

Update to Annual Information Statement (AIS)

State of New York

November 15, 2007

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

In this AIS Update, readers will find:

1. Extracts from the Mid-Year Update to the 2007-08 Financial Plan (the "Updated Financial Plan"), which the Division of the Budget ("DOB") issued on October 30, 2007. The Updated Financial Plan is available at the DOB website, www.budget.state.ny.us, and includes:
 - (a) revised Financial Plan projections for fiscal years 2007-08 through 2010-11,
 - (b) operating results for the first half of fiscal year 2007-08,
 - (c) an updated economic forecast,
 - (d) the Generally Accepted Accounting Principles (GAAP)-basis Financial Plan projections for 2007-08, and
 - (e) a summary on debt and capital management.
2. A discussion of special considerations related to the State Financial Plan for fiscal year 2007-08.
3. A summary of GAAP-basis results for the 2006-07 fiscal year (the full statements are available on the State Comptroller's website, www.osc.state.ny.us). This information is reprinted from the First Quarterly Update as a convenience to the reader and includes no new information since that time.
4. Updated information regarding the State Retirement Systems.
5. Updated information on the activities of public authorities and localities.
6. The status of significant litigation that has the potential to adversely affect the State's finances.

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

During the current fiscal year, the Governor, the State Comptroller, State legislators, and others may issue statements or reports that contain predictions, projections or other information relating to the State's financial condition, including potential operating results for the current fiscal year and projected baseline gaps for future fiscal years that may vary materially from the information provided in the AIS. Investors and other

market participants should, however, refer to the AIS, as revised, updated, or supplemented, for the most current official information regarding the financial condition of the State.

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

Usage Notice

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

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

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Update to the 2007-08 Financial Plan ---

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

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

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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

2007-08 UPDATED FINANCIAL PLAN EXTRACTS

Overview of Financial Plan Revisions

Consistent with the First Quarterly Update, DOB projects that the General Fund will remain in balance in the current year, but has increased its estimate of the 2008-09 General Fund current services budget gap from \$3.6 billion to \$4.3 billion, an increase of \$651 million from the First Quarterly Update and an overall increase of \$1.2 billion from the initial \$3.1 billion gap projected at the time of the 2007-08 Enacted Budget Financial Plan. The higher budget gap estimate primarily reflects DOB's estimate of the impact of the current financial market turbulence on receipts and will be revised as more data become available. DOB is also now projecting a budget gap of \$6.2 billion in 2009-10 and \$7.9 billion in 2010-11.

The national economic slowdown is having a significant impact on the State economy, which is now growing more slowly than DOB had forecast at the time of the First Quarterly Update. The State slowdown is likely to last at least through the end of 2008, but is not expected to turn into a recession. The downstate economy stands to be disproportionately affected by falling financial sector profits or a much prolonged period of credit market turmoil.

The economic weakness is expected to have a direct effect on State revenues over the Updated Financial Plan forecast horizon. In particular, the financial firms most affected by the credit dislocation in the subprime housing market have begun posting large losses for the third quarter, leading DOB to lower its forecast for finance and insurance sector wages from the First Quarterly Update.

As a consequence of the economic revisions, DOB has lowered its General Fund tax revenue forecast by roughly \$700 million (\$609 million in total overall receipts) in the current year, \$800 million in 2008-09, and roughly \$1 billion in the later years of the Updated Financial Plan. In addition, the Updated Financial Plan projections have been adjusted to include a reserve for potential collective bargaining agreements and other risks. Substantial savings in Medicaid compared to the projections in the First Quarterly Update, along with the use of a small portion of reserves, help the General Fund to remain in balance in the current year, but are not sufficient to cover the combination of downward revenue revisions and other spending changes in 2008-09 and beyond. The Governor will propose a balanced Executive Budget in January 2008 that will address the 2008-09 gap.

Summary of 2007-08 General Fund Financial Plan Revisions

Since the 2007-08 First Quarterly Update, DOB has revised its revenue and spending estimates based on operating results through the first half of the 2007-08 fiscal year and a review of factors affecting the long-term current services forecast. In addition, the Legislature passed and the Governor approved several bills that amend existing law and have fiscal implications for 2007-08 and beyond. The revisions result in net General Fund costs in 2007-08 of \$33 million, which will be covered by existing reserves.

General Fund Operating Forecast for 2007-08 Changes Since the First Quarterly Update Savings/(Costs) (millions of dollars)	
First Quarter Surplus/(Gap) Estimate	0
Revenue Revisions	(609)
Spending Revisions	580
Legislative Session Changes	(4)
Use of Prior Year Reserves	33
CURRENT BUDGET SURPLUS/(GAP) ESTIMATE	<u>0</u>
Net Change From First Quarter	<u>0</u>

The downward revenue revisions primarily reflect slower growth in personal income taxes due to a projected decline in the growth of financial service bonus income. The projected decline in revenues in the current year is largely offset by lower than expected spending, primarily in Medicaid (\$556 million). The significant reduction in projected Medicaid spending reflects lower caseloads, which has slowed utilization of services across all major categories and reduced State costs associated with the takeover of local government Medicaid costs, as well as greater than expected anti-fraud savings.

In addition, the Updated Financial Plan reflects the use of \$250 million in designated reserves to reduce high cost debt. This use of the Debt Reduction Reserve is projected to reduce long-term debt service costs by \$380 million.

The State workforce is expected to total 199,429 positions across All Funds in 2007-08, an increase of approximately 1,041 positions from the estimate contained in the First Quarterly Update, due to staffing increases in the State University of New York (SUNY) and the conversion of seasonal positions to full-time staff in the Department of Environmental Conservation (DEC).

Summary of Multi-Year General Fund Financial Plan Revisions

The following table summarizes the 2008-09 through 2010-11 General Fund impact of the revisions to the First Quarterly Update.

Summary of Changes to General Fund Forecast for 2008-09 through 2010-11			
Savings/(Costs)			
(millions of dollars)			
	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
First Quarter Surplus/(Gap) Estimate	(3,614)	(5,331)	(6,713)
Revenue Revisions	(602)	(863)	(886)
Spending Revisions	385	464	126
Legislative Session Changes (Since Last Update)	(29)	(43)	(53)
Set Aside Reserves for Likely Risks	(405)	(405)	(405)
CURRENT BUDGET SURPLUS/(GAP) ESTIMATE	<u>(4,265)</u>	<u>(6,178)</u>	<u>(7,931)</u>
Net Change From First Quarter	(651)	(847)	(1,218)

DOB has lowered its revenue projections for 2008-09 through 2010-11 based on an analysis of recent trends, including slower growth in financial services bonuses, lower receipts from law changes made in the Enacted Budget, and delays in the enforcement of provisions governing the taxation of various products sold by Native Americans.

General Fund spending over the forecast period has been lowered, partially offsetting this decline in receipts, primarily to reflect lower Medicaid costs based on a revised forecast of Medicaid caseload and utilization.

Legislative session changes approved since the First Quarterly Update result in modest cost increases. These include a higher shelter allowance payment to public housing authorities for public assistance recipients and the State payment of the employee pension contribution for certain SUNY and City University of New York (CUNY) employees.

Finally, the outyears in the Updated Financial Plan projections have been revised to set aside roughly \$1.2 billion of existing reserves to guard against likely multi-year risks, including collective bargaining costs, rather than using them to lower the current-services budget gaps.

As a result of these revisions, the estimate of the 2008-09 General Fund budget gap has been increased from \$3.6 billion to \$4.3 billion, and the outyear gaps are now in the range of \$6.2 billion in 2009-10 growing to \$7.9 billion in 2010-11.

Updated 2007-08 Spending Estimates

Total Disbursements (millions of dollars)						
	2006-07 Actuals	2007-08 First Quarter	2007-08 Current	Annual \$ Change	Annual % Change	\$ Change from First Quarter
State Operating Funds	73,489	78,661	77,936	4,447	6.1%	(725)
General Fund *	48,024	51,417	50,838	2,814	5.9%	(579)
Other State Funds	20,970	23,056	22,741	1,771	8.4%	(315)
Debt Services Funds	4,495	4,188	4,357	(138)	-3.1%	169
Capital Projects Funds	5,559	6,916	6,733	1,174	21.1%	(183)
Federal Operating Funds	33,716	34,818	33,934	218	0.6%	(884)
All Funds	112,764	120,395	118,603	5,839	5.2%	(1,792)

*Excludes transfers.

State Operating Funds spending, which excludes Federal operating aid and capital spending, is projected to grow by \$4.4 billion (6.1 percent) from 2006-07 levels. This growth primarily reflects increases in local aid to public schools, an expanded School Tax Relief (STAR) program, and support for transportation, mental hygiene and children and family services programs, as well as roughly \$900 million for agency operational costs (including fringe benefit costs).

Capital Projects Funds spending, which includes Federal and State support, is expected to increase by \$1.2 billion or 21.1 percent over the prior year results, which is in part a result of spending on various projects delayed from 2006-07. This reflects spending reported in actual cash-basis reports, and additional information on “off-budget” capital spending is provided later in this AIS Update.

All Governmental Funds¹ spending, which includes Federal aid, is now estimated at \$118.6 billion in 2007-08, an increase of \$5.8 billion (5.2 percent) from 2006-07.

General Fund Closing Balance

DOB projects the State will end the 2007-08 fiscal year with a General Fund balance of \$2.8 billion (5.1 percent of spending). The balance consists of \$1.2 billion in undesignated reserves and \$1.5 billion in reserves designated to finance existing or planned commitments. The projected closing balance is \$283 million lower than the balance projected at the time of the 2007-08 First Quarterly Update due to the planned use of the \$250 million Debt Reduction Reserve and the use of \$33 million from prior year reserves to cover higher costs.

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

General Fund Estimated Closing Balance			
(millions of dollars)			
	2007-08 First Quarter Estimate	2007-08 Current Estimate	Change
Projected Year-End Fund Balance	3,046	2,763	(283)
<i>Undesignated Reserves</i>	<u>1,227</u>	<u>1,227</u>	<u>0</u>
Tax Stabilization Reserve Fund	1,031	1,031	0
Rainy Day Reserve Fund	175	175	0
Contingency Reserve Fund	21	21	0
<i>Designated Reserves</i>	<u>1,819</u>	<u>1,536</u>	<u>(283)</u>
Debt Reduction Reserve Fund	250	0	(250)
Reserve for Likely Risks	1,215	1,182	(33)
Community Projects Fund	354	354	0

The undesignated reserves include \$1.0 billion in the State's Tax Stabilization Reserve, which is close to 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 maximum balance of 3 percent of General Fund spending and may be used to respond to an economic downturn or catastrophic event.

The designated reserves include \$354 million in the Community Projects Fund to finance existing "member item" initiatives for the Legislature, and \$1.2 billion remaining from prior year reserves that is designated for potential collective bargaining agreements and other risks.

Multi-Year Financial Plan Projections

This section provides a summary and description of the multi-year General Fund projections and substantive changes since the First Quarterly Update; a "zero-based" summary of the current services 2008-09 budgetary gap; an updated economic forecast; and detailed projections and major assumptions for receipts and disbursements. The receipts forecast describes estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds. The spending projections summarize the annual growth in each of the State's major areas of spending (e.g., Medicaid, school aid, mental hygiene). The table below provides a summary of the changes since the First Quarterly Update.

Summary of Changes to General Fund Forecast for 2008-09 through 2010-11			
Savings/(Costs)			
(millions of dollars)			
	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
First Quarter Surplus/(Gap) Estimate	(3,614)	(5,331)	(6,713)
Revenue Revisions	(602)	(863)	(886)
Spending Revisions	385	464	126
Legislative Session Changes (Since Last Update)	(29)	(43)	(53)
Set Aside Reserves for Likely Risks	(405)	(405)	(405)
CURRENT BUDGET SURPLUS/(GAP) ESTIMATE	<u>(4,265)</u>	<u>(6,178)</u>	<u>(7,931)</u>
Net Change From First Quarter	(651)	(847)	(1,218)

General Fund Revisions since the First Quarterly Update

The following tables summarize the 2007-08 through 2010-11 General Fund impact of revisions to the First Quarterly Update, followed by detailed descriptions of the changes.

General Fund Financial Plan Changes - Revenue Reestimates Since the First Quarterly Update				
Savings/(Costs)				
(millions of dollars)				
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Revenue Re-estimates	<u>(609)</u>	<u>(602)</u>	<u>(863)</u>	<u>(886)</u>
Personal Income Tax	(500)	(650)	(750)	(850)
Corporate Franchise Tax	(229)	(38)	(59)	(39)
Sales Tax	0	(135)	(155)	(163)
Bank Tax	50	0	0	0
State pick-up of Monroe Co. sales tax (partly offset by full Medicaid cost pick-up)	39	159	162	165
Delayed Native American Collections (Cigarette and Sales Taxes)	(39)	(19)	(19)	(19)
Debt Service	61	57	36	30
All Other	9	24	(78)	(10)

Revenue Re-estimates:

- **Tax Revenues.** The downward revisions primarily reflect DOB’s revised economic forecast. A detailed explanation of DOB’s revised economic forecast begins on page 24, and the specific tax and receipts forecast begins on page 45.
- **Monroe County Sales Tax.** Legislation enacted in 2005 capped the growth in local government costs for Medicaid and included an option for counties to continue the cap or to pay to the State a certain percentage of their local sales and use tax revenues. The sales tax intercept election had to be made by September 2007. Monroe County has elected this option, and as a result, the State’s miscellaneous receipts have been increased to reflect the receipts from Monroe County effective January 1, 2008.
- **Native American Collections.** Reflects the delayed collection of cigarette and sales tax from the enforcement of the statutes regarding the imposition of the excise, sales and the petroleum business tax collected on sales of motor fuel and cigarettes to non-Indians on Indian reservations.
- **Debt Service.** The downward revision to debt service estimates primarily reflects delays in bond sales, mainly due to slower than expected requests for reimbursement of local school construction costs via the Expanding our Children’s Education and Learning (EXCEL) program, as well as refunding savings and reduced issuance costs.
- **All Other.** The remaining changes include additional receipts from the New York Power Authority related to the costs of the Power for Jobs program; a technical correction to remove revenue projections contained in the initial Financial Plan for the proposed implementation of speed enforcement cameras to improve workzone safety that were expected to generate excess revenue available to the General Fund, but were not authorized in the final budget; and technical adjustments to miscellaneous receipts in 2009-10.

Spending Re-estimates:

General Fund Financial Plan Changes - Spending Reestimates Since the First Quarterly Update				
Savings/(Costs)				
(millions of dollars)				
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Spending Re-estimates	<u>580</u>	<u>385</u>	<u>464</u>	<u>126</u>
Medicaid: lower caseload; anti-fraud; Medicare Part D; Federal delays	556	631	862	1,024
School Aid: preliminary database update; lower VLT/lottery revenues	(74)	(252)	(312)	(773)
CUNY: fringe benefit costs; increases for senior college aid; NPS costs	54	(85)	(93)	(125)
GSC: savings primarily due to lower pension and health insurance rates	29	176	208	252
OMRDD: primarily due to a rate change, which reduces PIA revenue	0	(62)	(58)	(60)
Debt Service: use \$250 M to defease high cost debt; other adjustments *	27	16	16	18
All Other	(12)	(39)	(159)	(210)

* Reserves previously set aside for debt reduction purposes (\$250 million) in the General Fund will be transferred to the Debt Service Funds to defease high cost debt. This transfer appears as spending from the General Fund, but is fully financed by the designated reserve.

- **Medicaid (including administrative costs).** Reflects a downward revision to projected Medicaid costs in 2007-08 and beyond primarily due to lower than anticipated costs through the first half of the fiscal year related to lower caseload and service utilization across all categories of service (nursing homes, hospitals, clinics, managed care, home care, and pharmacy). Caseload is about 280,000 below expectations, and is nearly 40,000 individuals (or 1 percent) below 2006-07 levels. This reduction also results in lower State costs associated with the State takeover of local government costs above the Medicaid cap. In addition, revisions to Medicaid costs include:
 - Savings totaling roughly \$100 million for several new initiatives and rate changes included in the Enacted Budget that are now expected to occur in 2008-09 as a result of the timing of Federal approval to implement these changes. These changes include increased payments to hospitals and nursing homes.
 - An additional \$75 million in savings in 2007-08 from higher than anticipated cost avoidance resulting from ongoing anti-fraud activities.
 - Lower than anticipated spending in Medicare Part D wrap-around coverage and clawback payments to the Federal government. Wrap-around coverage costs (i.e., State-financed coverage of gaps in Federal insurance) have decreased in large part due to ongoing public education and outreach regarding the Medicare Part D program, which results in more individuals selecting plans that match their needs and a corresponding decrease in the need for the State to assume the cost of uncovered drugs.
 - Other changes include additional projected costs resulting from an adjustment to Federal claims related to legal immigrants which were inadvertently submitted for Federal reimbursement (roughly \$100 million); the decision by Monroe County to elect the Medicaid sales tax intercept option for payment of its share of Medicaid expenses effective January 1, 2008 (\$40 million in 2007-08 growing to approximately \$170 million in 2010-11); and lower collections from the 6 percent reimbursable assessment on nursing home revenues used to lower General Fund Medicaid costs in 2007-08 based on experience to date, followed by a projected upward revision beginning in 2008-09.
- **School Aid.** Under the process for school aid database updates, additional claims are submitted by school districts to the State Education Department (SED). While the next complete database update will not be known until mid-November, a preliminary estimate, consistent with recent history, is that there will be a net increase in school aid claims. Estimated General Fund school aid spending has also been increased to compensate for lower ongoing Medicaid reimbursements to school districts associated with health care related costs. In addition, General Fund support for school aid is increased to cover lower than expected lottery revenues. The lottery revisions result from poorer-than-expected performance at Yonkers; a delay in the anticipated opening date for the Belmont facility, as negotiations continue with the Legislature on a host of racing issues; reduced expansion of the video lottery terminals (VLT) facilities; and a general lottery revision resulting from the lower than expected performance of new instant games offered in 2007-08.
- **CUNY.** Growth in spending for CUNY operating costs primarily reflects a correction for actual growth in fringe benefit costs, collective bargaining and inflationary increases for mandatory costs, including utilities and building rentals.

- **General State Charges.** Pension costs are expected to increase by \$70 million in 2008-09 to reflect large reconciliation charges, offset by a reduction in the estimated pension contribution rate from 9.6 percent to 9.0 percent. In 2009-10 and 2010-11, the estimated pension contribution rate has also been lowered from 9.2 percent to 9 percent as well, resulting in a decrease of roughly \$28 million in estimated pension costs in those years. Projected growth in health insurance costs for State employees and retirees have also been reduced by \$130 million in 2008-09, \$178 million in 2009-10 and \$218 million in 2010-11, due to a lower than expected increase in health insurance rates, which now assume premium increases of roughly 9.5 percent compared to roughly 10 percent previously.
- **Office of Mental Retardation and Developmental Disabilities (OMRDD).** Reflects a decline in available patient income revenue used to lower General Fund costs resulting from a required rate methodology change effective April 1, 2008 for case management service payments made through the Medicaid Service Coordination program.
- **Debt Service.** Reflects the use of \$250 million of dedicated reserves to reduce high cost State debt. Based on accounting rules, the use of the reserves to reduce debt is reflected as increased debt service costs in 2007-08, and will also lower overall reserves by a like amount. The elimination of high cost debt is projected to reduce overall future debt service costs by \$380 million.

The remaining changes include additional costs for the National Guard due to ongoing heightened alert status (“Orange Alert”) and other activities; expected growth in local child welfare claims and spending for adult protective services and programs providing services to victims of domestic violence; a revision to the estimated cost-of-living increase for certain human service workers approved in 2005-06 has been adjusted across several agencies in response to inflationary increases resulting in a higher cost basis; additional aid for non-public schools to comply with State attendance-taking requirements; higher costs expected for the Judiciary in 2010-11; additional growth in correctional services costs beginning in 2009-10 for pharmaceuticals and expenses resulting from compliance with new special housing unit requirements for seriously mentally ill inmates; and other revisions across most agencies based on a review of recent spending experience, including rising fuel prices and increasing costs for real property and equipment leases.

Legislative Session Changes:

Since the release of the First Quarterly Update, several bills passed by the Legislature with a fiscal impact were approved by the Governor, as summarized below.

General Fund Financial Plan Changes - Legislative Session				
Savings/(Costs)				
(millions of dollars)				
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Legislative Session Changes	(4)	(29)	(43)	(53)
Increased payments to public housing authorities	(1)	(6)	(14)	(19)
State Pick-up of SUNY/CUNY 3% employee pension contribution	0	(5)	(12)	(18)
Develop rules and regulations on case limits for law guardians	0	(10)	(10)	(10)
Increase max. service credit for certain Tier 2 PFRS members	0	(3)	(3)	(3)
Reimburse for resident chambers of court of appeals judges	(1)	(1)	(1)	(1)
Increase adult day health care reimbursement for certain programs	(1)	(1)	0	0
All other legislative changes	(1)	(3)	(3)	(2)

- **Increased Payments to Public Housing Authorities.** Increases the shelter allowance for public assistance recipients residing in public housing authority developments throughout the State so that such allowances are on par with those paid to private landlords (currently \$400 for a family of three in New York City).
- **SUNY/CUNY Employee Pension Contribution.** Reflects payment by the State of the required employee pension contributions for SUNY and CUNY employees who are members of the Optional Retirement Program and who have ten years or more of program membership.
- **Rules and Regulations for Law Guardians.** The Law Guardian program assigns individuals to safeguard the legal rights of children who otherwise would not have representation. New regulations for this program are expected to set limits on the maximum caseload allowed per Legal Guardian, which is expected to result in the need for additional law guardians.
- **Service Credit for Police and Fire Retirement members.** Increases the maximum service retirement benefit from 30 to 32 years for all Tier 2 police officers and firefighters in the New York State and Local Police and Fire Retirement system.
- **Resident Chambers Reimbursement.** The State will now reimburse counties for the full cost of providing judges' chambers near the home residences of Judges of the Court of Appeals. The judges on the Court of Appeals maintain local offices when the court is not in session.
- **Adult Day Health Care Reimbursement.** Reflects changes in the reimbursement rate method for Adult Day Health Care programs that reached occupancy rates of 90 percent or more prior to 2004. Specifically, the legislation replaces the cost-basis methodology for reimbursement with set rates.
- **All Other.** Reflects the budgetary costs of numerous bills including an extension of the Office of Homeland Security's review of aviation fuel facilities and pipelines; the creation of an Invasive Species Task Force; a required Dairy Hauling Study; the creation of a Canal Mitigation Task Force to study and recommend improvements for flood management and mitigation; a study of the Alcohol and Beverage Control Law; the development and maintenance of a list of providers certified to counsel and treat chemically dependent persons; the creation of an Environmental Protection Fund database to report quarterly on projects and spending; the

creation of the Gold Star Annuity program to provide \$500 recurring annuities to parents of armed forces members who are killed on active duty or die from a service-related disability; and new public health programs to increase awareness of umbilical cord banking, minimize food-borne illness breakouts through safe food handling measures, expand testing and treatment options for sexual assault victims, and extend the Safe Patient Handling Demonstration program through October 2009.

Set Aside Reserves for Likely Risks:

The State has roughly \$1.2 billion in prior year reserves that are now planned to be set aside to fund multi-year costs associated with potential collective bargaining agreements and other risks. Previously, these reserves were planned to be used to lower outyear gaps in three equal installments beginning in 2008-09.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Summary of Current Services 2008-09 Budget Gap

The State is projected to move from a balanced budget in 2007-08 to a gap of \$4.3 billion in 2008-09 because projected current services spending growth of \$5.5 billion is projected to outpace the estimated growth in net revenues of \$1.5 billion. Also, a net of \$219 million in reserves that were used to support costs in 2007-08 are no longer available in 2008-09. The following chart provides a "zero-based" look at the causes of the 2008-09 General Fund budget gap, followed by a brief summary of the assumptions behind the projections. A detailed explanation of the assumptions underlying both the outyear revenue and spending projections appears later in this section.

2008-09 General Fund Annual Change	
Savings/(Costs)	
(millions of dollars)	
RECEIPTS	<u>1,464</u>
Base Tax Law Growth	2,896
Existing Tax Law Changes/Revaluation of Tax Actions	149
Change in Audit Collections	250
Change in STAR Tax Cuts/Rebates	(628)
Change in Debt Service	(336)
Miscellaneous Receipts/Federal Grants	(408)
Transfers from Other Funds (primarily non-recurring fund sweeps)	(295)
All Other	(164)
DISBURSEMENTS	<u>(5,510)</u>
Local Assistance	<u>(4,569)</u>
Medicaid	<u>(1,979)</u>
<i>Base Program Growth</i>	(1,655)
<i>Change in HCRA/Provider Assessment Financing</i>	(324)
School Aid	(1,560)
Local Government Assistance	(369)
Mental Hygiene	(243)
Children and Family Services	(182)
All Other Local Assistance	(236)
State Operations	(436)
Personal Service	(268)
Non-personal Service	(168)
General State Charges	(312)
Health Insurance	(206)
Pensions	(70)
All Other	(36)
Transfers to Other Funds	(193)
Debt Service	(136)
Capital Projects	(340)
All Other	283
Change in Reserves (net)	(219)
CURRENT SERVICES BUDGET GAP FOR 2008-09	(4,265)

General Fund Multi-Year Financial Plan Projections

The multi-year current services spending estimates are based on projected agency staffing levels, program caseloads, formulas contained in State and Federal law, inflation and other factors. The factors that affect spending estimates vary by program. For example, welfare spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends, projected economic conditions, and changes in Federal law. In Correctional Services, spending estimates are based in part on estimates of the State's prison population, which in turn depend on forecasts of incarceration rates, release rates, and conviction rates. All projections account for the timing of payments, since not all the amounts appropriated in the Enacted Budget are disbursed in the same fiscal year. The major assumptions used in preparing the spending projections for the State's major programs and activities are summarized in the tables presented in the following section.

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

The revisions to receipt and spending estimates since the First Quarterly Update have no significant impact on the General Fund balance in 2007-08. However, the projected outyear gaps have been increased to \$4.3 billion in 2008-09, \$6.2 billion in 2009-10, and \$7.9 billion in 2010-11.

The following table summarizes the Updated Financial Plan projections for 2007-08 through 2010-11, as well as the budget gaps and changes in reserves, followed by detailed information on the significant spending increases by major program areas including State operations and fringe benefit costs.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Mid-Year Update Projections - General Fund				
(millions of dollars)				
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Receipts				
Taxes	38,805	40,624	42,809	45,025
Miscellaneous Receipts	2,444	2,052	2,163	2,233
Federal Grants	71	55	55	55
Transfers from Other Funds	<u>12,067</u>	<u>12,120</u>	<u>12,530</u>	<u>13,165</u>
PIT in excess of Revenue Bond debt service	8,445	8,793	9,152	9,641
Sales tax in excess of LGAC debt service	2,305	2,327	2,425	2,534
Real estate taxes in excess of CW/CA debt service	636	614	595	598
All Other	681	386	358	392
Total Receipts	<u>53,387</u>	<u>54,851</u>	<u>57,557</u>	<u>60,478</u>
Disbursements				
Grants to Local Governments	36,763	41,332	45,156	48,909
State Operations	9,579	10,015	10,415	10,729
General State Charges	4,496	4,808	5,097	5,386
Transfers to Other Funds	<u>2,831</u>	<u>3,024</u>	<u>3,129</u>	<u>3,536</u>
Debt Service	1,551	1,687	1,676	1,703
Capital Projects	112	452	561	966
Other Purposes	1,168	885	892	867
Total Disbursements	<u>53,669</u>	<u>59,179</u>	<u>63,797</u>	<u>68,560</u>
Change in Reserves				
Rainy Day Reserve Fund	175	0	0	0
Community Projects Fund	76	(63)	(62)	(151)
Prior Year Reserves	(512)	0	0	0
Decrease in Reserves from Current Year Operations	<u>(21)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deposit to/(Use of) Reserves	<u>(282)</u>	<u>(63)</u>	<u>(62)</u>	<u>(151)</u>
Revised Budget Surplus/(Gap) Estimate	<u>0</u>	<u>(4,265)</u>	<u>(6,178)</u>	<u>(7,931)</u>

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

Economic Forecast

The National Economy

The U.S. economy continues to lose momentum. The current forecast continues the downward revision to the DOB economic forecast which began in the First Quarterly Update. Large declines in residential construction and reduced demand for autos and housing related durable goods, combined with past energy price and interest rate increases, have generated a significant drag on economic growth. As a result, labor market growth has decelerated significantly since the early part of this year. In addition, rising borrowing costs and the uncertainty associated with the still unfolding subprime mortgage crisis have substantially increased financial market volatility. Although a substantial volume of subprime-related losses were revealed in the third quarter, the full extent of the damage remains to be seen. The credit crunch resulting from subprime lending stresses has adversely impacted related financial activities such as the leveraged buy-out market. In fact, activity in the collateralized debt obligation market has stalled since August. The totality of the summer's developments moved the Federal Reserve to lower its short-term interest rate target 50 basis points to 4.75 percent at its September 18, 2007 meeting.

On the positive side, robust global growth and a weak dollar have produced strong demand for U.S. exports. Moreover, prices outside of the volatile food and energy sectors are expected to remain relatively stable, giving the Federal Reserve more flexibility in the face of a more significant slowdown. Growth is expected to bottom out below 2 percent during the fourth quarter, but gradually rebound to the economy's long-term trend rate over the course of 2008. DOB projects growth of 2.5 percent for 2008, following growth of only 2.0 percent for 2007. Slower growth is expected to be one force keeping consumer price inflation in check. Inflation of 2.4 percent is projected for 2008, following 2.7 percent for 2007. Though the risk of a recession is judged to have increased since July, DOB is not forecasting a recession at this time.

DOB's outlook calls for a return to long-term trend growth by the end of 2008 and a stable monetary policy stance through the end of 2009. However, there are a number of risks to the forecast. Should the housing market contraction be even deeper than reflected in the current forecast, the slowdown in U.S. economic growth could last longer than anticipated. A resurgence in the growth in energy and food prices could serve to unanchor 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 likely induce the Federal Reserve to raise its short-term interest rate target, resulting in weaker profits and equity prices, further delaying the recovery of the housing market and lowering economic growth. DOB's outlook assumes that the toll taken on financial markets and the profits of financial firms by the turbulence in the subprime mortgage market was largely concentrated in the third quarter. However, increased interest rate and equity market volatility could increase the risks originating from that source. 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.

The New York State Economy

The national economic slowdown has had a significant impact on the New York State economy. The State's slowdown is expected to last at least through the end of 2008. But there is evidence that the impact of the current slowdown is being felt quite variably across the State's regions. Because of New York City's position as a financial market capital, the downstate economy stands to be disproportionately affected by falling financial sector profits or a prolonged period of credit market turmoil. The residential housing contraction has had a notable impact on Long Island and the Hudson Valley, while auto sector weakness has been felt largely in the western part of the State. In the meantime, New York City's commercial real estate sector still appears strong, and the large education and health sectors are expected to remain healthy. Finally, tourism is expected to be bolstered by the weak dollar, particularly in New York City and those areas bordering Canada.

The extent to which credit tightening actually dampens important revenue generating activity within the finance sector, such as high-yield lending and mergers and acquisitions, will determine the ultimate impact on Wall Street profits and bonuses. It now appears that those firms most affected by the subprime debacle will be posting large losses for the third quarter. Consequently, growth in finance and insurance sector wages is expected to be below the July forecast, with some spillover into other sectors a likely consequence. DOB now projects growth in State wages to slow from 7.1 percent in 2007 to 4.0 percent in 2008. Growth in State private sector employment is projected to slow from 1.0 percent this year to 0.8 percent in 2008.

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, interest rate risk and equity market volatility pose a particularly large degree of uncertainty for New York. Finance and insurance sector bonuses fell 4.5 percent in the wake of the financial market crisis of the fall of 1998. Although the failure of a major Wall Street institution is not anticipated, the full extent of the losses associated with problems in the subprime mortgage market remains to be seen. Higher losses than anticipated could result in lower bonus growth than projected. Should the State's real estate market cool more rapidly than anticipated, household consumption and 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

SELECTED ECONOMIC INDICATORS
(Calendar Year)

	2006 (actual*)	2007 (estimate)	2008 (forecast)	2009 (forecast)	2010 (forecast)	2011 (forecast)	1976-2006 Average ²
U.S. Indicators¹							
Gross Domestic Product (current dollars)	6.1	4.7	4.4	5.1	5.1	5.1	7.0
Gross Domestic Product	2.9	2.0	2.5	2.8	2.9	3.0	3.2
Consumption	3.1	2.9	2.5	2.8	2.9	3.0	3.4
Residential Fixed Investment	(4.6)	(15.8)	(10.7)	0.5	2.6	3.1	4.1
Nonresidential Fixed Investment	6.6	4.2	6.0	5.2	5.2	5.2	5.1
Change in Inventories (dollars)	40.3	8.1	23.5	31.2	31.7	31.8	28.6
Exports	8.4	7.5	8.3	8.0	7.9	7.9	6.0
Imports	5.9	2.9	5.2	6.4	6.6	6.5	7.3
Government Spending	1.8	1.9	2.1	1.8	1.9	1.9	2.2
Corporate Profits ³	13.2	4.6	5.4	5.7	7.3	8.4	8.6
Personal Income	6.6	6.5	5.5	5.8	5.9	5.8	7.1
Wages	6.2	6.4	4.8	5.4	5.6	5.3	6.7
Nonagricultural Employment	1.9	1.3	0.9	1.2	1.3	1.3	1.9
Unemployment Rate (percent)	4.6	4.6	5.0	5.1	5.2	5.1	6.2
S&P 500 Stock Price Index	8.6	13.6	7.8	7.4	7.9	8.7	9.9
Federal Funds Rate	5.0	5.1	4.8	4.7	4.7	4.6	6.6
10-year Treasury Yield	4.8	4.8	5.0	5.1	5.3	5.3	7.7
Consumer Price Index	3.2	2.7	2.4	2.3	2.3	2.4	4.4
New York State Indicators							
Personal Income ⁴	7.2	6.7	4.7	5.2	5.3	5.2	6.4
Wages and Salaries ⁴							
Total	7.3	7.1	4.0	4.8	4.7	4.7	6.0
Without Bonus ⁵	5.6	4.8	4.2	4.2	4.1	3.9	5.7
Bonus ⁵	18.4	20.7	3.2	8.2	7.6	8.6	10.6
Wage Per Employee	6.3	6.2	3.3	4.1	4.0	4.1	5.3
Property Income	12.1	9.5	6.1	4.6	4.6	4.3	7.2
Proprietors' Income	4.1	4.0	6.2	7.3	7.6	7.4	8.3
Transfer Income	6.3	6.6	4.6	5.9	6.3	6.0	6.6
Nonfarm Employment ⁴							
Total	0.9	0.9	0.7	0.7	0.7	0.6	0.7
Private	1.2	1.0	0.8	0.8	0.8	0.8	0.8
Unemployment Rate (percent)	4.5	4.6	5.2	5.3	5.3	5.2	6.6
Composite CPI of New York ⁵	3.6	2.8	2.5	2.5	2.6	2.6	4.4
New York State Adjusted							
Capital Gains	27.2	14.1	1.8	6.0	6.0	(1.0)	17.6
Partnership/ S Corporation Gains	14.6	7.2	5.9	6.4	8.0	8.4	12.3
Business and Farm Income	5.7	1.8	5.1	4.7	5.1	5.0	7.2
Interest Income	8.9	4.1	5.7	4.9	4.8	3.9	4.0
Dividends	8.6	7.2	6.4	5.5	4.7	5.1	5.9
Total NYSAGI	10.0	7.6	3.8	5.0	5.0	4.1	6.1

* For NYSAGI variables, 2006 is an estimate.

¹ All indicators are percent changes except change in inventories, the unemployment rate, and interest rates; all GDP components refer to chained 2000 dollars, unless otherwise noted.

² For the NYSAGI variables, averages are calculated using data through 2005. Partnership and S corporation gains data start in 1978, NYSAGI data in 1980.

³ Includes inventory valuation and capital consumption adjustments.

⁴ Nonagricultural employment, wage, and personal income numbers are based on CEW data.

⁵ Series created by the Division of the Budget.

Source: Moody's Economy.com; NYS Department of Labor; NYS Department of Taxation and Finance; DOB staff estimates.

SELECTED ECONOMIC INDICATORS
(State Fiscal Year)

	2006-07 (actual)	2007-08 (estimate)	2008-09 (forecast)	2009-10 (forecast)	2010-11 (forecast)	2011-12 (forecast)	1976-77 - 2006-07 Average
U.S. Indicators¹							
Gross Domestic Product (current dollars)	5.6	4.7	4.5	5.1	5.1	5.1	6.9
Gross Domestic Product	2.4	2.3	2.5	2.9	2.9	3.0	3.1
Consumption	3.1	2.7	2.6	2.9	2.9	3.0	3.4
Residential Fixed Investment	(9.8)	(15.1)	(7.9)	1.7	2.7	3.4	3.7
Nonresidential Fixed Investment	5.3	5.4	5.6	5.1	5.2	5.2	5.1
Change in Inventories (dollars)	30.7	13.1	25.8	32.2	31.5	31.8	28.4
Exports	7.9	8.1	8.0	8.0	7.9	7.8	6.0
Imports	5.0	3.2	5.7	6.6	6.6	6.5	7.3
Government Spending	1.6	2.3	1.9	1.9	1.9	1.9	2.1
Corporate Profits ²	11.0	6.3	4.5	6.1	7.7	8.3	8.3
Personal Income	6.4	6.3	5.6	5.9	5.9	5.7	7.0
Wages	5.9	6.1	4.9	5.5	5.6	5.2	6.7
Nonagricultural Employment	1.7	1.2	1.0	1.3	1.3	1.4	1.9
Unemployment Rate (percent)	4.6	4.7	5.1	5.1	5.2	5.1	6.2
S&P 500 Stock Price Index	9.5	13.2	7.2	7.5	8.1	8.7	9.8
Federal Funds Rate	5.2	5.0	4.7	4.8	4.7	4.6	6.6
10-year Treasury Yield	4.8	4.8	5.0	5.2	5.3	5.3	7.7
Consumer Price Index	2.9	2.8	2.2	2.3	2.3	2.4	4.4
New York State Indicators							
Personal Income ³	7.0	5.0	5.1	5.2	5.3	5.2	6.4
Wages and Salaries ³							
Total	7.1	4.2	4.8	4.7	4.9	4.7	6.0
Without Bonus ⁴	5.2	4.5	4.1	4.2	4.1	4.0	5.6
Bonus ⁴	17.5	2.6	8.2	7.4	8.7	8.3	12.0
Wage Per Employee	6.0	3.4	4.1	4.0	4.2	4.1	5.3
Property Income	11.2	8.8	5.3	4.6	4.5	4.3	7.0
Proprietors' Income	3.6	4.4	6.7	7.4	7.6	7.3	8.4
Transfer Income	6.9	5.6	5.0	6.2	6.2	5.9	6.7
Nonfarm Employment ³							
Total	1.0	0.7	0.7	0.7	0.7	0.6	0.7
Private	1.2	0.8	0.8	0.8	0.8	0.8	0.8
Unemployment Rate (percent)	4.4	4.8	5.3	5.3	5.3	5.2	6.7
Composite CPI of New York ⁴	3.4	2.9	2.3	2.5	2.6	2.6	4.4

¹ All indicators are percent changes except change in inventories, the unemployment rate, and interest rates; all GDP components refer to chained 2000 dollars, unless otherwise noted.

² Includes inventory valuation and capital consumption adjustments.

³ Nonagricultural employment, wage, and personal income numbers are based on CEW data.

⁴ Series created by the Division of the Budget.

Source: Moody's Economy.com; NYS Department of Labor; DOB staff estimates.

Multi-Year Receipts Forecast

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

The growth in multi-year tax receipts has been reduced significantly from earlier projections. It is now expected to be below the extraordinary double-digit growth rates experienced in the last few years.

	Total Receipts (millions of dollars)						
	2006-07	2007-08	Annual	Percent	2008-09	Annual	Percent
	Actual	Estimated	Change	Change	Projected	Change	Change
General Fund	51,380	53,387	2,007	3.9	54,851	1,464	2.7
Taxes	38,668	38,805	137	0.4	40,624	1,819	4.7
Miscellaneous Receipts	2,268	2,444	176	7.8	2,052	(392)	(16.0)
Federal Grants	152	71	(81)	(53.3)	55	(16)	(22.5)
Transfers	10,292	12,067	1,775	17.2	12,120	53	0.4
State Funds	76,755	81,187	4,432	5.8	84,427	3,240	4.0
Taxes	58,739	61,204	2,465	4.2	64,499	3,295	5.4
Miscellaneous Receipts	17,864	19,911	2,047	11.5	19,872	(39)	(0.2)
Federal Grants	152	72	(80)	(52.6)	56	(16)	(22.2)
All Funds	112,396	117,278	4,882	4.3	122,349	5,071	4.3
Taxes	58,739	61,204	2,465	4.2	64,499	3,295	5.4
Miscellaneous Receipts	18,078	20,058	1,980	11.0	20,015	(43)	(0.2)
Federal Grants	35,579	36,016	437	1.2	37,835	1,819	5.1

Fiscal Year 2007-08 Overview

The receipt estimates for the current fiscal year have been revised downward significantly. Current year All Funds tax receipt estimates have been lowered by \$1.1 billion. The financial condition of Wall Street firms has deteriorated from what was anticipated in the First Quarterly Update. This weakness can be traced back to problems in the subprime mortgage market and the associated slowdown in the housing sector. As a result, the revisions to the 2007-08 and out-year fiscal estimates are due primarily to this more pessimistic economic outlook.

Since the release of the First Quarterly Update, it has become increasingly apparent that the troubles in the housing market will have a significant negative impact on the New York economy. It is now clear the financial service firms that are critical to revenue performance will experience reduced profitability in 2007. History has shown that any disruption to the profitability of Wall Street firms can be expected to have a negative impact on the fiscal condition of the State.

Total All Funds receipts are estimated to reach over \$117 billion, an increase of \$4.8 billion, or 4.3 percent above 2006-07 results. All Funds tax receipts are estimated to grow by \$2.4 billion or 4.2 percent. Miscellaneous receipts are estimated to increase by \$2 billion, or 11 percent, largely the result of actions taken with the 2007-08 Enacted Budget, including receipt of the New York Power Authority payments included in the 2007-08 Enacted Budget.

Total State Funds receipts are estimated at \$81 billion, an expected increase of \$4.4 billion, or 5.8 percent from 2006-07 actual results. State Funds Miscellaneous receipts are estimated to increase by nearly \$2.1 million, or 11.5 percent.

Total General Fund receipts are estimated at \$53.3 billion, an increase of nearly \$2 billion, or 3.8 percent from 2006-07 results. General Fund tax receipt growth is estimated at 0.4 percent. The relatively slow growth in General Fund tax receipts is attributable in large part to the increased STAR rebate payments included with the 2007-08 Budget. General Fund miscellaneous receipts are estimated to increase by 7.8 percent, reflecting actions taken with the 2007-08 Budget including a planned increase in abandoned property receipts as well as significant increases in investment income associated with existing fund balances.

After controlling for the impact of policy changes, base tax revenue growth is estimated at 7.1 percent for fiscal year 2007-08.

Fiscal Year 2008-09 Overview

Total All Funds receipts are expected to reach more than \$122 billion, an increase of nearly \$5.1 billion, or 4.3 percent from 2007-08 estimated receipts. All Funds tax receipts are projected to grow by \$3.3 billion or 5.4 percent. All Funds Federal grants are expected to increase by \$1.8 billion, or 5.1 percent. All Funds Miscellaneous receipts are projected to decrease by \$44 million, or 0.2 percent.

Total State Funds receipts are projected to be nearly \$84.4 billion, an increase of \$3.2 billion, or 4.0 percent from 2007-08 estimated receipts.

Total General Fund receipts are projected to be nearly \$54.9 billion, an increase of \$1.5 billion, or 2.9 percent from 2007-08 estimated receipts. General Fund tax receipt growth is projected to increase by 4.7 percent over 2007-08 estimates and General Fund miscellaneous receipts are projected to decrease by 16 percent. The decline in General Fund miscellaneous receipts largely reflects the loss of one-time revenues expected in 2007-08. Federal grants are expected to decrease by 22.5 percent due to the loss of one-time revenues.

After controlling for the impact of policy changes, base tax revenue growth of 4.7 percent is projected for fiscal year 2008-09, slightly below historical average growth during an expansion.

Change from First Quarterly Update to the Financial Plan

Change from First Quarterly Update Estimates & Projections (millions of dollars)								
	2007-08 First Quarter Update	2007-08 Mid-Year Update	Change	Percent Change	2008-09 First Quarter Update	2008-09 Mid-Year Update	Change	Percent Change
General Fund	41,843	41,320	(523)	(1.2)	43,165	42,731	(434)	(1.0)
Taxes	39,413	38,805	(608)	(1.5)	41,244	40,624	(620)	(1.5)
Miscellaneous Receipts	2,355	2,444	89	3.8	1,862	2,052	190	10.2
Federal Grants	75	71	(4)	(5.3)	59	55	(4)	(6.8)
State Funds	82,350	81,187	(1,163)	(1.4)	85,940	84,427	(1,513)	(1.8)
Taxes	62,028	61,204	(824)	(1.3)	65,401	64,499	(902)	(1.4)
Miscellaneous Receipts	20,247	19,911	(336)	(1.7)	20,480	19,872	(608)	(3.0)
Federal Grants	75	72	(3)	(4.0)	59	56	(3)	(5.1)
All Funds	119,558	117,278	(2,280)	(1.9)	125,281	122,349	(2,932)	(2.3)
Taxes	62,028	61,204	(824)	(1.3)	65,401	64,499	(902)	(1.4)
Miscellaneous Receipts	20,402	20,058	(344)	(1.7)	20,628	20,015	(613)	(3.0)
Federal Grants	37,128	36,016	(1,112)	(3.0)	39,252	37,835	(1,417)	(3.6)

Given the more pessimistic economic forecast, All Funds receipts estimates have been revised downward significantly for fiscal year 2007-08. In addition, tax receipts growth to-date for fiscal year 2007-08 in some revenue categories has fallen modestly below expectations. As a result of these and other factors outlined below, All Funds tax estimates for the year have been revised downward by over \$800 million from the First Quarterly Update. Miscellaneous receipts growth has been revised down by \$34.3 million along with a downward revision in Federal grants of \$1.1 billion.

The downward revision to General Fund receipts for fiscal year 2007-08 is \$523 million, reflecting a decrease of \$608 million in tax receipts and \$4 million in Federal grants offset by an increase in miscellaneous receipts of \$89 million.

The downward revisions are related to:

- a more negative economic forecast;
- a re-evaluation of the value of law changes made with the 2007-08 Budget that were expected to generate significant additional revenue; and
- a change to VLT forecasts resulting from recent proposals with respect to VLT operations at NYRA facilities, and results to date at currently operating facilities.

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

	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	53,387	54,851	1,464	2.7	57,557	2,706	4.9	60,478	2,921	5.1
Taxes	38,805	40,624	1,819	4.7	42,808	2,184	5.4	45,025	2,217	5.2
State Funds	81,187	84,427	3,240	4.0	87,853	3,426	4.1	91,543	3,690	4.2
Taxes	61,204	64,499	3,295	5.4	68,037	3,538	5.5	71,408	3,371	5.0
All Funds	117,278	122,349	5,071	4.3	126,449	4,100	3.4	131,481	5,032	4.0
Taxes	61,204	64,499	3,295	5.4	68,037	3,538	5.5	71,408	3,371	5.0

The economic forecast assumes continued modest economic growth. There is no forecast of recession; however, growth in 2007 and 2008 is expected to be below what was expected with the First Quarterly Update. This lowers the economic base on which the out-year revenue forecast is built. Overall, receipts growth in the three fiscal years following 2008-09 is expected to grow consistent with projected growth in the U.S. and New York economies.

All Funds tax receipts in 2009-10 are projected to reach \$68 billion, an increase of \$3.5 billion, or 5.5 percent from 2008-09 estimates. All Funds tax receipts in 2010-11 are expected to increase by nearly \$3.4 billion (5 percent) over the prior year. General Fund tax receipts are projected to reach \$42.8 billion in 2009-10 and just over \$45 billion in 2010-11.

Revenue Risks

- A significant downside risk remains with respect to the performance of financial sector firms. Continued poor performance in fourth quarter results for Wall Street companies could reduce bonus payouts more than expected.

- The housing market could become a more significant drag on the economy, especially if the foreclosure rate on subprime mortgages is higher than expected. This could erode consumer confidence leading to reduced consumption on taxable goods.
- A reduction in the number of large real estate commercial transactions in New York City presents the risk of a loss in real estate related tax receipts that have fueled a significant portion of the large growth in receipts over the past three fiscal years.
- A large portion of the growth in the estimated revenue base from corporate taxes is dependent on loophole closing actions put in place with the 2007-08 Enacted Budget. There are indications that these changes are not producing the receipts anticipated at the time of the Enacted Budget.
- The cigarette tax estimate could be significantly impacted by changes in the Federal cigarette tax associated with SCHIP funding.
- Both the cigarette and motor fuel taxes are impacted by Native American enforcement efforts. The 2007-08 estimates have been reduced to reflect the enforcement delays with respect to the collection of these taxes.

Personal Income Tax

Personal Income Tax					
(millions of dollars)					
	2006-07	2007-08	Annual	2008-09	Annual
	Actual	Estimated	Change	Projected	Change
General Fund	22,939	22,696	(243)	23,940	1,244
Gross Collections	40,090	42,933	2,843	45,896	2,963
Refunds	(5,510)	(6,363)	(853)	(6,832)	(469)
STAR	(3,994)	(4,731)	(737)	(5,358)	(627)
RBTF	(7,647)	(9,143)	(1,496)	(9,766)	(623)
State/All Funds	34,580	36,570	1,990	39,064	2,494
Gross Collections	40,090	42,933	2,843	45,896	2,963
Refunds	(5,510)	(6,363)	(853)	(6,832)	(469)

All Funds personal income tax receipts for 2007-08 are projected to increase by nearly \$2 billion over the prior year to total \$36.6 billion. Gross receipts are projected to increase 7.1 percent and reflect withholding growth of 6.3 percent (\$1.7 billion) and growth in current tax year 2007 estimated taxes of 9.9 percent (\$750 million). Payments from extensions and final returns for tax year 2006 are projected to increase in total by 7.8 percent, or by \$366 million. Receipts from delinquencies are projected to increase by 9.3 percent or \$77 million over the prior year.

Refunds are projected to increase by 15.5 percent or \$853 million. The increase in refunds reflects the impact of the Empire State Child Credit which provides a refundable credit to resident taxpayers with children ages 4 to 16 that was enacted in 2006 and is applicable to tax years beginning in 2006.

Net receipts, or gross receipts less refunds and offsets, are projected to grow 5.8 percent. The following table summarizes, by component, actual receipts for 2006-07 and forecast amounts through 2010-11.

All Funds Personal Income Tax Fiscal Year Collection Components					
(millions of dollars)					
	2006-07	2007-08	2008-09	2009-10	2010-11
	Actual	Estimated	Projected	Projected	Projected
Receipts					
Withholding	26,802	28,501	30,376	32,293	33,995
Estimated Payments	10,354	11,447	12,397	13,351	14,621
Current Year	7,572	8,322	9,022	9,596	10,446
Prior Year*	2,782	3,125	3,375	3,755	4,175
Final Returns	2,101	2,076	2,176	2,324	2,481
Current Year	1,907	1,931	2,031	2,179	2,336
Prior Year*	194	145	145	145	145
Delinquent Collections	832	909	947	986	1,027
Gross Receipts	<u>40,089</u>	<u>42,933</u>	<u>45,896</u>	<u>48,954</u>	<u>52,124</u>
Refunds					
Prior Year*	3,231	4,084	4,088	4,376	4,726
Previous Years	257	270	290	310	330
Current Year*	1,500	1,750	1,750	1,750	1,750
State-City Offset*	522	509	704	784	858
Total Refunds	<u>5,510</u>	<u>6,613</u>	<u>6,832</u>	<u>7,220</u>	<u>7,664</u>
Net Receipts	<u>34,579</u>	<u>36,320</u>	<u>39,064</u>	<u>41,734</u>	<u>44,460</u>
* These components, collectively, are known as the "settlement" on the prior year's tax liability.					

All Funds net personal income tax receipts for 2008-09 of \$39.1 billion are projected to increase by \$2.5 billion over the prior year. Gross receipts are projected to increase 6.9 percent and reflect withholding growth of 6.6 percent (\$1.9 billion), and estimated tax growth of 8.4 percent (\$700 million). Payments from extensions and final returns for tax year 2007 are projected to increase in total by 7.9 percent (\$400 million) and receipts from delinquencies are projected to increase by 4.2 percent (\$38 million). Refunds are projected to increase by 7.4 percent or \$469 million. These increases are consistent with estimated increases of 2007 and 2008 liability of 10.9 and 5.0 percent, respectively.

Personal Income Tax Calendar Year Liability										
(billions of dollars)										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
PIT Liability*	22,456	25,769	28,484	29,898	33,150	34,816	37,202	39,651	42,155	45,098
% Change	8.3%	14.8%	10.5%	5.0%	10.9%	5.0%	6.9%	6.6%	6.3%	7.0%

* PIT surcharge in effect in 2003, 2004, 2005.

Increases in deposits to the STAR Fund and the Revenue Bond Tax Fund (RBTF) will result in 2007-08 General Fund receipts that are \$242 million lower than the prior year. Deposits to the STAR Fund are estimated to increase by \$737 million to \$4.7 billion, as result of the Middle Class STAR Rebate Program. Deposits to the RBTF of almost \$9.1 billion reflect legislation which took effect in the 2007-08 fiscal year that requires RBTF deposits to be calculated before the deposit of 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.

General Fund income tax receipts for 2008-09 of \$23.9 billion are projected to increase by \$1.2 billion or 5.2 percent. Deposits to the STAR Fund, which are projected to increase by \$877 million, reflect the second phase of the Middle Class STAR Rebate Program and the change in the distribution of STAR reimbursements to the City.

Personal Income Tax Change From First Quarter Estimates				
(millions of dollars)				
	2007-08	2007-08		
	First Quarter	Mid-Year	Change	Percent
	Update	Update		Change
General Fund	23,072	22,696	(376)	(1.6)
Gross Collections	43,433	42,933	(500)	(1.2)
Refunds	(6,363)	(6,363)	0	0.0
STAR	(4,731)	(4,731)	(1)	0.0
RBTF	(9,268)	(9,143)	125	(1.3)
State/All Funds	37,070	36,570	(500)	(1.3)
Gross Collections	43,433	42,933	(500)	(1.2)
Refunds	(6,363)	(6,363)	0	0.0

Compared to the First Quarterly Update, 2007-08 All Funds income tax receipts are estimated to decrease by \$500 million. All of the decrease is attributable to a reduction in withholding as a result of a \$7 billion reduction in 2007-08 projected wage growth. The decrease is primarily driven by a decline in the projected growth of financial services sector bonuses.

Personal Income Tax					
(millions of dollars)					
	2008-09	2009-10	Annual	2010-11	Annual
	Projected	Projected	Change	Projected	Change
General Fund	23,940	25,463	1,523	27,203	1,740
Gross Collections	45,896	48,954	3,058	52,124	3,170
Refunds	(6,832)	(7,220)	(388)	(7,664)	(444)
STAR	(5,358)	(5,838)	(480)	(6,142)	(304)
RBTF	(9,766)	(10,433)	(667)	(11,115)	(682)
State/All Funds	39,064	41,734	2,670	44,460	2,726
Gross Collections	45,896	48,954	3,058	52,124	3,170
Refunds	(6,832)	(7,220)	(388)	(7,664)	(444)

In general, income tax growth for 2009-10 and 2010-11 is governed by projections of growth in expected liability which is dependent on growth in the major components of taxable income. These components include: wages, interest and dividend earnings, realized taxable capital gains, and business net income and income derived from partnerships and S corporations, and to a minor extent, the impact of Tax Law changes.

All Funds personal income tax receipts for 2009-10 of \$41.7 billion reflect an increase of 6.8 percent or \$2.6 billion above the estimate for 2008-09. Gross receipts are projected to increase 6.7 percent and reflect projected withholding growth of 6.3 percent (\$1.9 billion) while estimated taxes for tax year 2009 are expected to grow \$574 million (6.4 percent). Payments from extensions and final returns for tax year 2008 are projected to increase in total by 9.8 percent, or by \$528 million and receipts from delinquencies are projected to increase by 4.1 percent or \$39 million over the prior year. Refunds are projected to increase by 6.8 percent or \$2.7 billion, a relatively normal rate of growth that, absent unusual developments, is generally similar to that of withholding.

General Fund income tax receipts for 2009-10 of \$25.4 billion are 6.4 percent higher than projected for the prior year. This reflects a 9 percent increase in the STAR Fund transfer, mainly attributable to the Middle Class STAR Rebate Program, and an increase in RBTF deposits of approximately \$700 million.

All Funds income tax receipts for 2010-11 are expected to reach \$44.4 billion, reflecting moderate overall growth in the tax base. General Fund receipts are projected at \$27.2 billion, reflecting normal growth in STAR and RBTF deposits.

User Taxes and Fees

User Taxes and Fees (millions of dollars)					
	2006-07	2007-08	Annual	2008-09	Annual
	Actual	Estimated	Change	Projected	Change
General Fund	8,185	8,506	321	8,805	299
Sales Tax	7,539	7,865	326	8,103	238
Cigarette and Tobacco Taxes	411	407	(4)	436	29
Motor Vehicle Fees	(17)	(18)	(1)	13	31
Alcoholic Beverage Taxes	194	200	6	205	5
ABC License Fees	58	52	(6)	48	(4)
State/All Funds	13,457	13,907	450	14,369	462
Sales Tax	10,739	11,199	460	11,546	347
Cigarette and Tobacco Taxes	985	973	(12)	1,048	75
Motor Fuel	513	511	(2)	523	12
Motor Vehicle Fees	769	775	6	794	19
Highway Use Tax	153	148	(5)	154	6
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 estimated to be \$13.9 billion, an increase of \$450 million or 3.3 percent from 2006-07. The underlying sales tax base measured before the impact of law changes is estimated to increase by 3.4 percent, due largely to increases in employment and overall taxable consumption. Results to date indicate sales tax receipts remain consistent with estimates in the First Quarterly Update. Non-sales tax user taxes and fees are estimated to decrease by \$11 million from 2006-07 due to a trend decline in cigarette tax, and the delay in the collection of taxes on the sale of motel fuel and cigarettes to non-Indians on Indian reservations, highway use tax and ABC license fee receipts.

General Fund user taxes and fees receipts are expected to total \$8.5 billion in 2007-08, an increase of \$321 million or 3.9 percent from 2006-07. The increase largely reflects an increase in sales tax receipts.

All Funds user taxes and fees receipts for 2008-09 are projected to be nearly \$14.4 billion, an increase of \$462 million or 3.3 percent from 2007-08.

General Fund user taxes and fees receipts are projected to total \$8.8 billion in 2008-09, an increase of \$299 million or 3.5 percent from 2007-08.

User Taxes and Fees Change From First Quarter Estimates (millions of dollars)				
	2007-08	2007-08		
	First Quarter	Mid-Year		Percent
	Update	Update	Change	Change
General Fund	8,527	8,506	(21)	(0.2)
Sales Tax	7,867	7,865	(2)	(0.0)
Cigarette and Tobacco Taxes	429	407	(22)	(5.2)
Motor Vehicle Fees	(21)	(18)	3	0.0
Alcoholic Beverage Taxes	200	200	(0)	(0.1)
ABC License Fees	52	52	1	1.0
State/All Funds	13,993	13,907	(86)	(0.6)
Sales Tax	11,215	11,199	(16)	(0.1)
Cigarette and Tobacco Taxes	1,030	973	(57)	(5.5)
Motor Fuel	522	511	(11)	(2.1)
Motor Vehicle Fees	772	775	3	0.4
Highway Use Tax	153	148	(5)	(3.0)
Alcoholic Beverage Taxes	200	200	(0)	(0.1)
ABC License Fees	52	52	1	1.0
Auto Rental Tax	49	49	(0)	(0.2)

All Funds user taxes and fees are projected to be \$86 million less in 2007-08 than was projected in the First Quarterly Update. The revision is mainly due to delays in the implementation of provisions governing the taxation of various products sold by Native Americans. All Funds user taxes and fees for 2008-09 are revised down by \$175 million from the First Quarterly Update; this largely affects the impact of revisions to the economic forecast producing slower growth than previously anticipated in the sales tax base. In addition, the expected gain in receipts from provisions related to products sold by Native Americans has been revised downward.

User Taxes and Fees (millions of dollars)					
	2008-09	2009-10	Annual	2010-11	Annual
	Projected	Projected	Change	Projected	Change
General Fund	8,805	9,150	345	9,508	358
Sales Tax	8,103	8,398	295	8,722	324
Cigarette and Tobacco Taxes	436	431	(5)	426	(5)
Motor Vehicle Fees	13	60	47	97	37
Alcoholic Beverage Taxes	205	209	4	214	5
ABC License Fees	48	52	4	49	(3)
State/All Funds	14,369	14,849	480	15,329	480
Sales Tax	11,546	11,966	420	12,428	462
Cigarette and Tobacco Taxes	1,048	1,035	(13)	1,022	(13)
Motor Fuel	523	526	3	529	3
Motor Vehicle Fees	794	854	60	875	21
Highway Use Tax	154	154	0	157	3
Alcoholic Beverage Taxes	205	209	4	214	5
ABC License Fees	48	52	4	49	(3)
Auto Rental Tax	51	53	2	55	2

All Funds user taxes and fees in 2009-10 are projected to grow an additional \$482 million, with further growth of \$480 million in 2010-11. Ongoing growth is due to continued, but slower economic growth; however, the out-year economic forecast dictates a reduction in the ongoing sales tax base.

Business Taxes

Business Taxes (millions of dollars)					
	2006-07	2007-08	Annual	2008-09	Annual
	Actual	Estimated	Change	Projected	Change
General Fund	6,469	6,500	31	6,669	169
Corporate Franchise Tax	3,677	3,675	(2)	3,966	291
Corporation & Utilities Tax	626	618	(8)	623	5
Insurance Tax	1,142	1,176	34	1,161	(15)
Bank Tax	1,024	1,031	7	919	(112)
State/All Funds	8,606	8,652	46	8,881	229
Corporate Franchise Tax	4,228	4,206	(22)	4,531	325
Corporation & Utilities Tax	820	816	(4)	821	5
Insurance Tax	1,258	1,292	34	1,276	(16)
Bank Tax	1,210	1,209	(1)	1,073	(136)
Petroleum Business Tax	1,090	1,129	39	1,180	51

All Funds business tax receipts for 2007-08 are estimated at nearly \$8.7 billion, an increase of \$46 million, or 0.5 percent over the prior year. This increase is primarily due to modest growth in the petroleum business taxes of 3.6 percent and the insurance tax of 2.7 percent, partially offset by small decreases in each of the remaining business taxes. The estimated increase in petroleum business taxes receipts reflects a five-percent increase in the Petroleum Price Index (PPI) on January 1, 2007, and a 1.2 percent decrease in the PPI on January 1, 2008. Higher estimated insurance tax receipts in 2007-08 reflect continued growth in taxable premiums. Actions taken with the fiscal year 2007-08 budget to reduce corporate loopholes have to date not generated the revenue anticipated. This is at least partially due to continued efforts by tax planners to use the tax law in ways never intended to avoid tax due to the State. The tax department is carefully reviewing the filing data to uncover this activity.

The growth in 2007-08 All Funds insurance taxes and petroleum business taxes receipts over 2006-07 is partially offset by declines in the All Funds receipts from the corporation franchise tax of 0.5 percent, bank tax of 0.1 percent, and the corporation and utilities taxes of 0.5 percent. The small decrease in corporate franchise tax receipts reflects an increase in current-year receipts of 13 percent, more than offset by reductions due to increased refunds on prior year payments and to a decrease in audit and compliance-related receipts from the extraordinary 2006-07 level. Similarly, the small decrease in bank tax receipts reflects an expected increase in current-year and next-year receipts of 21 percent, more than offset by estimated reductions due to higher refunds, other negative prior-year adjustments and an estimated 61 percent decrease from the extraordinary 2006-07 level in audit and compliance-related receipts. The overall decrease in corporation and utilities taxes receipts reflects growth of 3.7 percent in non-audit receipts and a decline of 55 percent in audit receipts from 2006-07 levels. Year-to-date trends suggest small increases in non-audit receipts from utilities will be offset by small 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
	Actual	Actual	Actual	Actual	Estimated
Corporate Franchise Tax	1,701	2,110	3,053	4,228	4,206
Audit	232	397	653	1,133	900
Non-Audit	1,469	1,713	2,400	3,095	3,306
Corporation and Utilities Taxes	882	827	832	820	816
Audit	30	43	101	59	27
Non-Audit	852	784	731	761	789
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 Taxes	342	675	975	1,210	1,209
Audit	39	24	330	299	116
Non-Audit	303	651	645	911	1,093

For total business taxes, the 7.3 percent growth in non-audit tax receipts remains robust, following last year's significant increase of 18.6 percent. The decrease in audit receipts is largely attributable to fewer settlements of multi-year audit issues with large taxpayers than were made in 2006-07. The large audit recovery base in 2006-07 of nearly \$1.6 billion reflected 36 percent growth from 2005-06.

All Funds business tax receipts for 2008-09 of nearly \$8.9 billion are projected to increase by \$229 million or 2.6 percent over the prior year. The overall increase reflects a 0.6 percent increase in non-audit corporate franchise tax receipts, an 8.5 percent decrease in non-audit bank tax receipts, a 1.3 percent decrease in insurance tax non-audit receipts, an increase in corporation and utilities taxes non-audit receipts of 1.9 percent that is attributable to modest growth in receipts from utilities, and a 2.3 percent increase in petroleum business taxes receipts. Audit receipts related to All Funds business taxes are projected to increase 5.8 percent, or roughly \$31 million, following the significant decrease estimated for 2007-08.

General Fund business tax receipts for 2007-08 of \$6.5 billion are estimated to increase by \$32 million, or 0.5 percent over 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 \$6.7 billion are projected to decrease \$169 million, or 2.6 percent from 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 Changes From First Quarter Estimates (millions of dollars)				
	2007-08 First Quarter Update	2007-08 Mid-Year Update	Change	Percent Change
General Fund	6,679	6,500	(179)	(2.7)
Corporate Franchise Tax	3,904	3,675	(229)	(5.9)
Corporation & Utilities Tax	618	618	0	0.0
Insurance Tax	1,176	1,176	0	0.0
Bank Tax	981	1,031	50	5.1
State/All Funds	8,856	8,652	(204)	(2.3)
Corporate Franchise Tax	4,444	4,206	(238)	(5.4)
Corporation & Utilities Tax	816	816	0	0.0
Insurance Tax	1,292	1,292	0	0.0
Bank Tax	1,150	1,209	59	5.1
Petroleum Business Tax	1,153	1,129	(24)	(2.1)

Compared to the First Quarterly Update, 2007-08 All Funds business tax receipts are estimated to be nearly \$8.7 billion, or \$204 million (2.3 percent) lower than previously expected. The revision in the estimate reflects year-to-date trends in the business taxes, which now suggest slightly lower growth in the corporate franchise tax and petroleum business taxes receipts, offset partially by higher-than-estimated receipts from the bank tax. The largest estimated change is in corporate franchise tax receipts, which have been reduced by \$238 million from the July level. The net decrease reflects losses from higher-than-expected refunds and adjustments to prior-year receipts, revisions to estimated receipts from loophole closers enacted in 2007 and the implementation of regulations related to financial services firms offset by gains from higher-than-expected current-year payments. Offsetting a portion of the corporate franchise tax estimate reduction is an increase of \$59 million in the bank tax receipts estimate, with gains from current-year payments outweighing losses from higher-than-expected refunds and prior-year adjustments. Most of the business tax receipts decrease, or \$179 million, is attributable to the General Fund.

All Funds business tax receipts for 2008-09 are nearly \$8.9 billion, or \$76 million (0.9 percent) lower than the First Quarterly Update. The decrease reflects the trends described above.

Business Taxes (millions of dollars)					
	2008-09 Projected	2009-10 Projected	Annual Change	2010-11 Projected	Annual Change
General Fund	6,669	6,854	185	6,889	35
Corporate Franchise Tax	3,966	4,083	117	4,075	(8)
Corporation & Utilities Tax	623	628	5	632	4
Insurance Tax	1,161	1,197	36	1,236	39
Bank Tax	919	946	27	946	0
State/All Funds	8,881	9,112	231	9,195	83
Corporate Franchise Tax	4,531	4,660	129	4,689	29
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	1,180	1,211	31	1,217	6

All Funds business tax receipts for 2009-10 and 2010-11 reflect trend growth that is determined in part by the expected level of corporate profits, the increase in taxable insurance premiums, and increases in electric utility consumption prices and the consumption of telecommunications services. Business tax receipts will increase to \$9.1 billion (2.6 percent) in 2009-10 and \$9.2 billion (0.7 percent) in 2010-11. General Fund business tax receipts will reflect the factors outlined above. General Fund business tax receipts over this period will increase to nearly \$6.9 billion (3.1 percent) in 2009-10 and nearly \$6.9 billion (0.2 percent) in 2010-11.

Other Taxes

Other Taxes (millions of dollars)					
	2006-07	2007-08	Annual	2008-09	Annual
	Actual	Estimated	Change	Projected	Change
General Fund	1,075	1,102	27	1,211	109
Estate Tax	1,063	1,081	18	1,190	109
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	2,077	(20)	2,186	109
Estate Tax	1,063	1,081	18	1,190	109
Gift Tax	(10)	0	10	0	0
Real Property Gains Tax	0	0	0	0	0
Real Estate Transfer Tax	1,022	975	(47)	975	0
Pari-mutuel Taxes	21	20	(1)	20	0
All Other Taxes	1	1	0	1	0

All Funds other tax receipts for 2007-08 are estimated to be more than \$2.1 billion, down \$20 million or 1 percent from 2006-07 receipts, reflecting modest growth in the estate tax and a small decline in real estate transfer tax collections which had a strong advance in recent fiscal years. General Fund other tax receipts are expected to total \$1.1 billion in fiscal year 2007-08, an increase of \$27 million or 2.5 percent.

All Funds other tax receipts for 2008-09 are projected to be nearly \$2.2 billion, up \$109 millions or 5.2 percent from 2007-08 reflecting stable real estate transfer tax collections and an increase in estate collections as the number of large estates returns to a historically normal level. General Fund other tax receipts are expected to total \$1.2 billion in fiscal year 2008-09, an increase of \$109 million which is attributable to growth in the estate tax.

Other Taxes Change From First Quarter Estimates				
(millions of dollars)				
	2007-08 First Quarter Update	2007-08 Mid-Year Update	Change	Percent Change
General Fund	1,135	1,101	(34)	(3.0)
Estate Tax	1,115	1,081	(34)	(3.0)
Gift Tax	0	0	0	0.0
Real Property Gains Tax	0	0	0	0.0
Pari-mutuel Taxes	20	20	0	0.0
All Other Taxes	1	1	0	42.9
State/All Funds	2,111	2,077	(34)	(1.6)
Estate Tax	1,115	1,081	(34)	(3.0)
Gift Tax	0	0	0	0.0
Real Property Gains Tax	0	0	0	0.0
Real Estate Transfer Tax	975	975	0	0.0
Pari-mutuel Taxes	20	20	0	0.0
All Other Taxes	1	1	0	42.9

Other tax receipts projections for 2007-08 for pari-mutuel tax, gift tax, real property gains tax and boxing/wrestling tax are unchanged from the First Quarterly Update. The gift tax and real property gains tax have been repealed but small amounts of revenue are generated through audits. The pari-mutuel tax estimate is unchanged at this time pending the resolution of the numerous industry issues including the awarding of the thoroughbred track franchise.

All Funds projections for 2007-08 and beyond for the real estate transfer tax remain unchanged from the forecast contained in the First Quarterly Update. It is recognized that collections through the first six months of the fiscal year are positive, however, property transaction and price trends are turning negative in some areas of the State. While the strength in the Manhattan residential and commercial markets continues, the pace of growth is uncertain. Problems in the national housing market will slow overall economic growth which will impact the financial services sector. The impact of slowing corporate profits or lower bonus payments may eventually be felt in real estate transfer tax collections.

Projected estate tax collections have been revised down by \$34 million from the First Quarterly Update, reflecting lower than average payments from the settlement of large estates (payments over \$4 million) during the first half of the year. The lower level of payments has been largely offset by strong growth in smaller estate tax payments. The estimate for estate tax collections in 2008-09 has remained unchanged from the First Quarterly Update.

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

The 2009-10 All Funds receipts projection for other taxes is slightly more than \$2.3 billion, up \$156 million or 7.1 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 and then stabilization in the residential and commercial housing market.

The 2010-11 All Funds receipts projection for other taxes is nearly \$2.4 billion, up \$83 million or 3.5 percent from 2009-10 receipts. The forecast reflects continued increases in household net worth as well as in the value of real property transfers.

Miscellaneous Receipts and Federal Grants

Miscellaneous Receipts and Federal Grants (millions of dollars)					
	2006-07 Actual	2007-08 Estimated	Annual Change	2008-09 Projected	Annual Change
General Fund	2,420	2,515	95	2,107	(408)
Miscellaneous Receipts	2,268	2,444	176	2,052	(392)
Federal Grants	152	71	(81)	55	(16)
State Funds	18,016	19,983	1,967	19,928	(55)
Miscellaneous Receipts	17,864	19,911	2,047	19,872	(39)
Federal Grants	152	72	(80)	56	(16)
All Funds	53,657	56,075	2,418	57,850	1,775
Miscellaneous Receipts	18,078	20,059	1,981	20,015	(44)
Federal Grants	35,579	36,016	437	37,835	1,819

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts plus Federal grants are estimated to be \$57 billion in 2007-08, an increase of nearly \$3.4 billion from 2006-07 results.

General Fund miscellaneous receipts are estimated to increase by 7.8 percent, reflecting actions taken with the 2007-08 Budget that include a one-time increase in the New York Power Authority (NYPA) payments, as well as increases in indirect costs revenue and short-term investment income.

All Funds miscellaneous receipts and Federal grants are projected to total nearly \$59 billion in 2008-09, an increase of more than \$1.8 billion from the current year and General Fund miscellaneous receipts are projected to decrease by 16.2 percent.

Miscellaneous Receipts & Federal Grants Change From Enacted Budget Estimates (millions of dollars)				
	2007-08 First Quarter Update	2007-08 Mid-Year Update	Change	Percent Change
General Fund	2,430	2,515	85	3.5
Miscellaneous Receipts	2,355	2,444	90	3.8
Federal Grants	75	71	(4)	(5.6)
State Funds	20,307	19,983	(324)	(1.6)
Miscellaneous Receipts	20,247	19,911	(336)	(1.7)
Federal Grants	60	72	12	20.0
All Funds	57,530	56,075	(1,455)	(2.5)
Miscellaneous Receipts	20,402	20,059	(343)	(1.7)
Federal Grants	37,128	36,016	(1,112)	(3.0)

All Funds miscellaneous receipts in 2007-08 have been revised downward by \$322 million from the First Quarterly Update, driven primarily by the General Fund revisions described above, augmented by Other State Funds revisions including SUNY tuition and VLT revenues based on experience to date.

General Fund miscellaneous receipts for 2007-08 have been revised upward by \$89 million, reflecting in part the additional revenues expected from NYPA, better than expected short-term investment income, the Hartford Financial Services settlement and the Monroe County Medicaid sales tax intercept. The additional receipts from Monroe County Sales Tax will be largely offset by the State pick up of Medicaid costs for the County.

Miscellaneous Receipts and Federal Grants (millions of dollars)					
	2008-09 Projected	2009-10 Projected	Annual Change	2010-11 Projected	Annual Change
General Fund	2,107	2,218	111	2,288	70
Miscellaneous Receipts	2,052	2,163	111	2,233	70
Federal Grants	55	55	0	55	0
State Funds	19,928	19,816	(112)	20,136	320
Miscellaneous Receipts	19,872	19,760	(112)	20,080	320
Federal Grants	56	56	(0)	56	0
All Funds	57,850	58,412	562	60,073	1,661
Miscellaneous Receipts	20,015	19,903	(112)	20,222	319
Federal Grants	37,835	38,509	674	39,851	1,342

In 2009-10, General Fund miscellaneous receipts and Federal grants collections are projected to be over \$2.2 billion, up \$111 million from 2008-09. This increase mainly results from Monroe County Medicaid sales tax intercept revenue. All Funds miscellaneous receipts for 2009-10 are projected to be nearly \$60 billion, up \$849 million from 2008-09.

General Fund miscellaneous receipts, including Federal grants, in 2010-11 are projected to be almost \$2.3 billion, up \$70 million from 2009-10. This increase is primarily due to Monroe County Medicaid sales tax intercept. All Funds miscellaneous receipts for 2010-11 are projected to be nearly \$62 billion, up \$1.8 billion from the prior year, resulting from increases in expected Federal grants receipts.

Non-Tax General Fund Transfers from Other Funds

General Fund Transfers From Other Funds							
Annual Change							
(millions of dollars)							
	2007-08	2008-09	Annual Change	2009-10	Annual Change	2010-11	Annual Change
Total Transfers From Other Funds	681	386	(295)	358	(28)	392	34
2007-08 Sweep of Excess Balances	100	0	(100)	0	0	0	0
Tribal State Compact Revenue	133	77	(56)	75	(2)	106	31
Quality Child Care and Protection	96	119	23	106	(13)	109	3
Business Licensing Services	75	57	(18)	46	(11)	46	0
Federal Health and Human Services	32	32	0	32	0	32	0
DMV - Compulsory Insurance	28	12	(16)	12	0	12	0
Hazardous Waste Remedial	27	27	0	27	0	27	0
Criminal Justice Improvement	23	0	(23)	0	0	0	0
Revenue Arrearage Account	22	7	(15)	7	0	7	0
Cultural Education	21	1	(20)	1	0	1	0
Environmental Protection	20	10	(10)	10	0	10	0
Interest Assessment	16	0	(16)	0	0	0	0
State Police Motor Vehicle Law	11	0	(11)	0	0	0	0
All Other	77	44	(33)	42	(2)	42	0

All other transfers to the General Fund from other State Funds are expected to decline in 2008-09 from 2007-08 levels primarily as a result of non-recurring fund sweeps from several special revenue accounts that were included in the 2007-08 Enacted Budget and a reduction in transfers from the Tribal State Compact Revenue account. Transfers from the Tribal State Compact account in 2007-08 reflect payments owed to the State from the Seneca Indian Nation from prior years. It is projected that these moneys will be received in 2007-08 and transfers in 2008-09 will return to normal levels.

General Fund Multi-Year Disbursement Projections

DOB forecasts General Fund spending of \$59.2 billion in 2008-09, an increase of \$5.5 billion (10.3 percent) over projected 2007-08 levels. Growth in 2009-10 is projected at \$4.6 billion (7.8 percent) and in 2010-11 at \$4.8 billion (7.5 percent). The growth levels are based on current services projections, including budgetary actions approved during the end of the regular legislative session. The State Constitution requires the Governor to annually submit a balanced budget to the Legislature and recent legislation requires the Legislature to enact a balanced budget. The current estimates do not incorporate any new proposals to control spending that are likely to be part of any balanced budget submission in 2008-09 and in future years. The main sources of annual spending growth for 2008-09, 2009-10, and 2010-11 are itemized in the table below.

Outyear Disbursement Projections - General Fund (millions of dollars)							
	2007-08	2008-09	Annual \$ Change	2009-10	Annual \$ Change	2010-11	Annual \$ Change
Grants to Local Governments:	36,763	41,332	4,569	45,156	3,824	48,909	3,753
School Aid	16,230	17,790	1,560	19,478	1,688	21,500	2,022
Medicaid (including administration)	8,317	9,973	1,656	11,330	1,357	12,096	766
Medicaid: Takeover Initiatives	705	1,028	323	1,361	333	1,732	371
Higher Education	2,324	2,535	211	2,599	64	2,664	65
Mental Hygiene	1,858	2,101	243	2,274	173	2,387	113
Children and Families Services	1,607	1,789	182	1,899	110	2,044	145
Other Education Aid	1,739	1,689	(50)	1,748	59	1,819	71
Temporary and Disability Assistance	1,394	1,444	50	1,447	3	1,448	1
Local Government Assistance	938	1,307	369	1,383	76	1,452	69
Public Health	684	737	53	722	(15)	754	32
Transportation	106	105	(1)	105	0	105	0
All Other	861	834	(27)	810	(24)	908	98
State Operations:	9,579	10,015	436	10,415	400	10,729	314
Personal Service	6,692	6,960	268	7,203	243	7,376	173
Non-Personal Service	2,887	3,055	168	3,212	157	3,353	141
General State Charges	4,496	4,808	312	5,097	289	5,386	289
Pensions	1,168	1,238	70	1,286	48	1,284	(2)
Health Insurance (Active Employees)	1,572	1,700	128	1,847	147	2,008	161
Health Insurance (Retired Employees)	992	1,070	78	1,166	96	1,271	105
All Other	764	800	36	798	(2)	823	25
Transfers to Other Funds:	2,831	3,024	193	3,129	105	3,536	407
Debt Service	1,551	1,687	136	1,676	(11)	1,703	27
Capital Projects	112	452	340	561	109	966	405
All Other	1,168	885	(283)	892	7	867	(25)
TOTAL DISBURSEMENTS	53,669	59,179	5,510	63,797	4,618	68,560	4,763

Grants to Local Governments

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

Forecast for Selected Program Measures Affecting Local Assistance					
(dollars)					
	Actual	Forecast			
	2006-07	2007-08	2008-09	2009-10	2010-11
Medicaid					
Medicaid Coverage	3,608,075	3,571,974	3,642,887	3,746,047	3,881,389
Family Health Plus Coverage	514,058	525,596	545,996	563,084	578,792
Child Health Plus Coverage	388,187	394,486	445,991	460,856	470,956
Medicaid Inflation	2.4%	2.0%	3.9%	4.8%	4.8%
Medicaid Utilization	1.1%	-3.8%	1.7%	2.2%	2.2%
State Takeover of County/NYC Costs (Total)	\$622	\$705	\$1,028	\$1,361	\$1,732
- Family Health Plus	\$424	\$470	\$482	\$495	\$512
- Medicaid	\$198	\$235	\$546	\$866	\$1,220
Education					
School Aid (School Year)	\$17,900	\$19,600	\$21,000	\$23,200	\$25,500
K-12 Enrollment	2,783,153	2,758,856	2,758,856	2,758,856	2,758,856
Public Higher Education Enrollment (FTEs)	499,081	504,532	510,553	517,442	521,071
TAP Recipients	320,930	312,779	311,036	310,303	311,579
Welfare					
Family Assistance Caseload	402,346	360,080	348,627	344,148	341,455
Single Adult/No Children Caseload	158,513	167,767	173,579	180,159	187,270
Mental Hygiene					
Mental Hygiene Community Beds	84,465	87,436	90,217	92,462	94,271

Medicaid

General Fund spending for Medicaid is expected to grow by nearly \$2 billion in 2008-09, \$1.7 billion in 2009-10, and another \$1.1 billion in 2010-11.

Major Sources of Annual Change in Medicaid							
(millions of dollars)							
	2007-08	2008-09	Annual \$ Change	2009-10	Annual \$ Change	2010-11	Annual \$ Change
Base Growth (State Funds)	12,342	13,998	1,656	15,655	1,657	16,809	1,154
Hospitals/Clinics	2,732	3,013	281				
Nursing Homes	2,875	3,273	398				
Managed Care	1,314	1,492	178				
Home Care	2,132	2,519	387				
Non-Institutional/Other	1,150	1,159	9				
Pharmacy	1,186	1,470	284				
Family Health Plus	953	1,072	119				
Less: Other State Funds Support	3,320	2,997	(323)	2,964	(33)	2,981	17
HCRA Financing	1,918	1,671	(247)	1,638	(33)	1,655	17
Provider Assessment Revenue	561	485	(76)	485	0	485	0
Indigent Care Revenue	841	841	0	841	0	841	0
Total General Fund	9,022	11,001	1,979	12,691	1,690	13,828	1,137

Medicaid growth results, in part, from the combination of projected increases in recipients, service utilization, and medical care cost inflation that impact nearly all categories of service (e.g., hospitals, nursing homes, etc.). The State cap on local Medicaid costs and takeover of local Family Health Plus costs, which are included in base categories of service, are projected to increase spending by \$323 million in 2008-09, \$333 million in 2009-10, and \$371 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 3.6 million in 2008-09, an increase of 2 percent from the estimated 2007-08 caseload of more than 3.5 million. Family Health Plus 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

Four Year School Aid Projection -- School Year Basis (millions of dollars)							
	2007-08	2008-09	Annual \$ Change	2009-10	Annual \$ Change	2010-11	Annual \$ Change
Foundation Aid	13,640	14,891	1,251	16,406	1,515	18,060	1,654
Universal Pre-kindergarten	395	492	97	592	100	642	50
Additional Pre-kindergarten	43	0	(43)	0	0	0	0
High Tax Aid	100	0	(100)	0	0	0	0
Supplemental Public Excess Cost	21	0	(21)	0	0	0	0
New York City Academic Achievement Grant	89	0	(89)	0	0	0	0
EXCEL Building Aid	112	184	72	197	13	197	0
Expense-Based Aids (Building, Transportation, High Cost and Private Excess Cost, BOCES)	4,437	4,627	190	5,080	453	5,575	495
Other Aid Categories/Initiatives	807	807	0	944	137	1,044	100
Total School Aid	19,644	21,001	1,357	23,219	2,218	25,518	2,299
Cumulative Increase			3,120		5,338		7,637

On a school year basis, school aid is projected at \$21.0 billion in 2008-09, \$23.2 billion in 2009-10, and \$25.5 billion in 2010-11. On a State fiscal year basis, General Fund school aid spending is projected to grow by \$1.6 billion in 2008-09, \$1.7 billion in 2009-10, and \$2.0 billion in 2010-11. Outside the General Fund, revenues from lottery sales are projected to increase by \$112 million in both 2008-09 and 2009-10 and \$27 million in 2010-11, to a total of \$2.2 billion in 2008-09 growing to a total of \$2.3 billion in both 2009-10 and 2010-11. In addition, VLT revenues are projected to increase by \$39 million in 2008-09, \$130 million in 2009-10, and \$206 million in 2010-11, to a total of \$514 million in 2008-09 growing to \$850 million in 2010-11. The VLT estimates assume the start of operations at Aqueduct in 2009-10 and Belmont in 2010-11 (legislative approval needed). Consistent with recent history, an estimate of a net increase in school aid claims has been reflected in the State's Updated Financial Plan. However, school year estimates will not be known until SED has completed its next Database Update in November.

Based on current law, the Updated Financial Plan shows that certain school aid initiatives included in the 2007-08 Enacted Budget are non-recurring including High Tax Aid (\$100 million); Supplemental Public Excess Cost Aid (\$17 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 Pre-kindergarten expansion; and increases in expense-based aids such as Building Aid and Transportation Aid.

Higher Education

Spending for higher education programs is projected to grow by \$211 million in 2008-09, \$64 million in 2009-10, and \$65 million in 2010-11. This growth largely reflects corrections for actual growth in fringe benefit costs budgeted within CUNY's gross operating budget, final year collective bargaining costs and inflationary increases for mandatory costs, including utilities and building leases.

Mental Hygiene

Mental Hygiene spending is projected at \$2.1 billion in 2008-09, \$2.3 billion in 2009-10, and \$2.4 billion in 2010-11. The growth is largely attributable to increases in the projected State share of Medicaid costs; cost-of-living increases; 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 to bring children back from out-of-state placements in OMRDD, the NY/NY III Supportive Housing agreement and community bed expansion in OMH, and several new chemical dependence treatment and prevention initiatives in OASAS.

Children and Family Services

Children and Family Services spending local assistance is projected to grow by \$182 million in 2008-09 (from \$1.6 billion to \$1.8 billion), \$110 million in 2009-10 and \$145 million in 2010-11. The increases are driven primarily by expected growth in local child welfare claims, the implementation of the Office of Children and Family Services Medicaid waiver, and cost-of-living increases for human services providers.

Temporary and Disability Assistance

Spending is projected at \$1.4 billion in 2008-09, an increase of \$50 million (3.6 percent) from 2007-08, and is expected to remain at virtually the same level in 2009-10 and 2010-11. Although public assistance spending is projected to decline marginally, this reduction is countered by a loss of Federal offsets, which increase the level of General Fund resources needed.

Other Local

All other local assistance programs total \$4.7 billion in 2008-09, an increase of approximately \$344 million over 2007-08 levels. This growth in spending primarily reflects increases in local government assistance including unrestricted aid to New York City that is expected to return to prior-year levels (\$308 million) and additional AIM funding for "high need" municipalities (\$50 million), and various public health program costs. These increases are partially offset by a decline in other education aid reflecting one-time 2007-08 legislative member item spending.

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	199,429	201,168	201,876	201,876

(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 \$436 million (4.6 percent). In 2009-10, spending is projected to grow by another \$400 million to a total of \$10.4 billion (4.0 percent), followed by another \$314 million for a total of \$10.7 billion in 2010-11. The personal service portion of these increases reflects salary adjustments for performance advances, longevity payments and promotions, and increased staffing levels, primarily in Mental Hygiene and Corrections. Inflationary increases for non-personal service costs result in higher spending in all years. Additional growth is driven by spending for ongoing initiatives, including the civil commitment program for sexual offenders, and medical and pharmacy costs in the areas of mental hygiene and corrections. While a reserve is set aside for potential collective bargaining settlements and other purposes, the State Operation spending projections do not reflect potential salary increases and labor settlements after the current round of contracts, which expired on April 1, 2007 (United University Professions contracts expired on July 1, 2007).

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

Personal Service

General Fund - Personal Service (millions of dollars)							
	2007-08	2008-09	Annual \$ Change	2009-10	Annual \$ Change	2010-11	Annual \$ Change
Total	6,692	6,960	268	7,203	243	7,376	173
Judiciary	1,312	1,407	95	1,530	123	1,607	77
Mental Health	478	540	62	565	25	594	29
Mental Retardation	197	241	44	255	14	265	10
State Police	378	396	18	403	7	403	0
Correctional Services	1,818	1,832	14	1,866	34	1,892	26
Public Health	72	82	10	86	4	90	4
Homeland Security	46	56	10	53	(3)	55	2
Children and Family Services	157	166	9	174	8	175	1
Medicaid Inspector General	11	20	9	21	1	21	0
State University	848	856	8	864	8	870	6
Tax and Finance	209	216	7	218	2	219	1
All Other	1,166	1,148	(18)	1,168	20	1,185	17

- **Judiciary.** Changes reflect DOB projections based on historical trends for non-judicial Office of Court Administration (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.
- **Mental Health.** Base growth reflects the loss of non-recurring revenue maximization/savings actions (\$29 million); additional costs resulting from the Sex Offender Management and Treatment Act (\$15 million); annualization of prior year and current year initiatives, including the PSYCKES pharmaceutical initiative, additional research jobs, the Workplace Violence Prevention Act, Jonathan's Law and the Special Housing Unit bill (\$11 million); and base salary increases (\$7 million).
- **Mental Retardation.** Reflects a decline in available patient income revenue used to lower General Fund costs resulting from a required rate methodology change effective April 1, 2008 for case management services made through the Medicaid Service Coordination program.
- **State Police.** Growth is driven primarily by the State Police's takeover of patrol costs on Interstate highway 84 in 2008-09 that were previously financed with proceeds from toll revenues that have been discontinued.

- **Correctional Services.** Growth is primarily attributable to the Sex Offender Management and Treatment Act and the restricted use of special housing units for mentally ill inmates that are expected to result in an increased need for correction officers, thus driving higher workforce levels and costs.
- **Public Health.** Increases primarily reflect the annualization of 79 new positions included in the 2007-08 Budget as well as anticipated cost increases associated with filling vacant positions.
- **Homeland Security.** Reflects personal service costs of National Guard response to ongoing heightened alert status (Orange Alert). This response covers activities such as statewide infrastructure protection, New York City Orange Alert protection, airport security measures, northern border security, and security at the Empire State Plaza.
- **Children and Family Services.** Increases primarily reflect the expected loss of non-recurring Federal revenue used to offset General Fund costs (\$5 million), and the additional annualized cost of 218 new youth facility jobs added part way through 2007-08 (\$4 million).
- **Medicaid Inspector General.** This newly created agency is expected to continue to expand operations in 2008-09 in order to be able to fulfill the agency's goals. The agency expects personal service costs to increase as currently vacant positions are filled. Personal service growth is expected to stabilize in outyears 2009-10 and 2010-11.
- **State University.** The total taxpayer-supported workforce for SUNY is approximately 24,000 positions. The annual growth is driven largely by costs associated with contractual salary increases, multi-year initiatives and legislative additions.
- **Tax and Finance.** Changes reflect the annualization of roughly 200 additional full-time employees added for enhanced audit activity and information technology purposes.

Non-Personal Service

General Fund - Non-Personal Service (millions of dollars)							
	2007-08	2008-09	Annual \$ Change	2009-10	Annual \$ Change	2010-11	Annual \$ Change
Total	2,887	3,055	168	3,212	157	3,353	141
Correctional Services	596	648	52	690	42	732	42
Mental Health	271	290	19	316	26	337	21
Judiciary	298	316	18	345	29	362	17
Mental Retardation	249	264	15	281	17	300	19
State Police	70	83	13	93	10	93	0
State University	470	481	11	491	10	503	12
Children and Family Services	100	110	10	115	5	117	2
Homeland security	22	29	7	26	(3)	26	0
Public Health	117	124	7	128	4	133	5
All Other	694	710	16	727	17	750	23

- **Correctional Services.** Growth is primarily driven by the escalating costs of food, fuel, and providing health care services and prescription drugs to inmates, as well as recent legislation related to the Sex Offender Management and Treatment Act and the restricted use of special housing units for mentally ill inmates that are expected to result in increased capacity that drives higher non personal service costs such as utilities.
- **Mental Health.** Primarily reflects overall inflationary increases, including assumed 4 percent increases for energy costs; roughly 10 percent for pharmacy costs driven by increased costs for psychotropic drugs, which tend to be more expensive (\$15 million), a significant increase in

utilization projected as people with mental illness are living longer and using more drugs as they age; and additional costs resulting from the Sex Offender Management and Treatment Act (\$3 million).

- **Judiciary.** The increase is driven by inflation and increasing court security costs, Law Guardian/Assigned Counsel costs and additional costs generated by each new judgeship. In 2008-09, new regulations regarding maximum caseload for Law Guardians, as well as increased State aid for improving town and village courts and the maturation of the civil confinement program for sexual offenders all contribute to escalating NPS costs.
- **Mental Retardation.** Primarily reflects a 2.5 percent overall inflationary increase (\$9 million), as well as a roughly 10 percent increase for pharmacy costs (\$5 million) that is primarily driven by increased costs for certain drugs which tend to be more expensive and a significant increase in projected utilization consistent with increasing life expectancy.
- **State Police.** Spending growth reflects costs previously supported by cellular surcharge revenues in other State Funds that are supported by the General Fund revenues.
- **State University.** Primarily reflects funding for inflationary increases for personal and non-personal service at SUNY.
- **Children and Family Services.** Growth is driven by the loss of Federal revenues supporting development costs of the child welfare computer system (\$5 million), general inflation (\$3 million) and projected Office for Technology rate increases for services provided to the agency (\$1 million).
- **Homeland Security.** Primarily reflects costs driven by the Oneida Training Center project, which provides training of all State First Responders/Potential First Responders in the event of an emergency (e.g., a terrorist attack or natural disaster)
- **Public Health.** Reflects the full annual cost of new and enhanced investments (e.g., Vital Records Program, federally mandated Payment Error Rate Measurement) authorized in the 2007-08 Enacted Budget and other associated non-personal service costs (e.g., technology upgrades, infrastructure improvements) to ensure appropriate auditing and surveillance capabilities and other measures to protect the public health.

General State Charges

Forecast of Selected Program Measures Affecting General State Charges					
	Actual	Forecast			
	2006-07	2007-08	2008-09	2009-10	2010-11
General State Charges					
Pension Contribution Rate as % of Salary	10.2%	9.6%	9.0%	9.0%	9.0%
Employee/Retiree Health Insurance Growth Rates	10.3%	5.5%	9.5%	9.5%	9.5%

General State Charges are projected to total \$4.8 billion in 2008-09, \$5.1 billion in 2009-10 and \$5.4 billion in 2010-11. The annual increases are due mainly to anticipated cost increases in pensions and health insurance for State employees and retirees.

The State's pension contribution rate to the New York State and Local Retirement System is expected to decrease from 9.6 percent of salary in 2007-08 to 9.0 percent in 2008-09 and beyond. Pension costs in 2008-09 are projected to total \$1.1 billion.

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	1,700	1,070	2,770
2009-10	1,847	1,166	3,013
2010-11	2,008	1,271	3,279

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 \$206 million in 2008-09, \$243 million in 2009-10, and another \$266 million in 2010-11 and assumes an average annual premium increase of roughly 9.5 percent. Health insurance is projected at \$2.8 billion in 2008-09 (\$1.7 billion for active employees and \$1.1 billion for retired employees), \$3.0 billion in 2009-10 (\$1.8 billion for active employees and \$1.2 billion for retired employees), and \$3.3 billion in 2010-11 (\$2.0 billion for active employees and \$1.3 billion for retired employees).

See discussion of the Governmental Accounting Standards Board (GASB) 45 later in this Updated Financial Plan for the valuation of future State health insurance costs for State employees.

Transfers to Other Funds

Outyear Disbursement Projections - Transfers to Other Funds (millions of dollars)							
	2007-08	2008-09	Annual Change	2009-10	Annual Change	2010-11	Annual Change
Transfers to Other Funds:	2,831	3,024	193	3,129	105	3,536	407
Debt Service	1,551	1,687	136	1,676	(11)	1,703	27
Capital Projects	112	452	340	561	109	966	405
Dedicated Highway and Bridge Trust Fund	26	186	160	312	126	712	400
All Other Capital	86	266	180	249	(17)	254	5
All Other Transfers	1,168	885	(283)	892	7	867	(25)
Debt Reduction Reserve	250	0	(250)	0	0	0	0
Medicaid Payments for State Facility Patients	174	174	0	174	0	174	0
Judiciary Funds	165	166	1	170	4	173	3
Lottery and VLT Support for School Aid	171	0	(171)	0	0	0	0
SUNY- Hospital Operations	120	141	21	159	18	167	8
Banking Services	69	69	0	69	0	69	0
Empire State Stem Cell Trust Fund	15	50	35	35	(15)	0	(35)
Statewide Financial System	0	50	50	50	0	50	0
All Other	204	235	31	235	0	234	(1)

In 2008-09, transfers to other funds are estimated at \$3.0 billion, an increase of \$193 million over 2007-08. Consistent with the First Quarterly Update, this increase is primarily attributed to increases in debt service costs after accelerations of 2007-08 payments into 2006-07 and an increase in capital projects transfers that includes potential transfers to the Dedicated Highway and Bridge Trust Fund aimed at reducing fund gaps.

All other transfers are expected to decline as a result of one-time transfers in 2007-08 for debt reduction and school aid support due to expected shortfalls in available lottery and VLT revenues. These decreases are partially offset by increases in other transfers including support for the development of a single State-wide financial system beginning in 2008-09 and increased support for stem cell research

In 2009-10 and 2010-11, transfers to other funds are expected to increase by \$105 million and \$407 million, respectively, mainly due to expected growth in General Fund support to the Dedicated Highway and Bridge Trust Fund. In addition, transfers to support stem cell research are transitioned from the General Fund to the Health Care Resources Fund beginning in 2009-10

Year-to-Date Operating Results

The tables below compare actual results for the period from April 2007 through September 30, 2007 to the estimates included in the First Quarterly Update and the AIS, as well as actual results or the same six-month period in 2006.

In terms of year-to-date operating results through September 2007 in the General Fund were \$594 million better than the First Quarterly Update Financial Plan projection (\$529 million in lower spending and \$65 million in higher than expected receipts). Much of the variance represents a change in timing of receipts and disbursements, and is not expected to impact the overall General Fund balance beyond those re-estimates that are described in detail below and have been reflected in the Updated Financial Plan.

General Fund

2007-08 Fiscal Year						
Actual Year-to-Date Results: April through September, 2007						
General Fund Results vs. Projections; Year-to-Year Comparison						
(millions of dollars)						
	Enacted Budget	First Quarter Update Projection	Actual Results	Actuals vs. Estimates Favorable/ (Unfavorable) vs. Plan		Increase/ (Decrease) from Prior Year
				Enacted Budget	First Quarter Update Projection	
Opening Balance (April 1, 2007)	3,045	3,045	3,045	n/a	n/a	(212)
Receipts	27,279	26,524	26,588	(691)	64	519
Personal Income Tax	12,167	11,805	11,922	(245)	117	(149)
User Taxes and Fees	4,331	4,366	4,367	36	1	216
Business Taxes	3,091	2,846	2,753	(338)	(93)	56
All Other Taxes, Receipts & Grants	1,646	1,452	1,461	(185)	9	(178)
Transfers From Other Funds	6,044	6,055	6,085	41	30	574
Disbursements	25,279	26,021	25,491	(212)	530	899
Local Assistance	15,759	16,450	15,946	(187)	504	700
State Operations						
Personal Service	4,056	3,961	3,930	126	31	34
Non-Personal Service	1,284	1,424	1,389	(105)	35	128
General State Charges	2,839	2,805	2,705	134	100	42
Transfers To Other Funds	1,341	1,381	1,521	(180)	(140)	(5)
Change in Operations	2,000	503	1,097	(903)	594	(380)
Closing Balance (September 30, 2007)	5,045	3,548	4,142	(903)	594	(592)

General Fund Comparison to First Quarter Financial Plan Projections

Through September 2007, General Fund receipts, including transfers from other funds, totaled \$26.6 billion, \$64 million higher than the First Quarterly Update. This variance is primarily due to higher-than-expected PIT, transfers from other funds, miscellaneous receipts and grants, and user taxes and fees receipts slightly offset by lower-than-expected business taxes.

General Fund disbursements through September totaled \$25.5 billion, \$530 million lower than projected, all of which are timing-related as described below. The largest spending variances include:

School Aid (\$204 million lower than planned): Primarily reflecting slower-than-anticipated payments for categorical aid programs for school districts. We now expect these payments to occur in March 2008.

State University (\$107 million lower than planned): Primarily driven by the delayed payment of aid to community colleges resulting from the absence of a SUNY Board of Trustees, these payments are now expected in October. Office of Mental Health (\$86 million lower than planned): Resulting from the delay of Medicaid related spending charges by the Department of Health (DOH) from September 2008 to October 2008.

General State Charges (\$100 million lower than planned): Primarily attributable to earlier than expected escrow payments that offset General Fund spending and earlier than expected application of health insurance dividends which was originally expected to occur in March.

Transfers to Capital Projects Funds (\$110 million higher than planned): Primarily reflects earlier than anticipated authority bond spending for economic development programs (\$57 million), and earlier-than-projected spending for general obligation bonds for transportation and the environment (\$36 million and \$15 million, respectively).

General Fund Comparison to Enacted Budget Financial Plan

Through September 2007, General Fund receipts totaled \$26.6 billion, \$691 million lower than the Enacted Budget forecast. This variance is due in large part to lower than expected collections in the corporation franchise tax (\$357 million) as a result of higher-than-anticipated refunds and adjustments to prior tax year liabilities, as well as lower-than-projected growth in estimated payments on current tax year liabilities in the business taxes, and the PIT (\$245 million) as a result of higher transfers to both STAR and the Revenue Bond Tax Fund (RBTF).

General Fund disbursements, totaled \$25.5 billion, \$212 million higher than projected in the Enacted Budget. The most significant spending variances include:

- Office of Mental Health (\$113 million lower than planned): Largely attributable to the Medicaid spending delay described above.
- Other Education Aid (\$108 million higher than planned): Attributable to earlier-than-anticipated payments for library aid, non-public school aid, case services to individuals with disabilities, community project funds, workforce education, the Prekindergarten program, and various other education programs.
- Medicaid (\$100 million higher than planned): Driven by variations from the anticipated timing of other available resources areas (e.g. HCRA, the Provider Assessments Account, Drug Rebates, etc.) used to support Medicaid costs.

- Children and Family Services (\$89 million higher than planned): Due to variations from the anticipated spending patterns across all programs.
- Special Education (\$83 million higher than planned): Primarily attributable to earlier-than-projected claiming for preschool special education, following administrative accelerations.
- Personal Service (\$126 million lower than planned): Driven by earlier than expected application of offsets which lower General Fund spending (\$34 million) augmented by modest variances across numerous agencies.
- Non-Personal Service (\$105 million higher than planned): Due to variations from the anticipated spending patterns across all agencies.
- General State Charges (\$134 million lower than planned): Underspending was primarily driven by earlier than expected escrow payments and Health dividends described above which reduce General Fund costs, as well as various timing issues mostly related to Workers Compensation Claims.
- Transfers to Capital Projects Funds (\$97 million higher than planned): Driven primarily by earlier than anticipated spending for economic development and higher education projects.
- Transfers to Other Funds (\$86 million higher than planned): Primarily driven by the timing of the Court Facilities Incentive Aid (CFIA) guarantee payment budgeted in December, but occurring in September (\$46 million) and the transfer of monies from the General Fund to the SUNY Stabilization account (\$48 million).

General Fund Annual Change

Through September 2007, receipts totaled \$26.6 billion, an increase of \$519 million or 2.0 percent, compared to the same period in 2006-07. This annual increase is largely attributable to increases in transfers, user taxes and fees and business taxes offset by declines in PIT, miscellaneous receipts, Federal grants and all other taxes.

General Fund spending through September 2007 totaled \$25.5 billion, \$899 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:

- Welfare (\$328 million growth): Driven primarily by the timing of the Earned Income Tax Credit offset transaction that occurred earlier in the prior fiscal year (\$180 million) and an increase in welfare spending due to the loss of offsets, which increases the level of General Fund resources needed.
- School Aid (\$222 million growth): Largely reflects growth in payments of general aid to school districts (\$111 million), payments for categorical programs (including the Early Grade Class Size Reduction Program and the Universal Prekindergarten Programs) (\$47 million), and Excess Cost Aid (\$49 million).
- Children and Family Services (\$122 million growth): Higher spending is primarily attributable to the growth in the child welfare services payment to local districts (\$48 million), growth in Foster Care Block Grant payments (\$24 million) and payments made for residential placements for children with needs that cannot be accommodated in school district programs (\$20 million).
- CUNY (\$102 million decline): Largely reflects non-recurrence of the lump sum retroactive payment attributable to the Professional Staff Congress 2002 through 2008 collective bargaining settlement approved in August 2006.

- State Operations (\$162 million growth): Reflects higher salaries via the normal progression through a salary grade and growth in non-personal service spending primarily in SUNY (\$51 million), Corrections (\$36 million), and the Judiciary (\$22 million).
- Capital Projects spending (\$129 million growth): Primarily due to increased spending from authority bond proceeds for economic development programs and the timing of authority bond receipts.
- Debt Service (\$159 million decline): Lower spending in 2007-08 is due to the timing of debt service payments related to SUNY construction bonds in March 2007 rather than April 2007 (\$167 million).

All Governmental Funds Summary

2007-08 Fiscal Year						
Actual Year-to-Date Results: April through September, 2007						
All Funds Results vs. Projections; Year-to-Year Comparison						
(millions of dollars)						
	Enacted Budget	First Quarter Update Projection	Actual Results	Actuals vs. Estimates		Increase/ (Decrease) from Prior Year
				Favorable/ (Unfavorable) vs. Plan		
				Enacted Budget	First Quarter Update Projection	
Total Receipts	56,463	55,733	54,715	(1,748)	(1,018)	1,131
Personal Income Tax	17,539	17,598	17,755	216	157	877
User Taxes and Fees	7,188	7,205	7,175	(13)	(30)	280
Business Taxes	4,179	3,898	3,791	(388)	(107)	108
Other Taxes	1,010	1,062	1,076	66	14	11
Miscellaneous Receipts	9,094	8,932	8,951	(143)	19	688
Federal Grants	17,453	17,038	15,967	(1,486)	(1,071)	(833)
Total Disbursements	54,650	55,099	52,815	1,835	2,284	1,044
General Fund*	23,938	24,640	23,970	(32)	670	904
Special Revenue Funds	25,817	25,963	24,270	1,547	1,693	(118)
Capital Projects Funds	3,235	2,780	2,886	349	(106)	329
Debt Service Funds	1,660	1,716	1,689	(29)	27	(71)

Monthly Cash Flow Forecast

In 2007-08, the General Fund is projected to have quarterly-ending balances of \$1.7 billion in December 2007 (the lowest projected month-end cash flow balance), and \$2.8 billion at the end of March 2008.

DOB's revised detailed monthly General Fund cash flow projections for 2007-08 are provided in the tables at the end of this AIS Update.

Update on Risks to the Financial Plan

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

The most significant short-term risks include the potential cost of collective bargaining agreements for State employees (each 1 percent increase is valued at \$93 million in the General Fund and \$135 million in All Funds) and salary increases for the Judiciary (and possibly other elected officials) in 2007-08 and beyond; potential Federal disallowances arising from audits related to Medicaid claims under the School Supportive Health Services program; proposed Federal rule changes concerning Medicaid payments; and under-performance of the national and State economies that can affect State revenues and increase the demand for means-tested programs such as Medicaid and welfare.

Although the profile of risks has not changed materially since the 2007-08 First Quarterly Update, there have been some changes in risks associated with VLT revenues discussed below. In addition, the Updated Financial Plan estimates now incorporate a prior risk by assuming that Belmont will open in 2010-11 and has removed revenues from new facilities that have not yet been authorized by the Legislature.

The State's four-year Financial Plan includes VLT revenue estimates from currently operating gaming facilities. The Updated Financial Plan counts on VLT revenues from existing facilities of \$475 million in 2007-08 and \$514 million in 2008-09. Revenues are projected to increase to \$644 million in 2009-10 and \$850 million in 2010-11, reflecting the expected opening of the Aqueduct facility in 2009-10 and the Belmont facility in 2010-11. VLT revenues support K-12 education spending and any shortfall is expected to be covered by the General Fund.

In addition, the most significant risks to the revised revenue forecast are as follows.

- A significant downside risk remains with respect to the performance of financial sector firms. Continued poor performance in fourth quarter results for Wall Street companies could reduce bonus payouts more than expected.
- The housing market could become a more significant drag on the economy, especially if the foreclosure rate on subprime mortgages is higher than expected. This could erode consumer confidence leading to reduced consumption on taxable goods.
- A reduction in the number of large commercial real estate transactions in New York City presents the risk of a loss in real estate related tax receipts that have fueled a significant portion of the large growth in receipts over the past three fiscal years.
- A large portion of the growth in the estimated revenue base is dependent on loophole closing actions put in place with the 2007-08 Budget. There are preliminary indications that these changes are not producing the receipts anticipated at the time of the Enacted Budget.
- The cigarette tax collections could be significantly impacted by changes in the Federal cigarette tax associated with SCHIP funding.
- Both the cigarette and motor fuel taxes are impacted by Native American enforcement efforts. The 2007-08 estimates have been reduced to reflect enforcement delays.

Updated HCRA Financial Plan

HCRA Financial Plan 2007-08 through 2010-11 (millions of dollars)				
	2007-08	2008-09	2009-10	2010-11
Opening Balance	706	452	255	(434)
Total Receipts	4,833	4,773	4,263	4,382
Surcharges	1,999	2,061	2,113	2,172
Covered Lives Assessment	850	850	850	850
Cigarette Tax Revenue	565	612	604	596
Conversion Proceeds	999	834	284	334
Hospital Assessment (1 percent)	271	288	305	324
All Other	149	128	107	106
Total Disbursements	5,087	4,970	4,952	5,023
Medicaid Assistance Account	1,925	1,678	1,645	1,662
<i>Pharmacy Costs</i>	617	275	275	275
<i>Family Health Plus</i>	490	598	611	628
<i>Workforce Recruitment & Retraining</i>	325	296	292	292
<i>All Other</i>	493	509	467	467
HCRA Program Account	1,179	1,183	1,226	1,226
Hospital Indigent Care	841	841	841	841
Elderly Prescription Insurance Coverage	387	388	384	410
Child Health Plus	341	367	400	406
Public Health Programs	150	138	137	137
Mental Health Programs	92	92	92	92
Stem Cell Research	0	50	50	50
All Other	172	233	177	199
Annual Operating Surplus/(Deficit)	(254)	(197)	(689)	(641)
Closing Balance	452	255	(434)	(1,075)

- Statutory authorization for HCRA expires on March 31, 2008 at which time a closing balance of \$452 million is projected.
- Since the First Quarterly Update, the multi-year operational forecast has improved as a result of a decrease of \$236 million in projected spending and a slight increase in estimated revenue of \$50 million (primarily in surcharges).
- Spending reductions since the First Quarterly Update reflect lower than projected enrollment in the EPIC prescription drug coverage program and greater than projected Medicare Part D savings, as well as a delay in the expansion of the Child Health Plus program's eligibility to 400 percent of the Federal Poverty Level from October 2007 to April 2008. In addition, costs for several new initiatives and rate changes included in the Enacted Budget Financial Plan are now expected to occur in 2008-09 as a result of delays in Federal approval to implement these changes.

- Projected revenue increases since the First Quarterly Update reflect increases in surcharges and assessments based on recent collection experience, partially offset by a downward revision in expected cigarette tax revenue due to the delayed collection of cigarette tax from the enforcement of the statutes regarding the imposition of tax collected on sales of cigarettes to non-Indians on Indian reservations.
- Consistent with the initial plan assumptions, additional health insurance conversions are expected to result in \$284 million in proceeds in 2009-10 and \$334 million in proceeds in 2010-11.
- Based on revised projections, DOB projects HCRA will move from a substantial surplus in 2008-09 to a gap of \$434 million by the end of 2009-10. Annual operating deficits are projected to be roughly \$700 million and \$600 million in 2009-10 and 2010-11, respectively, prior to any actions taken pursuant to reauthorization in 2008.
- Under the current HCRA appropriation structure, spending reductions will occur if resources are insufficient to meet spending levels. These spending reductions could potentially impact core HCRA programs and the fiscal status of the General Fund. The reauthorization of HCRA in prior years has maintained HCRA's solvency without the need for automatic spending reductions.

GAAP - Basis Financial Plans

Summary

In addition to the cash-basis Financial Plans, the General Fund and All Funds Financial Plans are prepared on a basis of the Generally Accepted Accounting Principles (GAAP) in accordance with GASB regulations. 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 shows total revenues of \$44.5 billion, total expenditures of \$55.2 billion, and net other financing sources of \$9.9 billion, resulting in an operating deficit of \$843 million and a projected accumulated surplus of \$1.5 billion. These changes are due primarily to the use of a portion of prior year reserves to support 2007-08 operations.

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

Debt/Capital Update

Capital and Debt Summary

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

Economic Development and Government Oversight re-estimates are primarily for projects which support regional economic development, university development, cultural facilities, and energy and environmental programs. The remaining re-estimates result from more recent information on program activity to date and primarily reflect revisions to spending for projects being advanced by the Department of Correctional Services, the Division of State Police, and the Department of Environmental Conservation. In addition, beginning in 2008-09, the plan reflects spending and revenue impacts for implementation of the Department of Motor Vehicles enhanced identification verification program. Estimated revenues from increased license fees are expected to offset implementation and processing costs of this program.

All Funds Projected Capital Projects Spending (millions of dollars)					
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Projected Capital Projects Funds Spending First Quarter	\$6,916	\$7,690	\$7,588	\$7,296	\$7,053
Total Spending Reestimates	(\$183)	\$65	\$216	\$155	(\$7)
Economic Development/Government Oversight	(\$138)	\$58	\$241	\$114	(\$39)
Public Protection	(\$20)	(\$22)	(\$17)	(\$18)	\$29
Environment	(\$15)	\$17	\$13	\$0	\$0
General Government	(\$10)	(\$18)	(\$28)	\$56	\$0
Transportation	\$0	\$14	\$3	\$3	\$3
Health and Social Welfare	(\$9)	\$9	\$0	\$0	\$0
Higher Education	\$9	\$0	\$0	\$0	\$0
Mental Hygiene	\$0	\$7	\$4	\$0	\$0
Projected Capital Projects Funds Spending Second Quarter	\$6,733	\$7,755	\$7,804	\$7,451	\$7,046

The Updated Financial Plan reflects increased projected capital spending of approximately \$246 million throughout the five-year plan period. This is primarily related to economic development (\$236 million) which reflects more recent information regarding anticipated spending on a variety of programs and projects.

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

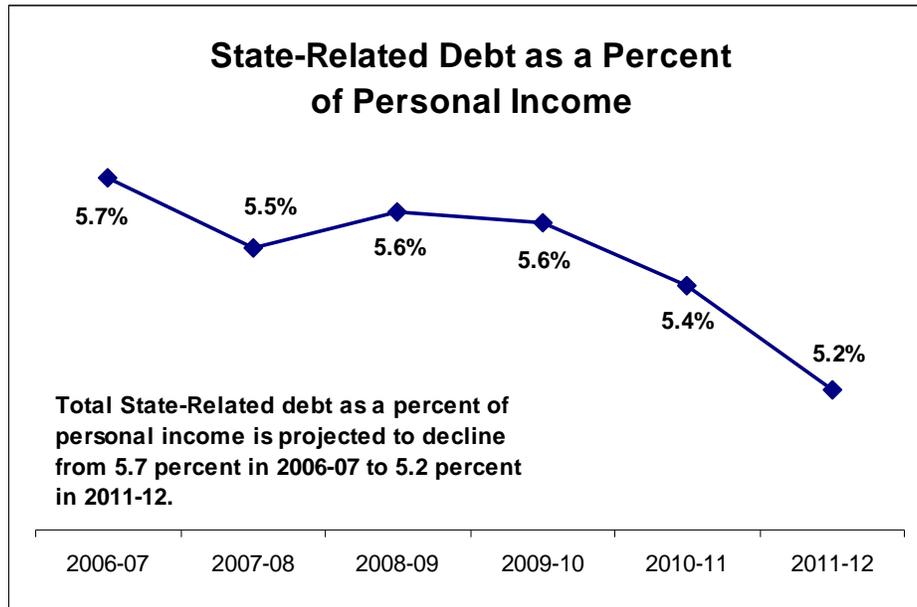
Projected Debt Outstanding					
(millions of dollars)					
	2007-08	2008-09	2009-10	2010-11	2011-12
1st Q Update State-Related Debt Outstanding	51,138	53,929	55,964	57,448	57,828
EXCEL	(771)	(511)	55	57	59
SUNY / CUNY	44	43	40	37	32
Economic Development	(60)	(35)	(50)	(72)	(69)
Correctional Facilities	(24)	(51)	(69)	(112)	(83)
State Facilities & Equipment	(48)	(59)	(88)	(16)	(14)
Debt Reduction (DRRF)	(230)	(230)	(230)	(230)	(230)
All Other Reestimates	(56)	9	2	(6)	(15)
Subtotal	(1,145)	(834)	(340)	(342)	(320)
Mid-Year Update State-Related Debt Outstanding	\$ 49,993	\$ 53,095	\$ 55,624	\$ 57,106	\$ 57,508

Projected Debt Issuances					
(millions of dollars)					
	2007-08	2008-09	2009-10	2010-11	2011-12
1st Q Update State-Related Debt Issuances	5,625	5,507	5,136	4,744	4,325
EXCEL	(806)	242	564	0	0
SUNY / CUNY	43	0	0	0	0
Economic Development	(56)	38	(2)	0	0
Correctional Facilities	(18)	(27)	(17)	(18)	30
State Facilities & Equipment	(33)	(10)	(28)	57	0
All Other Reestimates	(56)	40	6	1	2
Subtotal	(926)	283	523	40	32
Mid-Year Update State-Related Debt Issuances	\$ 4,699	\$ 5,790	\$ 5,659	\$ 4,784	\$ 4,357

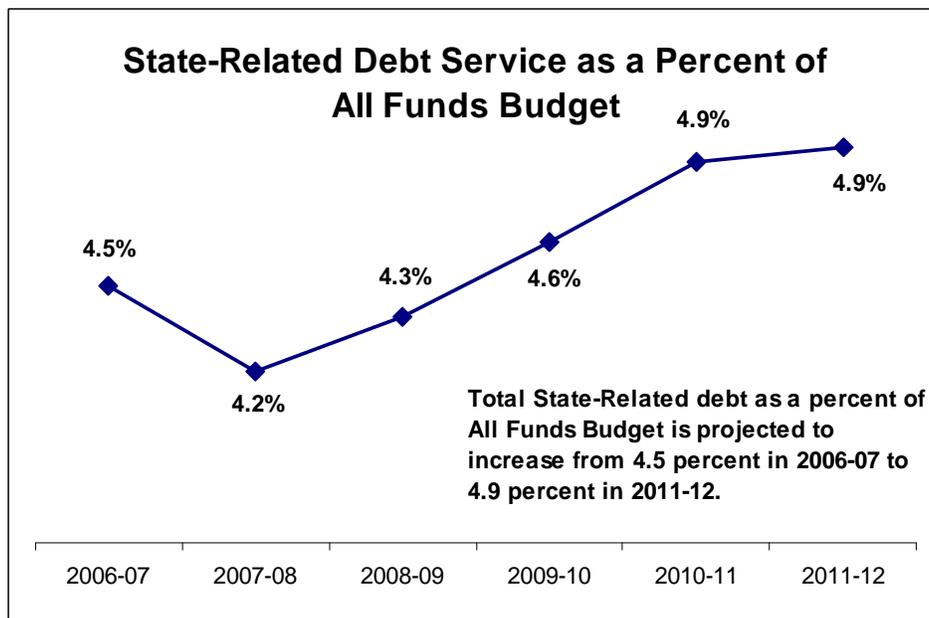
Projected Debt Service					
(millions of dollars)					
	2007-08	2008-09	2009-10	2010-11	2011-12
1st Q Update State-Related Debt Service	4,739	5,410	5,870	6,467	6,760
EXCEL	(50)	(52)	(18)	0	0
SUNY / CUNY	(38)	(16)	(21)	(27)	(31)
Economic Development	0	12	8	7	(7)
Correctional Facilities	1	(3)	(7)	(10)	(12)
State Facilities & Equipment	7	0	(2)	(19)	0
Debt Reduction (DRRF)	243	(13)	(13)	(13)	(13)
All Other Reestimates	(17)	(19)	(7)	(13)	(12)
Subtotal	146	(91)	(60)	(75)	(75)
Mid-Year Update State-Related Debt Service	\$ 4,885	\$ 5,319	\$ 5,810	\$ 6,392	\$ 6,685

Debt Affordability

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

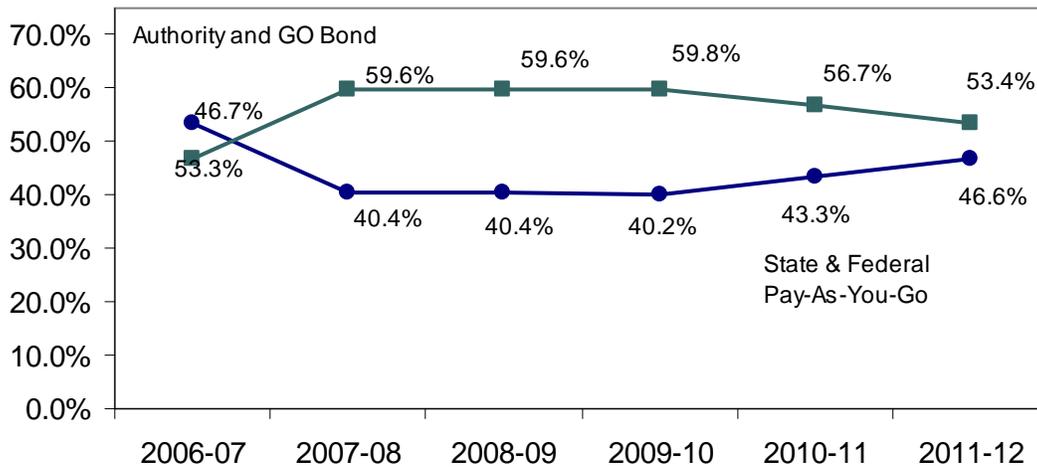


The projections from 2006-07 to 2011-12 reflect a roughly 4 percent average annual increase in debt levels and a roughly 5 percent annual average increase in statewide personal Income.



Beginning in 2006-07, debt service costs are projected to increase by an average of 6.0 percent annually, while All Funds receipts are projected to grow by 3.9 percent annually. The greater debt service costs primarily reflect the increased costs for transportation financed by the Dedicated Highway and Bridge Trust Fund, economic development and housing costs (regional economic development initiatives and high technology projects), education (primarily EXCEL and SUNY and CUNY multi-year capital plans), and health and mental hygiene (mental health services bonds and HEAL NY).

Pay-As-You-Go and Bond Financed Capital Disbursements



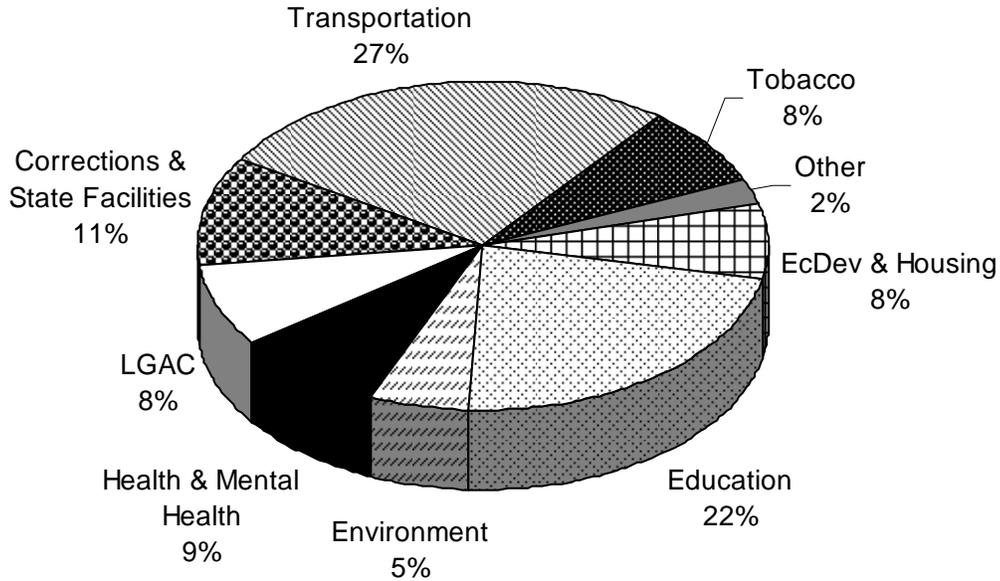
The level of projects financed with cash from both State and Federal sources (i.e., pay-as-you-go) is expected to average roughly 42 percent for the five State fiscal years from 2007-08 to 2011-12.

Debt Outstanding

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

The \$50 billion of projected State-related debt in 2007-08 consists of debt issued for each of the major programmatic areas as summarized below. The debt of the Local Government Assistance Corporation (LGAC), (issued to eliminate seasonal borrowing) and Tobacco bonds (issued to stabilize finances after September 11th) are not allocable to any specific functional area since they served a statewide purpose.

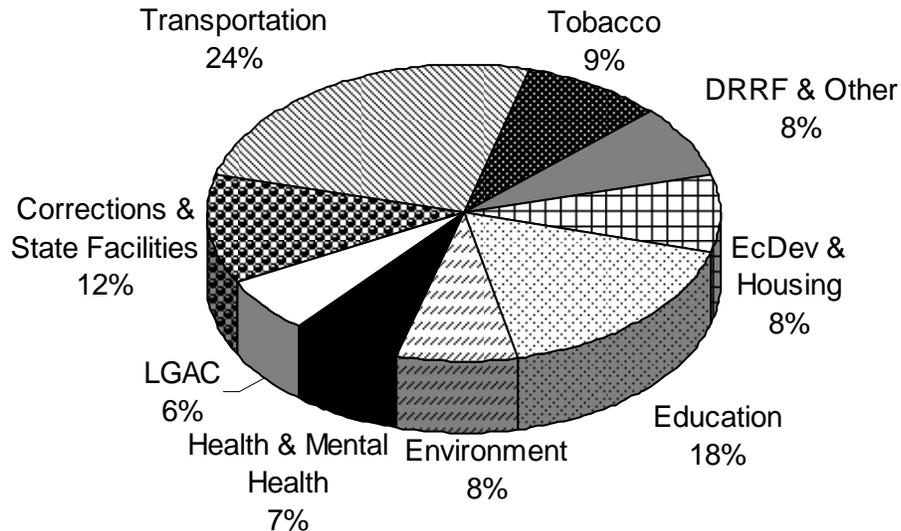
**Debt Outstanding by Function
\$50 Billion Projected at March 31, 2008**



Debt Service

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

**Debt Service by Function
\$4.9 Billion Projected in 2007-08 Mid-Year Update**



Statutory Debt Limitations

Debt Reform Act

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

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

For the 2006-07 fiscal year, the cumulative debt outstanding and debt service caps are 2.98 percent each. As shown in the table below, the actual level of debt outstanding and debt service costs continue to remain below the statutory caps. From April 1, 2000 through March 31, 2007 the State has issued new debt resulting in \$17.8 billion of debt outstanding applicable to the debt reform cap. This is \$7.5 billion below the statutory debt outstanding limitation. In addition, the debt service costs on this new debt totaled \$1.4 billion in 2006-07 – or roughly \$1.9 billion below the statutory debt service limitation.

Debt Outstanding Cap (million of dollars)		Debt Service Cap (millions of dollars)	
New Debt Outstanding	\$17,840	New Debt Service	\$1,428
Personal Income (CY 2006)	\$848,745	Governmental Funds Receipts	\$112,397
Debt Outstanding (Percent of PI)	2.10%	Debt Service (Percent of Gov't'l Fund Receipts)	1.27%
Cap Imposed by Debt Reform Act	2.98%	Cap Imposed by Debt Reform Act	2.98%

Current projections estimate that debt outstanding and debt service costs will continue to remain below the limits imposed by the Act throughout the current capital plan period, as noted in the tables below. However, the amount of “room” permitted under the cap is projected to decline beginning after 2009-10.

Debt Reform Act Calculations New Debt Outstanding (millions of dollars)				
Year	Personal Income	Cap %	Actual/ Recommended %	% (Above)/Below Cap
2000-01 (Actual)	655,583	0.75	0.38	0.37
2001-02 (Actual)	682,206	1.25	0.67	0.58
2002-03 (Actual)	684,070	1.65	1.21	0.44
2003-04 (Actual)	701,852	1.98	1.55	0.43
2004-05 (Actual)	737,039	2.32	1.73	0.59
2005-06 (Actual)	771,568	2.65	1.93	0.72
2006-07 (Actual)	848,745	2.98	2.10	0.88
2007-08	906,606	3.32	2.39	0.93
2008-09	949,659	3.65	2.78	0.87
2009-10	998,888	3.98	3.08	0.90
2010-11	1,051,019	4.00	3.25	0.75
2011-12	1,104,910	4.00	3.32	0.68
Debt Reform Act Calculations New Debt Service Costs (millions of dollars)				
Year	All Funds Receipts	Cap %	Actual/ Recommended %	% (Above)/Below Cap
2000-01 (Actual)	83,527	0.75	0.09	0.66
2001-02 (Actual)	84,312	1.25	0.36	0.89
2002-03 (Actual)	88,274	1.65	0.53	1.12
2003-04 (Actual)	99,698	1.98	0.84	1.14
2004-05 (Actual)	101,381	2.32	1.07	1.25
2005-06 (Actual)	107,027	2.65	1.16	1.49
2006-07 (Actual)	112,397	2.98	1.27	1.71
2007-08	117,278	3.32	1.53	1.79
2008-09	122,349	3.65	1.79	1.86
2009-10	126,449	3.98	2.13	1.85
2010-11	131,481	4.32	2.49	1.83
2011-12	136,235	4.65	2.66	1.99

CAPITAL OFF-BUDGET SPENDING (thousands of dollars)			
	2007-08 First Quarter	2007-08 Second Quarter	Quarterly Change
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Economic Development	104,450	218,200	113,750
Empire State Development Corporation	31,800	31,800	0
Functional Total	136,250	250,000	113,750
TRANSPORTATION			
Transportation, Department of	347,250	347,250	0
Functional Total	347,250	347,250	0
HEALTH AND SOCIAL WELFARE			
Health All Other	8,750	8,750	0
Functional Total	8,750	8,750	0
MENTAL HEALTH			
Mental Health, Office of	85,759	85,759	0
Mental Retardation and Developmental Disabilities, Office of	49,584	49,584	0
Alcoholism and Substance Abuse Services, Office of	2,879	2,879	0
Functional Total	138,222	138,222	0
EDUCATION			
City University of New York	311,400	311,400	0
Education, Department of	1,455,210	1,005,210	(450,000)
School Aid	1,450,000	1,000,000	(450,000)
<i>All Other</i>	5,210	5,210	0
State University of New York	140,000	135,000	(5,000)
Functional Total	1,906,610	1,451,610	(455,000)
TOTAL CAPITAL OFF-BUDGET SPENDING	2,537,082	2,195,832	(341,250)

Special Considerations

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

Budget Process Reform

Chapter 1 of the Laws of 2007, enacted in January 2007, reinstated and expanded the "quick start" budget process to require each house of the Legislature, the State Comptroller, and the Executive to separately prepare detailed reports containing multi-year cash projections of receipts and disbursements by November 5 of each year. The reports must include, at a minimum, detailed projections of State receipts (for major tax categories, lottery receipts, and miscellaneous receipts) and disbursements for major program areas (for Medicaid, public assistance, and school aid) for the current year and ensuing fiscal years, as well as a description of the underlying factors and data assumptions. The Executive, Legislature and State Comptroller are then required to meet publicly shortly thereafter to discuss their reports. By November 15, the Executive and the Legislature must issue a joint report on the actual, estimated and projected State receipts and disbursements for all funds of the State of the prior, current and ensuing fiscal years.

From November 7 through November 12, meetings were held among the parties to review the reports and identify and evaluate differences. This effort was followed by a public meeting on the reports that took place on November 13, and a joint report was released to the public on November 15 and is available on the DOB website at www.budget.state.ny.us. The joint report reflects a consensus of the anticipated slowdown in national economic growth as well as the considerable economic uncertainties surrounding credit conditions, the housing market, employment growth, Federal monetary policy and oil prices. Estimates by the various parties of total receipts and spending for major program areas resulted in a narrow range around Executive estimates and are explained in greater detail in the joint report available on the DOB website. The current DOB estimated budget gap of \$4.3 billion in 2008-09 is in the middle of a narrow range of budget gap estimates made public during the "quick start" process by the Senate Minority (\$4.0 billion) and the Assembly Minority (\$4.8 billion).

Davis v. Kentucky

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

If the Kentucky decision is affirmed by the United States Supreme Court, a state, including New York State, could be required to eliminate any disparity between the tax treatment of obligations issued by such state and its political subdivisions or instrumentalities and the tax treatment of obligations issued by other states and their respective political subdivisions or instrumentalities. The Supreme Court decision could result in an estimated potential impact of up to \$200 million in claims for tax refunds arising out of income

tax payments made in prior years. The preliminary estimate of the financial impact on the State of New York of discontinuing the practice of subjecting extraterritorially-issued municipal bonds to state income taxation is approximately \$70 million of lost tax revenues annually.

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

GASBS 45

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

The State used an independent actuarial consulting firm to calculate retiree health care liabilities. Assuming there is no pre-funding of this liability, the analysis indicates that the present value of the actuarial accrued total liability for benefits as of April 1, 2006 would be roughly \$49.7 billion, using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method. This is the actuarial methodology recommended to be used to implement GASBS 45. The actuarial accrued liability was calculated using a 4.2 percent annual discount rate.

The State’s total unfunded liability will be disclosed in the 2007-08 basic financial statements. While the total liability is substantial, GASB rules indicate it may be amortized over a 30-year period; therefore, only the annual amortized liability above the current pay-as-you-go costs would be recognized in the financial statements. Assuming no pre-funding, the 2007-08 liability would total roughly \$3.8 billion under the Frozen Entry Age actuarial cost method amortized based on a level percent of salary, or roughly \$2.9 billion above the current pay-as-you-go retiree costs. This difference between the State’s pay-as-you-go costs and the actuarially determined required annual contribution under GASBS 45 would reduce the State’s currently positive net asset condition of roughly \$49 billion at the end of 2006-07.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

New York State Employee Health Insurance Costs (millions of dollars)			
Year	Active Employees	Retirees	Total
2001-02	937	565	1,502
2002-03	1,023	634	1,657
2003-04	1,072	729	1,801
2004-05	1,216	838	2,054
2005-06	1,331	885	2,216
2006-07	1,518	913	2,431
2007-08	1,572	992	2,564
2008-09	1,700	1,070	2,770
2009-10	1,847	1,166	3,013
2010-11	2,008	1,271	3,279

All numbers reflect the cost of Health Insurance for General State Charges (Executive and Legislative branches) and the Office of Court Administration; actuals through 2006-07.

As noted, the Updated Financial Plan does not assume pre-funding of the GASBS 45 liability. If such liability were pre-funded at this time, the additional cost above the pay-as-you-go amounts would be lowered. The State's Health Insurance Council, which consists of 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 other outside parties.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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	3,128	(664)	(251)	3,849	2,182
March 31, 2005	827	833	361	89	2,110	546

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

**Summary of Net Assets
(millions of dollars)**

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

State Organization

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>				Total Benefits Paid(2)
	<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

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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Litigation

Real Property Claims

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

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

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

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

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

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

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

West Valley Litigation

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

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

	<u>2007-2008 Projected</u>	<u>2008-2009 Projected</u>	<u>2009-2010 Projected</u>	<u>2010-2011 Projected</u>
Receipts:				
Taxes:				
Personal income tax	22,697	23,939	25,463	27,203
User taxes and fees	8,506	8,805	9,150	9,508
Business taxes	6,500	6,669	6,854	6,889
Other taxes	1,102	1,211	1,342	1,425
Miscellaneous receipts	2,444	2,052	2,163	2,233
Federal grants	71	55	55	55
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,445	8,793	9,152	9,641
Sales tax in excess of LGAC debt service	2,305	2,327	2,425	2,534
Real estate taxes in excess of CW/CA debt service	636	614	595	598
All other transfers	681	386	358	392
Total receipts	<u>53,387</u>	<u>54,851</u>	<u>57,557</u>	<u>60,478</u>
Disbursements:				
Grants to local governments	36,763	41,332	45,156	48,909
State operations	9,579	10,015	10,415	10,729
General State charges	4,496	4,808	5,097	5,386
Transfers to other funds:				
Debt service	1,551	1,687	1,676	1,703
Capital projects	112	452	561	966
Other purposes	1,168	885	892	867
Total disbursements	<u>53,669</u>	<u>59,179</u>	<u>63,797</u>	<u>68,560</u>
Deposit to/(use of) Community Projects Fund	<u>76</u>	<u>(63)</u>	<u>(62)</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>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deposit to/(use of) Prior Year Reserves	<u>(512)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deposit to/(use of) Current Year Reserves	<u>(21)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Margin	<u>0</u>	<u>(4,265)</u>	<u>(6,178)</u>	<u>(7,931)</u>

Source: NYS DOB

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

	<u>First Quarter</u>	<u>Change</u>	<u>Mid-Year</u>
Opening fund balance	<u>3,045</u>	<u>0</u>	<u>3,045</u>
Receipts:			
Taxes:			
Personal income tax	23,071	(374)	22,697
User taxes and fees	8,527	(21)	8,506
Business taxes	6,679	(179)	6,500
Other taxes	1,135	(33)	1,102
Miscellaneous receipts	2,355	89	2,444
Federal Grants	75	(4)	71
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,507	(62)	8,445
Sales tax in excess of LGAC debt service	2,321	(16)	2,305
Real estate taxes in excess of CW/CA debt service	636	0	636
All other	690	(9)	681
Total receipts	<u>53,996</u>	<u>(609)</u>	<u>53,387</u>
Disbursements:			
Grants to local governments	37,279	(516)	36,763
State operations	9,613	(34)	9,579
General State charges	4,525	(29)	4,496
Transfers to other funds:			
Debt service	1,578	(27)	1,551
Capital projects	89	23	112
Other purposes	911	257	1,168
Total disbursements	<u>53,995</u>	<u>(326)</u>	<u>53,669</u>
Change in fund balance	<u>1</u>	<u>(283)</u>	<u>(282)</u>
Closing fund balance	<u>3,046</u>	<u>(283)</u>	<u>2,763</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	250	(250)	0
Reserve for Likely Risks	<u>1,215</u>	<u>(33)</u>	<u>1,182</u>
<i>Prior Year Reserves</i>	1,203	0	1,203
<i>Increase/(Decrease) From Current Year Operations</i>	12	(33)	(21)

Source: NYS DOB

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

	<u>First Quarter</u>	<u>Change</u>	<u>Mid-Year</u>
Receipts:			
Taxes:			
Personal income tax	24,426	(487)	23,939
User taxes and fees	8,900	(95)	8,805
Business taxes	6,707	(38)	6,669
Other taxes	1,211	0	1,211
Miscellaneous receipts	1,862	190	2,052
Federal Grants	59	(4)	55
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,904	(111)	8,793
Sales tax in excess of LGAC debt service	2,363	(36)	2,327
Real estate taxes in excess of CW/CA debt service	614	0	614
All other	407	(21)	386
Total receipts	<u>55,453</u>	<u>(602)</u>	<u>54,851</u>
Disbursements:			
Grants to local governments	41,544	(212)	41,332
State operations	10,016	(1)	10,015
General State charges	4,969	(161)	4,808
Transfers to other funds:			
Debt service	1,703	(16)	1,687
Capital projects	400	52	452
Other purposes	903	(18)	885
Total disbursements	<u>59,535</u>	<u>(356)</u>	<u>59,179</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>(405)</u>	<u>405</u>	<u>0</u>
Margin	<u>(3,614)</u>	<u>(651)</u>	<u>(4,265)</u>

Source: NYS DOB

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

	<u>First Quarter</u>	<u>Change</u>	<u>Mid-Year</u>
Receipts:			
Taxes:			
Personal income tax	26,025	(562)	25,463
User taxes and fees	9,271	(121)	9,150
Business taxes	6,913	(59)	6,854
Other taxes	1,342	0	1,342
Miscellaneous receipts	2,061	102	2,163
Federal Grants	59	(4)	55
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,307	(155)	9,152
Sales tax in excess of LGAC debt service	2,468	(43)	2,425
Real estate taxes in excess of CW/CA debt service	594	1	595
All other	380	(22)	358
Total receipts	<u>58,420</u>	<u>(863)</u>	<u>57,557</u>
Disbursements:			
Grants to local governments	45,457	(301)	45,156
State operations	10,407	8	10,415
General State charges	5,282	(185)	5,097
Transfers to other funds:			
Debt service	1,692	(16)	1,676
Capital projects	534	27	561
Other purposes	846	46	892
Total disbursements	<u>64,218</u>	<u>(421)</u>	<u>63,797</u>
Deposit to/(use of) Community Projects Fund	<u>(62)</u>	<u>0</u>	<u>(62)</u>
Deposit to/(use of) Prior Year Reserves	<u>(405)</u>	<u>405</u>	<u>0</u>
Margin	<u>(5,331)</u>	<u>(847)</u>	<u>(6,178)</u>

Source: NYS DOB

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

	<u>First Quarter</u>	<u>Change</u>	<u>Mid-Year</u>
Receipts:			
Taxes:			
Personal income tax	27,841	(638)	27,203
User taxes and fees	9,634	(126)	9,508
Business taxes	6,928	(39)	6,889
Other taxes	1,425	0	1,425
Miscellaneous receipts	2,061	172	2,233
Federal Grants	59	(4)	55
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,826	(185)	9,641
Sales tax in excess of LGAC debt service	2,579	(45)	2,534
Real estate taxes in excess of CW/CA debt service	597	1	598
All other	414	(22)	392
Total receipts	<u>61,364</u>	<u>(886)</u>	<u>60,478</u>
Disbursements:			
Grants to local governments	48,865	44	48,909
State operations	10,663	66	10,729
General State charges	5,585	(199)	5,386
Transfers to other funds:			
Debt service	1,721	(18)	1,703
Capital projects	945	21	966
Other purposes	854	13	867
Total disbursements	<u>68,633</u>	<u>(73)</u>	<u>68,560</u>
Deposit to/(use of) Community Projects Fund	<u>(151)</u>	<u>0</u>	<u>(151)</u>
Deposit to/(use of) Prior Year Reserves	<u>(405)</u>	<u>405</u>	<u>0</u>
Margin	<u>(6,713)</u>	<u>(1,218)</u>	<u>(7,931)</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>Mid-Year</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	22,697	(242)
User taxes and fees	8,186	8,506	320
Business taxes	6,468	6,500	32
Other taxes	1,075	1,102	27
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	8,445	1,309
Sales tax in excess of LGAC debt service	2,093	2,305	212
Real estate taxes in excess of CW/CA debt service	753	636	(117)
All other transfers	310	681	371
Total receipts	<u>51,379</u>	<u>53,387</u>	<u>2,008</u>
Disbursements:			
Grants to local governments	34,302	36,763	2,461
State operations	9,319	9,579	260
General State charges	4,403	4,496	93
Transfers to other funds:			
Debt service	1,906	1,551	(355)
Capital projects	389	112	(277)
Other purposes	1,272	1,168	(104)
Total disbursements	<u>51,591</u>	<u>53,669</u>	<u>2,078</u>
Change in fund balance	<u>(212)</u>	<u>(282)</u>	<u>(70)</u>
Closing fund balance	<u>3,045</u>	<u>2,763</u>	<u>(282)</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
Reserve for Likely Risks	<u>1,715</u>	<u>1,182</u>	<u>(533)</u>
<i>Prior Year Reserves</i>	1,715	1,203	(512)
<i>Increase/(Decrease) From Current Year Operations</i>	0	(21)	(21)

Source: NYS DOB

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

	<u>2006-2007 Actuals</u>	<u>2007-2008 Mid-Year</u>	<u>Annual Change</u>
Personal income tax	22,939	22,697	(242)
User taxes and fees	8,186	8,506	320
Sales and use tax	7,539	7,865	326
Cigarette and tobacco taxes	411	407	(4)
Motor vehicle fees	(16)	(18)	(2)
Alcoholic beverages taxes	194	200	6
Alcoholic beverage control license fees	58	52	(6)
Business taxes	6,468	6,500	32
Corporation franchise tax	3,676	3,675	(1)
Corporation and utilities tax	626	618	(8)
Insurance taxes	1,142	1,176	34
Bank tax	1,024	1,031	7
Other taxes	1,075	1,102	27
Estate tax	1,063	1,081	18
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>38,805</u>	<u>137</u>
Miscellaneous receipts	<u>2,268</u>	<u>2,444</u>	<u>176</u>
Federal Grants	<u>151</u>	<u>71</u>	<u>(80)</u>
Total	<u><u>41,087</u></u>	<u><u>41,320</u></u>	<u><u>233</u></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	<u>3,045</u>	<u>3,671</u>	<u>(228)</u>	<u>233</u>	<u>6,721</u>
Receipts:					
Taxes	38,805	7,861	2,017	12,521	61,204
Miscellaneous receipts	2,444	13,583	3,213	671	19,911
Federal grants	71	1	0	0	72
Total receipts	<u>41,320</u>	<u>21,445</u>	<u>5,230</u>	<u>13,192</u>	<u>81,187</u>
Disbursements:					
Grants to local governments	36,763	16,429	452	0	53,644
State operations	9,579	5,672	0	61	15,312
General State charges	4,496	635	0	0	5,131
Debt service	0	0	0	4,296	4,296
Capital projects	0	5	4,376	0	4,381
Total disbursements	<u>50,838</u>	<u>22,741</u>	<u>4,828</u>	<u>4,357</u>	<u>82,764</u>
Other financing sources (uses):					
Transfers from other funds	12,067	1,373	332	5,675	19,447
Transfers to other funds	(2,831)	(864)	(928)	(14,480)	(19,103)
Bond and note proceeds	0	0	298	0	298
Net other financing sources (uses)	<u>9,236</u>	<u>509</u>	<u>(298)</u>	<u>(8,805)</u>	<u>642</u>
Change in fund balance	<u>(282)</u>	<u>(787)</u>	<u>104</u>	<u>30</u>	<u>(935)</u>
Closing fund balance	<u>2,763</u>	<u>2,884</u>	<u>(124)</u>	<u>263</u>	<u>5,786</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>0</u>	<u>2,884</u>	<u>(124)</u>	<u>263</u>	<u>3,023</u>
Receipts:					
Taxes	40,624	8,592	2,078	13,205	64,499
Miscellaneous receipts	2,052	13,639	3,502	679	19,872
Federal grants	55	1	0	0	56
Total receipts	<u>42,731</u>	<u>22,232</u>	<u>5,580</u>	<u>13,884</u>	<u>84,427</u>
Disbursements:					
Grants to local governments	41,332	16,935	454	0	58,721
State operations	10,015	5,824	0	60	15,899
General State charges	4,808	642	0	0	5,450
Debt service	0	0	0	4,665	4,665
Capital projects	0	3	5,227	0	5,230
Total disbursements	<u>56,155</u>	<u>23,404</u>	<u>5,681</u>	<u>4,725</u>	<u>89,965</u>
Other financing sources (uses):					
Transfers from other funds	12,120	1,341	705	5,638	19,804
Transfers to other funds	(3,024)	(642)	(1,022)	(14,767)	(19,455)
Bond and note proceeds	0	0	457	0	457
Net other financing sources (uses)	<u>9,096</u>	<u>699</u>	<u>140</u>	<u>(9,129)</u>	<u>806</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>(4,265)</u>	<u>(473)</u>	<u>39</u>	<u>30</u>	<u>(4,669)</u>
Closing fund balance	<u>(4,265)</u>	<u>2,411</u>	<u>(85)</u>	<u>293</u>	<u>(1,646)</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	2,411	(85)	293	2,619
Receipts:					
Taxes	42,809	9,123	2,160	13,945	68,037
Miscellaneous receipts	2,163	13,432	3,483	682	19,760
Federal grants	55	1	0	0	56
Total receipts	<u>45,027</u>	<u>22,556</u>	<u>5,643</u>	<u>14,627</u>	<u>87,853</u>
Disbursements:					
Grants to local governments	45,156	17,569	466	0	63,191
State operations	10,415	5,840	0	60	16,315
General State charges	5,097	656	0	0	5,753
Debt service	0	0	0	5,137	5,137
Capital projects	0	3	5,330	0	5,333
Total disbursements	<u>60,668</u>	<u>24,068</u>	<u>5,796</u>	<u>5,197</u>	<u>95,729</u>
Other financing sources (uses):					
Transfers from other funds	12,530	1,351	744	5,784	20,409
Transfers to other funds	(3,129)	(553)	(1,112)	(15,205)	(19,999)
Bond and note proceeds	0	0	608	0	608
Net other financing sources (uses)	<u>9,401</u>	<u>798</u>	<u>240</u>	<u>(9,421)</u>	<u>1,018</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>(6,178)</u>	<u>(714)</u>	<u>87</u>	<u>9</u>	<u>(6,796)</u>
Closing fund balance	<u>(6,178)</u>	<u>1,697</u>	<u>2</u>	<u>302</u>	<u>(4,177)</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	1,697	2	302	2,001
Receipts:					
Taxes	45,025	9,490	2,158	14,735	71,408
Miscellaneous receipts	2,233	13,891	3,272	683	20,079
Federal grants	55	1	0	0	56
Total receipts	<u>47,313</u>	<u>23,382</u>	<u>5,430</u>	<u>15,418</u>	<u>91,543</u>
Disbursements:					
Grants to local governments	48,909	18,353	442	0	67,704
State operations	10,729	5,942	0	61	16,732
General State charges	5,386	670	0	0	6,056
Debt service	0	0	0	5,729	5,729
Capital projects	0	2	5,134	0	5,136
Total disbursements	<u>65,024</u>	<u>24,967</u>	<u>5,576</u>	<u>5,790</u>	<u>101,357</u>
Other financing sources (uses):					
Transfers from other funds	13,165	1,325	1,023	6,166	21,679
Transfers to other funds	(3,536)	(470)	(1,451)	(15,801)	(21,258)
Bond and note proceeds	0	0	655	0	655
Net other financing sources (uses)	<u>9,629</u>	<u>855</u>	<u>227</u>	<u>(9,635)</u>	<u>1,076</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>(7,931)</u>	<u>(730)</u>	<u>81</u>	<u>(7)</u>	<u>(8,587)</u>
Closing fund balance	<u>(7,931)</u>	<u>967</u>	<u>83</u>	<u>295</u>	<u>(6,586)</u>

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	3,045	4,007	(432)	233	6,853
Receipts:					
Taxes	38,805	7,861	2,017	12,521	61,204
Miscellaneous receipts	2,444	13,730	3,213	671	20,058
Federal grants	71	34,066	1,879	0	36,016
Total receipts	<u>41,320</u>	<u>55,657</u>	<u>7,109</u>	<u>13,192</u>	<u>117,278</u>
Disbursements:					
Grants to local governments	36,763	46,871	594	0	84,228
State operations	9,579	8,921	0	61	18,561
General State charges	4,496	877	0	0	5,373
Debt service	0	0	0	4,296	4,296
Capital projects	0	6	6,139	0	6,145
Total disbursements	<u>50,838</u>	<u>56,675</u>	<u>6,733</u>	<u>4,357</u>	<u>118,603</u>
Other financing sources (uses):					
Transfers from other funds	12,067	3,869	332	5,675	21,943
Transfers to other funds	(2,831)	(3,726)	(941)	(14,480)	(21,978)
Bond and note proceeds	0	0	298	0	298
Net other financing sources (uses)	<u>9,236</u>	<u>143</u>	<u>(311)</u>	<u>(8,805)</u>	<u>263</u>
Change in fund balance	<u>(282)</u>	<u>(875)</u>	<u>65</u>	<u>30</u>	<u>(1,062)</u>
Closing fund balance	<u>2,763</u>	<u>3,132</u>	<u>(367)</u>	<u>263</u>	<u>5,791</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	3,132	(367)	263	3,028
Receipts:					
Taxes	40,624	8,592	2,078	13,205	64,499
Miscellaneous receipts	2,052	13,782	3,502	679	20,015
Federal grants	55	35,685	2,095	0	37,835
Total receipts	<u>42,731</u>	<u>58,059</u>	<u>7,675</u>	<u>13,884</u>	<u>122,349</u>
Disbursements:					
Grants to local governments	41,332	48,887	620	0	90,839
State operations	10,015	9,062	0	60	19,137
General State charges	4,808	892	0	0	5,700
Debt service	0	0	0	4,665	4,665
Capital projects	0	4	7,135	0	7,139
Total disbursements	<u>56,155</u>	<u>58,845</u>	<u>7,755</u>	<u>4,725</u>	<u>127,480</u>
Other financing sources (uses):					
Transfers from other funds	12,120	3,781	705	5,638	22,244
Transfers to other funds	(3,024)	(3,483)	(1,035)	(14,767)	(22,309)
Bond and note proceeds	0	0	457	0	457
Net other financing sources (uses)	<u>9,096</u>	<u>298</u>	<u>127</u>	<u>(9,129)</u>	<u>392</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>(4,265)</u>	<u>(488)</u>	<u>47</u>	<u>30</u>	<u>(4,676)</u>
Closing fund balance	<u>(4,265)</u>	<u>2,644</u>	<u>(320)</u>	<u>293</u>	<u>(1,648)</u>

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>2,644</u>	<u>(320)</u>	<u>293</u>	<u>2,617</u>
Receipts:					
Taxes	42,809	9,123	2,160	13,945	68,037
Miscellaneous receipts	2,163	13,575	3,483	682	19,903
Federal grants	55	36,423	2,031	0	38,509
Total receipts	<u>45,027</u>	<u>59,121</u>	<u>7,674</u>	<u>14,627</u>	<u>126,449</u>
Disbursements:					
Grants to local governments	45,156	50,243	632	0	96,031
State operations	10,415	9,048	0	60	19,523
General State charges	5,097	911	0	0	6,008
Debt service	0	0	0	5,137	5,137
Capital projects	0	4	7,172	0	7,176
Total disbursements	<u>60,668</u>	<u>60,206</u>	<u>7,804</u>	<u>5,197</u>	<u>133,875</u>
Other financing sources (uses):					
Transfers from other funds	12,530	3,787	744	5,784	22,845
Transfers to other funds	(3,129)	(3,429)	(1,126)	(15,205)	(22,889)
Bond and note proceeds	0	0	608	0	608
Net other financing sources (uses)	<u>9,401</u>	<u>358</u>	<u>226</u>	<u>(9,421)</u>	<u>564</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>(6,178)</u>	<u>(727)</u>	<u>96</u>	<u>9</u>	<u>(6,800)</u>
Closing fund balance	<u>(6,178)</u>	<u>1,917</u>	<u>(224)</u>	<u>302</u>	<u>(4,183)</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>0</u>	<u>1,917</u>	<u>(224)</u>	<u>302</u>	<u>1,995</u>
Receipts:					
Taxes	45,025	9,490	2,158	14,735	71,408
Miscellaneous receipts	2,233	14,034	3,272	683	20,222
Federal grants	55	37,874	1,922	0	39,851
Total receipts	<u>47,313</u>	<u>61,398</u>	<u>7,352</u>	<u>15,418</u>	<u>131,481</u>
Disbursements:					
Grants to local governments	48,909	52,398	608	0	101,915
State operations	10,729	9,215	0	61	20,005
General State charges	5,386	927	0	0	6,313
Debt service	0	0	0	5,729	5,729
Capital projects	0	3	6,843	0	6,846
Total disbursements	<u>65,024</u>	<u>62,543</u>	<u>7,451</u>	<u>5,790</u>	<u>140,808</u>
Other financing sources (uses):					
Transfers from other funds	13,165	3,759	1,023	6,166	24,113
Transfers to other funds	(3,536)	(3,358)	(1,465)	(15,801)	(24,160)
Bond and note proceeds	0	0	655	0	655
Net other financing sources (uses)	<u>9,629</u>	<u>401</u>	<u>213</u>	<u>(9,635)</u>	<u>608</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>(7,931)</u>	<u>(744)</u>	<u>114</u>	<u>(7)</u>	<u>(8,568)</u>
Closing fund balance	<u>(7,931)</u>	<u>1,173</u>	<u>(110)</u>	<u>295</u>	<u>(6,573)</u>

Source: NYS DOB

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

	2006-2007 Actuals	2007-2008 Projected	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT						
Agriculture and Markets, Department of	94,967	104,415	137,839	105,599	106,245	107,067
Alcoholic Beverage Control	11,696	13,012	13,819	14,125	14,187	14,380
Banking Department	57,224	61,413	62,337	63,549	64,347	62,977
Consumer Protection Board	2,792	3,055	3,496	3,537	3,576	3,626
Economic Development Capital Programs	45,777	134,010	103,405	269,980	224,430	69,930
Economic Development, Department of	42,681	53,968	52,227	52,556	52,567	52,359
Empire State Development Corporation	169,786	471,955	725,885	456,085	191,345	153,684
Energy Research and Development Authority	28,865	28,623	30,013	30,197	30,395	30,597
Housing and Community Renewal, Division of	272,073	306,915	301,530	281,750	282,666	279,425
Insurance Department	145,590	250,421	254,334	255,459	256,603	256,603
Olympic Regional Development Authority	8,250	14,126	9,009	9,217	9,437	9,663
Public Service, Department of	50,931	56,484	59,750	61,445	63,263	65,065
Science, Technology and Innovation, Foundation for	52,263	52,576	48,423	44,491	44,503	43,878
Strategic Investment	4,840	28,000	10,000	14,000	14,000	10,376
Universal Broadband	0	0	0	0	0	0
Functional Total	987,735	1,578,973	1,812,067	1,661,990	1,357,564	1,159,630
PARKS AND THE ENVIRONMENT						
Adirondack Park Agency	4,599	5,740	5,929	5,935	5,942	5,942
Environmental Conservation, Department of	818,004	922,198	904,056	922,377	919,980	919,588
Environmental Facilities Corporation	8,416	11,760	11,815	6,760	6,760	6,760
Hudson River Park Trust	26,284	20,000	20,682	0	0	0
Parks, Recreation and Historic Preservation, Office of	257,877	256,643	255,196	254,687	256,193	254,815
Functional Total	1,115,180	1,216,341	1,197,678	1,189,759	1,188,875	1,187,105
TRANSPORTATION						
Motor Vehicles, Department of	257,839	285,613	312,877	305,656	314,705	322,711
Thruway Authority	1,775	1,734	1,778	1,822	1,868	1,915
Metropolitan Transportation Authority	0	93,700	188,550	258,700	278,922	262,600
Transportation, Department of	5,553,463	6,292,252	6,746,633	6,803,233	6,957,508	7,102,976
Functional Total	5,813,077	6,673,299	7,249,838	7,369,411	7,553,003	7,690,202
HEALTH AND SOCIAL WELFARE						
Aging, Office for the	197,862	229,194	238,087	238,032	241,368	240,214
Children and Family Services, Office of	2,711,049	3,210,947	3,210,676	3,323,098	3,472,775	3,597,265
Health, Department of	37,770,678	37,063,874	40,293,592	43,188,895	45,830,775	48,573,216
Medical Assistance	32,388,167	30,983,532	33,919,992	36,741,206	39,220,132	42,006,574
Medicaid Administration	745,408	820,000	853,000	887,000	922,500	959,250
All Other	4,637,103	5,260,342	5,520,600	5,560,689	5,688,143	5,607,392
Human Rights, Division of	16,226	15,816	16,287	16,287	16,287	16,287
Labor, Department of	518,146	511,341	514,123	514,119	514,119	519,078
Medicaid Inspector General, Office of	34,842	74,017	91,437	92,686	93,805	94,480
Prevention of Domestic Violence, Office for	2,315	2,556	2,610	2,622	2,634	2,644
Stem Cell and Innovation	0	15,000	100,000	85,000	50,000	50,000

Source: NYS DOB

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

	2006-2007 Actuals	2007-2008 Projected	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
HEALTH AND SOCIAL WELFARE (Continued)						
Temporary and Disability Assistance, Office of Welfare Assistance	4,458,278	4,664,522	4,626,868	4,635,440	4,642,494	4,649,620
Welfare Administration	3,016,154	3,189,923	3,137,674	3,141,143	3,141,056	3,141,056
All Other	1,061,775	1,097,666	1,111,261	1,116,364	1,123,505	1,130,631
Workers' Compensation Board	148,277	162,246	182,810	184,926	187,181	187,181
Functional Total	45,858,747	45,650,694	49,277,727	52,282,359	55,052,709	57,931,273
MENTAL HEALTH						
Mental Health, Office of	2,335,339	2,544,287	2,726,247	2,873,471	2,935,694	2,981,667
Mental Hygiene, Department of	8,473	7,800	7,800	7,800	7,800	7,800
Mental Retardation and Developmental Disabilities, Office of	3,168,254	3,417,597	3,596,421	3,710,885	3,826,940	3,851,140
Alcoholism and Substance Abuse Services, Office of	521,906	595,046	662,478	711,530	697,324	721,305
Developmental Disabilities Planning Council	4,129	3,617	3,617	3,617	3,617	3,617
Quality of Care for the Mentally Disabled, Commission on	12,605	15,532	16,354	16,655	16,708	16,742
Functional Total	6,050,706	6,583,883	7,012,917	7,323,958	7,488,083	7,582,271
PUBLIC PROTECTION						
Capital Defenders Office	1,558	1,300	1,183	1,188	1,193	1,198
Correction, Commission of	2,621	2,629	2,807	2,838	2,868	2,900
Correctional Services, Department of	2,736,338	2,702,325	2,843,213	2,912,837	2,988,030	3,058,338
Crime Victims Board	60,073	62,709	62,441	62,494	62,547	62,602
Criminal Justice Services, Division of	287,326	248,655	270,106	258,161	253,826	246,219
Homeland Security	29,562	420,160	564,701	360,888	367,289	368,069
Investigation, Temporary State Commission of	3,551	3,929	4,152	4,219	4,242	4,291
Judicial Commissions	2,785	4,785	5,139	5,221	5,283	5,386
Military and Naval Affairs, Division of	401,627	462,207	342,663	134,713	155,526	174,263
Parole, Division of	194,729	205,978	220,361	233,189	250,269	255,269
Probation and Correctional Alternatives, Division of	72,752	74,649	74,975	75,001	75,040	74,730
State Police, Division of	644,506	611,974	648,787	651,883	646,174	637,009
Functional Total	4,417,428	4,801,300	5,040,528	4,702,632	4,812,287	4,890,274
EDUCATION						
Arts, Council on the	49,244	55,766	54,662	54,842	54,823	54,923
City University of New York	1,064,544	1,143,206	1,345,089	1,408,404	1,473,096	1,497,123
Education, Department of	26,657,044	29,388,344	31,473,044	33,935,258	36,607,711	38,920,180
School Aid	20,088,579	21,840,418	23,314,664	25,244,610	27,499,698	29,472,357
STAR Property Tax Relief	3,993,970	4,730,450	5,358,402	5,837,916	6,141,480	6,420,480
Handicapped	1,620,800	1,719,600	1,788,490	1,849,790	1,914,590	1,983,090
All Other	953,695	1,097,876	1,011,488	1,002,942	1,051,943	1,044,253
Higher Education Services Corporation	956,737	954,454	946,923	948,415	949,939	951,495
Higher Education Capital grants	0	10,000	50,000	30,000	30,000	30,000
State University Construction Fund	13,157	12,478	12,804	12,936	13,071	13,207
State University of New York	5,447,926	5,762,148	5,890,821	5,998,441	6,043,172	6,069,682
Functional Total	34,188,652	37,326,396	39,773,343	42,388,296	45,171,812	47,536,610

Source: NYS DOB

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

	2006-2007 Actuals	2007-2008 Projected	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
GENERAL GOVERNMENT						
Audit and Control, Department of	244,078	249,819	256,361	259,404	263,243	265,562
Budget, Division of the	54,817	92,212	111,825	112,400	115,800	117,780
Civil Service, Department of	24,363	23,653	24,122	24,302	24,535	24,771
Elections, State Board of	13,037	91,119	171,917	9,442	94,716	9,833
Employee Relations, Office of	3,852	4,000	4,177	4,162	4,203	4,243
Executive Chamber	14,517	20,320	20,930	21,560	22,200	22,870
General Services, Office of	255,060	229,594	238,377	229,486	241,073	239,518
Inspector General, Office of	5,933	6,908	7,248	7,422	7,542	7,624
Law, Department of	193,461	211,763	219,139	222,363	225,452	230,343
Lieutenant Governor, Office of the	360	1,378	1,420	1,460	1,500	1,550
Lottery, Division of	177,360	182,527	183,147	187,318	191,393	191,393
Racing and Wagering Board, State	16,899	18,754	18,178	18,622	18,803	18,803
Real Property Services, Office of	47,620	52,114	53,312	54,845	55,710	56,256
Regulatory Reform, Governor's Office of	3,509	3,781	3,530	3,576	3,600	3,600
Public Employment Relations Board	3,376	4,077	4,237	4,273	4,314	4,361
State, Department of	148,140	210,303	162,785	158,031	158,035	154,567
Tax Appeals, Division of	3,228	3,233	3,273	3,308	3,343	3,343
Taxation and Finance, Department of	355,452	367,658	364,785	368,913	373,114	373,114
Technology, Office for	19,258	29,699	35,188	54,550	80,950	26,472
Lobbying, Temporary State Commission on	2,338	0	0	0	0	(332)
Veterans Affairs, Division of	14,117	15,368	17,820	16,844	16,508	16,071
Functional Total	1,600,775	1,818,280	1,901,771	1,762,281	1,906,034	1,771,742
ALL OTHER CATEGORIES						
Legislature	213,118	220,319	223,168	225,841	225,887	225,887
Judiciary (excluding fringe benefits)	1,731,791	1,862,488	1,990,944	2,144,246	2,209,154	2,307,248
World Trade Center	37,020	70,000	100,000	70,000	30,000	10,000
Local Government Assistance	1,156,176	938,461	1,306,360	1,383,039	1,451,708	1,421,739
Long-Term Debt Service	4,450,737	4,296,495	4,664,926	5,136,929	5,728,945	6,014,730
General State Charges	5,222,834	5,373,074	5,699,637	6,007,676	6,313,345	6,699,132
Miscellaneous	(80,058)	193,213	229,005	226,749	318,541	367,632
Functional Total	12,731,618	12,954,050	14,214,040	15,194,480	16,277,580	17,046,368
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	112,763,918	118,603,216	127,479,909	133,875,166	140,807,947	146,795,475

Source: NYS DOB

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

	<u>2006-2007 Results</u>	<u>2007-2008 Mid-Year</u>	<u>Annual Change</u>
Revenues:			
Taxes:			
Personal income tax	22,496	22,463	(33)
User taxes and fees	8,131	8,584	453
Business taxes	6,330	6,804	474
Other taxes	1,011	1,202	191
Miscellaneous revenues	6,224	5,328	(896)
Federal grants	67	71	4
Total revenues	<u>44,259</u>	<u>44,452</u>	<u>193</u>
Expenditures:			
Grants to local governments	36,495	39,241	2,746
State operations	11,303	12,053	750
General State charges	4,138	3,901	(237)
Debt service	0	0	0
Capital projects	0	1	1
Total expenditures	<u>51,936</u>	<u>55,196</u>	<u>3,260</u>
Other financing sources (uses):			
Transfers from other funds	13,914	15,081	1,167
Transfers to other funds	(6,386)	(5,547)	839
Proceeds from financing arrangements/ advance refundings	351	367	16
Net other financing sources (uses)	<u>7,879</u>	<u>9,901</u>	<u>2,022</u>
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	<u>202</u>	<u>(843)</u>	<u>(1,045)</u>
Accumulated Surplus/(Deficit)	<u>2,384</u>	<u>1,541</u>	<u>(843)</u>

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	39,053	7,853	2,017	12,570	61,493
Patient fees	0	0	0	326	326
Miscellaneous revenues	5,328	5,093	418	24	10,863
Federal grants	71	36,571	1,879	0	38,521
Total revenues	44,452	49,517	4,314	12,920	111,203
Expenditures:					
Grants to local governments	39,241	46,736	593	0	86,570
State operations	12,053	1,810	0	61	13,924
General State charges	3,901	335	0	0	4,236
Debt service	0	0	0	3,608	3,608
Capital projects	1	5	7,603	0	7,609
Total expenditures	55,196	48,886	8,196	3,669	115,947
Other financing sources (uses):					
Transfers from other funds	15,081	2,832	297	5,675	23,885
Transfers to other funds	(5,547)	(3,941)	(958)	(14,837)	(25,283)
Proceeds of general obligation bonds	0	0	298	0	298
Proceeds from financing arrangements/ advance refundings	367	0	3,600	0	3,967
Net other financing sources (uses)	9,901	(1,109)	3,237	(9,162)	2,867
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses					
	(843)	(478)	(645)	89	(1,877)

Source: NYS DOB