(385)	(310)	(316)
Human Services	(55)	(70)	(70)	(70)
Criminal Justice	(59)	(81)	(72)	(64)
Mental Hygiene	(15)	(15)	(15)	(15)
Agriculture/Environment/Housing	(61)	(45)	(45)	(45)
Economic Development	(23)	(25)	(25)	(25)
Transportation	(11)	(10)	(10)	(10)
Local/General Government	(39)	(368)	(368)	(368)
Member Items	0	(85)	(85)	0
Net Tax Changes	(149)	(151)	(103)	(99)
Enacted Budget Surplus/(Gap) Estimate	0	(3,105)	(4,771)	(6,625)

Executive Budget Proposals vs. Enacted Budget

The Enacted Budget savings plan in 2007-08 includes \$3.5 billion of the \$3.9 billion in savings actions recommended in the Executive Budget.

The Enacted Budget also includes \$2.9 billion for new initiatives, including most of the \$2.3 billion recommended in the Executive Budget. Legislative adds, excluding restorations of Executive savings proposals, total roughly \$485 million in higher spending for school aid, health care and other areas. In addition, the Enacted Budget includes \$170 million for discretionary legislative “member items,” with additional funding beginning in 2008-09. One important distinction in 2007-08 is that the Governor did not choose to receive any “member item” funding. The table below compares the proposed savings and initiatives to the Enacted Plan.

General Fund Budget-Balancing Plan: Executive Proposals vs. Enacted Budget				
(millions of dollars)				
	2007-08	2008-09	2009-10	2010-11
Value of Savings Plan:				
<u>Proposed</u>	<u>3,858</u>	<u>3,780</u>	<u>4,857</u>	<u>5,056</u>
Medicaid/Health/Mental Hygiene	1,301	954	1,920	1,734
VLT Expansion ⁽¹⁾	0	150	357	766
All Other Savings	1,062	1,708	1,642	1,618
Use of Prior-Year Surplus	1,046	401	401	401
Revenue Loophole Closers	449	567	537	537
<u>Enacted</u>	<u>3,512</u>	<u>3,085</u>	<u>4,166</u>	<u>4,357</u>
Medicaid/Health/Mental Hygiene	1,057	667	1,686	1,493
VLT Expansion ⁽¹⁾	0	150	357	766
All Other Savings	959	1,331	1,171	1,146
Use of Prior-Year Surplus	1,046	401	401	401
Revenue Loophole Closers	450	536	551	551
Value of New Initiatives:				
<u>Proposed</u>	<u>2,311</u>	<u>3,101</u>	<u>4,274</u>	<u>5,964</u>
STAR	1,211	1,688	2,038	2,152
Additional School Aid	371	851	1,670	3,069
Health Care	103	193	173	192
Increase Reserves	425	0	0	0
All Other New Initiatives	201	369	393	551
<u>Enacted</u>	<u>2,945</u>	<u>3,581</u>	<u>4,754</u>	<u>6,528</u>
STAR	1,011	1,284	1,531	1,590
Additional School Aid	738	1,236	2,151	3,742
Health Care	170	264	245	264
Increase Reserves	425	0	0	0
New Tax Cuts	150	150	150	150
All Other New Initiatives	451	647	677	782

⁽¹⁾ VLT expansion legislation was not a part of the Enacted Budget, but is assumed to be addressed at a later date.

Additional detail is provided in the following tables that compare the actions approved in the Enacted Budget against those proposed in the Executive Budget.

New Initiatives

The Enacted Budget includes new initiatives totaling \$2.9 billion in 2007-08, growing to \$3.6 billion in 2008-09. Initiatives for increased school aid, STAR, tax cuts, health care, and increasing reserves account for roughly 85 percent of the total.

In addition to the school aid, STAR, and health care proposals described above, the Budget includes several other initiatives to reduce taxes or increase investments. These include a \$150 per student increase in community college base aid, an increase in low-income housing tax credits, initial funding for stem cell research, additional resources to fight upstate crime, increased subsidies to upstate transit systems, and increased funding for mental hygiene programs.

In addition, the Enacted Budget includes \$150 million in business tax cuts, including a tax cut for businesses with an emphasis on manufacturing and high technology, a reduction to the entire net income tax rate imposed on corporations, banks, and insurance companies from 7.5 percent to 7.1 percent. Other business tax cuts include a reduction to the alternative minimum tax rate imposed under the corporate franchise tax from 2.5 percent to 1.5 percent, a reduction to the entire net income tax rate imposed on certain manufacturers and qualified emerging technology companies from 7.5 percent to 6.5 percent, and an acceleration in the phase-in of the change in the computation of corporation's business allocation percentage.

Savings

The Enacted Budget contains a set of health care, local aid, and operational reforms that will provide over \$2.0 billion in savings in both 2007-08 and 2008-09.

Health Care

The 2007-08 savings plan includes the first step in a multi-year plan to reform the State's health care system. Savings are projected to total more than \$1 billion in the aggregate. The plan reduces the growth in reimbursement rates paid to most providers; strengthens statewide anti-fraud activities; reduces costs of prescription drugs; and enhances management of high-cost beneficiaries.

Specific savings initiatives include:

- **Reduce Rates/Redirect Subsidies:** The Enacted Budget reduces the automatic inflationary rate increases for hospitals and nursing homes by 25 percent, freezes managed care premium payments, and revises subsidy payments to redirect funding to high-need facilities.
- **Pharmaceutical Savings:** Reduces reimbursement rates for pharmacies; increases enrollment in the Medicare Part D program; and expands the applicability of the Preferred Drug Program to the Elderly Pharmaceutical Insurance Coverage (EPIC) program.
- **Enhanced Management of High-Cost Beneficiaries:** Implements a series of new demonstration projects to help provide cost-effective and coordinated care to high-cost beneficiaries.

- **Anti-Fraud:** Enactment of a False Claims Act covering Medicaid, audit staffing increases, greater use of technology, and stepped-up audit procedures will be put into place to generate overall financial savings.

Other savings include maximizing Federal aid, an increase in the covered lives assessment paid by insurance carriers, and additional health care conversion proceeds. The Enacted Budget does not continue the 0.35 percent assessment on hospital revenues beyond March 31, 2007.

Other Savings

Outside of health care, other enacted savings include reducing certain State aid to New York City, instituting strict controls on spending by State agencies, enhancing savings opportunities in the State's debt management, and maximizing Federal aid.

The key Enacted Budget actions include the following initiatives:

Local Government Aid: Restructure local government aid to significantly increase aid to distressed municipalities over four years and reduce Aid and Incentives to Municipalities (AIM) funding to New York City in 2007-08 only.

Economic Development/Regulation: Generate savings from increasing New York City's tax processing assessment, and reducing certain economic development initiatives. It also includes a sweep of excess funds from the State of New York Mortgage Agency (SONYMA).

Social Services/Labor: Increase the amount of the Temporary Assistance for Needy Families (TANF) public assistance offset through proposed reductions in the TANF funded commitment to several operational programs and several 2006-07 initiatives. In addition, a one-time transfer of \$16 million will be made from Department of Labor interest assessment account funds to the General Fund, and the rates charged to local governments for youth in the Office of Children and Family Services (OCFS) facilities will be adjusted to reflect actual costs and to reconcile prior-year billings.

Public Safety/Homeland Security: Improve the parole violation process and continue State Operations efficiencies to generate savings. In addition, savings are generated by using non-General Fund resources to fund State Police public safety communications projects and certain Department of Criminal Justice Services (DCJS) programs.

Education/Arts: Includes funding for educational accountability initiatives, as well as increases for public libraries and public broadcasting.

Transportation: Includes savings from the transfer of transit operating assistance from the Metropolitan Mass Transportation Operating Assistance Fund (MMTOA) to Public Mass Transportation Operating Assistance (PTOA) rather than from the General Fund to PTOA, and reducing General Fund transfers to the Dedicated Highway and Bridge Trust Fund (DHBTF).

Debt Service: Savings are expected from an increase to the interest rate exchange and variable rate caps from 15 percent to 20 percent of debt outstanding, increased refunding opportunities from consolidated structures, and increased efficiencies in the bond sale process. In addition, \$250 million is appropriated to reduce high-cost debt, which will lower future debt service costs.

Higher Education: Tuition Assistance Program (TAP) reforms have been enacted to promote the wise investment of taxpayer funds and more effectively determine TAP eligibility, including the use of an ability to benefit test that is approved by the Commissioner of Education.

STAR Rebate: The existing STAR Property Tax Rebate program is replaced by the new Middle Class STAR rebate program.

Video Lottery Terminal (VLT) Expansion: Legislation to authorize the expansion of a number of VLT facilities is expected to be enacted sometime in 2007-08 to generate additional revenue to support school aid funding.

All Other Savings: Includes State Operations savings, primarily in non-personal service costs (part of a statewide total of \$85 million in non-personal service savings).

Revenue Loophole Closing Initiatives

State tax law currently contains a number of loopholes that enable certain taxpayers to shelter income in unintended ways. The Executive Budget proposed the elimination of a number of such loopholes.

The Enacted Budget loophole closing initiatives, which were used in part to finance \$150 million of new business tax cuts described earlier, include:

- Continue to deter the use of tax shelters by extending for two years the authorization for the Department of Taxation and Finance to require the reporting and disclosure of Federal and New York tax planning strategies that might be contrary to proper compliance with tax law.
- Require certain corporations that are Federal S Corporations to also be New York S corporations. This provision will close a loophole that allows State taxpayers to avoid tax by taking advantage of the preferential investment allocation provision under the corporate franchise tax.
- Provide the Commissioner of Taxation and Finance with authority similar to that now provided to the Federal Secretary of Treasury to end practices used by New York partnerships that allow nonresidents to avoid paying personal income tax on New York source income.
- Require closely affiliated corporations which conduct substantial inter-corporate transactions across the affiliated group to file a combined, rather than separate, corporate franchise tax return.
- Phase out over five years the deduction for certain subsidiary dividends received by a parent company from a real estate investment trust (REIT) or regulated investment company (RIC). This will ensure that the shareholders of the REIT or RIC pay tax on the income earned by the REIT or RIC. Banking corporations with taxable assets of \$8 billion or less will not be subject to the phase out.
- Close a loophole that allows banks to shelter income by using subsidiaries that were grandfathered as corporate taxpayers when the bank tax was changed in 1985.

Non-Recurring Resources

The State typically uses some non-recurring resources each year to support its operations. In many cases, the resources may occur each year, but are not included in the current services estimates since there is some uncertainty in timing and amounts that may be available. The following table summarizes the non-recurring resources included in the Enacted Budget.

General Fund 2007-08 Non-Recurring Resources (millions of dollars)	
Transfer SONYMA Excess Balances to the General Fund	100
Sweep other excess balances	100
Medicaid: Obtain Federal Share for the Home Care Insurance Demonstration Initiative	82
Use excess balances in Lottery Fund to finance school aid costs	76
Additional Abandoned Property Revenue	50
Medicaid: Waive Statutory Reconciliation of Prior Year Hospital Assessment Collections	44
Medicaid: Drug Rebate Revenue	40
Mental Hygiene: Federal PIA revenues (Part B settlement; Accelerated DSH payments)	61
Mental Hygiene: Audit-Fraud Recoveries; Federal Recovery for OMH Children's Facilities	18
Sweep cash for Cultural Education Storage Facility	20
Sweep Balance in the Unemployment Insurance Interest Assessment Account	16
Sweep Funds from Revenue Arrearage Account	15
DMV Compulsory Insurance Sweep	16
Sweep Funds from Motor Vehicle Law Enforcement Account	11
Sweep Additional Funds from various Public Health Accounts	10
Use Cellular Surcharge to Fund State Police Statewide Wireless Network	10
Sweep Excess EPF Fund Balances to General Fund	10
Finance National Guard Costs with Federal Funds	5
Sell Vacant Building Planned for Youth Opportunity Center	3
Sweep Cash from Several Welfare/OCFS Special Revenue Accounts	3
Utilize Federal Funds for Certain Welfare costs	2
Total One-Time Resources	692
Net Use of Prior-Year Surpluses (after deposit to reserves)	671
Total Non-Recurring Resources	1,363

The approved one-time actions consist mainly of routine transfers of available cash balances from other funds, time-specific transactions, and additional Federal aid including:

- Medicaid: Savings from several actions help finance Medicaid costs that would otherwise be paid by the General Fund. These include obtaining Federal aid for the Health Care Insurance Demonstration initiative, a waiver of prior-year reconciliations of hospital assessment collections, and maximizing drug rebate revenues;
- Mental Hygiene: Federal revenues are expected to increase as a result of one-time benefits including accelerated Medicaid claiming for services provided to mental hygiene consumers, a Federal Medicare settlement, retroactive billings for children's residential facilities and expansion of quality assurance activities; and

- Routine sweeps of fund balances and increased Federal aid account for the majority of the remaining non-recurring actions.

2007-08 Receipts and Disbursements Forecast

Introduction

This section describes the State’s Financial Plan projections for receipts and disbursements based on the 2007-08 Enacted Budget. 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 and the impact of Enacted Budget actions on each of the State’s major areas of spending (e.g., Medicaid, school aid, mental hygiene).

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

Receipts Forecast

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

Total Receipts (millions of dollars)				
	2006-07	2007-08	Annual Change	
	Results	Enacted	Dollars	Percent
General Fund	51,379	53,672	2,293	4.5%
State Funds	76,755	82,267	5,512	7.2%
All Funds	112,396	119,490	7,094	6.3%

2007-08 Receipts Overview

All Funds receipts are projected to total \$119.5 billion, an increase of \$7.1 billion over 2006-07 results. The total comprises tax receipts (\$62.0 billion), Federal grants (\$37.1 billion) and miscellaneous receipts (\$20.4 billion). The following table summarizes the receipts actuals for 2006-07 and projections for 2007-08.

Total Receipts (millions of dollars)							
	2006-07 Actual	2007-08 Estimated	Annual Change	Percent Change	2008-09 Projected	Annual Change	Percent Change
General Fund	51,379	53,672	2,293	4.5	55,179	1,507	2.8
Taxes	38,668	39,264	596	1.5	41,046	1,782	4.5
Miscellaneous Receipts	2,268	2,485	217	9.6	2,054	(431)	(17.3)
Federal Grants	151	59	(92)	-	59	0	0.0
Transfers	10,292	11,864	1,572	15.3	12,020	156	1.3
State Funds	76,755	82,267	5,512	7.2	85,777	3,510	4.3
Taxes	58,739	61,960	3,221	5.5	65,237	3,277	5.3
Miscellaneous Receipts	17,864	20,247	2,383	13.3	20,480	233	1.2
Federal Grants	152	60	(92)	(60.5)	60	0	0
All Funds	112,396	119,490	7,094	6.3	125,117	5,627	4.7
Taxes	58,739	61,960	3,221	5.5	65,237	3,277	5.3
Miscellaneous Receipts	18,078	20,402	2,324	12.9	20,628	226	1.1
Federal Grants	35,579	37,128	1,549	4.4	39,252	2,124	5.7

2007-08

- Total All Funds receipts in 2007-08 are expected to reach \$119.5 billion, an increase of \$7.1 billion, or 6.3 percent from 2006-07 results. All Funds tax receipts are projected to grow by more than \$3.2 billion. All Funds Federal grants are expected to increase by more than \$1.5 billion, or 4.4 percent. All Funds Miscellaneous receipts are projected to increase by approximately \$2.3 billion, or 12.9 percent.
- After controlling for the impact of all policy changes, base tax revenue growth is estimated to be 7.8 percent for fiscal year 2007-08.
- Total State Funds receipts are projected at \$82.3 billion, an increase of \$5.5 billion, or 7.2 percent from 2006-07 receipts.
- Total General Fund receipts are projected at \$53.7 billion, an increase of \$2.3 billion, or 4.5 percent from 2006-07 results. General Fund tax receipt growth is projected to be 1.5 percent over 2006-07 results and General Fund miscellaneous receipts are projected to increase by \$217 million. The relatively small growth in General Fund tax receipts largely reflects non-tax and non-economy related factors including proposals increasing STAR benefits and earmarking additional funds to debt service funds. Federal grants decline due to the loss of one-time Federal reimbursement for emergency costs related to delays in implementation of the Federal Medicare Part D program.

Fiscal Years 2007-08 through 2010-11

Total Receipts (millions of dollars)										
	2007-08 Estimated	2008-09 Projected	Annual Change	Percent Change	2009-10 Projected	Annual Change	Percent Change	2010-11 Projected	Annual Change	Percent Change
General Fund	53,672	55,179	1,507	2.8	58,258	3,079	5.6	60,868	2,610	4.5
Taxes	39,264	41,046	1,782	4.5	43,244	2,198	5.4	45,335	2,091	4.8
State Funds	82,267	85,777	3,510	4.3	89,385	3,608	4.2	92,912	3,527	3.9
Taxes	61,960	65,237	3,277	5.3	68,840	3,603	5.5	72,024	3,184	4.6
All Funds	119,490	125,117	5,627	4.7	129,903	4,786	3.8	135,310	5,407	4.2
Taxes	61,960	65,237	3,278	5.3	68,840	3,603	5.5	72,024	3,184	4.6

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

- Total All Funds receipts in 2008-09 are projected to reach \$125.1 billion, an increase of \$5.6 billion, or 4.7 percent from 2007-08 estimates. All Funds receipts in 2009-10 are expected to increase to nearly \$130 billion, or 3.8 percent over the prior year. In 2010-11, receipts are expected to increase by more than \$5.4 billion over 2009-10.
- All Funds tax receipts are expected to increase by 5.3 percent in 2008-09, 5.5 percent in 2009-10 and 4.6 percent in 2010-11. Again, the growth pattern is consistent with an economic forecast of continued but modest economic growth.
- Total State Funds receipts are projected to be nearly \$85.8 billion in 2008-09, nearly \$89.4 billion in 2009-10 and almost \$93.0 billion in 2010-11.
- Total General Fund receipts are projected to be \$55.2 billion in 2008-09, nearly \$58.3 billion in 2009-10 and roughly \$60.9 billion in 2010-11.

Change From Executive Budget Estimates & Projections (millions of dollars)								
	2007-08 21-Day Amendments	2007-08 Enacted Budget	Change	Percent Change	2008-09 21-Day Amendments	2008-09 Enacted Budget	Change	Percent Change
General Fund	41,194	41,808	614	1.5	42,695	43,159	464	1.1
Taxes	38,284	39,264	980	2.6	40,223	41,046	823	2.0
Miscellaneous Receipts	2,851	2,485	(366)	(12.8)	2,413	2,054	(359)	(14.9)
Federal Grants	59	59	0	0.0	59	59	0	0.0
State Funds	80,923	82,267	1,344	1.7	85,255	85,777	522	0.6
Taxes	60,961	61,960	999	1.6	64,388	65,237	849	1.3
Miscellaneous Receipts	19,902	20,247	345	1.7	20,807	20,480	(327)	(1.6)
Federal Grants	60	60	0	0.3	60	60	0	0.3
All Funds	118,331	119,490	1,159	1.0	124,400	125,117	717	0.6
Taxes	60,961	61,960	999	1.6	64,388	65,237	849	1.3
Miscellaneous Receipts	20,057	20,402	345	1.7	20,955	20,628	(327)	(1.6)
Federal Grants	37,313	37,128	(185)	(0.5)	39,057	39,252	195	0.5

Base Tax Receipts Growth

Governmental Funds Actual and Base Tax Receipts Growth (percent growth)			
State Fiscal Year	Actual Receipts	Base Receipts	Personal Income Growth
2006-07	9.5	12.8	5.4
2007-08	5.5	7.8	5.0
2008-09	5.3	5.3	5.0
2009-10	5.5	5.6	5.2
2010-11	4.6	4.7	5.1

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

- improvements in overall economic activity, especially in New York City;
- continued profitability and compensation gains of financial services companies;
- continued growth in the downstate commercial real estate market; and
- continued positive impact of high-income taxpayers on personal income tax growth.

Strong economic growth, especially concentrated in Downstate New York over the past several years, has driven large gains in receipts. It is expected that the rapid expansion in base revenue will stay strong in 2007-08 at 7.8 percent and moderate in 2008-09 and beyond. Base growth is expected to remain at or slightly above 5 percent throughout the forecast period. Actual receipts are expected to grow more slowly than the underlying base in 2007-08, reflecting the impact of tax actions taken with this Budget. As the above table indicates, non-adjusted receipts growth closely matches expected growth in personal income over the forecast period.

Personal Income Tax

Personal Income Tax (millions of dollars)					
	2006-07 Actual	2007-08 Estimated	Annual Change	2008-09 Projected	Annual Change
General Fund	22,940	22,885	(55)	24,128	1,243
Gross Collections	40,090	43,083	2,993	46,046	2,963
Refunds	(5,510)	(6,263)	(753)	(6,732)	(469)
STAR	(3,994)	(4,730)	(736)	(5,358)	(628)
RBTF	(7,647)	(9,205)	(1,558)	(9,828)	(623)
State/All Funds	34,580	36,820	2,240	39,314	2,494
Gross Collections	40,090	43,083	2,993	46,046	2,963
Refunds	(5,510)	(6,263)	(753)	(6,732)	(469)

All Funds income tax receipts for 2007-08 are projected to increase \$2.2 billion over the prior-year to total \$36.8 billion. Gross receipts are projected to increase 7.5 percent and reflect projected growth for tax year 2007 liabilities in withholding of 6.7 percent (\$1.8 billion) and in estimated taxes of 9.9 percent (\$750 million). Estimated taxes also include \$6 million of receipts from Enacted Budget legislation that

will extend statutory tools used by the Tax Department to address the use of abusive tax shelters. Payments from extensions and final returns for tax year 2006 are projected to increase in total by 8.4 percent, or by \$242 million and \$169 million, respectively. Receipts from delinquencies are projected to increase by 9.3 percent or \$77 million over the prior year. Net receipts, which include refunds on tax year 2006 payments and liabilities, are projected to grow 6.5 percent. Refunds, which are projected to increase by a robust 13.7 percent or \$753 million, reflect the impact of the Empire State Child Credit (a refundable credit for resident taxpayers with children ages 4 to 16) that was enacted in 2006 and is applicable to tax years beginning in 2006 and thereafter.

General Fund income tax receipts for 2007-08, which are net of deposits to the STAR Fund and the Revenue Bond Tax Fund (RBTF), are estimated to remain almost flat at \$22.9 billion. Deposits to the STAR Fund, which will increase by \$736 million to \$4.7 billion in 2007-08, reflect Enacted Budget legislation that will increase the current STAR program by providing property tax relief rebates to middle-class homeowners and seniors. Deposits to the RBTF of over \$9.2 billion reflect Enacted Budget legislation that requires RBTF deposits to be calculated before the deposit of income tax receipts to the STAR Fund. Although this has the impact of decreasing General Fund receipts by nearly \$1.2 billion (25 percent of STAR), deposits in excess of debt service requirements are transferred back to the General Fund.

Personal Income Tax Change From Executive Budget Estimates				
(millions of dollars)				
	2007-08	2007-08		Percent
	Executive Budget	Enacted Budget	Change	Change
General Fund	22,258	22,885	627	2.8
Gross Collections	42,588	43,083	495	1.2
Refunds	(6,314)	(6,263)	51	(0.8)
STAR	(4,948)	(4,730)	218	(4.4)
RBTF	(9,068)	(9,205)	(137)	1.5
State/All Funds	36,274	36,820	546	1.5
Gross Collections	42,588	43,083	495	1.2
Refunds	(6,314)	(6,263)	51	(0.8)

All Funds personal income tax receipts for 2007-08 are projected to be \$546 million, or 1.5 percent, higher than projected in the Executive Budget with 21-Day Amendments. The increase is primarily due to stronger growth in withholding (\$225 million), estimated payments (\$200 million), and final return payments (\$70 million). The net increase in final return payments reflects Enacted Budget legislation that does not include an Executive Budget recommendation to extend and restructure the higher level of fees imposed on limited liability company fees. The Enacted Budget also projects refunds to be \$51 million below the Executive Budget forecast.

General Fund receipts are projected to be \$627 million above the Executive Budget with 21-Day Amendments. This includes \$546 million in additional net receipts, offset by a higher deposit to the RBTF of \$137 million. As a result of amendments made to the STAR proposal submitted with the Executive Budget, deposits to STAR will be \$218 million less than projected in the Executive Budget.

Personal Income Tax					
(millions of dollars)					
	2008-09	2009-10	Annual	2010-11	Annual
	Projected	Projected	Change	Projected	Change
General Fund	24,128	25,576	1,448	26,979	1,402
Gross Collections	46,046	49,004	2,958	51,824	2,820
Refunds	(6,732)	(7,120)	(388)	(7,664)	(544)
STAR	(5,358)	(5,838)	(480)	(6,141)	(304)
RBTF	(9,828)	(10,470)	(642)	(11,040)	(570)
State/All Funds	39,314	41,884	2,570	44,160	2,276
Gross Collections	46,046	49,004	2,958	51,824	2,820
Refunds	(6,732)	(7,120)	(388)	(7,664)	(544)

In general, income tax growth for 2008-09 and 2009-10 is governed by projections of growth in taxable personal income and its major components, including wages, interest and dividend earnings, realized taxable capital gains, and business net income and income derived from partnerships and S corporations, and the impact of tax law changes. Projections for 2008-09 and 2009-10 reflect the impact of Enacted Budget legislation that will close loopholes that allow nonresidents of New York partnerships and certain residents to use corporate status to avoid New York personal income taxes. The legislation applies to tax years beginning on and after January 1, 2007 and is estimated to increase All Funds income tax receipts by \$115 million annually beginning in 2008-09. In addition, receipts for 2008-09 reflect the second year impact of enacted legislation that extended the tax shelter legislation for two years.

All Funds PIT projected receipts for 2008-09 of \$39.3 billion reflect an increase of 6.7 percent or \$2.5 billion above the estimate for 2007-08. The forecast reflects continued solid economic growth and the impact of Enacted Budget legislation described above. All Funds receipts for 2009-10 continue to reflect relatively strong growth in tax liability, and are estimated at \$41.9 billion, an increase of \$2.6 billion or 6.5 percent above 2008-09.

General Fund income tax receipts are projected to increase by \$1.2 billion to just over \$24.1 billion in 2008-09. The change from 2007-08 reflects the growth in net receipts discussed above, a \$600 million increase in transfers to the RBTF and a \$650 million increase in transfers to the STAR Fund. The additional transfers to the STAR Fund will support an increase in the Middle Class STAR rebate program scheduled for 2008-09. General Fund PIT receipts for 2009-10 are projected to increase over 2008-09 by \$1.4 billion to \$25.5 billion. Receipts reflect the 2009-10 increase in the Middle Class STAR program and deposits to the RBTF that are consistent with growth in All Funds receipts discussed above.

User Taxes and Fees

User Taxes and Fees (millions of dollars)					
	2006-07 Actual	2007-08 Estimated	Annual Change	2008-09 Projected	Annual Change
General Fund	8,185	8,566	381	8,901	335
Sales Tax	7,539	7,867	328	8,205	338
Cigarette and Tobacco Taxes	411	447	36	443	(4)
Motor Vehicle Fees	(17)	0	17	0	0
Alcoholic Beverage Taxes	194	200	6	205	5
ABC License Fees	58	52	(6)	48	(4)
State/All Funds	13,457	14,187	730	14,680	493
Sales Tax	10,739	11,215	476	11,692	477
Cigarette and Tobacco Taxes	985	1,078	93	1,068	(10)
Motor Fuel	513	536	23	539	3
Motor Vehicle Fees	769	900	131	913	13
Highway Use Tax	153	157	4	164	7
Alcoholic Beverage Taxes	194	200	6	205	5
ABC License Fees	58	52	(6)	48	(4)
Auto Rental Tax	46	49	3	51	2

All Funds user taxes and fees receipts for 2007-08 are projected to be \$14.2 billion, an increase of \$730 million or 5.4 percent from 2006-07. General Fund user taxes and fees receipts are projected to total \$8.6 billion in 2007-08, an increase of \$381 million or 4.7 percent from 2006-07. This increase largely reflects the projected growth in the sales tax base (4.1 percent), the collection of taxes on sales to non-Native Americans on New York reservations and a reclassification of motor vehicle fees.

User Taxes And Fees Change From Executive Budget Estimates (millions of dollars)				
	2007-08 Executive Budget	2007-08 Enacted Budget	Change	Percent Change
General Fund	8,633	8,566	(67)	(0.8)
Sales Tax	7,934	7,867	(67)	(0.8)
Cigarette and Tobacco Taxes	447	447	0	0
Motor Vehicle Fees	0	0	0	0
Alcoholic Beverage Taxes	200	200	0	0
ABC License Fees	52	52	0	0
State/All Funds	14,278	14,187	(91)	(0.6)
Sales Tax	11,306	11,215	(91)	(0.8)
Cigarette and Tobacco Taxes	1,078	1,078	0	0
Motor Fuel	536	536	0	0
Motor Vehicle Fees	900	900	0	0
Highway Use Tax	157	157	0	0
Alcoholic Beverage Taxes	200	200	0	0
ABC License Fees	52	52	0	0
Auto Rental Tax	49	49	0	0

User Taxes and Fees (millions of dollars)					
	2008-09	2009-10	Annual	2010-11	Annual
	Projected	Projected	Change	Projected	Change
General Fund	8,901	9,212	311	9,540	328
Sales Tax	8,205	8,514	309	8,845	331
Cigarette and Tobacco Taxes	443	437	(6)	432	(5)
Motor Vehicle Fees	0	0	0	0	0
Alcoholic Beverage Taxes	205	209	4	214	5
ABC License Fees	48	52	4	49	(3)
State/All Funds	14,680	15,181	501	15,683	502
Sales Tax	11,692	12,133	441	12,604	471
Cigarette and Tobacco Taxes	1,068	1,054	(14)	1,038	(16)
Motor Fuel	539	542	3	544	2
Motor Vehicle Fees	913	971	58	1,008	37
Highway Use Tax	164	167	3	171	4
Alcoholic Beverage Taxes	205	209	4	214	5
ABC License Fees	48	52	4	49	(3)
Auto Rental Tax	51	53	2	55	2

General Fund receipts from user taxes and fees are estimated to total \$8.9 billion in 2008-09, an increase of \$335 million from 2007-08. Receipts are projected to grow by an additional \$300 million annually in 2009-10 and 2010-11 to \$9.2 billion and \$9.5 billion, respectively. The increase is due almost exclusively to the projected growth in the sales tax base. The underlying growth in the sales tax base is expected to be in the range of 3 to 4 percent.

Business Taxes

Business Taxes (millions of dollars)					
	2006-07	2007-08	Annual	2008-09	Annual
	Actual	Estimated	Change	Projected	Change
General Fund	6,468	6,679	211	6,807	128
Corporate Franchise Tax	3,677	3,904	228	4,104	200
Corporation & Utilities Tax	626	618	(8)	623	5
Insurance Tax	1,142	1,176	34	1,161	(15)
Bank Tax	1,024	981	(43)	919	(62)
State/All Funds	8,606	8,919	313	9,084	166
Corporate Franchise Tax	4,228	4,476	248	4,701	226
Corporation & Utilities Tax	820	816	(4)	821	5
Insurance Tax	1,258	1,292	34	1,276	(16)
Bank Tax	1,210	1,150	(60)	1,073	(78)
Petroleum Business Tax	1,090	1,185	94	1,213	29

All Funds business tax receipts for 2007-08 of more than \$8.9 billion are estimated to increase by nearly \$313 million or 3.6 percent over the prior year. The estimates reflect a net increase in receipts of \$362 million from enacted provisions that will close corporate tax loopholes that have allowed bank and corporate franchise taxpayers to use complex tax shelter techniques to avoid tax (\$516 million) and certain business tax cuts. The loophole provisions include: a five-year phase out of the deduction for subsidiary capital received by certain corporations from closely-held real estate investment trusts (\$102

million), combined filing requirements for corporations which conduct substantial inter-corporate transactions with one another to file a combined corporate franchise tax return (\$381 million), eliminating the use of certain grandfathered corporations by banks to shelter income from tax (\$22 million), and extending for two years the authorization for the Department of Taxation and Finance to require the reporting of abusive tax shelters (\$17 million).

The Enacted Budget also reflects legislation that will reduce taxes by \$154 million in 2007-08. That legislation reduces the entire net income tax rate imposed on corporations, banks, and insurance companies from 7.5 percent to 7.1 percent and the alternative minimum tax imposed under the corporate franchise tax from 2.5 percent to 1.5 percent (effective January 1, 2007). In addition, effective January 31, 2007, the entire net income tax rate imposed on certain manufacturers and qualified emerging technology companies is reduced from 7.5 percent to 6.5 percent. Enacted legislation also accelerates the effective date of the phase-in of the change in the computation of a corporation's business allocation percentage from a three factor formula of payroll, property and receipts to a single receipts factor from January 1, 2008 to January 1, 2007, and increases the amount of low income housing credits the Commissioner of Housing and Community Renewal may allocate by \$4 million.

All Funds non-audit business tax receipts before these enacted tax initiatives are estimated to increase 6.6 percent in 2007-08. This overall increase reflects a moderation in the growth of non-audit corporate franchise tax receipts to roughly 8.4 percent. This estimated rate of growth follows two consecutive years of extraordinary growth in non-audit corporate tax receipts of 40 percent in 2005-06 and 29 percent in 2006-07. Total corporate franchise tax receipts for 2007-08 of \$4.5 billion reflect the enacted budget tax legislation described above and a moderation in audit receipts from last year's historic levels.

All Funds non-audit bank tax receipts before enacted tax initiatives are projected to increase by 4.5 percent. Receipts from the bank tax also reflect a moderation in the growth of non-audit receipts of more than 40 percent in 2006-07. Total bank tax receipts for 2007-08 of \$1.2 billion reflect the enacted budget tax legislation described above and a reduction in audit receipts from last year's high levels.

Projected All Funds non-audit business tax receipts for 2007-08 also reflect growth in corporation and utilities taxes receipts of 3.6 percent, the insurance tax receipts of 4.1 percent and petroleum business tax receipts of 8 percent. All Funds audit receipts from all business taxes are projected to decline by 33 percent, or roughly \$515 million, from the historical level of the prior year. Large declines in audit receipts are expected in all business taxes except the petroleum business taxes.

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

Business Taxes					
(millions of dollars)					
	2008-09	2009-10	Annual	2010-11	Annual
	Projected	Projected	Change	Projected	Change
General Fund	6,807	7,113	306	7,392	279
Corporate Franchise Tax	4,104	4,342	238	4,578	236
Corporation & Utilities Tax	623	628	5	632	4
Insurance Tax	1,161	1,197	36	1,236	39
Bank Tax	919	946	27	946	0
State/All Funds	9,084	9,435	351	9,757	323
Corporate Franchise Tax	4,701	4,975	273	5,245	270
Corporation & Utilities Tax	821	826	5	831	5
Insurance Tax	1,276	1,315	39	1,358	43
Bank Tax	1,073	1,100	27	1,100	0
Petroleum Business Tax	1,213	1,220	6	1,224	4

All Funds business tax receipts for 2008-09 are projected to increase \$166 million, or 1.9 percent, to nearly \$9.1 billion. The projected receipts reflect the impact of the loophole-closing and business tax rate reduction initiatives enacted in 2007. Without these law changes, business tax receipts are expected to increase by 2.3 percent from comparable 2007-08 receipts. This change reflects modest increases in corporate franchise tax, corporation and utilities taxes, and petroleum business taxes receipts, partially offset by modest decreases in bank tax and insurance taxes receipts.

For 2009-10, All Funds business tax receipts are projected to increase by 3.9 percent, to more than \$9.4 billion. The projected receipts continue to reflect the loophole-closing and business tax rate reduction initiatives enacted in 2007. Without these law changes, business tax receipts are expected to increase by 3.7 percent from comparable 2008-09 receipts. This increase reflects minimal increases in corporation and utilities taxes and petroleum business tax receipts, with modest increases in receipts from each of the other business taxes.

Other Taxes

Other Taxes					
(millions of dollars)					
	2006-07	2007-08	Annual	2008-09	Annual
	Actual	Estimated	Change	Projected	Change
General Fund	1,075	1,135	60	1,211	75
Estate Tax	1,063	1,115	51	1,190	75
Gift Tax	(10)	0	10	0	0
Real Property Gains Tax	0	0	(0)	0	0
Pari-mutuel Taxes	21	20	(1)	20	0
All Other Taxes	1	1	0	1	0
State/All Funds	2,097	2,036	(62)	2,161	125
Estate Tax	1,063	1,115	51	1,190	75
Gift Tax	(10)	0	10	0	0
Real Property Gains Tax	0	0	0	0	0
Real Estate Transfer Tax	1,022	900	(122)	950	50
Pari-mutuel Taxes	21	20	(1)	20	0
All Other Taxes	1	1	0	1	0

All Funds other tax receipts in 2007-08 are projected to be roughly \$2 billion, down \$62 million or 3.0 percent from 2006-07, reflecting retrenchment in real estate transfer tax receipts and a slight increase in estate tax collections. General Fund receipts for 2007-08 are projected to total more than \$1.1 billion or a \$60 million increase with estate tax collections expected to grow modestly.

Other Taxes (millions of dollars)					
	2008-09	2009-10	Annual	2010-11	Annual
	Projected	Projected	Change	Projected	Change
General Fund	1,211	1,342	131	1,425	83
Estate Tax	1,190	1,321	131	1,404	83
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Pari-mutuel Taxes	20	20	0	20	0
All Other Taxes	1	1	0	1	0
State/All Funds	2,161	2,342	181	2,425	83
Estate Tax	1,190	1,321	131	1,404	83
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Real Estate Transfer Tax	950	1,000	50	1,000	0
Pari-mutuel Taxes	20	20	0	20	0
All Other Taxes	1	1	0	1	0

General Fund receipts from other taxes are expected to grow modestly in the outyears, primarily reflecting modest growth in estate tax collections. All Funds other tax receipts are projected to increase moderately in future years, primarily due to positive change in the estate tax as well real estate transfer tax collections.

Miscellaneous Receipts

Miscellaneous Receipts and Federal Grants (millions of dollars)					
	2006-07	2007-08	Annual	2008-09	Annual
	Actual	Estimated	Change	Projected	Change
General Fund	2,419	2,545	125	2,113	(431)
Miscellaneous Receipts	2,268	2,485	218	2,054	(431)
Federal Grants	152	59	(92)	59	0
State Funds	17,117	20,307	3,190	20,539	232
Miscellaneous Receipts	16,964	20,247	3,283	20,480	232
Federal Grants	153	60	(93)	60	0
All Funds	53,901	58,212	4,311	60,556	2,344
Miscellaneous Receipts	17,775	21,059	3,285	21,279	220
Federal Grants	36,126	37,153	1,026	39,277	2,124

General Fund miscellaneous receipts collections in 2007-08 are projected to reach approximately \$2.5 billion, up \$218 million from 2006-07 results, reflecting license and fee collections and expected

receipts from the New York Power Authority, partially offset by decreases in receipts from investment income.

Miscellaneous Receipts and Federal Grants					
(millions of dollars)					
	2008-09	2009-10	Annual	2010-11	Annual
	Projected	Projected	Change	Projected	Change
General Fund	2,113	2,516	402	2,518	2
Miscellaneous Receipts	2,054	2,456	402	2,459	2
Federal Grants	59	59	0	59	0
State Funds	20,539	20,545	6	20,887	342
Miscellaneous Receipts	20,480	20,486	6	20,827	342
Federal Grants	60	60	0	60	0
All Funds	60,556	61,742	1,187	63,995	2,253
Miscellaneous Receipts	21,279	21,287	8	21,656	369
Federal Grants	39,277	40,456	1,179	42,339	1,883

General Fund miscellaneous receipts in 2008-09 are projected to be \$2.1 billion, down \$419 million from 2007-08. This decrease is primarily the result of the loss of certain receipts from the Power Authority and a decrease in abandoned property collections. General Fund miscellaneous receipts are projected to be up \$402 million from 2008-09. Receipts are expected to remain relatively constant in 2010-11.

2007-08 DISBURSEMENTS FORECAST

Total Disbursements					
(millions of dollars)					
	2006-07	2007-08	Annual \$	Annual %	Adjusted %
	Results*	Enacted	Change	Change	Change**
General Fund	51,591	53,684	2,093	4.1%	n/a
State Funds	77,311	83,779	6,468	8.4%	6.7%
All Funds	112,764	120,675	7,911	7.0%	5.7%

* Unaudited year-end results.

** Reflects operational spending growth which excludes Capital Projects Funds spending.

In 2007-08, General Fund spending, including transfers to other funds, is projected to total \$53.7 billion. State 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 \$83.8 billion in 2007-08. All Funds spending, the broadest measure which includes Federal aid, is projected to total \$120.7 billion in 2007-08.

The major sources of annual spending change between 2006-07 and 2007-08 are summarized in the following table.

Enacted Budget Spending Projections					
Major Sources of Annual Change from 2006-07 to 2007-08					
(millions of dollars)					
	<u>General Fund</u>	<u>Other State Funds</u>	<u>State Funds</u>	<u>Federal Funds</u>	<u>All Funds</u>
2006-07 Results	51,591	25,720	77,311	35,453	112,764
Major Functions					
<i>Public Health:</i>					
Medicaid	(43)	(140)	(183)	(41)	(224)
Medicaid Cap/FHP Takeover	204	0	204	0	204
Public Health	145	265	410	321	731
<i>K-12 Education:</i>					
School Aid	1,506	154	1,660	46	1,706
All Other Education Aid	182	30	212	53	265
STAR	0	736	736	0	736
Higher Education	266	290	556	42	598
<i>Social Services:</i>					
Temporary and Disability Assistance	128	6	134	95	229
Children and Family Services	194	8	202	85	287
Mental Hygiene	261	71	332	129	461
Transportation	46	821	867	157	1,024
General State Charges	127	20	147	16	163
Debt Service	(327)	10	(317)	0	(317)
All Other Changes					
Economic Development	148	728	876	5	881
Homeland Security	47	0	47	331	378
Judiciary	84	42	126	1	127
World Trade Center	0	0	0	98	98
Elections	4	7	11	66	77
Environmental Conservation	13	69	82	(3)	79
Local Government Aid	(213)	0	(213)	0	(213)
Criminal Justice Services	30	26	56	(69)	(13)
Capital/Other Transfers	(865)	865	0	0	0
All Other	156	367	523	111	634
2007-08 Enacted Budget	53,684	30,095	83,779	36,896	120,675
<i>Annual Dollar Change</i>	2,093	4,375	6,468	1,443	7,911
<i>Annual Percent Change</i>	4.1%	17.0%	8.4%	4.1%	7.0%
<i>Adjusted Annual Change excluding Capital Projects spending growth</i>					
<i>Dollar Change</i>	n/a	2,843	4,936	1,182	6,118
<i>Percent Change</i>	n/a	13.0%	6.7%	3.5%	5.7%

In general, the forecasts are described in two parts: the first describes the current services estimate for the 2007-08 fiscal year for major programs or activities; the second summarizes the Enacted Budget actions. The combination of current services spending growth and Enacted Budget actions produce the resulting annual change in spending.

The current services estimates are based on agency staffing levels, program caseloads, formulas contained in State and Federal law, inflation and other factors. The factors that affect spending estimates vary by program. For example, welfare spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends, projected economic conditions, and changes in Federal law. In correctional services, spending estimates are based in part on estimates of the State's prison population, which in turn depend on forecasts of incarceration rates, release rates, and conviction rates. All

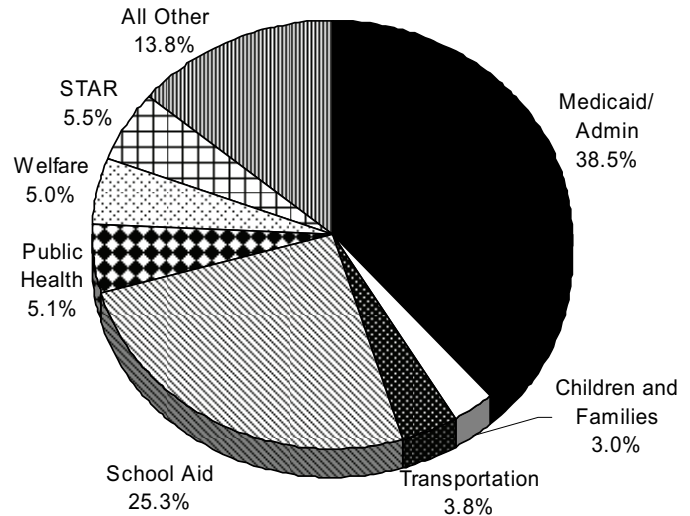
projections account for the timing of payments, since not all the amounts appropriated in the budget are disbursed in the same fiscal year.

Grants to Local Governments

Grants to Local Governments (Local Assistance) includes payments to local governments, school districts, healthcare providers, and other local entities, as well as certain financial assistance to, or on behalf of, individuals, families, and nonprofit organizations. Local Assistance comprises 71 percent of All Funds spending.

In 2007-08, All Funds spending for local assistance is expected to total \$85.7 billion. Total spending comprises State aid to medical assistance providers and public health programs (\$37.5 billion), State aid to school districts, universities, and TAP (\$31.5 billion), Temporary and Disability Assistance (\$4.3 billion), mental hygiene programs (\$3.5 billion), transportation (\$2.9 billion), children and family services (\$2.6 billion), and local government assistance (\$943 million). Other local assistance programs include criminal justice, economic development, housing, parks and recreation, and environmental quality.

**2007-08 All Funds Local Assistance Spending
\$85.7 Billion**



Local Assistance Spending Projections (millions of dollars)				
	2006-07 Results	2007-08 Enacted	Annual Change	Percent Change
General Fund	34,302	37,158	2,856	8.3
Other State Support	15,575	16,984	1,409	8.9
State Funds	49,877	54,142	4,265	8.5
Federal Funds	30,848	31,512	664	2.2
All Funds	80,725	85,654	4,929	6.1

The following chart highlights local assistance annual spending changes from 2006-07 to 2007-08 by major program and/or agency.

Local Assistance Spending Projections			
Major Sources of Annual Change			
(millions of dollars)			
	<u>General Fund</u>	<u>State Funds</u>	<u>All Funds</u>
2006-07 Results (unaudited)	34,302	49,877	80,725
School Aid	1,506	1,659	1,706
STAR	0	736	736
Public Health	138	93	393
Mental Hygiene	253	325	326
Homeland Security	0	0	325
Children and Families	174	175	267
Transportation	46	541	261
Temporary and Disability Assistance	118	123	203
Environmental Conservation	7	96	161
Medicaid (incl Admin)	161	22	(21)
All Other	453	495	572
2007-08 Enacted Budget	37,158	54,142	85,654
<i>Annual Dollar Change</i>	2,856	4,265	4,929
<i>Annual Percent Change</i>	8.3%	8.6%	6.1%

For 2007-08, All Funds local assistance spending is projected to total \$85.7 billion, an increase of \$4.9 billion (6.1 percent) over 2006-07 results. The growth is primarily driven by projected increases in School Aid (\$1.7 billion), STAR spending (\$736 million) which includes the expanded Middle Class STAR program, Public Health (\$393 million), Mental Hygiene (\$326 million), and Homeland Security (\$325 million).

These annual changes in local assistance, as further categorized by current service requirements in addition to Enacted Budget savings and new initiatives, are outlined in more detail below.

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Local Assistance				
Sources of Annual Spending Increase/(Decrease) from 2006-07 to 2007-08				
(millions of dollars)				
	<u>General Fund</u>	<u>Other State Funds</u>	<u>Federal Funds</u>	<u>All Funds</u>
Current Services:	2,902	36	852	3,790
Medicaid (incl Admin)	938	(383)	459	1,014
School Aid	768	154	46	968
Homeland Security	0	0	325	325
Mental Hygiene	255	30	1	286
Public Health	88	205	19	312
Children and Families	173	1	92	266
Temporary and Disability Assistance	156	6	95	257
Other Education	108	13	53	174
Transportation	45	237	(280)	2
STAR	0	(275)	0	(275)
All Other	371	48	42	461
Enacted Savings:	(1,206)	15	(581)	(1,772)
Medicaid Actions	(834)	219	(574)	(1,189)
Public Health	(49)	(185)	0	(234)
Local Government Assistance	(213)	0	0	(213)
Temporary and Disability Assistance	(37)	0	0	(37)
Children and Families	(27)	0	0	(27)
All Other	(46)	(19)	(7)	(72)
New Initiatives:	1,160	1,358	393	2,911
Middle Class STAR	0	1,011	0	1,011
School Aid	738	0	0	738
Public Health/F-SHRP	93	24	311	428
MTA/Transit Assistance	1	297	0	298
Other Education	97	0	0	97
Medicaid	57	24	74	73
Mental Hygiene	37	5	0	42
Children and Families	29	0	0	29
Community College Base Aid	26	0	0	26
All Other	82	(3)	8	87
Total Annual Change	2,856	1,409	664	4,929

Current Services

For 2007-08, on an All Funds basis, current service requirements increase by \$3.8 billion above 2006-07 results. Over half of this increase is concentrated in School Aid and Medicaid (\$1.0 billion each). Specific initiatives are described in more detail below.

Medicaid Program Growth: General Fund Medicaid spending is growing due to several factors, including the increasing cost of providing health care services, the rising number of recipients, and increases in medical service utilization in nursing homes and managed care programs. Other changes affecting growth include increases in managed care premiums and escalating prescription drug costs. Program growth in 2007-08 is partially offset in the General Fund by the prepayment in 2006-07 of expenses for Supplemental Medical Insurance and a Medicare Part D payment to the Federal government and by the timing of the use of certain assessment and drug rebate revenues. In Federal Funds, growth is partially reduced by the payment in 2006-07 instead of 2007-08 of certain Federal disproportionate share aid to hospitals. The number of Medicaid recipients is projected to reach 3.8 million in 2007-08, an increase of 4.0 percent over the current fiscal year.

School Aid: Growth reflects the balance of the 2006-07 school year increase and the level of spending growth which was already projected in the State's current services plan. School aid commitments are made on a July 1 starting school-year basis, thus, each fiscal year, there is a "tail" of payments related to the prior-school year increase (roughly 30 percent of the prior-year total).

Homeland Security: As a result of the continued centralization of all "homeland security" grants, Federal grants previously budgeted in Criminal Justice Services have been transferred to the Office of Homeland Security (roughly \$100 million). In addition, delays in Federal Homeland Security spending resulted in approximately \$131 million of this spending being shifted from 2006-07 to 2007-08.

Mental Hygiene: Reflects increases in existing program commitments and mandates for the Office of Mental Retardation and Developmental Disabilities (OMRDD), the Office of Mental Health (OMH), and the Office for Alcohol and Substance Abuse Services (OASAS).

Public Health: Reflects increases in existing program commitments for Elderly Pharmaceutical Insurance Coverage (EPIC), the Early Intervention Program, and other reimbursements to local governments for the cost of providing local public health services.

Children and Families: Largely reflects the human services cost of living adjustment (COLA) and other legislative additions to services provided to children and families.

Temporary and Disability Assistance: Temporary Assistance for Needy Families (TANF) and Supplemental Security Income (SSI) are expected to increase over the prior year.

Other Education: Aid to non-public schools and special education costs are expected to increase over the prior year.

Transportation: Largely reflects timing of transit aid.

STAR: Reflects the replacement of the 2006-07 property tax rebate program with the new Middle Class STAR rebate program, partly offset by program growth in other STAR tax exemptions and Personal Income Tax (PIT) relief.

Enacted Savings

Nearly two-thirds of the Enacted Budget's All Funds and General Fund local assistance savings plan relies on Medicaid actions (\$1.2 billion). Other significant savings actions are described in more detail below.

Medicaid Actions: Largely reflects a strengthening of anti-fraud capabilities, a change in 2007 rates, pharmaceutical savings, and a reduction in workforce recruitment and retention.

Public Health: Reflects program reductions and other savings initiatives in public health programs, particularly in EPIC, Early Intervention, and programs financed by the Health Care Reform Act (HCRA).

Local Government Assistance: Largely reflects a one-time reduction in New York City's unrestricted local government assistance, part of which is invested in funding for distressed municipalities.

Temporary and Disability Assistance: Reflects the reprogramming of TANF funding.

Children and Families: Largely reflects a cap on the rate of reimbursable growth for certain services and implementation delays in certain programs.

New Initiatives

The largest areas of investment in local assistance are described in detail below.

Middle Class STAR: Reflects an increased fiscal year cash impact of \$1.0 billion in 2007-08. Middle Class STAR is targeted to benefit homeowners with incomes of \$250,000 or less, based on a sliding scale increase in benefits. Under the 2007-08 STAR program, homeowners will get an increase of approximately 60 percent in their STAR savings via a rebate check if their household income is \$90,000 or less (\$120,000 or less in the New York City metropolitan region).

School Aid: This amount represents the new school year commitments related to the 2007-08 school year increase of \$1.8 billion, approximately 70 percent of which is payable in the State's 2007-08 fiscal year. The school aid growth reflects increased funding for a new Foundation Aid Program (which represents \$13.6 billion of total school aid funding of \$19.6 billion), an expansion in the Universal Prekindergarten program (\$146 million) and an increase in Transportation Aid (\$81 million).

Public Health/F-SHRP: Reflects the disbursement of Federal aid pursuant to the Federal-State Health Reform Partnership Program (F-SHRP), and other public health investments.

MTA/Transit Assistance: Largely reflects State aid increases to the Metropolitan Transit Authority (MTA), which will be financed with existing dedicated fund balances.

Other Education: Includes additional aid for non-public schools to comply with State attendance-taking requirements, additional funding for a variety of legislative initiatives, and other additional aid.

Medicaid: New initiatives include the simplification of enrollment, long-term care initiatives, demonstration projects for high-cost users, and additional hospital funding.

Mental Hygiene: Reflects Enacted Budget initiatives at OMH, OMRDD, and OASAS.

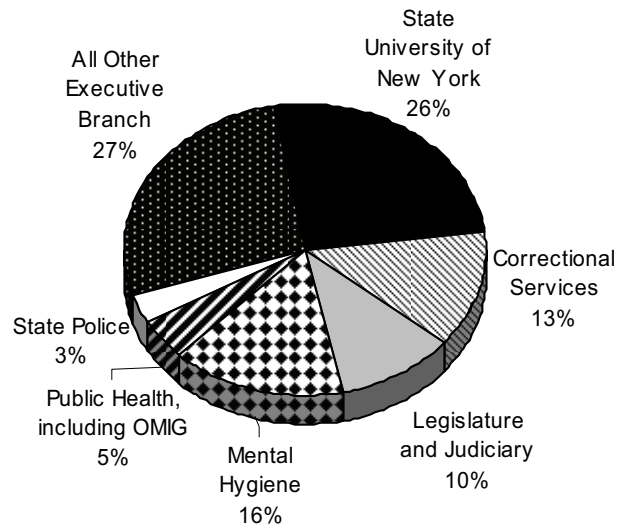
Children and Families: The Enacted Budget provides additional funding for programs serving children and families.

Community College Base Aid: For the 2007-08 academic year, base operating aid for SUNY and CUNY community colleges will be raised by \$150 per full-time student to a total of \$2,675 per full-time student.

State Operations

State Operations spending is for personal service (PS) and non-personal service (NPS) costs. Personal service costs, which account for approximately two-thirds of State Operations spending, includes salaries of State employees of the Executive Branch, Legislature, and Judiciary, as well as overtime payments and costs for temporary employees. Non-personal service costs, which account for the remaining one-third of State Operations, represent the operating costs of State agencies, including real estate rental, utilities, contractual payments (e.g., consultants, information technology and professional business services), supplies and materials, equipment, telephone service and employee travel.

2007-08 All Funds State Operations Spending - \$18.7 Billion



All Funds State Operations spending is projected at \$18.7 billion in 2007-08, which finances the costs of Executive Branch agencies (\$16.7 billion) and the Legislature and Judiciary (\$1.9 billion). The largest executive branch agencies include SUNY (\$4.8 billion; 39,834 Full Time Equivalent Employees (FTEs)), Correctional Services (\$2.4 billion; 31,756 FTEs), Mental Hygiene (\$2.9 billion; 40,422 FTEs), Public Health, including Office of the Medicaid Inspector General (OMIG) (\$842 million; 6,674 FTEs), and State Police (\$627 million; 5,927 FTEs).

Approximately 93 percent of the State workforce is unionized. The largest unions include the Civil Service Employees Association, which primarily represents office support staff and administrative personnel, machine operators, and therapeutic and custodial care staff; the Public Employees Federation which primarily represents professional and technical personnel (e.g., attorneys, nurses, accountants, social workers, and institution teachers); United University Professions which represents faculty and non-teaching professional staff within the State University system; and the New York State Correctional Officers and Police Benevolent Association comprised of security personnel (e.g., correction officers, safety and security officers).

The State workforce, which reflects full-time employees of the Executive Branch, excluding the Legislature, Judiciary, and contractual labor, is projected to total 198,413 in 2007-08, an increase of 2,887 FTEs over 2006-07 levels. Increases are expected in Mental Hygiene agencies (504 FTEs) primarily due to staffing related to the Sex Offender Management and Treatment Act and the NYS-CARES II program; the Office of the Medicaid Inspector General (284 FTEs), reflecting staffing growth needed for Medicaid audit and fraud prevention activities; Health (427 FTEs) and Labor (415 FTEs) reflecting authorized fill levels for 2007-08; Law (277 FTEs) due to several initiatives including Medicaid Fraud Investigation, the

sex offender initiative, and Project Sunlight; Tax and Finance (158 FTEs) for enhanced compliance; and OCFS (215 FTEs) primarily for the addition of direct-care staff to improve the health and safety of youth and staff at youth facilities, offset by other changes.

State Operations Spending Projections				
(millions of dollars)				
	2006-07 Results	2007-08 Enacted	Annual Change	Percent Change
General Fund	9,319	9,620	301	3.2%
Other State Support	5,195	5,821	626	12.1%
State Funds	14,514	15,441	927	6.4%
Federal Funds	3,013	3,285	272	9.0%
All Funds	17,527	18,726	1,199	6.8%

All Funds State Operations spending is expected to total \$18.7 billion in 2007-08, comprised of Personal Services PS (\$12.0 billion) and Non-Personal Service NPS (\$6.7 billion). The majority of State Operations spending is for SUNY (\$4.8 billion), Correctional Services (\$2.4 billion), Judiciary (\$1.9 billion), OMRDD (\$1.5 billion) and OMH (\$1.3 billion).

State Operations spending by category, based upon historical spending trends, is allocated among employee base salaries (62 percent), overtime payments (3 percent), contractual services (23 percent), supplies and materials (6 percent), employee travel (1 percent) and other operational costs (5 percent).

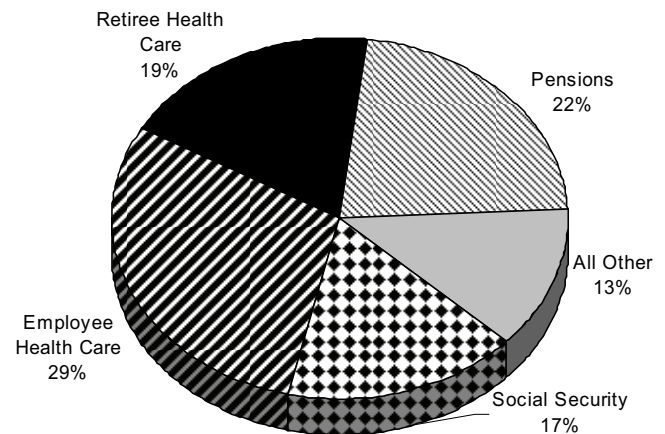
All Funds State Operations Spending Projections			
Major Sources of Annual Change			
	Personal Service	Non-Personal Service	State Operations
2006-07 Results (unaudited)	11,555	5,972	17,527
State University of New York	168	187	355
Insurance Department	(19)	137	118
Health, including OMIG	51	63	114
Judiciary	66	27	93
Mental Retardation	45	27	72
Mental Health	85	(28)	57
Homeland security	35	18	53
City University of New York	45	8	53
Tribal State Compact	0	40	40
Wireless Network	1	33	34
Correctional Services	(125)	53	(72)
All Other	107	169	276
2007-08 Enacted Budget	12,023	6,703	18,726
<i>Annual Dollar Change</i>	<i>468</i>	<i>731</i>	<i>1,199</i>
<i>Annual Percent Change</i>	<i>4.1%</i>	<i>12.2%</i>	<i>6.8%</i>

All Funds State Operations spending increase of \$1.2 billion (6.8 percent) is primarily driven by projected increases in SUNY (\$355 million), the Insurance Department (\$118 million), Public Health (\$114 million), Judiciary (\$93 million), OMRDD (\$72 million), OMH (\$57 million), Homeland Security (\$53 million), and CUNY (\$53 million), partially offset by a projected decline in DOCS (\$72 million).

General State Charges

General State Charges account for the costs of fringe benefits provided to State employees and retirees of the Executive, Legislative and Judicial branches, tax payments to municipalities related to public lands, and certain litigation against the State. Fringe benefit payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, social security, health insurance, workers' compensation and unemployment insurance. Other costs include State taxes paid to local governments for certain State-owned lands, and payments related to lawsuits against the State and its public officers.

General State Charges
2007-08 All Funds Spending - \$5.4 billion



General State Charges Spending Projections (millions of dollars)				
	2006-07 Results	2007-08 Enacted	Annual Change	Percent Change
General Fund	4,403	4,530	127	2.9%
Other State Support	594	614	20	3.4%
State Funds	4,997	5,144	147	2.9%
Federal Funds	226	242	16	7.1%
All Funds	5,223	5,386	163	3.1%

Employee fringe benefits are paid mostly from the General Fund (84 percent), supplemented with revenue from fringe benefit assessments on Federal funds and other dedicated revenue programs (16 percent). Other General State Charges costs are paid in full by General Fund revenues.

All Funds spending on General State Charges is expected to total \$5.4 billion in 2007-08, and comprises health insurance spending for employees (\$1.6 billion) and retirees (\$1.0 billion), pensions (\$1.2 billion) and social security (\$873 million).

Debt Service

The State pays debt service on all outstanding State-supported bonds. These include general obligation bonds, for which the State is constitutionally obligated to pay debt service, as well as bonds issued by State public authorities (e.g., Empire State Development Corporation, Dormitory Authority of the State of New York, Thruway Authority) for which the State is contractually obligated to pay debt service, subject to an appropriation. Depending on the credit structure, debt service is financed through

transfers from the General Fund, dedicated taxes and fees, and other resources, such as patient income revenues.

Debt Service Spending Projections (millions of dollars)				
	2006-07 Results	2007-08 Enacted	Annual Change	Percent Change
General Fund	1,906	1,579	(327)	-17.2%
Other State Support	2,545	2,555	10	0.4%
State Funds	4,451	4,134	(317)	-7.1%
All Funds	4,451	4,134	(317)	-7.1%

All Funds debt service is projected at \$4.1 billion in 2007-08, of which \$1.58 billion is paid from the General Fund through transfers and \$2.6 billion from other State funds, primarily dedicated taxes. The year-to-year decrease is due to the timing of payments which were made at the end of 2006-07 (absent such payments, 2007-08 debt service would have increased by an estimated 4.3 percent). Debt service is paid on revenue credits supported by dedicated taxes and fees and patient income, including Personal Income Tax Revenue Bonds, DHBTf bonds and Mental Health facilities bonds, as well as service contract bonds that are secured mainly by the General Fund. For more information, see the "Debt and Other Financing Activities" section later in this AIS.

Capital Projects

The Capital Projects Fund group accounts for spending across all functional areas to finance costs related to the acquisition, construction, repair or renovation of fixed assets. Spending from appropriations made from over 30 capital projects funds are financed from four sources: annual State taxes or dedicated miscellaneous receipts, grants from the Federal government, the proceeds of notes or bonds issued pursuant to General Obligation Bond Acts which are approved by the State voters, and the proceeds of notes or bonds issued by public authorities pursuant to legal authorization for State capital spending.

Capital Projects Spending Projections (millions of dollars)				
	2006-07 Results	2007-08 Enacted	Annual Change	Percent Change
General Fund	389	82	(307)	-78.9%
Other State Support	3,432	5,271	1,839	53.6%
State Funds	3,821	5,353	1,532	40.1%
Federal Funds	1,737	1,999	262	15.1%
All Funds	5,558	7,352	1,794	32.3%

All Funds capital spending of \$5.6 billion in 2006-07 is projected to increase to \$7.3 billion in 2007-08. In fiscal year 2007-08, transportation spending, primarily for improvements and maintenance to the State's highways and bridges, continues to account for the largest share (57 percent) of this total. The balance of projected spending will support capital investments in the areas of education (9 percent), mental hygiene and public protection (9 percent), economic development and government oversight (8 percent), parks and the environment (8 percent), and health and social welfare, general government, and

other areas (9 percent). For more information, see the "Debt and Other Financing Activities" section later in this AIS

Other Financing Sources/(Uses)

Every year, the State authorizes the transfer of resources among funds and accounts. All Funds transfers from other funds are expected to total \$21.3 billion and comprise of \$11.9 billion in the General Fund, \$3.7 billion in the Special Revenue Funds, \$5.5 billion in the Debt Service Funds and \$293 million in the Capital Projects Funds.

All Funds transfers to other funds are also expected to total \$21.3 billion and comprise \$2.4 billion in the General Fund, \$3.6 billion in the Special Revenue Funds, \$14.4 billion in the Debt Service Funds and \$947 million in the Capital Projects Funds.

The most significant General Fund transfer to other funds is for general debt service (\$1.6 billion). Other significant General Fund transfers to other funds include Judiciary transfers to the Court Facilities Incentive Aid Fund, New York City County Clerks Fund, and Judiciary Data Processing Fund (\$211 million, total) and transfers representing payments for patients residing in State-operated Health, Mental Hygiene and State University facilities (\$174 million), SUNY hospital subsidy payments (\$110 million), and to the Capital Projects fund for pay-as-you-go projects (\$82 million). All other transfers to other funds totaled \$219 million; the most significant include \$69 million for the payment of banking services, \$33 million for transit, \$25 million for stem cell research, and \$20 million for OMRDD.

Of the \$11.9 billion General Fund transfer from other funds, \$11.3 billion results from dedicated Personal Income, Sales and Real Estate Transfer taxes above required debt service. All other fund/account sweeps total \$537 million, the largest of which include \$133 million from the Tribal-State Compact, \$100 million in miscellaneous special revenue sweeps, \$28 million from DMV, \$27 million from the Hazardous Waste Fund, and \$21 million from the Cultural Education account.

General Fund Financial Plan Outyear Projections

Impact of Enacted Budget on Gap Forecast

The actions included in the 2007-08 Enacted Budget result in a balanced General Fund Financial Plan in 2007-08 and projected outyear gaps of \$3.1 billion in 2008-09, \$4.8 billion in 2009-10, and \$6.6 billion in 2010-11.

The projected spending increases are driven by rising costs for public health care, the State-financed cap on local Medicaid spending, employee and retiree health benefits, mental hygiene services, child welfare programs, as well as the new initiatives for school aid and health care. Over the same period, General Fund receipts are estimated to grow at just over 4 percent a year (after tax cuts), consistent with the DOB's forecast of moderating economic growth.

The following table summarizes the Financial Plan projections on the 2008-09 through 2010-11 budget gaps, as well as the annual changes in projected receipts, disbursements, the use of reserves, and changes in fund balances.

General Fund Enacted Budget Forecast (millions of dollars)				
	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>
Receipts:				
Taxes:				
Personal income tax	22,885	24,128	25,576	26,979
User taxes and fees	8,565	8,900	9,213	9,539
Business taxes	6,679	6,807	7,113	7,392
Other taxes	1,135	1,211	1,342	1,425
Miscellaneous receipts	2,485	2,054	2,456	2,459
Federal grants	59	59	59	59
Transfers from other funds	11,864	12,020	12,499	13,015
PIT in excess of Revenue Bond debt service	8,445	8,765	9,133	9,505
Sales tax in excess of LGAC debt service	2,320	2,363	2,469	2,579
Real estate taxes in excess of CW/CA debt service	561	614	670	672
All other	538	278	227	259
Total receipts	53,672	55,179	58,258	60,868
Disbursements:				
Grants to local governments	37,158	40,951	44,762	48,347
State operations	9,620	9,999	10,398	10,644
General State Charges	4,530	4,949	5,342	5,646
Transfers to other funds	2,376	2,851	2,993	3,408
Debt service	1,579	1,709	1,706	1,740
Capital projects	82	277	489	862
Other purposes	715	865	798	806
Total disbursements	53,684	58,750	63,495	68,045
Change in Reserves:				
Debt Reduction Reserve Fund	250	0	0	0
Rainy Day Reserve Fund	175	0	0	0
Community Projects Fund	75	(65)	(65)	(151)
Prior Year Surpluses	(512)	(401)	(401)	(401)
Deposit to/(Use of Gap)	(12)	(466)	(466)	(552)
Enacted Budget Surplus/(Gap) Estimate	0	(3,105)	(4,771)	(6,625)

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

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

2008-09 General Fund Annual Change	
Savings/(Costs)	
(millions of dollars)	
	2008-09
RECEIPTS	1,507
Constant Law Growth	3,267
Existing Tax Reductions	(130)
Uncommon Audit Collections	(117)
Change in STAR Tax Cuts	(650)
Change in Debt Service (RBTF/LGAC/CWCA)	(370)
Non-recurring 2007-08 Payments (NYPA; SONYMA; Hurricane Katrina)	(299)
Non-recurring Abandoned Property	(84)
All Other	(110)
DISBURSEMENTS	(5,066)
Local Assistance	(3,793)
Medicaid	(2,104)
<i>Program Growth/Other</i>	(1,255)
<i>Medicaid Cap/Family Health Plus Takeover</i>	(374)
<i>Change in HCRA/Provider Assessment Financing</i>	(475)
School Aid	(876)
Local Government Assistance	(380)
Mental Hygiene	(219)
Children and Family Services	(149)
All Other Local Assistance	(65)
State Operations	(379)
Personal Service	(215)
Non-personal Service	(164)
General State Charges	(419)
Health Insurance	(363)
Pensions	(41)
All Other	(15)
Transfers to Other Funds	(475)
Debt Service	(130)
Capital Projects	(195)
All Other	(150)
Use of Reserves (net)	454
CURRENT SERVICES BUDGET GAP FOR 2008-09	(3,105)

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

- **Economic growth will continue during the forecast period.** DOB's forecast calls for moderate expansion in the economy. The momentum of the State's expansion appears to have peaked in 2005, and the forecast calls for positive, but slowing, growth in 2007 and a return to trend growth in the outyears.

- **Revenues, adjusting for tax law changes, will grow in the range of 5 percent to 6 percent annually.** The growth rate is consistent with DOB's forecast for the economy, but, as in any year, is subject to significant volatility. Changes in the economic growth rate, Federal law, and taxpayer behavior all have a significant influence on receipts collections.
- **The Federal government will not make substantive funding changes** to major aid programs or make substantive regulatory changes that adversely affect the State.
- **The projections do not include any extra costs for new labor settlements** or pay increases for judges or elected officials. Current labor contracts expired on April 1, 2007. Each 1 percent salary increase is valued at \$86 million in the General Fund and \$134 million in All Funds.
- **The projections do not assume the use of one-time resources.** In a typical year, the Financial Plan will include in the range of \$500 million in such resources and DOB expects similar levels could be achieved in the future.

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

Outyear General Fund Disbursement Projections

DOB forecasts General Fund spending of \$58.8 billion in 2008-09, an increase of \$5.1 billion (9.4 percent) over projected 2007-08 levels. Growth in 2009-10 is projected at \$4.7 billion (8.1 percent) and in 2010-11 at \$4.6 billion (7.2 percent). The growth levels are based on current services projections, as modified by the actions contained in the 2007-08 Enacted Budget. **The State Constitution requires the Governor to annually submit a balanced budget to the Legislature. The current estimates do not incorporate any proposals to control spending that are likely to be part of any balanced budget submission in 2008-09 and in future years.** The main sources of annual spending growth for 2008-09, 2009-10, and 2010-11 are itemized in the following table.

General Fund Disbursement Projections							
(millions of dollars)							
	2007-08	2008-09	Annual \$ Change	2009-10	Annual \$ Change	2010-11	Annual \$ Change
Grants to Local Governments:	37,158	40,951	3,793	44,762	3,811	48,347	3,585
School Aid	16,170	17,046	876	18,576	1,530	20,358	1,782
Medicaid	8,081	9,811	1,730	11,166	1,355	11,893	727
Medicaid: Takeover Initiatives	974	1,348	374	1,898	550	2,453	555
Higher Education	2,388	2,460	72	2,515	55	2,542	27
Mental Hygiene	1,858	2,077	219	2,244	167	2,349	105
Children and Families Services	1,530	1,679	149	1,782	103	1,875	93
Temporary and Disability Assistance	1,394	1,438	44	1,434	(4)	1,429	(5)
Special Education - Categorical	1,025	1,083	58	1,145	62	1,210	65
Local Government Assistance	943	1,323	380	1,364	41	1,420	56
Public Health	719	771	52	756	(15)	766	10
Transportation	106	105	(1)	105	0	104	(1)
All Other	1,970	1,810	(160)	1,777	(33)	1,948	171
State Operations:	9,620	9,999	379	10,398	399	10,644	246
Personal Service	6,709	6,924	215	7,156	232	7,268	112
Non-Personal Service	2,911	3,075	164	3,242	167	3,376	134
General State Charges	4,530	4,949	419	5,342	393	5,646	304
Pensions	1,185	1,226	41	1,330	104	1,332	2
Health Insurance (Active Employees)	1,586	1,808	223	1,972	164	2,152	180
Health Insurance (Retired Employees)	1,007	1,148	141	1,255	107	1,373	118
All Other	752	769	17	785	16	789	4
Transfers to Other Funds:	2,376	2,851	475	2,993	142	3,408	415
Debt Service	1,579	1,709	130	1,706	(3)	1,740	34
Capital Projects	82	277	195	489	212	862	373
All Other	715	865	150	798	(67)	806	8
Total Disbursements	53,684	58,750	5,066	63,495	4,745	68,045	4,550

Grants to Local Governments

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

Forecast for Selected Program Measures Affecting Local Assistance					
(millions of dollars)					
	Actual	Forecast			
	2006-07 *	2007-08	2008-09	2009-10	2010-11
Medicaid					
Medicaid Coverage (excl. FHP)	3,690,578	3,854,312	4,008,484	4,168,824	4,335,577
Medicaid Inflation	1.4%	1.8%	4.4%	4.7%	4.3%
Medicaid Utilization	1.1%	1.4%	3.4%	3.5%	3.3%
State Takeover of County/NYC Costs					
- Family Health Plus	\$438	\$477	\$518	\$530	\$547
- Medicaid	\$332	\$497	\$830	\$1,368	\$1,906
Education					
School Aid (School Year)	\$17,900	\$19,600	\$21,000	\$23,200	\$25,500
K-12 Enrollment	2,794,393	2,761,450	2,761,450	2,761,450	2,761,450
Public Higher Education Enrollment (FTEs)	503,538	515,178	515,178	515,178	515,178
TAP Recipients	323,000	318,000	318,000	318,000	318,000
Welfare					
Family Assistance Caseload	415,200	397,600	393,000	391,900	391,400
Single Adult/No Children Caseload	150,600	155,400	155,400	154,100	152,600
Mental Hygiene					
Mental Hygiene Community Beds	84,465	87,409	90,196	92,462	94,271

School Aid

On a school year basis, school aid is projected at \$21.0 billion in 2008-09, \$23.2 billion in 2009-10, and \$25.5 billion in 2010-11. On a State fiscal year basis, General Fund school aid spending is projected to grow by \$875 million in 2008-09, \$1.5 billion in 2009-10, and \$1.8 billion in 2010-11. Outside the General Fund, revenues from lottery sales are projected to increase by \$63 million in 2008-09, \$97 million in 2009-10, and \$27 million in 2010-11, to a total of \$2.2 billion in 2008-09 growing to \$2.3 billion in 2010-11. In addition, VLT revenues are projected to increase by \$476 million in 2008-09, \$286 million in 2009-10, and \$430 million in 2010-11, to a total of \$1.1 billion in 2008-09 and growing to \$1.8 billion in 2010-11. The VLT estimates assume the start of operations at Aqueduct by April 2008 and the approval of a proposed expansion plan in 2007-08, which is expected to provide \$150 million of the increase planned in 2008-09, growing to \$766 million in additional revenue provided in 2010-11.

The Financial Plan assumes that certain school aid initiatives included in the 2007-08 Enacted Budget are non-recurring. Specifically, High Tax Aid (\$100 million); Supplemental Public Excess Cost Aid (\$21 million) and the New York City Academic Achievement Grant (\$89 million). In future years, projected school aid increases are primarily due to increases in Foundation Aid; Universal Prekindergarten expansion; and increases in expense-based aids such as Building Aid and Transportation Aid as detailed in the following table.

Four Year School Aid Projection -- School Year				
Cumulative Increase				
(millions of dollars)				
	Enacted		Forecast	
	2007-08	2008-09	2009-10	2010-11
Foundation Aid	1,092	2,343	3,858	5,512
Universal Prekindergarten	103	200	300	350
Additional Prekindergarten	43	0	0	0
High Tax Aid	100	0	0	0
Supplemental Public Excess Cost	21	0	0	0
New York City Academic Achievement Grant	89	0	0	0
EXCEL Building Aid	112	184	197	197
Expense-Based Aids (Building, Transportation, High Cost and Private Excess Cost, BOCES)	142	332	785	1,280
Other Aid Categories/Initiatives/Miscellaneous Growth	63	63	200	300
School Aid Subtotal	1,765	3,122	5,340	7,639
Other: SED State Operations--Accountability Initiative	15	20	20	20
Total Cumulative Increase	1,780	3,142	5,360	7,659

Medicaid

The Financial Plan projects that General Fund spending for Medicaid will grow by roughly \$2.1 billion in 2008-09, \$1.9 billion in 2009-10, and another \$1.3 billion in 2010-11.

Major Sources of Annual Change in Medicaid Growth			
General Fund			
(billions of dollars)			
	Increase from Prior Year		
	2008-09	2009-10	2010-11
Price/Utilization/Admin Growth	1.1	1.0	1.0
Timing	0.2	0.0	0.0
Extra Weekly Payment	0.0	0.3	(0.3)
Medicaid Cap/FHP Takeover	0.4	0.6	0.6
Provider Assessments	0.1	0.0	0.0
HCRA Financing	0.3	0.0	0.0
Total	2.1	1.9	1.3

This growth results, in part, from the combination of modest growth in recipients, service utilization, and medical care cost inflation. These factors are projected to add roughly \$1.1 billion in costs annually. In 2009-10, an extra weekly payment to providers adds \$300 million in spending. In addition, the State cap on local Medicaid costs and takeover of local FHP costs is projected to increase spending by \$374 million in 2008-09, \$550 million in 2009-10, and \$555 million in 2010-11. The remaining growth is primarily attributed to certain nursing home delinquent payor assessment collections in 2007-08 that are

not expected to recur in 2008-09 and lower levels of HCRA financing beginning in 2008-09, both of which are used to lower General Fund costs.

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

Mental Hygiene

Mental Hygiene spending is projected at \$2.1 billion in 2008-09, \$2.2 billion in 2009-10, and \$2.3 billion in 2010-11. The growth is largely attributable to increases in the projected State share of Medicaid costs, cost-of-living increases, projected expansions of the various mental hygiene service systems including OMH's Children's Services, increases in the NYS-CARES program and in the development of children's beds for out-of-state placements in OMRDD, the NY/NY III Supportive Housing agreement and community bed expansion in OMH, and several new chemical dependence treatment and prevention initiatives.

Children and Family Services

Children and Family Services spending is projected to grow by roughly \$100 million annually in the outyears. The increases are driven primarily by expected growth in the open-ended child welfare services program, the impact of the OCFS Medicaid waiver, and cost-of-living increases for workers in foster care, and foster and adoptive parents enacted in 2006-07.

Temporary and Disability Assistance

Spending is projected at \$1.4 billion in 2008-09, an increase of \$44 million (3.2 percent) from 2007-08, and is expected to remain at virtually the same level in 2009-10 and 2010-11. Caseloads for family assistance and single adult/childless couples are projected to decline marginally. This reduction is more than countered by the reduced availability of Federal TANF to support public assistance costs, thereby increasing General Fund spending growth.

Other Local

All other local assistance programs total \$7.6 billion in 2008-09, an increase of approximately \$400 million over 2007-08 Enacted levels. This growth in spending results primarily from increases in local government assistance (\$380 million) as unrestricted aid to New York City is expected to return to prior-year levels (\$308 million increase) and additional AIM funding for "high need" municipalities increases another \$50 million above 2007-08 levels.

State Operations

Forecast of Selected Program Measures Affecting State Operations					
	Actual	Forecast			
	2006-07	2007-08	2008-09	2009-10	2010-11
State Operations					
Prison Population (Corrections)	63,577	63,400	63,400	63,400	63,400
Negotiated Salary Increases ⁽¹⁾	3.00%	0.0%	0.0%	0.0%	0.0%
Personal Service Inflation	0.8%	0.8%	0.8%	0.8%	0.8%
State Workforce	195,526	198,413	199,184	199,184	199,184

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

State Operations spending is expected to total \$10.0 billion in 2008-09, an annual increase of \$379 million (3.9 percent). In 2009-10, spending is projected to grow by another \$399 million to a total of \$10.4 billion (3.9 percent). Spending in 2010-11 is projected to total \$10.6 billion, \$246 million above 2009-10 levels (2.4 percent). In all years, normal salary adjustments and increased staffing levels, primarily in mental health and corrections, drive higher personal service costs. 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 Sexually Violent Offender and increasing medical and pharmacy costs in the areas of mental hygiene and corrections. The projections do not include any reserve for labor settlements after the current round of contracts, which expired on April 1, 2007 (United University Professions will expire on July 1, 2007).

General State Charges (GSCs)

Forecast of Selected Program Measures Affecting General State Charges					
	Actual	Forecast			
	2006-07	2007-08	2008-09	2009-10	2010-11
General State Charges					
Pension Contribution Rate	10.2%	9.5%	9.9%	11.0%	11.0%
Employee/Retiree Health Insurance Rate	10.4%	6.6%	14.0%	9.2%	9.2%

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

The State's pension contribution rate to the New York State and Local Retirement System is expected to increase from 9.5 percent of salary in 2007-08 to 9.9 percent in 2008-09 and 11.0 percent in 2009-10 and 2010-11. Pension spending in 2008-09 is projected to increase by \$41 million over 2007-08 due to anticipated increases in the employer contribution rate. In 2009-10, spending is projected to grow by another \$104 million to a total of \$1.3 billion, and remains virtually unchanged in 2010-11. Spending for employee and retiree health care costs is expected to increase by \$364 million in 2008-09, \$271 million in 2009-10, and another \$298 million in 2010-11 and assumes an average annual premium increase of roughly 10 percent. Health insurance is projected at \$3.0 billion in 2008-09 (\$1.8 billion for

active employees and \$1.2 billion for retired employees), \$3.3 billion in 2009-10 (\$2.0 billion for active employees and \$1.3 billion for retired employees), and \$3.5 billion in 2010-11 (\$2.1 billion for active employees and \$1.4 billion for retired employees).

Forecast of New York State Employee Health Insurance (millions of dollars)			
Health Insurance			
Year	Active Employees	Retirees	Total State
2006-07	1,492	940	2,432
2007-08	1,586	1,007	2,593
2008-09	1,808	1,148	2,956
2009-10	1,972	1,255	3,227
2010-11	2,152	1,373	3,525

All numbers reflect the cost of Health Insurance for General State Charges (Executive and Legislative branches) and the Office of Court Administration

Transfers to Other Funds

In 2008-09, transfers to other funds are estimated at \$2.9 billion, an increase of \$480 million over 2006-07. This increase is primarily attributed to the first in a series of annual transfers to the Dedicated Highway Fund (\$37 million) aimed at reducing fund gaps, annual transfers of \$50 million to support development of a single State financial management system, annual transfers of \$50 million for stem cell research, and a return to normal patterns for SUNY Hospital State subsidy payments (\$42 million increase) and debt service requirements (\$130 million increase) after an acceleration of 2007-08 payments into 2006-07. In 2009-10 and 2010-11, transfers to other funds are expected to increase by \$141 million and \$415 million, respectively, as capital transfers to the Dedicated Highway Fund rise by an additional \$209 million and \$364 million in each of those years.

Financial Plan Reserves

Pursuant to a new State law, the State created a new Rainy Day Reserve in January 2007 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 Enacted Budget for 2007-08 authorizes the first deposit of \$175 million. When combined with the existing Tax Stabilization Reserve, which has a balance of 2 percent of General Fund spending and can be used only to cover unforeseen year-end deficits, the State's Rainy Day Reserve authorization totals 5 percent of General Fund spending.

The State projects that General Fund reserves will total \$3.0 billion at the end of 2007-08 (5.6 percent of General Fund Spending) with \$1.2 billion in undesignated reserves available to deal with unforeseen contingencies and \$1.8 billion designated for subsequent use.

2007-08 General Fund Estimated Closing Balance (millions of dollars)	
Year-End Fund Balance	<u>3,033</u>
<i>Undesignated Reserves</i>	
Tax Stabilization Reserve Fund	1,227
Rainy Day Reserve Fund	1,031
Contingency Reserve Fund	175
	21
<i>Designated Reserves</i>	
Remaining 2006-07 Surplus	1,806
Debt Reduction Reserve Fund	1,203
Community Projects Fund	250
	353

The \$1.2 billion of undesignated reserves includes a balance of \$1 billion in the Tax Stabilization Reserve, which is at its statutory maximum balance of 2 percent of General Fund spending, \$175 million in the new Rainy Day Reserve, and \$21 million in the Contingency Reserve Fund for litigation risks.

The Enacted Budget reserves another \$1.8 billion designated for future use, including \$1.2 billion remaining from the projected 2006-07 surplus (the Financial Plan projects that the reserve will be used in equal installments in each of the outyears). In addition, \$250 million is set aside for debt reduction and \$353 million is reserved in the Community Projects Fund to finance existing initiatives.

Aside from the amounts noted above, the 2007-08 Enacted Financial Plan does not set aside 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.

Cash Flow Forecast

Current projections continue to show relatively healthy monthly balances through the end of 2007-08. In 2007-08, the General Fund is projected to have quarterly-ending balances of \$4.2 billion in June 2007, \$5.0 billion in September 2007, \$2.4 billion in December 2007, and \$3.1 billion at the end of March 2008. The lowest projected month-end cash flow balance is \$2.4 billion in December 2007. DOB's detailed monthly cash flow projections for 2007-08 are provided later in this section.

OSC invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments through the Short-Term Investment Pool (STIP), which comprises joint custody funds (Governmental Funds, Internal Service Funds, Enterprise Funds and Private Purpose Trust Funds), as well as several sole custody funds including the Tobacco Settlement Fund.

OSC is authorized to make short-term loans from STIP to cover temporary cash shortfalls in certain funds and accounts resulting from the timing of receipts and disbursements. The Legislature authorizes the funds and accounts that may receive loans each year, based on legislation submitted with the Executive Budget. Loans may be granted only for amounts that the Director of the Budget certifies are "receivable on account" or can be repaid from the current operating receipts of the fund (i.e., loans cannot be granted in expectation of future revenue enhancements).

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

	<u>2006-2007 Year-End</u>	<u>Change</u>	<u>2007-2008 Enacted</u>
Opening fund balance	<u>3,257</u>	<u>(212)</u>	<u>3,045</u>
Receipts:			
Taxes:			
Personal income tax	22,939	(54)	22,885
User taxes and fees	8,186	379	8,565
Business taxes	6,468	211	6,679
Other taxes	1,075	60	1,135
Miscellaneous receipts	2,268	217	2,485
Federal grants	151	(92)	59
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,136	1,309	8,445
Sales tax in excess of LGAC debt service	2,093	227	2,320
Real estate taxes in excess of CW/CA debt service	753	(192)	561
All other transfers	310	228	538
Total receipts	<u>51,379</u>	<u>2,293</u>	<u>53,672</u>
Disbursements:			
Grants to local governments	34,302	2,856	37,158
State operations	9,319	301	9,620
General State charges	4,403	127	4,530
Transfers to other funds:			
Debt service	1,906	(327)	1,579
Capital projects	389	(307)	82
Other purposes	1,272	(557)	715
Total disbursements	<u>51,591</u>	<u>2,093</u>	<u>53,684</u>
Change in fund balance	<u>(212)</u>	<u>200</u>	<u>(12)</u>
Closing fund balance	<u>3,045</u>	<u>(12)</u>	<u>3,033</u>
Reserves			
Tax Stabilization Reserve Fund	1,031	0	1,031
Statutory Rainy Day Reserve Fund	0	175	175
Contingency Reserve Fund	21	0	21
Community Projects Fund	278	75	353
Debt Reduction Reserve Fund	0	250	250
2005-2006 Surplus	787	(787)	0
2006-2007 Surplus	1,493	(290)	1,203
2006-2007 Timing Related Transactions	(565)	565	0

Source: NYS DOB

*2006-07 year-end results are preliminary and unaudited.

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

	<u>2007-2008 Enacted</u>	<u>2008-2009 Projected</u>	<u>2009-2010 Projected</u>	<u>2010-2011 Projected</u>
Receipts:				
Taxes:				
Personal income tax	22,885	24,128	25,576	26,979
User taxes and fees	8,565	8,900	9,213	9,539
Business taxes	6,679	6,807	7,113	7,392
Other taxes	1,135	1,211	1,342	1,425
Miscellaneous receipts	2,485	2,054	2,456	2,459
Federal grants	59	59	59	59
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,445	8,765	9,133	9,505
Sales tax in excess of LGAC debt service	2,320	2,363	2,469	2,579
Real estate taxes in excess of CW/CA debt service	561	614	670	672
All other	538	278	227	259
Total receipts	<u>53,672</u>	<u>55,179</u>	<u>58,258</u>	<u>60,868</u>
Disbursements:				
Grants to local governments	37,158	40,951	44,762	48,347
State operations	9,620	9,999	10,398	10,644
General State charges	4,530	4,949	5,342	5,646
Transfers to other funds:				
Debt service	1,579	1,709	1,706	1,740
Capital projects	82	277	489	862
Other purposes	715	865	798	806
Total disbursements	<u>53,684</u>	<u>58,750</u>	<u>63,495</u>	<u>68,045</u>
Deposit to/(use of) Community Projects Fund	<u>75</u>	<u>(65)</u>	<u>(65)</u>	<u>(151)</u>
Deposit to/(use of) Rainy Day Reserve Fund	<u>175</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deposit to/(use of) Debt Reduction Reserve Fund	<u>250</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deposit to/(use of) 2005-06 Surplus	<u>(787)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deposit to/(use of) 2006-07 Surplus	<u>275</u>	<u>(401)</u>	<u>(401)</u>	<u>(401)</u>
Margin	<u>0</u>	<u>(3,105)</u>	<u>(4,771)</u>	<u>(6,625)</u>

Source: NYS DOB

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

	<u>Executive Proposal</u>	<u>Change</u>	<u>Enacted Budget</u>
Opening fund balance	<u>3,607</u>	<u>(562)</u>	<u>3,045</u>
Receipts:			
Taxes:			
Personal income tax	22,258	627	22,885
User taxes and fees	8,633	(68)	8,565
Business taxes	6,333	346	6,679
Other taxes	1,060	75	1,135
Miscellaneous receipts	2,851	(366)	2,485
Federal grants	59	0	59
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,300	145	8,445
Sales tax in excess of LGAC debt service	2,277	43	2,320
Real estate taxes in excess of CW/CA debt service	560	1	561
All other transfers	335	203	538
Total receipts	<u>52,666</u>	<u>1,007</u>	<u>53,673</u>
Disbursements:			
Grants to local governments	36,384	774	37,158
State operations	9,602	18	9,620
General State charges	4,572	(42)	4,530
Transfers to other funds:			
Debt service	1,752	(173)	1,579
Capital projects	255	(173)	82
Other purposes	683	32	715
Total disbursements	<u>53,248</u>	<u>437</u>	<u>53,685</u>
Change in fund balance	<u>(582)</u>	<u>570</u>	<u>(12)</u>
Closing fund balance	<u>3,025</u>	<u>8</u>	<u>3,033</u>
Reserves			
Tax Stabilization Reserve Fund	1,025	6	1,031
Statutory Rainy Day Reserve Fund	175	0	175
Contingency Reserve Fund	21	0	21
Community Projects Fund	351	2	353
Debt Reduction Reserve Fund	250	0	250
2006-2007 Surplus	1,203	0	1,203

Source: NYS DOB

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

	<u>2006-2007</u>	<u>2007-2008</u>	<u>Annual Change</u>
Personal income tax	22,939	22,885	(54)
User taxes and fees	8,186	8,565	379
Sales and use tax	7,539	7,867	328
Cigarette and tobacco taxes	411	447	36
Motor vehicle fees	(16)	0	16
Alcoholic beverages taxes	194	200	6
Alcoholic beverage control license fees	58	51	(7)
Business taxes	6,468	6,679	211
Corporation franchise tax	3,676	3,904	228
Corporation and utilities tax	626	618	(8)
Insurance taxes	1,142	1,176	34
Bank tax	1,024	981	(43)
Other taxes	1,075	1,135	60
Estate tax	1,063	1,114	51
Gift tax	(10)	0	10
Real property gains tax	0	0	0
Pari-mutuel taxes	21	20	(1)
Other taxes	1	1	0
Total taxes	<u>38,668</u>	<u>39,264</u>	<u>596</u>
Miscellaneous receipts	<u>2,268</u>	<u>2,485</u>	<u>217</u>
Federal Grants	<u>151</u>	<u>59</u>	<u>(92)</u>
Total	<u><u>41,087</u></u>	<u><u>41,808</u></u>	<u><u>721</u></u>

Source: NYS DOB

*2006-07 year-end results are preliminary and unaudited.

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

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

Source: NYS DOB

*2006-07 year-end results are preliminary and unaudited.

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	3,045	3,671	(228)	233	6,721
Receipts:					
Taxes	39,264	8,009	2,166	12,521	61,960
Miscellaneous receipts	2,485	13,590	3,501	671	20,247
Federal grants	59	1	0	0	60
Total receipts	<u>41,808</u>	<u>21,600</u>	<u>5,667</u>	<u>13,192</u>	<u>82,267</u>
Disbursements:					
Grants to local governments	37,158	16,545	439	0	54,142
State operations	9,620	5,760	0	61	15,441
General State charges	4,530	614	0	0	5,144
Debt service	0	0	0	4,134	4,134
Capital projects	0	3	4,915	0	4,918
Total disbursements	<u>51,308</u>	<u>22,922</u>	<u>5,354</u>	<u>4,195</u>	<u>83,779</u>
Other financing sources (uses):					
Transfers from other funds	11,864	1,168	293	5,453	18,778
Transfers to other funds	(2,376)	(719)	(934)	(14,411)	(18,440)
Bond and note proceeds	0	0	358	0	358
Net other financing sources (uses)	<u>9,488</u>	<u>449</u>	<u>(283)</u>	<u>(8,958)</u>	<u>696</u>
Change in fund balance	<u>(12)</u>	<u>(873)</u>	<u>30</u>	<u>39</u>	<u>(816)</u>
Closing fund balance	<u>3,033</u>	<u>2,798</u>	<u>(198)</u>	<u>272</u>	<u>5,905</u>

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,798	(198)	272	2,872
Receipts:					
Taxes	41,046	8,684	2,200	13,307	65,237
Miscellaneous receipts	2,054	14,186	3,560	680	20,480
Federal grants	59	1	0	0	60
Total receipts	<u>43,159</u>	<u>22,871</u>	<u>5,760</u>	<u>13,987</u>	<u>85,777</u>
Disbursements:					
Grants to local governments	40,951	17,255	464	0	58,670
State operations	9,999	5,840	0	61	15,900
General State charges	4,949	628	0	0	5,577
Debt service	0	0	0	4,798	4,798
Capital projects	0	3	5,340	0	5,343
Total disbursements	<u>55,899</u>	<u>23,726</u>	<u>5,804</u>	<u>4,859</u>	<u>90,288</u>
Other financing sources (uses):					
Transfers from other funds	12,020	1,304	530	5,734	19,588
Transfers to other funds	(2,851)	(532)	(1,006)	(14,835)	(19,224)
Bond and note proceeds	0	0	545	0	545
Net other financing sources (uses)	<u>9,169</u>	<u>772</u>	<u>69</u>	<u>(9,101)</u>	<u>909</u>
Deposit to/(use of) Community Projects Fund	<u>(65)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(65)</u>
Deposit to/(use of) 2006-07 Surplus	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
Change in fund balance	<u>(3,105)</u>	<u>(83)</u>	<u>25</u>	<u>27</u>	<u>(3,602)</u>
Closing fund balance	<u>(3,105)</u>	<u>2,715</u>	<u>(173)</u>	<u>299</u>	<u>(730)</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	0	2,715	(173)	299	2,841
Receipts:					
Taxes	43,244	9,248	2,246	14,102	68,840
Miscellaneous receipts	2,456	14,005	3,342	682	20,485
Federal grants	59	1	0	0	60
Total receipts	<u>45,759</u>	<u>23,254</u>	<u>5,588</u>	<u>14,784</u>	<u>89,385</u>
Disbursements:					
Grants to local governments	44,762	18,201	466	0	63,429
State operations	10,398	5,794	0	61	16,253
General State charges	5,342	640	0	0	5,982
Debt service	0	0	0	5,250	5,250
Capital projects	0	3	5,297	0	5,300
Total disbursements	<u>60,502</u>	<u>24,638</u>	<u>5,763</u>	<u>5,311</u>	<u>96,214</u>
Other financing sources (uses):					
Transfers from other funds	12,499	1,239	672	5,896	20,306
Transfers to other funds	(2,993)	(419)	(1,103)	(15,365)	(19,880)
Bond and note proceeds	0	0	638	0	638
Net other financing sources (uses)	<u>9,506</u>	<u>820</u>	<u>207</u>	<u>(9,469)</u>	<u>1,064</u>
Deposit to/(use of) Community Projects Fund	<u>(65)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(65)</u>
Deposit to/(use of) 2006-07 Surplus	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
Change in fund balance	<u>(4,771)</u>	<u>(564)</u>	<u>32</u>	<u>4</u>	<u>(5,299)</u>
Closing fund balance	<u>(4,771)</u>	<u>2,151</u>	<u>(141)</u>	<u>303</u>	<u>(2,458)</u>

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,151	(141)	303	2,313
Receipts:					
Taxes	45,335	9,627	2,280	14,782	72,024
Miscellaneous receipts	2,459	14,618	3,068	683	20,828
Federal grants	59	1	0	0	60
Total receipts	<u>47,853</u>	<u>24,246</u>	<u>5,348</u>	<u>15,465</u>	<u>92,912</u>
Disbursements:					
Grants to local governments	48,347	18,932	442	0	67,721
State operations	10,644	5,898	0	61	16,603
General State charges	5,646	647	0	0	6,293
Debt service	0	0	0	5,877	5,877
Capital projects	0	2	4,932	0	4,934
Total disbursements	<u>64,637</u>	<u>25,479</u>	<u>5,374</u>	<u>5,938</u>	<u>101,428</u>
Other financing sources (uses):					
Transfers from other funds	13,015	1,246	918	6,307	21,486
Transfers to other funds	(3,408)	(331)	(1,445)	(15,849)	(21,033)
Bond and note proceeds	0	0	578	0	578
Net other financing sources (uses)	<u>9,607</u>	<u>915</u>	<u>51</u>	<u>(9,542)</u>	<u>1,031</u>
Deposit to/(use of) Community Projects Fund	<u>(151)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(151)</u>
Deposit to/(use of) 2006-07 Surplus	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
Change in fund balance	<u>(6,625)</u>	<u>(318)</u>	<u>25</u>	<u>(15)</u>	<u>(6,933)</u>
Closing fund balance	<u>(6,625)</u>	<u>1,833</u>	<u>(116)</u>	<u>288</u>	<u>(4,620)</u>

Source: NYS DOB

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

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

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

*2006-07 year-end results are preliminary and unaudited.

**The opening balance cash balances, receipts, disbursements, other financing sources, and ending cash balances in the Special Revenue and Capital Projects Fund groups have been adjusted to reflect the reclassification of the Hazardous Waste Remedial Fund from the Special Revenue Fund to the Capital Projects Fund, pursuant to Section 70 of the State Finance Law.

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	3,045	4,007	(432)	233	6,853
Receipts:					
Taxes	39,264	8,009	2,166	12,521	61,960
Miscellaneous receipts	2,485	13,745	3,501	671	20,402
Federal grants	59	35,049	2,020	0	37,128
Total receipts	<u>41,808</u>	<u>56,803</u>	<u>7,687</u>	<u>13,192</u>	<u>119,490</u>
Disbursements:					
Grants to local governments	37,158	47,915	581	0	85,654
State operations	9,620	9,045	0	61	18,726
General State charges	4,530	856	0	0	5,386
Debt service	0	0	0	4,134	4,134
Capital projects	0	4	6,771	0	6,775
Total disbursements	<u>51,308</u>	<u>57,820</u>	<u>7,352</u>	<u>4,195</u>	<u>120,675</u>
Other financing sources (uses):					
Transfers from other funds	11,864	3,666	293	5,453	21,276
Transfers to other funds	(2,376)	(3,573)	(947)	(14,411)	(21,307)
Bond and note proceeds	0	0	358	0	358
Net other financing sources (uses)	<u>9,488</u>	<u>93</u>	<u>(296)</u>	<u>(8,958)</u>	<u>327</u>
Change in fund balance	<u>(12)</u>	<u>(924)</u>	<u>39</u>	<u>39</u>	<u>(858)</u>
Closing fund balance	<u>3,033</u>	<u>3,083</u>	<u>(393)</u>	<u>272</u>	<u>5,995</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	0	3,083	(393)	272	2,962
Receipts:					
Taxes	41,046	8,684	2,200	13,307	65,237
Miscellaneous receipts	2,054	14,334	3,560	680	20,628
Federal grants	59	37,156	2,037	0	39,252
Total receipts	<u>43,159</u>	<u>60,174</u>	<u>7,797</u>	<u>13,987</u>	<u>125,117</u>
Disbursements:					
Grants to local governments	40,951	50,599	630	0	92,180
State operations	9,999	9,139	0	61	19,199
General State charges	4,949	875	0	0	5,824
Debt service	0	0	0	4,798	4,798
Capital projects	0	4	7,189	0	7,193
Total disbursements	<u>55,899</u>	<u>60,617</u>	<u>7,819</u>	<u>4,859</u>	<u>129,194</u>
Other financing sources (uses):					
Transfers from other funds	12,020	3,805	530	5,734	22,089
Transfers to other funds	(2,851)	(3,428)	(1,019)	(14,835)	(22,133)
Bond and note proceeds	0	0	545	0	545
Net other financing sources (uses)	<u>9,169</u>	<u>377</u>	<u>56</u>	<u>(9,101)</u>	<u>501</u>
Deposit to/(use of) Community Projects Fund	<u>(65)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(65)</u>
Deposit to/(use of) 2006-07 Surplus	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
Change in fund balance	<u>(3,105)</u>	<u>(66)</u>	<u>34</u>	<u>27</u>	<u>(3,576)</u>
Closing fund balance	<u>(3,105)</u>	<u>3,017</u>	<u>(359)</u>	<u>299</u>	<u>(614)</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	0	3,017	(359)	299	2,957
Receipts:					
Taxes	43,244	9,248	2,246	14,102	68,840
Miscellaneous receipts	2,456	14,152	3,342	682	20,632
Federal grants	59	38,348	2,024	0	40,431
Total receipts	<u>45,759</u>	<u>61,748</u>	<u>7,612</u>	<u>14,784</u>	<u>129,903</u>
Disbursements:					
Grants to local governments	44,762	52,693	632	0	98,087
State operations	10,398	9,102	0	61	19,561
General State charges	5,342	888	0	0	6,230
Debt service	0	0	0	5,250	5,250
Capital projects	0	4	7,132	0	7,136
Total disbursements	<u>60,502</u>	<u>62,687</u>	<u>7,764</u>	<u>5,311</u>	<u>136,264</u>
Other financing sources (uses):					
Transfers from other funds	12,499	3,737	672	5,896	22,804
Transfers to other funds	(2,993)	(3,351)	(1,117)	(15,365)	(22,826)
Bond and note proceeds	0	0	638	0	638
Net other financing sources (uses)	<u>9,506</u>	<u>386</u>	<u>193</u>	<u>(9,469)</u>	<u>616</u>
Deposit to/(use of) Community Projects Fund	<u>(65)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(65)</u>
Deposit to/(use of) 2006-07 Surplus	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
Change in fund balance	<u>(4,771)</u>	<u>(553)</u>	<u>41</u>	<u>4</u>	<u>(5,279)</u>
Closing fund balance	<u>(4,771)</u>	<u>2,464</u>	<u>(318)</u>	<u>303</u>	<u>(2,322)</u>

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,464	(318)	303	2,449
Receipts:					
Taxes	45,335	9,627	2,280	14,782	72,024
Miscellaneous receipts	2,459	14,762	3,068	683	20,972
Federal grants	59	40,203	2,052	0	42,314
Total receipts	<u>47,853</u>	<u>64,592</u>	<u>7,400</u>	<u>15,465</u>	<u>135,310</u>
Disbursements:					
Grants to local governments	48,347	55,183	608	0	104,138
State operations	10,644	9,282	0	61	19,987
General State charges	5,646	899	0	0	6,545
Debt service	0	0	0	5,877	5,877
Capital projects	0	3	6,771	0	6,774
Total disbursements	<u>64,637</u>	<u>65,367</u>	<u>7,379</u>	<u>5,938</u>	<u>143,321</u>
Other financing sources (uses):					
Transfers from other funds	13,015	3,744	918	6,307	23,984
Transfers to other funds	(3,408)	(3,278)	(1,459)	(15,849)	(23,994)
Bond and note proceeds	0	0	578	0	578
Net other financing sources (uses)	<u>9,607</u>	<u>466</u>	<u>37</u>	<u>(9,542)</u>	<u>568</u>
Deposit to/(use of) Community Projects Fund	<u>(151)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(151)</u>
Deposit to/(use of) 2006-07 Surplus	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
Change in fund balance	<u>(6,625)</u>	<u>(309)</u>	<u>58</u>	<u>(15)</u>	<u>(6,891)</u>
Closing fund balance	<u>(6,625)</u>	<u>2,155</u>	<u>(260)</u>	<u>288</u>	<u>(4,442)</u>

Source: NYS DOB

CASHFLOW
GENERAL FUND
2007-2008
(dollars in millions)

	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
	April	May	June	July	August	September	October	November	December	January	February	March	April	May	June	July	August	September
	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
OPENING BALANCE	3,045	6,990	3,765	4,185	4,380	3,887	5,045	3,469	2,652	2,449	7,465	7,090	3,045					
RECEIPTS:																		
Personal Income Tax	4,012	738	2,345	1,493	1,625	1,954	342	474	906	5,387	1,909	1,700	22,885					
User Taxes and Fees	629	627	877	671	638	889	647	638	927	678	570	774	8,565					
Business Taxes	248	25	1,236	177	136	1,269	167	60	1,271	157	139	1,794	6,679					
Other Taxes	94	95	95	95	96	96	94	94	94	94	94	94	1,135					
Total Taxes	4,983	1,485	4,553	2,436	2,495	4,208	1,250	1,266	3,198	6,316	2,712	4,362	39,264					
Licenses, fees, etc.	64	60	59	140	57	70	57	54	60	54	65	89	829					
Abandoned Property	12	20	35	15	16	48	23	190	55	23	27	220	684					
Reimbursement	21	14	25	19	21	8	8	8	22	4	5	35	200					
Investment income	13	13	12	13	13	12	12	13	12	12	13	14	150					
Other transactions	10	29	139	20	20	39	20	20	39	20	20	246	622					
Total Miscellaneous Receipts	120	135	270	206	124	190	120	285	188	113	130	604	2,485					
Federal Grants	1	1	13	1	1	13	1	1	13	1	0	13	59					
PIT in excess of Revenue Bond Debt Service	1,336	195	859	498	384	936	568	238	790	1,740	143	758	8,445					
Sales Tax in Excess of LGAC Debt Service	184	20	441	199	191	256	194	190	287	204	2	152	2,320					
Real Estate Taxes in Excess of CW/CA Debt Service	64	60	40	40	42	47	42	47	47	42	44	46	561					
All Other	0	0	159	5	1	87	10	6	21	0	0	249	538					
Total Transfers from Other Funds	1,584	275	1,489	742	618	1,326	814	481	1,145	1,986	189	1,205	11,864					
TOTAL RECEIPTS	6,688	1,896	6,335	3,385	3,238	5,737	2,185	2,033	4,544	8,416	3,031	6,184	53,672					
DISBURSEMENTS:																		
School Aid	127	1,817	1,711	96	410	1,549	601	697	1,336	468	846	6,512	16,170					
Higher Education	18	11	228	211	230	87	447	23	198	55	339	541	2,368					
All Other Education	32	98	91	220	93	116	137	86	128	240	141	356	1,738					
Medicaid	856	1,279	738	746	1,030	609	645	598	593	810	763	829	9,496					
Public Health	114	52	16	52	13	31	65	57	36	101	(4)	186	719					
Mental Hygiene	63	78	77	135	81	232	115	74	212	259	165	367	1,858					
Children and Families	47	62	69	88	226	90	93	96	220	88	84	367	1,530					
Temporary & Disability Assistance	139	142	243	156	160	177	156	(143)	176	6	125	56	1,393					
Transportation	0	15	45	0	15	0	0	15	7	0	8	1	106					
All Other	26	47	414	41	53	157	22	61	317	96	65	461	1,760					
Total Local Assistance Grants	1,422	3,601	3,632	1,745	2,311	3,048	2,281	1,564	3,223	2,123	2,532	9,676	37,158					
Personal Service	650	819	605	645	750	587	716	537	381	546	306	167	6,709					
Non-Personal Service	147	224	205	215	249	244	248	222	232	247	243	435	2,911					
Total State Operations	797	1,043	810	860	999	831	964	759	613	793	549	602	9,620					
General State Charges	336	281	1,187	450	310	275	414	277	299	345	150	206	4,530					
Debt Service	48	144	216	43	38	295	32	141	409	4	24	185	1,579					
Capital Projects	33	25	23	53	44	50	41	42	101	90	127	(547)	82					
Other Purposes	107	27	47	39	29	80	29	67	102	45	24	119	715					
Total Transfers to Other Funds	188	196	286	135	111	425	102	250	612	139	175	(243)	2,376					
TOTAL DISBURSEMENTS	2,743	5,121	5,915	3,190	3,731	4,579	3,761	2,850	4,747	3,400	3,406	10,241	53,684					
Excess/(Deficiency) of Receipts over Disbursements	3,945	(3,225)	420	195	(493)	1,158	(1,576)	(817)	(203)	5,016	(375)	(4,057)	(12)					
CLOSING BALANCE	6,990	3,765	4,185	4,380	3,887	5,045	3,469	2,652	2,449	7,465	7,090	3,033	3,033					

Source: NYS DOB

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

	2005-2006 Actuals	2006-2007 Actuals	2007-2008 Projected	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT						
Agriculture and Markets, Department of	85,677	94,967	122,415	132,022	106,183	106,587
Alcoholic Beverage Control	10,286	11,696	12,948	13,287	13,849	13,911
Banking Department	56,278	57,224	60,010	60,798	61,580	62,377
Consumer Protection Board	2,622	2,792	3,055	3,090	3,125	3,159
Economic Development, Department of	225,352	88,458	154,743	412,627	314,556	164,449
Empire State Development Corporation	45,829	169,786	778,720	538,900	335,840	252,981
Energy Research and Development Authority	26,151	28,865	28,623	27,950	27,950	27,950
Housing and Community Renewal, Division of	259,549	272,073	309,562	291,111	276,706	275,759
Insurance Department	124,142	145,590	262,421	262,594	263,718	264,860
Olympic Regional Development Authority	8,550	8,250	14,126	9,009	9,217	9,217
Public Service, Department of	50,453	50,931	56,884	58,427	59,765	61,705
Science, Technology and Academic Research, Office of	61,470	52,054	57,488	48,335	44,403	43,725
University Broadband	2,930	4,840	7,500	8,200	14,000	14,000
Functional Total	959,289	987,526	1,868,495	1,866,350	1,530,892	1,300,680
PARKS AND THE ENVIRONMENT						
Adirondack Park Agency	4,398	4,599	5,731	5,929	5,935	5,942
Environmental Conservation, Department of	816,091	818,004	896,910	875,694	894,001	902,647
Environmental Facilities Corporation	8,034	8,416	11,760	11,815	6,760	6,760
Parks, Recreation and Historic Preservation, Office of	248,425	284,161	272,031	269,640	250,908	242,053
Functional Total	1,076,948	1,115,180	1,186,432	1,163,078	1,157,604	1,157,402
TRANSPORTATION						
Motor Vehicles, Department of	238,186	257,839	288,051	298,568	302,683	337,234
Thruway Authority	1,671	1,775	1,734	1,778	1,822	1,868
Metropolitan Transportation Authority	38,078	0	93,700	188,550	258,700	278,922
Transportation, Department of	5,323,373	5,553,463	6,452,696	6,594,492	6,773,178	6,822,620
Functional Total	5,601,308	5,813,077	6,836,181	7,083,388	7,336,383	7,440,644
HEALTH AND SOCIAL WELFARE						
Advocate for Persons with Disabilities, Office of	18	0	0	0	0	0
Aging, Office for the	185,728	197,862	228,894	237,659	237,604	236,593
Blind, Office for the	0	0	0	0	0	0
Children and Family Services, Office of	3,196,604	2,711,049	2,997,831	3,180,910	3,311,746	3,445,400
Health, Department of	35,203,517	37,706,416	38,480,237	42,217,902	45,771,058	48,739,728
Medical Assistance	30,209,572	32,316,313	32,271,732	35,718,692	39,199,792	42,199,292
Medicaid Administration	575,158	745,398	840,600	859,800	880,200	901,900
All Other	4,418,787	4,644,705	5,367,905	5,639,410	5,691,066	5,638,536
Human Rights, Division of	14,942	16,226	15,166	15,677	15,677	15,677
Labor, Department of	573,213	513,840	583,624	576,803	577,041	574,350
Medicaid Inspector General, Office of	1,049	34,842	81,256	91,816	93,149	94,268
Prevention of Domestic Violence, Office of	1,985	2,315	2,556	2,584	2,584	2,577
Stem Cell Initiatives	0	0	25,000	125,000	50,000	0

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

	2005-2006 Actuals	2006-2007 Actuals	2007-2008 Projected	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected
HEALTH AND SOCIAL WELFARE (Continued)						
Temporary and Disability Assistance, Office of <i>Welfare Assistance</i>	4,391,625	4,458,289	4,686,998	4,636,779	4,636,392	4,636,080
<i>Welfare Administration</i>	2,979,052	3,110,913	3,284,923	3,228,074	3,222,743	3,218,456
<i>All Other</i>	368,537	380,495	377,933	377,933	377,933	377,933
Welfare Inspector General, Office of	1,044,036	966,881	1,024,142	1,030,772	1,030,716	1,039,691
Workers' Compensation Board	1,004	1,074	1,296	1,321	1,347	1,374
Functional Total	43,710,577	45,790,190	47,265,103	51,238,461	54,850,724	57,902,428
MENTAL HEALTH						
Mental Health, Office of	2,199,159	2,335,339	2,520,224	2,692,453	2,830,816	2,894,995
Mental Hygiene, Department of	9,370	8,442	7,800	7,800	7,800	7,800
Mental Retardation and Developmental Disabilities, Office of	2,930,056	3,168,254	3,369,167	3,560,454	3,676,258	3,788,938
Alcohol and Substance Abuse Services, Office of	484,034	521,906	595,007	655,669	704,897	687,400
Developmental Disabilities Planning Council	4,081	4,129	3,621	3,617	3,617	3,617
Quality of Care for the Mentally Disabled, Commission on	12,770	12,605	15,492	15,373	15,424	15,394
Functional Total	5,639,470	6,050,675	6,511,311	6,935,366	7,238,812	7,398,144
PUBLIC PROTECTION						
Capital Defenders Office	4,572	1,558	1,300	1,303	1,309	1,315
Correction, Commission of	2,515	2,621	2,629	2,674	2,674	2,674
Correctional Services, Department of	2,316,062	2,736,338	2,715,169	2,782,450	2,849,374	2,922,707
Crime Victims Board	55,565	60,073	62,709	62,248	62,269	62,294
Criminal Justice Services, Division of	193,492	267,326	254,005	265,162	245,525	235,356
Homeland Security	19,586	29,562	407,925	539,937	347,937	354,184
Investigation, Temporary State Commission of	3,586	3,551	3,929	4,152	4,219	4,242
Judicial Commissions	2,714	2,785	4,785	4,819	4,850	4,884
Military and Naval Affairs, Division of	209,562	401,610	396,929	291,930	146,845	166,777
Parole, Division of	193,231	194,729	205,978	220,361	233,189	250,269
Probation and Correctional Alternatives, Division of	72,254	72,752	74,649	74,702	74,726	73,484
Public Security, Office of	0	0	0	0	0	0
State Police, Division of	598,904	644,506	635,780	676,038	697,900	691,810
Functional Total	3,672,043	4,417,411	4,765,787	4,925,776	4,670,817	4,769,996
EDUCATION						
Arts, Council on the	42,825	49,244	55,766	54,665	54,845	54,826
City University of New York	619,871	1,064,544	1,186,315	1,245,860	1,301,014	1,332,761
Education, Department of	24,250,119	26,662,215	29,354,589	31,295,132	33,706,912	36,355,352
<i>School Aid (includes EXCEL)</i>	18,549,341	20,088,579	21,794,505	23,143,777	25,056,911	27,295,916
<i>STAR Property Tax Relief</i>	3,213,204	3,993,970	4,730,450	5,358,402	5,837,916	6,141,480
<i>Handicapped</i>	1,560,076	1,620,800	1,719,600	1,788,490	1,849,790	1,914,450
<i>All Other</i>	927,498	958,866	1,110,034	1,004,463	962,295	1,003,366
Higher Education Services Corporation	1,018,291	956,737	981,212	975,422	976,822	978,251
State University Construction Fund	10,013	13,157	12,493	12,628	12,756	12,884
State University of New York	4,964,540	5,447,926	5,901,289	5,996,243	6,164,116	6,130,560
Functional Total	30,905,659	34,193,823	37,491,664	39,579,950	42,216,465	44,864,634

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

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
	Actuals	Actuals	Projected	Projected	Projected	Projected
GENERAL GOVERNMENT						
Audit and Control, Department of	225,148	244,078	245,462	247,821	252,679	253,678
Budget, Division of the	37,423	54,817	94,137	109,900	112,400	115,800
Civil Service, Department of	26,391	24,363	23,653	23,857	24,037	24,270
Elections, State Board of	4,206	13,037	90,119	171,199	9,215	99,475
Employee Relations, Office of	3,579	3,852	4,000	4,025	4,062	4,103
Executive Chamber	13,937	14,517	20,320	20,930	21,560	22,200
General Services, Office of	260,359	255,060	234,558	236,355	222,064	233,375
Inspector General, Office of	5,336	5,933	6,908	6,980	7,059	7,127
Law, Department of	182,295	193,461	211,763	213,781	216,561	218,744
Lieutenant Governor, Office of the	348	360	1,378	1,420	1,460	1,500
Lottery, Division of	176,524	164,825	182,527	183,147	187,318	191,393
Racing and Wagering Board, State	13,093	16,899	19,489	19,497	19,967	20,148
Real Property Services, Office of	43,830	47,620	52,570	53,407	54,266	55,154
Regulatory Reform, Governor's Office of	3,661	3,509	3,781	3,825	3,871	3,895
State Labor Relations Board	3,508	3,376	4,077	4,118	4,156	4,198
State, Department of	158,651	148,140	193,507	176,781	155,666	141,851
Tax Appeals, Division of	2,958	3,228	3,233	3,228	3,263	3,298
Taxation and Finance, Department of	341,429	355,452	367,658	364,362	368,490	372,691
Technology, Office for	21,018	19,258	33,856	53,362	81,823	25,221
TSC Lobbying	1,572	2,338	2,314	2,324	2,351	2,370
Veterans Affairs, Division of	13,621	14,117	15,368	15,674	15,774	14,351
Functional Total	1,538,887	1,588,240	1,810,678	1,915,993	1,768,042	1,814,842
ALL OTHER CATEGORIES						
Legislature	210,051	213,118	220,258	223,168	225,841	225,887
Judiciary (excluding fringe benefits)	1,618,170	1,731,791	1,859,488	1,980,944	2,134,111	2,129,205
World Trade Center	38,003	37,020	135,450	82,950	55,500	34,150
Local Government Assistance	1,018,896	1,156,176	943,098	1,323,576	1,363,874	1,419,739
Long-Term Debt Service	3,701,385	4,450,737	4,133,998	4,798,128	5,250,500	5,877,446
General State Charges	4,735,317	5,222,834	5,385,856	5,824,962	6,230,090	6,544,433
Miscellaneous	(84,564)	(85,873)	261,566	251,825	234,109	440,996
Functional Total	11,237,258	12,725,803	12,939,714	14,485,553	15,494,025	16,671,856
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	104,341,439	112,681,925	120,675,365	129,193,915	136,263,764	143,320,626

Source: NYS DOB

GAAP-Basis Financial Plans/GASB Statement 45

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

In 2007-08, the General Fund GAAP Financial Plan shows total revenues of \$45.0 billion, total expenditures of \$55.3 billion, and net other financing sources of \$9.7 billion, resulting in an operating deficit of \$559 million and a projected accumulated surplus of \$1.1 billion. These changes are due primarily to the use of a portion of the prior-and current-year surplus to support 2007-08 operations.

In 2006-07, the General Fund GAAP Financial Plan reflects total revenues of \$43.8 billion, total expenditures of \$51.7 billion, and net other financing sources of \$7.5 billion, resulting in an operating deficit of roughly \$500 million and a projected accumulated surplus of \$1.7 billion. The operating results primarily reflect the 2006-07 cash-basis surplus, offset by the impact of enacted tax reductions on revenue accruals and a partial use of the 2005-06 surplus to support 2006-07 operations.

The GAAP basis results for 2005-06 showed the State in a net positive overall asset condition of \$49.1 billion. The net positive asset condition is before the State reflects the impact of GASB Statement 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions." GASB Statement 45 requires State and local governments to reflect the value of post-employment benefits, predominantly health care, for current employees and retirees beginning with the financial statements for the 2007-08 fiscal year.

The State used an independent actuarial consulting firm to calculate retiree health care liabilities. Assuming there is no pre-funding of this liability, the analysis performed April 1, 2006 indicates that the present value of the actuarial accrued total liability for benefits would be roughly \$49.7 billion (\$41.4 billion for the State and \$8.3 billion for SUNY), using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method. This is the actuarial methodology recommended to be used to implement GASB Statement 45 by OSC.

The actuarial accrued liability was calculated using a 4.155 percent annual discount rate, a payroll growth rate of 3.5 percent annually, an increase of per capita medical costs of 10 percent in 2007-08 declining by 1 percent annually to 5 percent annual growth for 2013-14 and thereafter, and drug costs of 12 percent in 2007-08 declining by 1 percent annually to 5 percent annual growth beginning in 2014-15 and thereafter.

The State's total unfunded liability will be disclosed in the 2007-08 basic financial statements. While the total liability is substantial, GASB rules indicate it may be amortized over a 30-year period; therefore, only the annual amortized liability above the current pay-as-you-go costs would be recognized in the financial statements. Assuming no pre-funding, the 2007-08 liability would total roughly \$3.8 billion under the Frozen Entry Age actuarial cost method amortized based on a level percent of salary, or \$2.8 billion above the current pay-as-you-go retiree costs. This difference between the State's pay-as-you-go costs and the actuarially determined required annual contribution under GASB Statement 45 would reduce the State's currently positive net asset condition.

The current Financial Plan does not assume pre-funding of the GASB 45 liability. The State's Health Insurance Council, which consists of GOER, Civil Service, and DOB will continue to review this

matter, seek input from the State Comptroller, the legislative fiscal committees and outside parties, and provide options for consideration.

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

History and Forecast of New York State Employee Health Insurance (millions of dollars)			
Health Insurance			
Year	Active Employees	Retirees	Total State
2001-02	937	565	1,502
2002-03	1,023	634	1,657
2003-04	1,072	729	1,801
2004-05	1,216	838	2,054
2005-06	1,331	885	2,216
2006-07	1,492	940	2,432
2007-08	1,586	1,007	2,593
2008-09	1,808	1,148	2,956
2009-10	1,972	1,255	3,227
2010-11	2,152	1,373	3,525

All numbers reflect the cost of Health Insurance for General State Charges (Executive and Legislative branches) and the Office of Court Administration; actuals through 2004-05.

DOB’s detailed GAAP Financial Plans for 2006-07 and 2007-08 are provided below.

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

	<u>2006-2007 Results</u>	<u>2007-2008 Enacted</u>	<u>Annual Change</u>
Revenues:			
Taxes:			
Personal income tax	22,919	23,090	171
User taxes and fees	8,042	8,564	522
Business taxes	6,661	6,654	(7)
Other taxes	1,053	1,187	134
Miscellaneous revenues	4,928	5,476	548
Federal grants	151	59	(92)
Total revenues	<u>43,754</u>	<u>45,030</u>	<u>1,276</u>
Expenditures:			
Grants to local governments	36,644	39,346	2,702
State operations	11,336	12,161	825
General State charges	3,670	3,811	141
Debt service	26	0	(26)
Capital projects	0	1	1
Total expenditures	<u>51,676</u>	<u>55,319</u>	<u>3,643</u>
Other financing sources (uses):			
Transfers from other funds	13,115	14,991	1,876
Transfers to other funds	(6,003)	(5,628)	375
Proceeds from financing arrangements/ advance refundings	347	367	20
Net other financing sources (uses)	<u>7,459</u>	<u>9,730</u>	<u>2,271</u>
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	<u>(463)</u>	<u>(559)</u>	<u>(96)</u>
Accumulated Surplus/(Deficit)	<u>1,719</u>	<u>1,160</u>	<u>(559)</u>

Source: NYS DOB

*2006-07 year-end results are preliminary and unaudited.

**GAAP FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
ENACTED BUDGET
2007-2008
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	39,495	7,969	2,167	12,520	62,151
Patient fees	0	0	0	326	326
Miscellaneous revenues	5,476	4,914	311	24	10,725
Federal grants	59	36,766	2,020	0	38,845
Total revenues	<u>45,030</u>	<u>49,649</u>	<u>4,498</u>	<u>12,870</u>	<u>112,047</u>
Expenditures:					
Grants to local governments	39,346	44,593	579	0	84,518
State operations	12,161	1,750	0	61	13,972
General State charges	3,811	335	0	0	4,146
Debt service	0	0	0	3,386	3,386
Capital projects	1	3	6,341	0	6,345
Total expenditures	<u>55,319</u>	<u>46,681</u>	<u>6,920</u>	<u>3,447</u>	<u>112,367</u>
Other financing sources (uses):					
Transfers from other funds	14,991	281	267	5,453	20,992
Transfers to other funds	(5,628)	(3,930)	(962)	(14,838)	(25,358)
Proceeds of general obligation bonds	0	0	358	0	358
Proceeds from financing arrangements/ advance refundings	367	0	2,702	0	3,069
Net other financing sources (uses)	<u>9,730</u>	<u>(3,649)</u>	<u>2,365</u>	<u>(9,385)</u>	<u>(939)</u>
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses					
	<u>(559)</u>	<u>(681)</u>	<u>(57)</u>	<u>38</u>	<u>(1,259)</u>

Source: NYS DOB

Special Considerations

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

In any year, the Financial Plan is subject to risks that, if they were to materialize, could affect operating results. The most significant current risks include the following:

Risks to the U.S. Economic Forecast

Although DOB believes that the Federal Reserve has successfully managed a soft landing and that the U.S. economy will avoid a near-term recession, there is considerable risk to the forecast. As always, the forecast is contingent upon the absence of severe shocks to the economy. Unpredictable events, such as a major terrorist attack, remain the biggest risk to continued economic expansion. Such a shock could impair economic growth in many ways, such as causing a plunge in consumer confidence, the stock market, investment spending by firms, or impairing the transportation of goods and services, or causing a large spike in oil prices. A severe and extended downturn could easily materialize from such shocks.

A more severe-than-anticipated downturn in the housing market could derail the national economy from its predicted path. The additional weakness emanating from the housing and manufacturing sectors could result in lower job and income growth than expected, which in turn would produce lower growth in household spending than implied by the forecast. A more abrupt-than-projected increase in energy prices could reduce the ability of consumers and businesses to spend on non-energy related items. Such cutbacks could make firms behave even more cautiously and reduce business capital spending. Persistently high energy prices also raise the possibility that inflationary expectations could ratchet higher, causing the Federal Reserve Board to revert back to a tightening of monetary policy. Higher interest rates would, in turn, further exacerbate the slowdown and raise the likelihood of a recession.

A sharp reduction in the inflow of foreign funds could produce new inflationary pressures by weakening the U.S. dollar, which might also cause the Federal Reserve to resume tightening. Such a development might also produce an imbalance in the market for U.S. Treasury securities, causing long-term rates to rise higher-than-expected in order to fund the Federal budget deficit. Higher-than-anticipated Federal spending on the Iraq war could have a similar effect. Higher interest rates could, in turn, induce households to increase the personal saving rate, resulting in even further cutbacks in consumer spending. This risk would only be exacerbated by lower-than-expected equity or housing prices, particularly if the anticipated easing of home prices happens suddenly rather than gradually, as expected. Again, lower consumption growth could weaken expected future corporate profits and, in turn, lower employment and investment growth.

On the other hand, lower-than-expected inflation, perhaps as a result of an even greater drop in the price of oil or more modest growth in unit labor costs, possibly due to slower growth in wages or stronger productivity growth, could induce the Federal Reserve to reduce its short-term interest rate target, resulting in stronger consumption and investment growth than projected. A more rapid increase in export growth due to either a weakened dollar or faster global growth could generate a somewhat stronger increase in total output than expected. Moreover, stronger employment growth could result in higher real wages, supporting faster growth in consumer spending than currently anticipated.

Risks to the New York Forecast

In addition to the risks described above for the national forecast, there are risks specific to New York. The chief risk remains another attack targeted at New York City that could once again plunge the State economy into a recession, resulting in substantially lower income and employment growth than is reflected in the current forecast. Higher energy prices and the potential for greater pass-through to core inflation, combined with a tightening labor market, raise the probability that the Federal Reserve could tighten one more time. Such an outcome could negatively affect the financial markets, which would also disproportionately affect the New York State economy. In addition, the State's real estate market could decline more than anticipated, which would negatively affect household consumption and taxable capital gains realizations. These effects could ripple through the economy, affecting both employment and wages.

In contrast, should the national and world economies grow faster than expected, a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities is possible, resulting in higher wage and bonuses growth than projected. It is important to recall that the financial markets, which are so pivotal to the direction of the downstate economy, are notoriously difficult to forecast.

Labor Contracts/Salary Increases

Existing labor contracts with all of the State's major employee unions expired on April 1, 2007 (United University Professionals will expire on July 1, 2007). The Financial Plan does not set aside any reserves for future collective bargaining agreements in 2007-08 or beyond. Each future 1 percent salary increase would cost roughly \$86 million annually in the General Fund and \$134 million in All Funds. The projections do not contain any funding for pay raises for the Judiciary or elected officials.

School Supportive Health Services

The Office of the Inspector General (OIG) of the United States Department of Health and Human Services is conducting six audits of aspects of New York State's School Supportive Health Services program with regard to Medicaid reimbursement. The audits cover \$1.4 billion in claims submitted between 1990 and 2001. To date, OIG has issued four final audit reports, which cover claims submitted by upstate and New York City school districts for speech pathology and transportation services. The final audits recommend that the Centers for Medicare and Medicaid Services (CMS) disallow \$173 million of the \$362 million in claims for upstate speech pathology services, \$17 million of \$72 million for upstate transportation services, \$436 million of the \$551 million in claims submitted for New York City speech pathology services, and \$96 million of the \$123 million for New York City transportation services. New York State disagrees with the audit findings on several grounds and has requested that they be withdrawn.

While CMS has not taken any action with regard to the disallowances recommended by OIG, CMS is deferring 25 percent of New York City claims and 9.7 percent of claims submitted by the rest of the State, pending completion of the audits. Since the State has continued to reimburse school districts for certain costs, these Federal deferrals are projected to drive additional spending that has been reflected in the State's Financial Plan.

Proposed Federal Rule on Medicaid Funding

On January 18, 2007, CMS issued a proposed rule that, if implemented, would significantly curtail Federal Medicaid funding to public hospitals (including New York City's Health and Hospital Corporation (HHC)) and institutions and programs operated by both the State OMRDD and the State OMH.

The rule seeks to restrict State access to Federal Medicaid resources. The provision replacing prospective reimbursement with cost-based methodologies would have the most significant impact on New York's health care system.

The proposed rule could go into effect as soon as September 2007. It is estimated the rule could result in the loss of \$350 million annually in Federal funds for HHC and potentially larger losses in aid for the State Mental Hygiene System.

The states affected by the regulations are expected to challenge their adoption on the basis that CMS is overstepping its authority and ignoring the intent of Congress. In recent years, the Congress has rejected similar proposals in the President's budget.

Video Lottery Terminal Expansion

In developing annual VLT revenue estimates, the State's four-year Financial Plan assumes the approval of an expansion plan sometime in 2007-08, which is expected to provide \$150 million in 2008-09, \$357 million in 2009-10, and \$766 million in 2010-11. Including expansion, VLT revenues are projected to increase by \$476 million in 2008-09, \$286 million in 2009-10, and \$430 million in 2010-11, and are projected to total \$1.1 billion in 2008-09 growing to \$1.8 billion in 2010-11. Additional VLT revenues from the expansion support planned School Aid spending, offsetting General Fund costs. Absent legislative approval for the expansion, General Fund support for School Aid, as well as the estimated General Fund spending gaps, would increase by \$150 million in 2008-09, \$357 million in 2009-10, and \$766 million in 2010-11.

School Aid Database Updates

After enactment of the State Budget, school districts are authorized to submit additional State aid claims for payment in the September following the close of such school year. In some cases, these additional claims have significantly increased the State's liability on a school year basis. Recent database updates increased the State's liability for School Aid by \$222 million (\$176 million net of SED reclassifications) for increases for the 2006-07 school year, \$161 million for 2005-06 and \$119 million for the 2004-05 school year, the vast majority of which was for New York City. If school districts -- particularly New York City -- continue to submit additional claims after enactment of the 2007-08 State Budget, the State will have an increased financial obligation beyond what is currently reflected in the Financial Plan.

STATE OF NEW YORK
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED MARCH 31, 2007

PREPARED BY THE
OFFICE OF THE STATE COMPTROLLER
STATE OF NEW YORK

The Comprehensive Annual Financial Report of the State of New York for the State fiscal year ended March 31, 2007 (FY 2007 CAFR) is hereby included in this Official Statement by cross reference. The Basic Financial Statements and Other Supplementary Information of the State of New York, which are included in the FY 2007 CAFR, were prepared by the State Comptroller in accordance with accounting principles generally accepted in the United States of America (GAAP) and were independently audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Basic Financial Statements and Other Supplementary Information for the fiscal year ended March 31, 2007, which are included in the FY 2007 CAFR, were filed with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR"). An official copy of the Basic Financial Statements and Other Supplementary Information may be obtained by contacting a NRMSIR or the MSRB, or by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236, Tel: (518) 474-4015. An informational copy of the FY 2007 CAFR is available on the Internet at:

[<http://www.osc.state.ny.us/finance/finreports/cafr07.pdf>]