

Update to Annual Information Statement (AIS) State of New York August 6, 2008

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

In this AIS Update, readers will find:

1. Extracts from the First Quarterly Update to the 2008-09 Financial Plan (the “Updated Financial Plan”), which the Division of the Budget (“DOB”) issued on July 30, 2008. The Updated Financial Plan includes (a) a summary of recent events and changes to the Enacted Budget Financial Plan made through the end of the regular 2008 legislative session, (b) revised Financial Plan projections for fiscal years 2008-09 through 2011-12, (c) operating results for the first quarter of fiscal year 2008-09, (d) an updated economic forecast, (e) information on recent labor settlements reached with certain unions representing State employees, (f) the Generally Accepted Accounting Principles (GAAP)-basis Financial Plan projections for 2008-09, and (g) a summary on debt and capital management. It is available on the DOB website, www.budget.state.ny.us.
2. A discussion of special considerations related to the State Financial Plan for fiscal year 2008-09.
3. A summary of GAAP-basis results for the 2007-08 fiscal year (the full statements are available on the State Comptroller’s website, www.osc.state.ny.us).
4. Updated information regarding the State Retirement Systems.
5. The status of significant litigation that has the potential to adversely affect the State’s finances.

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

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

The State may issue AIS supplements or other disclosure notices to this AIS Update as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS Update in Official Statements or related disclosure documents for State or State-supported debt issuance. The State has filed this AIS Update directly with Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) and with the Central Post Office, Disclosure USA. The Municipal Advisory Council of Texas (Texas MAC) established this internet-

based disclosure filing system, approved by the Securities and Exchange Commission, to facilitate the transmission of disclosure-related information to the NRMSIRs. An official copy of this AIS Update may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705 or from any NRMSIR. OSC issued the Basic Financial Statements for the 2007-08 fiscal year on July 28, 2008. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and are available on its website at www.osc.state.ny.us.

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Update to the 2008-09 Financial Plan

Note: DOB issued the Updated Financial Plan on July 30, 2008, extracts of which are set forth below. The Updated Financial Plan includes updated estimates for 2008-09 and projections for 2009-10 through 2011-12. As such, it contains estimates and projections of future results that should not be construed as statements of fact. These estimates and projections are based upon various assumptions that may be affected by numerous factors, including future economic conditions in the State and nation and potential litigation. There can be no assurance that actual results will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan.

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

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

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

For the full name of any acronym used in this AIS Update, please see the Glossary of Acronyms on Pages 61-64 of this AIS Update.

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2008-09 Updated Financial Plan Extracts

In comparison to the Enacted Budget Financial Plan, DOB has significantly lowered its projections for tax receipts in each of the four years of the Financial Plan. This change in projections reflects the worsening outlook for the national and State economies and the anticipated impact on State tax collections. In light of market uncertainties, DOB has also lowered the amount of resources from health insurance conversions that it expects to be available to finance State health care spending, thereby creating a potential funding gap in the Health Care Reform Act (HCRA) fund starting in 2009-10. Given the new potential funding gap in the HCRA fund, and given the close financing relationship between the General Fund and the HCRA fund, DOB has considered the General Fund and HCRA fund gaps on a combined basis for planning purposes.

DOB now projects a (a) potential General Fund gap of approximately \$630 million in the current fiscal year and (b) larger combined gaps for the General Fund and HCRA fund in 2009-10 and thereafter in comparison to the Enacted Budget Financial Plan. To address the current year gap and help reduce the gaps in future years, DOB, in close cooperation with State agencies, is developing a Fiscal Management Plan (FMP). The FMP is anticipated to produce \$630 million in savings in the current year, which is expected to be sufficient to close the General Fund budget gap without the use of existing reserves, and yield \$500 million in savings on a recurring basis. After accounting for the impact of the FMP savings, DOB projects combined General Fund and HCRA fund budget gaps of \$6.4 billion in 2009-10, \$9.3 billion in 2010-11, and \$10.5 billion in 2011-12. These projected outyear gaps are greater than those projected in recent years.

The FMP is expected to include reductions in State agency operations in the range of 7 percent from current estimates, which is in addition to the 3.35 percent reduction previously announced with the 2008-09 Enacted Budget and currently being implemented by the agencies. It will also include a statewide hiring freeze, cancellation of all non-essential purchases, and expanded central controls on all discretionary resource allocation decisions. It is expected that certain measures in the FMP, such as the transfer of excess balances from other funds made available through cost-savings measures, will require legislative approval. DOB expects to issue detailed FMP instructions to State agencies later in August 2008.

The Updated Financial Plan estimates set forth in the following Financial Plan extracts assume the successful implementation of the FMP. For presentation purposes only, the FMP is assumed to reduce General Fund personal service spending by \$300 million and non-personal service spending by \$200 million on a recurring basis. The balance of the FMP savings in the current year is assumed to be derived from State operations spending reductions in other funds, with the resources made available to the General Fund. Actual implementation may differ from these planning assumptions.

The Updated Financial Plan is intended to assist the Legislature and public in understanding the current operating forecast and the impact on State finances over a multi-year period. It is available on-line at www.budget.state.ny.us or by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 473-8705.

Upcoming Events

DOB plans to issue its next quarterly update to the Financial Plan (the "Mid-Year Update") in October 2008, which will include a comprehensive review of the Financial Plan forecasts based on economic activity, receipts and disbursement results through the first half of the fiscal year, and a review of program trends. The forecasts contained in the Mid-Year Update will provide a basis for "quick start" discussions with the Legislature and the Comptroller in November 2008 that are required by the 2007 Budget Reform Act and will help in the formulation of the Executive Budget for 2009-10. Consistent with Budget Reform requirements, a meeting is expected to be held later in August 2008 among Executive and Legislative staff to review the

financial information contained in the Updated Financial Plan, discuss the FMP, and consider other matters as needed.

To help interested parties better understand the composition of the Financial Plan forecasts and foster productive dialogue on budget issues, DOB plans to supplement the detailed forecasts set forth in the Mid-Year Financial Plan by publishing explanations of the methodologies used to prepare the forecasts for major programs, including welfare, Medicaid, school aid, debt service, health insurance, and pensions. The methodologies will be issued in advance of the November "quick start" discussions for the fiscal year 2009-10 budget, through which each house of the Legislature, the Comptroller, and the Executive are required to prepare detailed reports containing multi-year cash projections of receipts and disbursements.

Financial Plan at a Glance: Key Measures				
(millions of dollars)				
	2007-08 Actual	2008-09 Enacted Budget Plan	2008-09 Updated Financial Plan	2009-10 Current Services ¹
State Operating Funds Budget ²				
Size of Budget	\$77,003	\$80,862	\$80,506	\$87,275
Annual Growth	4.8%	5.0%	4.5%	8.4%
NYS Long-Term Estimated Personal Income Growth	5.3%	5.3%	5.3%	5.3%
Other Budget Measures (Annual Growth) ²				
General Fund (with transfers)	\$53,387	\$56,361	\$56,157	\$62,261
	3.5%	5.6%	5.2%	10.9%
State Funds (Including Capital)	\$81,379	\$85,972	\$85,567	\$93,897
	5.3%	5.6%	5.1%	9.7%
Capital Budget (Federal and State)	\$6,131	\$7,080	\$6,978	\$8,552
	10.3%	15.5%	13.8%	22.6%
Federal Operating	\$32,924	\$33,664	\$33,820	\$35,123
	-2.3%	2.2%	2.7%	3.9%
All Governmental Funds	\$116,058	\$121,606	\$121,304	\$130,950
	2.9%	4.8%	4.5%	8.0%
All Gov't Funds (Including "Off-Budget" Capital) ³	\$117,692	\$123,674	\$123,372	\$133,338
	3.2%	5.1%	4.8%	8.1%
Inflation (CPI) Growth	3.3%	3.1%	4.2%	2.9%
All Funds Receipts				
Taxes	\$60,871	\$63,904	\$63,085	\$65,989
Miscellaneous Receipts	\$19,643	\$20,084	\$19,878	\$21,167
Federal Grants	\$34,909	\$35,956	\$35,965	\$37,052
Total Receipts	\$115,423	\$119,944	\$118,928	\$124,208
Base Tax Growth	6.0%	2.6%	1.6%	5.3%
Outyear Gap Forecast ⁴				
2009-10	N/A	(\$5,016)	(\$6,355)	(\$6,355)
2010-11	N/A	(\$7,731)	(\$9,295)	(\$9,295)
2011-12	N/A	(\$8,762)	(\$10,545)	(\$10,545)
Total General Fund Reserves (year-end)	\$2,754	\$2,031	\$1,753	\$1,801
State Workforce (# of FTEs at year-end) ⁵	199,754	201,170	200,251	201,825
Debt				
Debt Service as % All Funds	4.0%	4.4%	4.4%	4.7%
State Related Debt Outstanding	\$49,579	\$52,794	\$52,522	\$55,918

¹ Reflects the projected cost of providing currently budgeted services in 2009-10, before any new initiatives.

² First Quarter estimates assume successful implementation of the FMP. See text.

³ "Off-budget" capital reflects capital projects payments made by authorities on behalf of the State directly from bond proceeds.

⁴ Combined General Fund and HCRA gaps. See text for discussion.

⁵ Revised workforce estimates will be reported in the Mid-Year Update to reflect the impact of the FMP that is being required at this time.

Summary

Economic Troubles

The nation's economic troubles are severe and widespread. Equity markets have entered so-called "bear market" territory, having fallen by about 20 percent from their October 2007 peak. Write-downs at major U.S. financial firms have now exceeded \$225 billion, with more expected in the third quarter of calendar year 2008. Commodity prices have surged, creating inflationary pressures. The twin mortgage giants, Fannie Mae and Freddie Mac, which were to play a critical role in restoring liquidity to the housing market, have themselves faltered badly. Important financial institutions face a crisis of confidence among investors and the general public.

DOB expects the widespread turmoil to have an adverse impact on the State economy, which has a significant concentration of firms directly affected by recent events. Profitability and employment in the financial services sector, a linchpin of the State economy, has been weakened by the turmoil in markets. Finance and insurance sector bonuses are now projected to fall 20.5 percent in 2008-09, and capital gains by nearly 25 percent. Weaker growth in employment, capital gains, and bonuses, in turn, is expected to produce slower growth in income. Growth in State wages has been revised down from 2.7 percent to 2.0 percent in 2008 and from 2.4 percent to 1.5 percent in 2009. State employment is expected to remain flat in 2009, with private sector jobs now projected to fall 0.1 percent following an estimated growth of just 0.2 percent for both total and private employment in calendar year 2008. Growth in personal income has been revised down to 1.1 percent in 2009 (see "Economic Forecast" herein).

State Receipts Forecast is Reduced

During the first quarter of State fiscal year 2008-09, General Fund operating results did not fully register the severity of the economic downturn. Receipts through the first three months of the fiscal year, including transfers from other funds, were \$15 million lower than projected in the Enacted Budget cash-flow forecast, a slight variance on a collections base of \$16.8 billion. Disbursements were approximately \$153 million above planned levels, largely reflecting the timing of certain payments. The General Fund closing balance on June 30, 2008 was \$3.6 billion, or \$168 million below the Enacted forecast (see "Year-to-Date Operating Results" later in this AIS Update).

In the coming months, however, DOB expects that the economic downturn will begin to have a substantial impact on tax collections. The first quarter results benefited from continuing strength in PIT collections, which were \$431 million above planned levels (including transfers), but this was largely related to calendar year 2007 activity, not current conditions. By comparison, business taxes, which are more responsive to current economic trends, especially the continuing weakness in the banking sector, were down by over \$450 million in the first three months of the fiscal year versus the initial cash-flow forecast. DOB believes that recent business tax results are a more likely indicator of the direction of tax collections.

Accordingly, DOB has reduced its forecast for General Fund tax receipts for the current fiscal year and for 2009-10, based on the revised economic forecast. Business tax collections are expected to decline substantially based on performance to date and the dislocation in the credit markets. Receipts in the current year have been lowered by \$510 million from the Enacted estimate due in large part to reduced bank tax liability and higher than expected corporate franchise tax refunds. In 2009-10, the estimate for business taxes has been reduced by \$342 million. PIT collections are expected to begin to weaken in the latter half of the fiscal year, reflecting the revised forecast for 2008 bonuses and capital gains realizations. Overall, PIT collections in the current year are expected to finish \$25 million higher than the Enacted estimate based on the strength of 2007 liability payments, but have been reduced by \$500 million in 2009-10, reflecting the projected impact of calendar year 2008 liability payments. Sales and excise tax collections are also expected

to decline due to the economic downturn. Receipts for these taxes have been revised downward by \$161 million in the current year and \$127 million in 2009-10 (see “Revisions to the General Fund Enacted Budget Financial Plan—Receipts Reestimates” and “All Funds Receipts Projections” later in this AIS Update).

Other First Quarter Revisions Increase Costs

DOB has also made a number of substantive reestimates to the General Fund disbursements forecast. Labor settlements with unions representing the Unified Court System and CUNY employees, which were ratified after the Enacted Budget Financial Plan, are expected to add costs of \$256 million in the current year and \$243 million in 2009-10 (the 2008-09 cost will be financed with existing reserves, as planned). The May 2008 update to the School Aid database resulted in higher costs of \$219 million in 2009-10 and smaller increases in subsequent years (see “Revisions to the General Fund Enacted Budget Financial Plan—Disbursement Reestimates” and “All Funds Disbursements Projections” later in this AIS Update).

The Updated Financial Plan reflects the fiscal impact of bills passed by the Legislature in the 2008 regular session and approved to date by the Governor. The bills are expected to add costs of roughly \$10 million in the current year growing to \$20 million when fully annualized. To cover the potential costs of certain bills yet to be acted on by the Governor, the Updated Financial Plan also includes a reserve of \$50 million in the current year, \$100 million in 2009-10, and \$150 million thereafter (see “Revisions to the General Fund Enacted Budget Financial Plan—Legislative Session Changes” later in this AIS Update).

Financial Plan Outlook Before FMP Savings

Absent cost-savings measures expected to be taken in the FMP (see below), DOB estimates that the revisions to receipts and disbursements would result in (a) a potential General Fund imbalance of \$630 million in the current year and (b) a \$6.5 billion gap in 2009-10, an increase of \$1.5 billion over the Enacted Budget Financial Plan estimate. The increase in the 2009-10 gap principally reflects revisions to the General Fund tax receipts forecast (\$880 million), costs of recent labor settlements (\$243 million, for which reserves are available only in the current year), and the school aid database update (\$219 million). It also reflects a reserve of \$100 million for the potential fiscal impact of legislation that has yet to be acted on by the Governor.

The impact of turbulent economic conditions is not limited to the General Fund Financial Plan. Estimated proceeds from health care conversions, which were counted on to finance certain health care spending, have been reduced by roughly \$375 million over the next two years, reflecting weakness in the managed care sector and stock price fluctuations. This opens a potential \$310 million deficit in HCRA in 2009-10.

Fiscal Management Plan to Maintain Budget Balance, Reduce Future Gaps

DOB, in close cooperation with State agencies, is developing an FMP. The FMP is anticipated to produce \$630 million in savings in the current year, which is expected to be sufficient to maintain budget balance in the General Fund during 2008-09 without the use of existing reserves, and is expected to generate \$500 million in savings on a recurring basis. After accounting for the impact of the FMP savings, DOB projects combined budget gaps for the General Fund and HCRA of \$6.4 billion in 2009-10, \$9.3 billion in 2010-11, and \$10.5 billion in 2011-12. The table below summarizes the current forecast.

Summary of Changes to General Fund Forecast for 2008-09 through 2011-12				
Savings/(Costs)				
(millions of dollars)				
	2008-09	2009-10	2010-11	2011-12
ENACTED GENERAL FUND SURPLUS/(GAP) ESTIMATE	0	(5,016)	(7,731)	(8,762)
Receipts Revisions (Before FMP)	(615)	(880)	(1,146)	(1,316)
Disbursement Revisions (Before FMP)	45	(288)	(168)	(297)
Labor Settlements	0	(243)	(317)	(317)
New Legislation (Including Reserve)	(60)	(118)	(170)	(170)
REVISED GENERAL FUND SURPLUS/(GAP) ESTIMATE BEFORE FMP	(630)	(6,545)	(9,532)	(10,862)
FMP Savings Target	630	500	500	500
CURRENT GENERAL FUND SURPLUS/(GAP) ESTIMATE	0	(6,045)	(9,032)	(10,362)
HCRA Shortfall	0	(310)	(263)	(183)
COMBINED GENERAL FUND/HCRA CURRENT SURPLUS/(GAP)	0	(6,355)	(9,295)	(10,545)

The FMP is expected to include reductions in State agency operations in the range of 7 percent from current estimates, implementation of a statewide hiring freeze, cancellation of all non-essential purchases, and expanded controls on all discretionary resource allocation decisions. It is possible that certain measures in the FMP, such as the transfer of excess balances in other funds made available through cost-savings measures, will require legislative approval. DOB expects to issue detailed FMP instructions to State agencies later in August 2008.

The Financial Plan estimates set forth herein assume the successful implementation of the FMP. For presentation purposes only, the FMP is assumed to reduce General Fund personal service spending by \$300 million and non-personal service spending by \$200 million on a recurring basis. The balance of the FMP savings is assumed to be derived from State Operations spending reductions in other funds, with the resources made available to the General Fund. Actual implementation may differ from these planning assumptions.

Closing Balance

The Updated Financial Plan projects that the General Fund will end the 2008-09 fiscal year with a balance of \$1.8 billion. This estimate depends on the successful implementation of the FMP. The projected closing balance is a decrease of \$1.0 billion from 2007-08. It reflects the planned use of \$876 million to finance the costs of labor settlements and other spending, \$103 million for member-items in the Community Projects Fund, and \$22 million for debt management purposes. Market conditions will determine whether additional resources earmarked by DOB for debt management will be used in the current year. Balances in the other reserves are expected to remain unchanged. HCRA is expected to end the 2008-09 year with a balance of \$85 million (see "HCRA Financial Plan" herein).

Workforce

The State workforce, which reflects FTEs of the Executive Branch, excluding the Legislature, Judiciary, and contractual labor, is currently projected to total 200,251 in 2008-09, a decline of 919 FTEs from the Enacted Budget levels. The projected workforce levels will be revised in the Mid-Year Update to reflect the impact of FMP actions that are expected to be taken to eliminate the current-year imbalance. Agencies reporting the most significant declines include Transportation, Tax and Finance, Correctional Services, and Health, consistent with the 3.35 percent State Operations reductions included in the Enacted Budget.

Risks

The Financial Plan forecast is subject to many complex economic, social, and political risks and uncertainties, many of which are outside the ability of the State to control. These include, but are not limited to, the performance of the national and State economies; the impact of continuing write-downs and other costs affecting the profitability of the financial services sector, and the concomitant effect on bonus income and capital gains realizations; litigation against the State, including potential challenges to the constitutionality of certain tax actions authorized in the Enacted Budget; and actions taken by the Federal government, including audits, disallowances, and changes in aid levels. In addition, the forecast contains specific transaction risks and other uncertainties, including, but not limited to, the sale of development rights for a VLT facility at the Aqueduct racetrack; the enforcement of certain tax regulations on Native American reservations; the conversion of certain not-for-profit health insurance companies to for-profit status, and the achievement of cost-saving measures, including, but not limited to, FMP savings, at the levels projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Financial Plan in the current year (see "Financial Plan Reserves and Risks" herein).

There can be no assurance that (a) the FMP as implemented will correspond to the specific reductions assumed in the Updated Financial Plan, (b) actual savings from the FMP will not fall short of planned levels, (c) additional cost-savings measures, including measures requiring legislative approval, will not be required in the current year to maintain a balanced budget.

Over the past five years, DOB estimates that the State has closed current-services gaps of \$9.3 billion in 2003-04, \$5.1 billion in 2004-05, \$4.2 billion in 2005-06, \$762 million in 2006-07, and \$1.6 billion in 2007-08. By law, the Governor must annually submit, and the Legislature must enact, a budget that is balanced on a cash-basis in the General Fund.

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Revisions to General Fund Enacted Budget Financial Plan

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

Summary of Changes to General Fund Forecast for 2008-09 through 2011-12				
Savings/(Costs)				
(millions of dollars)				
	2008-09	2009-10	2010-11	2011-12
ENACTED GENERAL FUND SURPLUS/(GAP) ESTIMATE	0	(5,016)	(7,731)	(8,762)
Receipts Revisions	(615)	(880)	(1,146)	(1,316)
Business Taxes	(510)	(342)	(413)	(451)
Personal Income Tax*	25	(500)	(600)	(700)
Sales/Use Taxes*	(161)	(127)	(178)	(199)
Miscellaneous Receipts/Other*	31	89	45	34
Disbursement Revisions (Before FMP)	45	(288)	(168)	(297)
School Aid	10	(219)	(81)	(87)
Lottery	(54)	0	0	0
Medicaid	(23)	33	24	20
Human Services COLA	0	(32)	(34)	(36)
Fringe Benefits	53	29	(33)	(84)
Education	20	(12)	(6)	(2)
Local Government Aid	14	0	(3)	(7)
Federal Patient Income Revenues	25	0	0	0
All Other	0	(87)	(35)	(101)
Labor Settlements	0	(243)	(317)	(317)
Judiciary	(163)	(134)	(184)	(184)
CUNY	(93)	(109)	(133)	(133)
Use of Reserve	256	0	0	0
Legislative Session Changes	(60)	(118)	(170)	(170)
Property Tax Costs of NYRA "Clean-Up" Bill	(8)	(15)	(15)	(15)
Protection of Children in Residential Facilities	(2)	(2)	(2)	(2)
All Other	0	(1)	(3)	(3)
Reserve	(50)	(100)	(150)	(150)
REVISED GENERAL FUND SURPLUS/(GAP) ESTIMATE BEFORE FMP	(630)	(6,545)	(9,532)	(10,862)
<i>Net Change From Enacted Plan</i>	<i>(630)</i>	<i>(1,529)</i>	<i>(1,801)</i>	<i>(2,100)</i>
FMP Savings Target	630	500	500	500
CURRENT GENERAL FUND SURPLUS/(GAP) ESTIMATE	0	(6,045)	(9,032)	(10,362)
HCRA Shortfall	0	(310)	(263)	(183)
COMBINED GENERAL FUND/HCRA CURRENT SURPLUS/(GAP) ESTIMATE	0	(6,355)	(9,295)	(10,545)
<i>Net Change From Enacted Plan</i>	<i>0</i>	<i>(1,339)</i>	<i>(1,564)</i>	<i>(1,783)</i>

* Includes transfers

Receipts Revisions:

- **Tax Revenues.** The downward revisions primarily reflect DOB's revised economic forecast and the anticipated impact on tax collections (see "Economic Forecast" and "All Funds Receipts Projections" herein for additional information).
- **Miscellaneous Receipts/Other.** The upward revisions are based on collections experience to date for licenses, fees, refunds and reimbursements, as well as a technical reclassification of the Medicare Part D Federal subsidy to a miscellaneous receipt (from a General Fund spending offset).

Disbursement Revisions:

- **School Aid.** The May 2008 update to the school aid database resulted in higher costs of \$219 million in 2009-10, based on additional claims filed since the Enacted Budget, and updated wealth and demographic information reported by school districts. These additional costs are primarily driven by growth in Foundation Aid, Excess Cost Aids, and Building Aid. Based on statute, additional school year obligations from 2008-09 and earlier years will be paid in State fiscal year 2009-10. As in prior years, the updated school district data and additional claims have resulted in a significant cost increase to the State's multi-year Financial Plan, subsequent to the Enacted Budget agreements. The reduction in spending in the current year reflects an increase in the estimated offset from the Federal share of Medicaid costs associated with School Supportive Health Care Services program.
- **Lottery Aid.** New games offered in 2008-09 have not performed as well as expected. General Fund support for school aid is increased to compensate for the lower revenues.
- **Medicaid (including administrative costs).** DOH has experienced delays in implementing certain pharmacy cost containment, which is projected to result in a cost of \$33 million in 2008-09. This is offset in part by \$10 million in additional fraud recoveries expected in 2008-09. Other changes include lower spending in 2009-10 and beyond based on the elimination of certain legislative rate enhancements that were included in the Enacted Budget.
- **Human Services COLA.** The COLA requirement reflects an increase in the projected provider payments that are intended to fund the COLA. The 2009-10 COLA is based on the actual 12-month consumer price increases ending July 2008. DOB now projects the 2009-10 COLA to be 3.5 percent instead of the 2.5 percent projected at the Enacted Budget.
- **Fringe Benefits.** Pension costs are expected to be lower than anticipated in 2009-10, then increase by roughly \$35 million in 2010-11 and \$88 million in 2011-12 to reflect revisions to the estimated pension contribution rates. Projected growth in health insurance costs for State employees and retirees remains unchanged, but an additional \$30 million in dividends is estimated to be available in 2008-09 based on experience to date. Other changes are mainly due to an increase in spending due to a technical change to reflect the Medicare Part D Federal subsidy as a miscellaneous receipt instead of a reduction to spending, which has no impact on General Fund balance.
- **Education.** Certain discretionary grants are not expected to be disbursed in the current year as originally anticipated at the time of the Enacted Budget, and are now expected to be made in subsequent fiscal years. These initiatives include additional grants in aid to certain school districts, public libraries, and not-for-profit institutions.

- **Local Government Aid.** Spending for City of Buffalo and Erie County Efficiency Incentive Grants is expected to be \$10 million lower in 2008-09 but higher in future years due to the timing of spending plan approvals. In addition, lower spending in 2008-09 reflects a reduction in State administrative expenses and estimated disbursements for local shared services grants as well as a revised estimate of aid for local property tax administration.

Other revisions include: a downward revision to the expected savings from the Judiciary's management plan that may be realized pending further review; higher spending for various mental hygiene programs based on a revised forecast of community bed development and costs associated with a joint task force designed to improve care of the mentally ill; and technical adjustments to Enacted Budget estimates in a number of areas. These costs are partially offset by savings identified in various agencies and programs, based on a review of recent spending experience. These include: an increase in the estimated Federal share of Medicaid costs available to finance mental hygiene programs (\$25 million); lower than expected costs in Correctional Services for personnel expenses (\$10 million); and reduced need for General Fund support in other areas.

Labor Settlements

Since the Enacted Budget, the State has reached new labor contracts with unions representing employees of the Unified Court System and CUNY. In 2008-09, the General Fund costs of these new labor agreements are financed in their entirety through the use of existing reserves set aside for this purpose. This leaves \$189 million in reserve for the remaining unsettled unions. If such unions were to agree to comparable terms as the settled unions, it would result in a current-year cost of approximately \$190 million.

Legislative Session Changes:

Since the release of the 2008-09 Enacted Budget, the Governor has approved several bills with a fiscal impact that were passed by the Legislature during the regular 2008 legislative session, as summarized below.

- **NYRA Property Tax Payments.** Increases the property tax payments owed by the State to local taxing entities that host racing and gaming facilities operated by NYRA, which include the counties of Saratoga, Nassau and Queens, as well as their respective school districts and municipalities. As a result of legislation, the State is newly responsible for property tax payments associated with the Saratoga, Aqueduct, and Belmont racing facilities. These payments were previously owed by NYRA.
- **Protection of Children in State Facilities.** This law is intended to enhance the safety of children in residential facilities and programs operated or licensed by the State by clarifying the standards of alleged abuse and neglect and strengthening the process for investigating and responding to such allegations.
- **All Other.** Reflects the fiscal impact of numerous bills, including costs associated with: the establishment of a Master's Degree training program that enhances recruitment of students to work in lab programs currently restricted to doctoral students; a non-ambulatory animal task force; permission for New York City to treat certain moving violations as parking violations; establishment of a Well Water Education program; and a requirement for DCJS to create and distribute an educational video for parents on child sexual predators.

The Updated Financial Plan includes a reserve to cover the fiscal impact of bills that have been passed by the Legislature but not yet acted on by the Governor. Bills with a significant fiscal impact include restrictions on mandatory overtime for nurses, additional community housing for developmentally disabled mentally ill

individuals, allowance of mid-semester recalculation of income for TAP eligibility, further training for court officers to allow for a reclassification to police officers, reimbursement to expert forensic child abuse examiners, and various bills to amend tax law.

Annual Spending Growth

General Fund spending, including transfers to other funds, is projected to total \$56.2 billion in 2008-09, an increase of \$2.8 billion over 2007-08 actual results. The General Fund must, by law, end the year in balance on a cash basis. State Operating Funds spending, which includes the General Fund, State-financed special revenue funds, and debt service, is projected to increase by \$3.5 billion and total \$80.5 billion in 2008-09. All Governmental Funds spending, the broadest measure of spending that includes State Operating Funds, capital spending, and Federal grants, is projected to total \$121.3 billion in 2008-09, an increase of \$5.2 billion. The spending estimates for 2008-09 assume \$500 million in General Fund savings through the FMP (\$300 million in personal service and \$200 million in non-personal service).

Total Disbursements* (millions of dollars)						
	2007-08 Actuals	2008-09 Enacted	2008-09 Current	Annual \$ Change	Annual % Change	\$ Change from Enacted Plan
State Operating Funds	77,003	80,862	80,506	3,503	4.5%	(356)
General Fund **	50,613	50,811	50,512	(101)	-0.2%	(299)
Other State Funds	22,254	25,338	25,296	3,042	13.7%	(42)
Debt Service Funds	4,136	4,713	4,698	562	13.6%	(15)
All Governmental Funds	116,058	121,606	121,304	5,246	4.5%	(302)
State Operating Funds	77,003	80,862	80,506	3,503	4.5%	(356)
Capital Projects Funds	6,131	7,080	6,978	847	13.8%	(102)
Federal Operating Funds	32,924	33,664	33,820	896	2.7%	156
General Fund, including Transfers	53,387	56,361	56,157	2,770	5.2%	(204)

* Estimates assume successful implementation of FMP. See text.

** Excludes transfers.

State Operating Funds spending is projected to increase by 4.5 percent in 2008-09. The major sources of State Operating Funds spending growth from 2007-08 to 2008-09 are presented in the table below. Please see the Enacted Budget Financial Plan for a detailed summary of the sources of annual growth.

Main Sources of State Operating Funds Growth				
State Fiscal Year Basis				
(millions of dollars)				
	2007-08	2008-09	Annual \$	Annual %
	Results	July Update	Change	Change
STATE OPERATING FUNDS *	77,003	80,506	3,503	4.5%
Local Assistance:				
School Aid**	18,983	20,737	1,754	9.2%
Medicaid (excluding Local Cap)***	12,133	12,529	396	3.3%
Medicaid: Local Cap Takeover Initiative	235	311	76	32.3%
Mental Hygiene**	2,107	2,970	863	41.0%
CUNY	1,013	1,285	272	26.9%
Local Government Assistance	917	1,230	313	34.1%
Children and Families**	1,610	1,760	150	9.3%
Transportation	2,825	2,988	163	5.8%
Debt Service	4,104	4,628	524	12.8%
Personal Service *	9,731	10,035	304	3.1%
Non-Personal Service *	5,310	4,829	(481)	-9.1%
All Other ****	18,035	17,204	(831)	-4.6%

* Estimates assume successful implementation of the FMP. See text.

** Includes Medicaid spending disbursed by such agencies.

*** DOH Medicaid only, excluding local cap payments.

**** Includes adjustment to 2008-09 estimates based on 2007-08 results.

2008-09 Projected Closing Balances

General Fund

DOB projects the State will end the 2008-09 fiscal year with a General Fund balance of \$1.8 billion (3.1 percent of spending). The balance consists of \$1.2 billion in undesignated reserves and \$526 million in reserves designated to finance existing or potential future commitments. The projected closing balance is \$278 million lower than projected at the time of the 2008-09 Enacted Budget Financial Plan due to the expected use of \$256 million to finance the costs of recent labor settlements and \$22 million for debt management purposes (specifically the termination of certain interest rate exchange agreements associated with variable rate bonds that have been refunded with fixed-rate bonds). The projected balance assumes successful implementation of the FMP.

General Fund Estimated Closing Balance			
(millions of dollars)			
	2008-09	2008-09	
	Enacted	Current	
	Plan	Estimate	Change
Projected First Quarter Fund Balance	2,031	1,753	(278)
<i>Undesignated Reserves</i>	<i>1,227</i>	<i>1,227</i>	<i>0</i>
Tax Stabilization Reserve Fund	1,031	1,031	0
Rainy Day Reserve Fund	175	175	0
Contingency Reserve Fund	21	21	0
<i>Designated Reserves</i>	<i>804</i>	<i>526</i>	<i>(278)</i>
Reserve for Labor Settlements	445	189	(256)
Reserve for Debt Reduction	122	100	(22)
Community Projects Fund	237	237	0

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

The designated reserves include \$237 million in the Community Projects Fund to finance existing "member item" initiatives, \$189 million that is available to finance the cost of potential labor settlements, and \$100 million that may be used in the current year for debt management purposes depending on market conditions.

State Operating Fund

DOB projects the State will end the 2008-09 fiscal year with a State Operating Funds balance of \$4.6 billion. The balance consists of \$1.8 billion in the General Fund, \$2.4 billion in balances in numerous State Special Revenue Funds and \$365 million in Debt Service Funds. The projected closing balance has decreased by \$575 million from the Enacted Budget Financial Plan estimate. This largely reflects the use of reserves to finance new labor settlements and a reduction in expected health care conversions proceeds, which reduces the projected year-end balance in the Health Care Resources Fund.

State Operating Funds Estimated Closing Balance (millions of dollars)			
	2008-09 Enacted Plan	2008-09 Current Estimate	Change
Projected First Quarter Fund Balance	5,132	4,557	(575)
General Fund	2,031	1,753	(278)
Special Revenue Funds	2,748	2,439	(309)
Miscellaneous Special Revenue	726	874	148
<i>Industry Assessments</i>	139	139	0
<i>Health and Social Welfare</i>	288	286	(2)
<i>General Government</i>	189	190	1
<i>All Other</i>	110	259	149
State University Income	922	943	21
Mass Transportation Operating Assistance	225	149	(76)
Health Care Resources Fund	471	85	(386)
Lottery Fund	25	24	(1)
All Other	379	364	(15)
Debt Service Funds	353	365	12

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

General Fund Outyear Budget Projections

The forecast for 2009-10 is based on assumptions of economic performance, revenue collections, spending patterns, and projections for the current services costs of program activities. DOB believes the estimates of annual change in revenues and spending that create the 2009-10 current services gap forecast are based on reasonable assumptions and methodologies. Changes to these or other assumptions have the potential to materially alter the size of the budget gaps for 2009-10 and beyond. The following table summarizes the current Financial Plan projections for 2008-09 through 2011-12, as well as the budget gaps and changes in reserves.

General Fund First Quarter Update Forecast*				
(millions of dollars)				
	2008-09	2009-10	2010-11	2011-12
Receipts				
Taxes	39,986	41,498	43,373	45,744
Personal Income Tax	23,938	24,440	25,883	27,703
User Taxes and Fees	8,803	9,150	9,448	9,804
Business Taxes	6,049	6,583	6,634	6,739
Other Taxes	1,196	1,325	1,408	1,498
Miscellaneous Receipts	2,551	2,531	2,531	2,294
Federal Grants	41	0	0	0
Transfers from Other Funds	12,578	12,235	12,724	13,390
Personal Income Tax in Excess of Revenue Bond Debt Service	8,602	8,703	9,055	9,517
Sales Tax in Excess of LGAC Debt Service	2,326	2,437	2,539	2,651
Real Estate Taxes in Excess of CW/CA Debt Service	573	563	603	655
All Other	1,077	532	527	567
Total Receipts	55,156	56,264	58,628	61,428
Disbursements				
Grants to Local Governments	39,237	43,544	47,399	50,373
State Operations				
Personal Service	5,990	6,259	6,679	6,860
Non-Personal Service	2,174	2,330	2,450	2,493
General State Charges	3,111	3,836	4,091	4,440
Transfers to Other Funds	5,645	6,292	7,063	7,704
Medicaid State Share	2,655	2,632	2,678	2,701
Debt Service	1,698	1,746	1,734	1,714
Capital Projects	469	711	1,080	1,147
Other Purposes	823	1,203	1,571	2,142
Total Disbursements	56,157	62,261	67,682	71,870
Change in Reserves				
Debt Reduction Reserve	(22)	0	0	0
Prior Year Reserves	(876)	0	0	0
Community Projects Fund	(103)	48	(22)	(80)
Deposit to/(Use of) Reserves	(1,001)	48	(22)	(80)
Revised Budget Surplus/(Gap) Estimate	0	(6,045)	(9,032)	(10,362)
Potential HCRA Shortfall	0	(310)	(263)	(183)
Combined General Fund/HCRA Revised Budget Surplus/(Gap) Estimate	0	(6,355)	(9,295)	(10,545)

* Estimates assume successful implementation of FMP. See text.

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 2009-10 forecast is the most relevant from a planning perspective, since any gap in that year must be closed with actions which would typically have a positive impact on subsequent year gaps, and the variability of the estimates is likely to be less than in later years.

The following chart provides a look at the causes of the 2009-10 General Fund budget gap, followed by a brief summary of the assumptions behind the projections. A detailed explanation of the assumptions underlying both the outyear receipts and disbursement projections appears later in this section.

2009-10 General Fund Annual Change*	
Savings/(Costs)	
(millions of dollars)	
	2009-10
RECEIPTS GROWTH	1,108
Personal Income Tax*	603
User Taxes and Fees*	458
Business Taxes	534
Other Taxes*	119
Miscellaneous Receipts/Federal Grants	(61)
All Other Transfers/Changes	(545)
<i>*Includes transfers after debt service</i>	
DISBURSEMENTS GROWTH	6,104
Local Assistance	4,307
Medicaid (including admin)	1,741
<i>Program Growth</i>	865
<i>Other (Includes 53rd Medicaid Cycle and Timing of Certain Payments)</i>	650
<i>Medicaid Cap/Family Health Plus Takeover</i>	226
School Aid	1,991
Children and Family Services	161
Local Government Aid	174
All Other Local Assistance	240
State Operations*	425
Personal Service	269
Non-Personal Service	156
General State Charges	725
Health Insurance	304
Pensions	193
All Other	228
Transfers to Other Funds	647
Change in Planned Use of Reserves (net)	(1,049)
Potential HCRA Shortfall	(310)
PROJECTED 2009-10 BUDGET GAP	(6,355)

* Estimates assume successful implementation of FMP. See text.

The forecast for 2009-10 is based on assumptions of economic performance, revenue collections, spending patterns, and projections for the current-services costs of program activities. DOB believes the estimates of annual changes in revenues and spending that create the 2009-10 current services gap forecast are based on reasonable assumptions and methodologies. Significant assumptions that affect the forecast include:

- **The performance of the economy in general, and the financial services sector in particular, and the concomitant impact on State tax receipts.** DOB's current economic outlook for 2008 calls for the State to follow the nation into recession, accompanied by job losses and a substantial slowdown in wage growth. The forecast for State tax receipts is based on the current forecast.
- **The Federal government will not make substantive funding changes** to major aid programs or make substantive regulatory changes that adversely affect the State.
- **The projections do not include any extra costs for unsettled labor settlements.** The Financial Plan projections do not include costs for the unions, including unions representing uniformed officers, that have not yet reached labor settlements with the State.

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

Outyear General Fund Forecast

Receipts

Total Receipts (millions of dollars)							
	2009-10 Projected	2010-11 Projected	Annual \$ Change	Annual % Change	2011-12 Projected	Annual \$ Change	Annual % Change
General Fund	56,264	58,628	2,364	4.2%	61,428	2,800	4.8%
Taxes	41,498	43,373	1,875	4.5%	45,744	2,371	5.5%
State Funds	87,050	90,491	3,441	4.0%	94,310	3,819	4.2%
Taxes	65,989	69,206	3,217	4.9%	72,783	3,577	5.2%
All Funds	124,208	128,781	4,573	3.7%	134,285	5,504	4.3%
Taxes	65,989	69,206	3,217	4.9%	72,783	3,577	5.2%

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

All Funds tax receipts in 2010-11 are projected to reach \$69.2 billion, an increase of \$3.2 billion, or 4.9 percent from 2009-10 estimates. All Funds tax receipts in 2011-12 are expected to increase by nearly \$3.6 billion (5.2 percent) over the prior year. General Fund tax receipts are projected to reach \$43.4 billion in 2010-11 and \$45.7 billion in 2011-12 (see "All Funds Receipts Projections" herein for a detailed explanation of All Funds receipts projections by source).

Disbursements

DOB forecasts General Fund spending of \$62.3 billion in 2009-10, an increase of \$6.1 billion (10.9 percent) over projected 2008-09 levels. Growth in 2010-11 is projected at \$5.4 billion (8.7 percent) and in 2011-12 at \$4.2 billion (6.2 percent). The growth levels are based on current services projections, as modified by the budgetary actions approved during the end of the regular legislative session. The current estimates reflect savings anticipated from the FMP to balance the current year and reduce the outyear gaps. The main sources of annual spending growth are itemized in the following table.

Outyear Disbursement Projections - General Fund (millions of dollars)										
	2008-09	2009-10	Annual \$ Change	Annual % Change	2010-11	Annual \$ Change	Annual % Change	2011-12	Annual \$ Change	Annual % Change
Grants to Local Governments:	39,237	43,544	4,307	11.0%	47,399	3,855	8.9%	50,373	2,974	6.3%
School Aid	17,815	19,806	1,991	11.2%	21,678	1,872	9.5%	23,244	1,566	7.2%
Medicaid (including administration)	8,457	9,972	1,515	17.9%	11,045	1,073	10.8%	11,786	741	6.7%
Medicaid: Local Relief	762	988	226	27.4%	1,337	349	28.4%	1,706	369	27.6%
Mental Hygiene	2,063	2,163	100	4.8%	2,221	58	2.7%	2,303	82	3.7%
Children and Family Services	1,760	1,921	161	9.1%	2,102	181	9.4%	2,254	152	7.2%
Local Government Assistance	1,231	1,405	174	14.1%	1,485	80	5.7%	1,485	0	0.0%
Higher Education	2,555	2,647	92	3.6%	2,732	85	3.2%	2,754	22	0.8%
Health	628	728	100	15.9%	783	55	7.6%	811	28	3.6%
Other Education Aid	1,742	1,810	68	3.9%	1,860	50	2.8%	1,919	59	3.2%
Temporary and Disability Assistance	1,213	1,279	66	5.4%	1,280	1	0.1%	1,283	3	0.2%
Transportation	110	103	(7)	-6.4%	103	0	0.0%	103	0	0.0%
All Other	901	722	(179)	-19.9%	773	51	7.1%	725	(48)	-6.2%
State Operations *:	8,164	8,589	425	5.2%	9,129	540	6.3%	9,353	224	2.5%
Personal Service	5,990	6,259	269	4.5%	6,679	420	6.7%	6,860	181	2.7%
Non-Personal Service	2,174	2,330	156	7.2%	2,450	120	5.2%	2,493	43	1.8%
General State Charges	3,111	3,836	725	23.3%	4,091	255	6.6%	4,440	349	8.5%
Pensions	1,052	1,245	193	18.3%	1,320	75	6.0%	1,430	110	8.3%
Health Insurance (Active Employees)	1,620	1,802	182	11.2%	1,959	157	8.7%	2,187	228	11.6%
Health Insurance (Retired Employees)	1,056	1,178	122	11.6%	1,283	105	8.9%	1,347	64	5.0%
Medicaid Adjustment	(1,373)	(1,156)	217	-15.8%	(1,281)	(125)	10.8%	(1,360)	(79)	6.2%
All Other	756	767	11	1.5%	810	43	5.6%	836	26	3.2%
Transfers to Other Funds:	5,645	6,292	647	11.5%	7,063	771	12.3%	7,704	641	9.1%
State Share Medicaid	2,655	2,632	(23)	-0.9%	2,678	46	1.7%	2,701	23	0.9%
Debt Service	1,698	1,746	48	2.8%	1,734	(12)	-0.7%	1,714	(20)	-1.2%
Capital Projects	469	711	242	51.6%	1,080	369	51.9%	1,147	67	6.2%
All Other	823	1,203	380	46.2%	1,571	368	30.6%	2,142	571	36.3%
TOTAL DISBURSEMENTS	56,157	62,261	6,104	10.9%	67,682	5,421	8.7%	71,870	4,188	6.2%

* Estimates assume successful implementation of FMP. See text.

Grants to Local Governments

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

Forecast for Selected Program Measures Affecting Local Assistance					
(dollars)					
	Actual	Forecast			
	2007-08	2008-09	2009-10	2010-11	2011-12
Medicaid					
Medicaid Coverage	3,577,561	3,665,541	3,746,047	3,994,438	4,149,548
Family Health Plus Coverage	518,189	545,996	563,084	605,390	605,390
Child Health Plus Coverage	360,436	403,913	435,665	444,667	453,670
Medicaid Inflation	2.0%	2.9%	3.0%	3.0%	3.0%
Medicaid Utilization	-3.6%	-3.1%	4.1%	4.2%	4.4%
State Takeover of County/NYC Costs (Total)	\$631	\$762	\$988	\$1,337	\$1,706
- Family Health Plus	\$396	\$451	\$451	\$481	\$484
- Medicaid	\$235	\$311	\$537	\$856	\$1,222
Education					
School Aid (School Year)	\$19,693	\$21,501	\$23,300	\$25,850	\$27,450
K-12 Enrollment	2,764,379	2,764,000	2,764,000	2,764,000	2,764,000
Public Higher Education Enrollment (FTEs)	512,362	518,431	525,408	529,133	533,021
Tuition Assistance Program Recipients	312,779	311,036	312,536	314,286	315,786
Welfare					
Family Assistance Caseload	372,964	352,967	351,696	351,941	352,553
Single Adult/No Children Caseload	150,447	143,929	149,511	155,246	160,035
Mental Hygiene					
Mental Hygiene Community Beds	83,278	85,277	87,568	90,497	94,792

Medicaid

General Fund spending for Medicaid is expected to grow by \$1.7 billion in 2009-10, \$1.4 billion in 2010-11, and another \$1.1 billion in 2011-12.

Major Sources of Annual Change in Medicaid (millions of dollars)					
	<u>2007-08</u>	<u>2008-09</u>	<u>Annual \$ Change</u>	<u>2009-10</u>	<u>Annual \$ Change</u>
Base Growth (State Funds)	<u>12,369</u>	<u>12,840</u>	<u>471</u>	<u>14,382</u>	<u>1,542</u>
Hospitals/Clinics	2,629	2,852	223	3,095	243
Nursing Homes	2,785	3,064	279	3,501	437
Managed Care	1,341	1,509	168	1,692	183
Home Care	2,050	2,352	302	2,678	326
Non-Institutional/Other*	1,404	738	(666)	889	151
Pharmacy	1,282	1,416	134	1,667	251
Family Health Plus	878	909	31	860	(49)
Less: Other State Funds Support	<u>3,371</u>	<u>3,621</u>	<u>250</u>	<u>3,422</u>	<u>(199)</u>
HCRA Financing	1,958	2,232	274	2,033	(199)
Provider Assessment Revenue	572	548	(24)	548	0
Indigent Care Revenue	841	841	0	841	0
Total General Fund	<u>8,998</u>	<u>9,219</u>	<u>221</u>	<u>10,960</u>	<u>1,741</u>
Local Cap/Family Health Plus Takeover (incl. above)	631	762	131	988	226

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

Medicaid growth results, in part, from the combination of projected increases in recipients, service utilization, and medical care cost inflation that impact nearly all categories of service (e.g., hospitals, nursing homes). The State cap on local Medicaid costs and takeover of local FHP costs, which are included in base categories of service, are projected to increase spending by \$226 million in 2009-10, \$349 million in 2010-11, and \$369 million in 2011-12. In 2009-10, an extra weekly payment to providers adds an estimated \$300 million in base spending across all fee-for-service categories of spending. The remaining growth is primarily attributable to the available resources in other State Funds which are used to lower General Fund costs, including lower levels of HCRA financing beginning in 2009-10.

The average number of Medicaid recipients is expected to grow to over 3.7 million in 2009-10, an increase of 2.2 percent from the estimated 2008-09 caseload. FHP enrollment is estimated to grow to approximately 563,000 individuals in 2009-10, an increase of 3.1 percent over the projected 2008-09 enrollment of almost 546,000 individuals.

School Aid

Multi-Year School Aid Projection — School Year Basis (millions of dollars)							
	2008-09	2009-10	Annual \$ Change	2010-11	Annual \$ Change	2011-12	Annual \$ Change
Foundation Aid/Academic Achievement Grant	14,892	16,200	1,308	18,050	1,850	19,000	950
Universal Pre-kindergarten	451	540	89	630	90	655	25
High Tax Aid	203	100	(103)	100	0	100	0
EXCEL Building Aid	135	179	44	191	12	191	0
Expense-Based Aids (Building, Transportation, High Cost and Private Excess Cost, BOCES)	5,138	5,549	411	6,040	491	6,566	526
Other Aid Categories/Initiatives	682	732	50	839	107	938	99
Total School Aid	21,501	23,300	1,799	25,850	2,550	27,450	1,600

Projected school aid increases are primarily due to increases in Foundation Aid, Universal Pre-Kindergarten expansion, and increases in expense-based aids such as Building Aid and Transportation Aid. Increased funding in 2008-09 for High Tax Aid and several other aid categories is provided on a one year basis only.

On a school-year basis, school aid is projected at \$23.3 billion in 2009-10, \$25.9 billion in 2010-11, and \$27.5 billion in 2011-12. Outside the General Fund, revenues from core lottery sales are projected to increase by \$143 million in 2009-10, \$74 million in 2010-11, and \$108 million in 2011-12 (totaling \$2.5 billion in 2011-12). Revenues from VLTs are projected to total \$721 million in 2008-09, then decrease by \$134 million in 2009-10 following the expected one-time receipt of \$250 million in revenues during 2008-09 for the sale of development rights at Aqueduct racetrack. They are then projected to increase by \$219 million in 2010-11 and \$196 million in 2011-12. VLTs are expected to total \$1.0 billion in 2011-12. The VLT estimates assume the start of operations at Aqueduct in 2009-10 and Belmont in 2010-11.

Mental Hygiene

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

Children and Family Services

Children and Family Services local assistance spending is projected to grow by \$161 million in 2009-10, \$181 million in 2010-11 and \$152 million in 2011-12. The increases are driven primarily by expected growth in local child welfare claims, the implementation of the OCFS Medicaid waiver, and cost-of-living increases for human services providers through 2011-12.

Temporary and Disability Assistance

Spending is projected at \$1.3 billion in 2009-10, an increase of \$66 million from 2008-09, and is expected at the same level through 2011-12. Public assistance caseloads are projected to increase marginally

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

Other Local Assistance

All other local assistance programs total \$7.4 billion in 2009-10, an increase of \$263 million over 2008-09 levels. This primarily reflects increases in local government assistance including unrestricted aid to New York City (\$82 million), additional payments for AIM and Local Government Efficiency Grants (\$74 million), various public health programs, and education aid. This growth is partially offset by projected declines in spending by DMNA and Labor.

State Operations

State Operations spending is expected to total \$8.6 billion in 2009-10, an annual increase of \$425 million (5.2 percent). In 2010-11, spending is projected to grow by another \$540 million (6.3 percent) to a total of \$9.1 billion, followed by another \$224 million (2.5 percent) for a total of \$9.4 billion in 2011-12. FMP reductions are assumed to reduce State Operations spending levels by \$500 million in all years. The net personal service growth primarily reflects the impact of new labor contracts. In addition, salary adjustments for performance advances, longevity payments and promotions, and increased staffing levels (primarily in DOCS) drive spending growth. Inflationary increases for non-personal service costs result in higher spending in all years. Additional growth is driven by spending for ongoing initiatives, including the civil commitment program for sexual offenders, and medical and pharmacy costs in the areas of Mental Hygiene and Corrections.

Personal Service

General Fund — Personal Service (millions of dollars)							
	2008-09	2009-10	Annual \$ Change	2010-11	Annual \$ Change	2011-12	Annual \$ Change
Total	5,990	6,259	269	6,679	420	6,860	181
Collective Bargaining	433	468	35	698	230	698	0
Correctional Services	1,742	1,788	46	1,815	27	1,834	19
Judiciary	1,330	1,449	119	1,578	129	1,715	137
Fiscal Management Plan	(300)	(300)	0	(300)	0	(300)	0
All Other	2,785	2,854	69	2,888	34	2,913	25

- Collective Bargaining:** Reflects the impact of labor settlements, including non-judicial OCA employees, which provide a 3 percent salary increase each year beginning in 2007-08 and a 4 percent increase in the final year (2010-11).
- Correctional Services:** Growth is primarily attributable to the impact of the SHU Exclusion Bill, which restricts the use of special housing units for mentally ill inmates, and requires more frequent evaluations for inmates with severe mental illness, as well as the development of segregated units -- thus, driving higher workforce levels and costs.
- Judiciary:** Reflects projections of anticipated needs for OCA, including more than \$50 million for the 27th payroll period.

Non-Personal Service

General Fund — Non-Personal Service (millions of dollars)							
	2008-09	2009-10	Annual \$ Change	2010-11	Annual \$ Change	2011-12	Annual \$ Change
Total	2,174	2,330	156	2,450	120	2,493	43
Correctional Services	615	653	38	692	39	735	43
State Police	54	81	27	81	0	80	(1)
Health	121	140	19	160	20	164	4
Temporary and Disability Assistance	35	52	17	53	1	56	3
State University	434	448	14	466	18	486	20
Fiscal Management Plan	(200)	(200)	0	(200)	0	(200)	0
All Other	1,115	1,156	41	1,198	42	1,172	(26)

- **Correctional Services:** Growth is primarily driven by the escalating costs of food, fuel, utilities, and health care services and prescription drugs to inmates.
- **State Police:** Spending growth reflects costs previously supported by cellular surcharge revenues in other State funds that is expected to be supported by General Fund revenues in 2009-10.
- **Health:** Growth is largely driven by the annualization of the Enacted Budget action providing funding for the State to directly enroll individuals into Medicaid, CHP and FHP.
- **Temporary and Disability Assistance:** Spending will increase in 2009-10 as one-time actions, including Federal revenue maximization and bonding of software development costs, do not recur.
- **State University:** Primarily reflects funding for inflationary increases in non-personal service spending at SUNY.

General State Charges

Forecast of Selected Program Measures Affecting General State Charges					
	Actual	Forecast			
	2007-08	2008-09	2009-10	2010-11	2011-12
General State Charges					
Pension Contribution Rate as % of Salary	9.7%	8.8%	8.9%	9.7%	10.5%
Employee/Retiree Health Insurance Growth Rates	5.4%	5.5%	9.5%	9.5%	9.5%

GSCs are projected to total \$3.8 billion in 2009-10, \$4.1 billion in 2010-11 and \$4.4 billion in 2011-12. The annual increases are due mainly to anticipated cost increases in pensions and health insurance for State employees and retirees.

The State's pension contribution rate to the New York State and Local Retirement System, which is 8.8 percent for 2008-09, is expected to increase to 8.9 percent for 2009-10, 9.7 percent in 2010-11, and 10.5 percent in 2011-12. Pension costs in 2009-10 are projected to total \$1.2 billion, an increase of \$193 million over 2008-09 due to projected growth in the salary base. This large growth is also caused by the prepayment of the State's 2008-09 amortization costs in 2007-08. In 2010-11 and 2011-12, they are expected to increase by \$75 million and \$110 million, respectively, due to an anticipated increase in the State contribution rate.

Forecast of New York State Employee Health Insurance Costs (millions of dollars)			
Health Insurance Costs			
Year	Active Employees	Retirees	Total State
2008-09	1,621	1,055	2,676
2009-10	1,802	1,178	2,980
2010-11	1,959	1,284	3,243
2011-12	2,134	1,400	3,534

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

Spending for employee and retiree health care costs is expected to increase by \$304 million in 2009-10, \$263 million in 2010-11, and another \$291 million in 2011-12 and assumes an average annual premium increase of roughly 9.5 percent. Health insurance is projected at \$2.9 billion in 2009-10 (\$1.8 billion for active employees and \$1.2 billion for retired employees), \$3.2 billion in 2010-11 (\$1.9 billion for active employees and \$1.3 billion for retired employees) and \$3.5 billion in 2011-12 (\$2.1 billion for active employees and \$1.4 billion for retired employees).

Transfers to Other Funds

Outyear Disbursement Projections — Transfers to Other Funds (millions of dollars)							
	2008-09	2009-10	Annual Change	2010-11	Annual Change	2011-12	Annual Change
Transfers to Other Funds:	5,645	6,292	647	7,063	771	7,704	641
Medicaid State Share	2,655	2,632	(23)	2,678	46	2,701	23
Debt Service	1,698	1,746	48	1,734	(12)	1,714	(20)
Capital Projects	469	711	242	1,080	369	1,147	67
Dedicated Highway and Bridge Trust Fund	228	351	123	741	390	845	104
All Other Capital	241	360	119	339	(21)	302	(37)
All Other Transfers	823	1,203	380	1,571	368	2,142	571
Lottery (School Aid Support)	54	0	(54)	0	0	0	0
Mental Hygiene	35	350	315	699	349	847	148
Medicaid Payments for State Facilities	180	224	359	224	349	224	0
Judiciary Funds	158	148	(10)	158	10	165	7
HCRA (Tobacco Guarantee)	0	0	0	0	0	466	466
SUNY- Hospital Operations	141	159	18	167	8	167	0
Banking Services	66	66	0	66	0	66	0
Empire State Stem Cell Trust Fund	3	35	32	47	12	0	(47)
Statewide Financial System	0	30	30	35	5	30	(5)
All Other	186	191	5	175	(16)	177	2

In 2009-10, transfers to other funds are estimated at \$6.3 billion, an increase of \$647 million over 2008-09. This increase includes potential transfers to the DHBTf aimed at reducing fund gaps and an increase in other capital transfers of \$119 million.

All other transfers are expected to increase by \$380 million in 2008-09. The most significant change includes an increase in transfers to supplement resources available for the Mental Hygiene system. In addition, transfers are increasing for the subsidy to SUNY hospitals and to fund the State's financial management system. General Fund transfers for stem cell research are projected to increase in 2009-10 and then end in 2011-12 as support is transitioned from the General Fund to the Health Care Resources Fund beginning in 2009-10.

In 2010-11, transfers to other funds are expected to increase by \$771 million. This reflects expected growth in General Fund support to the Dedicated Highway and Bridge Trust Fund and Medicaid related spending in State Operated Mental Hygiene facilities. In 2011-12 transfers are expected to increase by \$641 million, mainly to provide subsidies to HCRA, the Dedicated Highway and Bridge Trust Fund, and Mental Hygiene spending.

Year-to-Date Operating Results

General Fund

The General Fund ended June 2008 with a cash balance of \$3.6 billion, or \$168 million less than projected in the Enacted Budget. Receipts were \$15 million lower than projected; disbursements were \$153 million higher. The disbursement results, and revised cash flow projections in the Updated Financial Plan, reflect the impact of a reporting change implemented by the State Comptroller on April 1, 2008. Specifically, the State's share of pharmacy rebates and various recoveries from overpayments and audit activity under the Medicaid program are now reflected as an offset, on a monthly basis, to General Fund spending. Much of the remaining 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 reflected in the Updated Financial Plan.

2008-09 Fiscal Year				
General Fund Results vs. Projections: April - June 2008				
(millions of dollars)				
	Enacted Budget	Actual Results	Favorable/ (Unfavorable) vs. Plan	Increase/ (Decrease) from Prior Year
Opening Balance (April 1, 2008)	2,754	2,754	n/a	(291)
Receipts	16,805	16,790	(15)	2,031
Personal Income Tax*	8,522	8,845	323	1,665
User Taxes and Fees	2,201	2,135	(66)	(44)
Business Taxes*	1,488	1,035	(453)	(273)
All Other Taxes, Receipts & Grants*	818	903	85	106
Transfers From Other Funds	3,776	3,872	96	577
Disbursements	15,773	15,926	(153)	1,004
<i>Local Assistance</i>	<i>10,381</i>	<i>10,419</i>	<i>(38)</i>	<i>906</i>
Medicaid (including admin)	3,131	2,912	219	(142)
Local Variance	3,131	3,139	(8)	85
Medicaid Accounting Change	0	(227)	227	(227)
School Aid	4,567	4,617	(50)	727
Higher Education	518	492	26	129
All Other Education	397	487	(90)	(9)
Health/Aging	137	87	50	(81)
Mental Hygiene	284	488	(204)	323
Children and Families	240	244	(4)	19
Temporary and Disability Assistance	562	566	(4)	10
Transportation	60	46	14	(13)
All Other	485	480	5	(57)
<i>State Operations</i>	<i>2,297</i>	<i>2,293</i>	<i>4</i>	<i>(470)</i>
Personal Service	1,724	1,670	54	(377)
Non-Personal Service	573	623	(50)	(93)
<i>General State Charges</i>	<i>1,331</i>	<i>1,367</i>	<i>(36)</i>	<i>(543)</i>
<i>Transfers To Other Funds</i>	<i>1,764</i>	<i>1,847</i>	<i>(83)</i>	<i>1,111</i>
Change in Operations	1,032	864	(168)	1,027
Closing Balance (June 30, 2008)	3,786	3,618	(168)	736

* Excludes transfers to conform to OSC reporting.

General Fund Comparison to Enacted Budget Projections

Through June 2008, General Fund receipts, including transfers from other funds, totaled \$16.8 billion, \$15 million lower than the 2008-09 Enacted Budget forecast. This variance is primarily due to higher-than-expected collections in the personal income tax, all other taxes, receipts and grants and transfers from other funds, offset by lower-than-expected collections from business taxes and user taxes and fees.

General Fund disbursements through June 2008 totaled \$15.9 billion, \$153 million greater than projected. The largest spending variances, exclusive of the Medicaid reporting change, include:

- K-12 Education Aid (\$140 million higher than planned): The additional spending is attributable to timing of claims for special education programs (\$87 million), education grants (\$50 million) and other education aid (\$3 million). Spending in special education programs reflects increased claiming by counties, for which SED recently completed its verification and review process. Additional spending in school aid reflects higher than expected claiming by school districts for grant programs.
- Mental Hygiene (\$204 million higher than planned): Resulting from the timing of Medicaid-related charges by DOH, as well as disbursements charged to the General Fund instead of the appropriate Special Revenue Fund. These Medicaid appropriation charges are expected to be properly allocated in July.
- Health/Aging (\$50 million lower than planned): Attributable to slower-than-anticipated spending across several programs, particularly EI and the General Public Health Works Program.
- Personal Service (\$54 million lower than planned): Largely attributable to lower-than-projected DOCS spending for overtime, reduced classes for new recruits, and significant vacancies in prison health care and rehabilitative staff.
- Non-Personal Service (\$50 million higher than planned): Attributable to higher than expected costs for supplies, materials, and contractual services at the Department of Taxation and Finance, the Judiciary, and the State Police.
- GSCs (\$36 million higher than planned): The Judiciary pension payment was projected to be made in July, but occurred in April. This earlier than expected payment was partly offset by higher-than-expected escrow payments.

General Fund Annual Change

Through June 2008, receipts totaled \$16.8 billion, an increase of \$2.0 billion, or 14.1 percent, compared to the same period in 2007-08. This annual increase is largely attributable to increases in the personal income tax, transfers from other funds and all other taxes, receipts and grants, offset by a decrease in business taxes and user taxes and fees.

General Fund spending through June 2008 totaled \$15.9 billion, \$1.0 billion higher than actual results through the same period for fiscal year 2007-08, after consideration of the Medicaid reporting change described above. Significant changes in spending levels from the same period last year include:

- School Aid (\$727 million growth): Reflects growth in general purpose aid payments to school districts.
- Medicaid (\$85 million growth): Reflects anticipated growth in local assistance payments to Medicaid providers.
- CUNY (\$150 million growth): The annual growth is related to a delay in payments to CUNY's Senior Colleges at the end of its 2006-07 academic year (June 2007). The 2007-08 academic year-end payments (June 2008) reflect a return to regular reimbursement payment schedule for New York City.
- Mental Retardation (\$323 million growth): Increases driven by Medicaid appropriation restructuring (\$200 million) and the timing of Medicaid related charges (\$136 million).
- State Operations (\$470 million decline): Reflects the movement of a portion of Mental Hygiene State Operations spending (primarily personal service) from the General Fund to the Special Revenue Fund as part of the restructuring of Medicaid spending.
- GSCs (\$543 million decline): Primarily reflects a change in reporting related to the restructuring of Medicaid spending, whereby fringe benefit waivers were eliminated for personal service costs supported by State and Federal Medicaid monies. Payment of the corresponding fringe benefit bills in June 2008 resulted in a \$411 million reduction to General Fund GSC spending.
- Debt Service (\$194 million growth): Higher spending in 2008-09 is due mainly to the payment of debt service on certain SUNY educational facilities bonds. Last year, the State inadvertently made this payment in late 2006-07 rather than early 2007-08.
- Transfers to Other Funds (\$811 million growth): Reflects the change in reporting related to the restructuring of Medicaid spending. The State's share of Medicaid payments disbursed by State-operated Mental Hygiene facilities is now reflected as a General Fund transfer to other funds.

State Operating Funds

2008-09 Fiscal Year				
State Operating Funds Results vs. Projections: April - June 2008				
(millions of dollars)				
	Enacted Budget	Actual Results	Favorable/ (Unfavorable) vs. Plan	Increase/ (Decrease) from Prior Year
Total Receipts	21,041	21,041	0	1,689
Personal Income Tax	11,881	12,312	431	2,430
User Taxes and Fees	3,400	3,301	(99)	(10)
Business Taxes	1,846	1,342	(504)	(323)
Other Taxes	493	507	14	(4)
Miscellaneous Receipts	3,406	3,576	170	(360)
Federal Grants	15	3	(12)	(44)
Total Disbursements	18,795	18,855	(60)	643
<i>Local Assistance</i>	<i>12,328</i>	<i>12,387</i>	<i>(59)</i>	<i>1,048</i>
Medicaid (including admin)	3,240	3,026	214	(137)
Local Variance	3,240	3,253	(13)	90
Medicaid Accounting Change	0	(227)	227	(227)
All Other Education	398	490	(92)	(7)
Health/Aging	505	448	57	(110)
Transportation	664	691	(27)	195
STAR	390	392	(2)	160
Temporary and Disability Assistance	562	566	(4)	10
Children and Families	241	245	(4)	19
School Aid	4,895	4,945	(50)	508
Higher Education	518	492	26	129
Mental Hygiene	380	556	(176)	328
All Other	535	536	(1)	(47)
<i>State Operations</i>	<i>3,850</i>	<i>3,936</i>	<i>(86)</i>	<i>(110)</i>
Personal Service	2,643	2,592	51	(147)
Non-Personal Service	1,207	1,344	(137)	37
<i>General State Charges</i>	<i>1,696</i>	<i>1,594</i>	<i>102</i>	<i>(468)</i>
<i>Capital Projects</i>	<i>0</i>	<i>1</i>	<i>(1)</i>	<i>0</i>
<i>Debt Service</i>	<i>921</i>	<i>937</i>	<i>(16)</i>	<i>173</i>

State Operating Funds Comparison to Enacted Budget Projections

Through June 2008, State Operating Funds receipts totaled \$21.1 billion consistent with the Enacted forecast. Tax receipts totaled \$17.4 billion, \$158 million below the Enacted Budget estimate. The decrease is largely the result of lower-than-anticipated collections in business taxes, somewhat offset by higher-than-anticipated collections in the personal income tax. Miscellaneous receipts came in \$170 million higher-than-projected due to greater-than-expected lottery receipts (\$109 million). State Operating Funds disbursements totaled \$18.9 billion, \$60 million higher than the Enacted Budget forecast and mostly attributable to the General Fund variances described above.

State Operating Funds Annual Change

Through June 2008, total taxes increased by \$2.1 billion, or 13.9 percent, compared to the same period in 2007-08. This increase is largely attributable to increased personal income tax collections, slightly offset by decreased collections in the business taxes. The annual decline in miscellaneous receipts is largely driven by the receipt of \$499 million in health insurance conversion proceeds in April 2007; conversion proceeds in 2008-09 are projected to be received later in the fiscal year.

Compared to the same period in 2007-08, State Operating Funds disbursements were \$643 million higher in the current year. The largest increases were for State School Aid (\$508 million), Mental Hygiene (\$328 million), Debt Service (\$173 million) and CUNY (\$150 million), partially offset by a decline in GSCs (\$468 million) and Personal Service (\$147 million), as described in the General Fund above. In addition, higher STAR property tax rebate payments and the timing of MTOA payments contributed to the State Operating Funds annual growth.

Monthly Cash Flow Forecast (2008-09)

In 2008-09, the General Fund is projected to have quarterly-ending balances of \$5.3 billion in September 2008, \$605 million in December 2008 (the lowest projected month-end cash flow balance), and \$1.8 billion at the end of March 2009.

State Operating Funds quarterly-ending balances are expected to be \$8.1 billion in September 2008, \$3.1 billion in December 2008, and \$4.6 billion at the end of March 2009.

The monthly cash flow projections assume successful implementation of FMP savings beginning in October 2008. Specifically, the 2008-09 General Fund monthly cash estimates include NPS savings of \$70 million and PS savings of \$105 million in the third quarter of the fiscal year with the remaining reductions assumed in the final three months of the fiscal year.

DOB's revised detailed monthly cash flow projections for 2008-09 are set forth in the Financial Plan Tables.

Economic Forecast

National Economy

Household spending was stronger during the first half of 2008 than anticipated in the Enacted Budget forecast released in April. Recent data indicates that the Federal government rebate program had a stronger impact during the second quarter than expected, while revised income data indicate that households also had more money to spend from that source. However, a number of developments indicate growth will weaken once the rebate stimulus is withdrawn. As a result, real U.S. GDP growth has been revised upward to 1.6 percent for 2008, while growth of only 1.4 percent is currently projected for 2009.

The financial market crisis has lasted longer than originally expected. Moreover, the turmoil of the large government-sponsored financial entities, Fannie Mae and Freddie Mac, indicates that the crisis is not yet near resolution. Consequently, tight credit market conditions will continue to be a drag on economic growth for a prolonged period. In a related development, with housing starts still deteriorating and home foreclosures still rising, the housing market contraction is now expected to last well into 2009. In addition, this weakness has spread to the commercial real estate market, threatening the health of smaller regional banks and putting further pressure on credit markets.

Commodity prices have climbed even higher than expected in the Enacted Budget forecast. Although oil prices have been volatile, they remain persistently close to historic high levels. Consequently, DOB has revised projected inflation, as measured by growth in the CPI, to 4.3 percent for 2008, followed by 3.3 percent for 2009. Persistently high prices also threaten to raise inflation expectations, increasing the likelihood that the Federal Reserve will raise interest rates sooner rather than later. DOB now expects the central bank to increase its short-term interest rate target by early 2009.

The most recent international data suggests more of a global slowdown than anticipated in April. Slower growth in the nation's trading partners, such as Japan, U.K., Germany, and Spain, implies less demand for U.S. goods and services abroad, despite the weak value of the dollar. As a result, projected growth in real U.S. exports has been revised down for both 2008 and 2009. The weakening of this critical growth engine, along with the developments described above, is expected to result in a weaker labor market than reflected in the Enacted Budget forecast. Growth in non-farm employment of only 0.3 percent is now projected for 2009, following no growth in 2008.

There is considerable risk to DOB's outlook for the national economy. As indicated above, household spending is under pressure from several sources. Consequently, as the impact of the stimulus from the Federal rebate program recedes, real consumer spending could be even weaker than anticipated. The housing market contraction could become more severe and last longer than expected due to tight credit markets and rising foreclosures. In addition, high food and energy prices, which act as a tax on households, could reduce real spending growth even further. Weak equity markets, along with falling home prices, could also reduce spending growth by more than expected through a reverse wealth effect. Greater job losses would also reduce spending growth. Finally, a weak global economy could also depress economic growth by more than projected.

U.S. Economic Indicators (percent change from prior calendar year)			
	2007 (Actual)	2008 (Forecast)	2009 (Forecast)
Real U.S. Gross Domestic Product	2.2	1.6	1.4
Consumer Price Index (CPI)	2.9	4.3	3.3
Personal Income	6.2	4.6	3.7
Nonagricultural Employment	1.1	0.0	0.3

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

New York State Economy

Equity markets are now in bear market territory, having fallen about 20 percent from their October 2007 peaks. In addition, major U.S. financial firm write-downs now exceed \$225 billion and are expected to continue through the third quarter, though at a reduced pace. As a result, NYSE-member firm profits, which have fallen by more than \$42 billion starting in the third quarter of 2007, will continue to remain weak and the securities industry is expected to continue to shed jobs. State employment is expected to remain flat for 2009, with private sector jobs now projected to fall 0.1 percent, following growth of 0.2 percent for both total and private for 2008. Finance and insurance sector bonuses are now projected to fall 20.5 percent for the coming 2008-09 season. Weaker growth in employment and bonuses imply slower growth in income as well. Growth in New York State wages has been revised down to 2.0 percent for 2008, followed by projected growth of 1.5 percent for 2009. Growth in total New York personal income for 2009 has been revised down to 1.1 percent.

New York State Economic Indicators (percent change from prior calendar year)			
	2007 (Actual)	2008 (Forecast)	2009 (Forecast)
Personal Income	7.9	3.4	1.1
Wages	8.5	2.0	1.5
Nonagricultural Employment	1.5	0.2	0.0

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

All of the risks to the forecast for the national economy apply to the State forecast as well, although interest rate risk and equity market volatility pose a particularly large degree of uncertainty for New York. If the current financial market crisis is sufficiently prolonged, the impact on State wages and employment could be even more severe. Should the Federal Reserve revert to a tight monetary policy earlier than anticipated, the negative impact would disproportionately affect New York due to the impact on the Finance industry. The national economic slowdown is also affecting New York City's commercial real estate market. Vacancy rates are starting to rise, which could lead to a further weakening of the City's commercial real estate market and a more severe contraction in the State's construction industry in 2009.

All Funds Receipts Projections

The receipts forecast describes estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds. The spending projections summarize the annual growth in current-services spending for each of the State's major areas of spending (e.g., Medicaid, School Aid, Mental Hygiene).

Updated All Funds Receipts Projections

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

2008-09 All Funds Receipts Overview

Total Receipts (millions of dollars)				
	2007-08	2008-09	Annual \$	Annual %
	Actual	First Quarter	Change	Change
General Fund	53,096	55,156	2,060	3.9%
State Funds	80,372	82,893	2,521	3.1%
All Funds	115,423	118,928	3,505	3.0%

All Funds receipts are projected to total \$118.9 billion, an increase of \$3.5 billion over 2007-08 results. The total comprises tax receipts (\$63.1 billion), Federal grants (\$36.0 billion) and miscellaneous receipts (\$19.9 billion). The following table summarizes the actual receipts for 2007-08 and the updated projections for 2008-09.

Total Receipts (millions of dollars)							
	2007-08	2008-09	Annual \$	Annual %	2009-10	Annual \$	Annual %
	Actual	Estimated	Change	Change	Projected	Change	Change
General Fund	53,096	55,156	2,060	3.9%	56,264	1,108	2.0%
Taxes	38,395	39,986	1,591	4.1%	41,498	1,512	3.8%
Miscellaneous Receipts	2,460	2,551	91	3.7%	2,531	(20)	-0.8%
Federal Grants	69	41	(28)	-40.6%	0	(41)	-100.0%
Transfers	12,172	12,578	406	3.3%	12,235	(343)	-2.7%
State Funds	80,372	82,893	2,521	3.1%	87,050	4,157	5.0%
Taxes	60,871	63,085	2,214	3.6%	65,989	2,904	4.6%
Miscellaneous Receipts	19,432	19,766	334	1.7%	21,060	1,294	6.5%
Federal Grants	69	42	(27)	-39.1%	1	(41)	-97.6%
All Funds	115,423	118,928	3,505	3.0%	124,208	5,280	4.4%
Taxes	60,871	63,085	2,214	3.6%	65,989	2,904	4.6%
Miscellaneous Receipts	19,643	19,878	235	1.2%	21,167	1,289	6.5%
Federal Grants	34,909	35,965	1,056	3.0%	37,052	1,087	3.0%

The receipt estimates for the current fiscal year have been revised downward significantly. Current year All Funds tax receipt estimates have been lowered by \$819 million since the Enacted Budget. The financial condition of Wall Street firms and banks in general has deteriorated from what was anticipated in the Enacted Budget. 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 2008-09 and outyear fiscal estimates are due primarily to this more pessimistic economic outlook.

Since the release of the Enacted Budget, 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 and banks that are critical to revenue performance have and will continue to experience reduced profitability in 2008. History has shown that any disruption to the profitability of Wall Street firms can be expected to have a negative impact on the fiscal condition of the State.

Total All Funds receipts are estimated to reach nearly \$119 billion, an increase of \$3.5 billion, or 3 percent above 2007-08 results comprised of increases in taxes (\$2.2 billion or 3.6 percent), Federal grants (\$1.1 billion or 3 percent) and miscellaneous receipts (\$235 million or 1.2 percent) described later in this report.

Total State Funds receipts are estimated at nearly \$83 billion, an expected increase of \$2.5 billion, or 3.1 percent from 2007-08 actual results. State Funds miscellaneous receipts are estimated to increase over \$300 million, or 1.7 percent.

Total General Fund receipts are estimated at \$55.1 billion, an increase of \$2.1 billion, or 3.9 percent from 2007-08 results. General Fund tax receipt growth is estimated at 4.1 percent. General Fund miscellaneous receipts are estimated to increase by 3.7 percent, reflecting actions taken with the 2008-09 Budget, including an estimated increase in abandoned property receipts.

After controlling for the impact of policy changes, base tax revenue growth is estimated at 1.6 percent for fiscal year 2008-09.

Fiscal Year 2009-10 Overview

Total All Funds receipts are expected to reach over \$124 billion, an increase of \$5.3 billion, or 4.4 percent from 2008-09 estimated receipts. All Funds tax receipts are projected to grow by \$2.9 billion or 4.6 percent. All Funds Federal grants are expected to increase by \$1.1 billion, or 3 percent. All Funds miscellaneous receipts are projected to increase by \$1.3 billion, or 6.5 percent.

Total State Funds receipts are projected to be \$87 billion, an increase of \$4.2 billion, or 5.0 percent from 2008-09 estimated receipts.

Total General Fund receipts are projected to be nearly \$56.3 billion, an increase of \$1.1 billion, or 2.0 percent from 2008-09 estimated receipts. General Fund tax receipt growth is projected to increase by 3.8 percent over 2008-09 estimates and General Fund miscellaneous receipts are projected to decrease by 0.8 percent. The decline in General Fund miscellaneous receipts largely reflects the loss of one-time revenues expected in 2008-09.

After controlling for the impact of policy changes, base tax revenue growth of 5.3 percent is projected for fiscal year 2009-10, slightly below historical average growth during an expansion.

Change from Enacted Budget

Change from Enacted Budget Forecast (millions of dollars)								
	2008-09 Enacted Budget	2008-09 First Quarter	\$ Change	% Change	2009-10 Enacted Budget	2009-10 First Quarter	\$ Change	% Change
General Fund*	43,156	42,578	(578)	(1.3)	44,794	44,029	(765)	-1.7%
Taxes	40,610	39,986	(624)	(1.5)	42,324	41,498	(826)	-2.0%
Miscellaneous Receipts	2,505	2,551	46	1.8	2,470	2,531	61	2.5%
Federal Grants	41	41	0	0.0	0	0	0	0.0%
State Funds	83,910	82,893	(1,017)	(1.2)	87,944	87,050	(894)	-1.0%
Taxes	63,904	63,085	(819)	(1.3)	67,088	65,989	(1,099)	-1.6%
Miscellaneous Receipts	19,964	19,766	(198)	(1.0)	20,855	21,060	205	1.0%
Federal Grants	42	42	0	0.0	1	1	0	0.0%
All Funds	119,944	118,928	(1,016)	(0.8)	125,087	124,208	(879)	-0.7%
Taxes	63,904	63,085	(819)	(1.3)	67,088	65,989	(1,099)	-1.6%
Miscellaneous Receipts	20,084	19,878	(206)	(1.0)	20,965	21,167	202	1.0%
Federal Grants	35,956	35,965	9	0.0	37,034	37,052	18	0.0%

* Excludes Transfers

Given the more pessimistic economic forecast, All Funds receipts estimates have been revised downward significantly for fiscal year 2008-09. In addition, tax receipts to-date for fiscal year 2008-09 in some revenue categories has fallen below expectations. As a result of these and other factors outlined below, All Funds tax estimates for the year have been revised downward by over \$800 million from the Enacted Budget. Miscellaneous receipts have been revised downward by \$206 million along with a slight upward revision in Federal grants of \$9 million.

The downward revision to General Fund receipts for fiscal year 2008-09 is \$578 million, reflecting a decrease of \$624 million in tax offset by an increase in miscellaneous receipts of \$46 million.

The downward revisions are related to:

- A more negative economic forecast;
- Weaker-than-expected to date business taxes and user taxes and fees collections; 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.

Multi-Year Receipts

Total Receipts (millions of dollars)							
	2009-10 Projected	2010-11 Projected	Annual \$ Change	Annual % Change	2011-12 Projected	Annual \$ Change	Annual % Change
General Fund	56,264	58,628	2,364	4.2%	61,428	2,800	4.8%
Taxes	41,498	43,373	1,875	4.5%	45,744	2,371	5.5%
State Funds	87,050	90,491	3,441	4.0%	94,310	3,819	4.2%
Taxes	65,989	69,206	3,217	4.9%	72,783	3,577	5.2%
All Funds	124,208	128,781	4,573	3.7%	134,285	5,504	4.3%
Taxes	65,989	69,206	3,217	4.9%	72,783	3,577	5.2%

The economic forecast calls for a recession entailing several quarters of employment losses through early next year and low wage growth of 2 percent and 1.5 percent, respectively, for 2008 and 2009. This lowers the economic base on which the out-year revenue forecast is built. Overall, receipts growth in the three fiscal

years following 2009-10 is expected to grow consistently with projected growth in the U.S. and New York economies.

All Funds tax receipts in 2010-11 are projected to reach \$69.2 billion, an increase of \$3.2 billion, or 4.9 percent from 2009-10 estimates. All Funds tax receipts in 2011-12 are expected to increase by nearly \$3.6 billion (5.2 percent) over the prior year. General Fund tax receipts are projected to reach \$43.4 billion in 2010-11 and \$45.7 billion in 2011-12.

Revenue Risks

- A significant downside risk remains with respect to the performance of financial sector firms. Continued poor performance for Wall Street companies could reduce employment, wages, and related withholding and estimated tax revenues more than expected.
- Real estate markets could deteriorate more rapidly than expected due to the continued credit crunch and Wall Street retrenchment, which could have a significant negative impact on capital gains realizations.
- Taxable sales could be driven down by weaker economic conditions.
- Lower-than-expected business tax collections could reflect greater overall weakness of the New York State economy, in particular in the financial services industry, than was earlier forecasted.
- The estimated values for 2008-09 Enacted Budget law changes represent a substantial portion of estimated receipts. In the current business environment, these changes could result in less severe negative net income versus an increase in taxable income, resulting in less than anticipated revenue gains.
- The real estate transfer tax forecast could be negatively affected as downward trends in the financial services sector (weaker employment and bonuses, stock market decline) continue. The fallout from the subprime mortgage situation will also put pressure on consumer credit availability and may reduce the number of transactions. The decline in real estate prices in some areas of the State is likely to depress collections. The number of high value commercial property sales in New York City is expected to decline from recent years according to NYC OMB.

Personal Income Tax

Personal Income Tax (millions of dollars)							
	2007-08	2008-09	Annual \$	Annual %	2009-10	Annual \$	Annual %
	Actual	Estimated	Change	Change	Projected	Change	Change
General Fund*	22,759	23,938	1,179	5.2%	24,440	502	2.1%
Gross Collections	43,170	45,388	2,218	5.1%	46,846	1,458	3.2%
Refunds/Offsets	(6,606)	(7,214)	(608)	9.2%	(7,082)	132	-1.8%
STAR	(4,664)	(4,693)	(29)	0.6%	(5,383)	(690)	14.7%
RBTF	(9,141)	(9,543)	(402)	4.4%	(9,941)	(398)	4.2%
State/All Funds	36,564	38,174	1,610	4.4%	39,764	1,590	4.2%
Gross Collections	43,170	45,388	2,218	5.1%	46,846	1,458	3.2%
Refunds	(6,606)	(7,214)	(608)	9.2%	(7,082)	132	-1.8%

* Excludes Transfers

All Funds personal income tax receipts for 2008-09 are projected to increase by \$1.6 billion over the prior year to total \$38.2 billion. Gross receipts are projected to increase 5.1 percent, despite withholding growth of just 0.6 percent (\$161 million) and a decline in current tax year 2008 estimated taxes of 3.7 percent (\$165 million). The growth is virtually all attributable to payments from extensions and final returns for tax year 2007, which are projected to increase in total by 43 percent, or nearly \$2.15 billion. Receipts from delinquencies are projected to increase by 2.6 percent, or \$24 million, over the prior year.

Refunds are projected to increase by 9.2 percent or \$608 million. The increase in refunds is partly attributable to paying an additional \$250 million of refunds during the January through March 2009 period, reflecting an increase in the "cap" on such refunds from \$1.5 billion to \$1.75 billion, offset in part by legislation intended to enable DTF to pay fewer fraudulent refunds.

Net receipts, or gross receipts less refunds and offsets, are projected to grow 4.4 percent. Absent the tax year 2007 components noted above, net receipts would be projected to actually decline by 1.9 percent. The following table summarizes, by component, actual receipts for 2007-08 and forecast amounts through 2011-12.

Personal Income Tax Fiscal Year Collection Components					
All Funds					
(millions of dollars)					
	2007-08	2008-09	2009-10	2010-11	2011-12
	Actual	Estimated	Projected	Projected	Projected
Receipts					
Withholding	28,440	28,601	30,868	32,470	34,858
Estimated Payments	11,640	13,252	12,656	13,926	14,630
Current Year	8,592	8,427	9,301	10,151	10,605
Prior Year*	3,048	4,825	3,355	3,775	4,025
Final Returns	2,167	2,588	2,336	2,493	2,659
Current Year	206	207	207	207	207
Prior Year*	1,961	2,381	2,129	2,286	2,452
Delinquent Collections	923	947	986	1,027	1,065
Gross Receipts	43,170	45,388	46,846	49,916	53,212
Refunds					
Prior Year*	4,286	4,670	4,438	4,788	5,193
Previous Years	341	290	310	330	330
Current Year*	1,500	1,750	1,750	1,750	1,750
State-City Offset*	479	504	584	658	741
Total Refunds	6,606	7,214	7,082	7,526	8,014
Net Receipts	36,564	38,174	39,764	42,390	45,198

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

All Funds net personal income tax receipts for 2009-10 of \$39.8 billion are projected to increase by \$1.6 billion (4.2 percent) over the prior year. Gross receipts are projected to increase 3.2 percent, and reflect withholding growth of 7.9 percent (\$2.3 billion), and tax year 2009 estimated tax growth of 10.4 percent (\$900 million), reflecting a recovery from the current year recession. Payments from extensions and final returns for tax year 2008 are projected to decline in total by 23.9 percent (\$1.7 billion), reflecting the spike in tax year 2007 payments and subsequent weakness in tax year 2008. Receipts from delinquencies are projected to increase by 4.1 percent (\$39 million). Refunds are projected to decrease by 1.8 percent or \$132 million, due in large part to the additional \$250 million of refunds paid in 2008-09 under the "cap."

Personal Income Tax Calendar Year Liability									
	2004	2005	2006	2007	2008 Est.	2009 Est.	2010 Est.	2011 Est.	2012 Est.
PIT Liability*	25,769	28,484	29,838	34,226	32,785	33,871	36,667	38,187	40,860
% Change	14.8%	10.5%	4.8%	14.7%	-4.2%	3.3%	8.3%	4.1%	7.0%

* PIT surcharge in effect in 2003, 2004, 2005

General Fund receipts in 2008-09 are expected to be \$1.2 billion higher than the prior year, reflecting the All Funds trends noted above, a slight decrease in deposits to the STAR Fund and higher transfers to the RBTF. Deposits to the STAR Fund are estimated to increase by \$30 million to \$4.7 billion, mainly reflecting the net of higher statutory enhanced amounts under the middle class rebate program, offset by a shift of \$250 million in New York City income tax program reimbursements into 2009-10, and 2008-09 Enacted Budget legislation that reduces the cost of both STAR exemptions and the New York City income tax program. Deposits to the RBTF of over \$9.5 billion reflect higher All Funds net collections, on which the 25 percent transfer to the Fund is based. Deposits in excess of debt service requirements are transferred back to the General Fund.

General Fund income tax receipts for 2009-10 of \$24.4 billion are projected to increase by \$502 million or 2.1 percent. Deposits to the STAR Fund, which are projected to increase by \$690 million, reflect the second phase of the middle class STAR rebate program, which was delayed one year as a result of 2008-09 Enacted Budget legislation, and the shift of STAR income tax reimbursements to the City.

Personal Income Tax Change From Enacted Budget Forecast (millions of dollars)								
	2008-09 Enacted Budget	2008-09 Updated Financial Plan	\$ Change	% Change	2009-10 Enacted Budget	2009-10 Updated Financial Plan	\$ Change	% Change
General Fund*	23,921	23,938	17	0.1%	24,816	24,440	(376)	-1.5%
Gross Collections	45,613	45,388	(225)	-0.5%	47,446	46,846	(600)	-1.3%
Refunds/Offsets	(7,463)	(7,214)	249	-3.3%	(7,182)	(7,082)	100	-1.4%
STAR	(4,693)	(4,693)	0	0.0%	(5,383)	(5,383)	0	0.0%
RBTF	(9,536)	(9,543)	(7)	0.1%	(10,065)	(9,941)	124	-1.2%
State/All Funds	38,150	38,174	24	0.1%	40,264	39,764	(500)	-1.2%
Gross Collections	45,613	45,388	(225)	-0.5%	47,446	46,846	(600)	-1.3%
Refunds	(7,463)	(7,214)	249	-3.3%	(7,182)	(7,082)	100	-1.4%

* Excludes Transfers

Compared to the Enacted Budget, 2008-09 All Funds income tax receipts are estimated to be \$24 million higher. This reflects the net of higher return and extension settlements for tax year 2007 (\$300 million combined) higher estimated payments for tax year 2008 (\$150 million combined), and lower refunds and state-city offsets on tax year 2007 (\$250 million combined), mostly offset by lower withholding (\$675 million). The latter reflects a weaker forecast of financial sector bonuses, now expected to decline 21 percent from 2007-08.

All Funds income tax receipts for 2009-10 are estimated at nearly \$39.8 billion, or \$500 million lower than the Enacted Budget. The decrease reflects an additional expected decline in withholding (\$500 million) and weaker than expected estimated payments on tax year 2009 (\$100 million), partly offset by lower than expected state-city offsets (\$100 million).

Personal Income Tax (millions of dollars)							
	2009-10 Projected	2010-11 Projected	Annual \$ Change	Annual % Change	2011-12 Projected	Annual \$ Change	Annual % Change
General Fund*	24,440	25,883	1,443	5.9%	27,703	1,820	7.0%
Gross Collections	46,846	49,916	3,070	6.6%	53,212	3,296	6.6%
Refunds/Offsets	(7,082)	(7,526)	(444)	6.3%	(8,014)	(488)	6.5%
STAR	(5,383)	(5,910)	(527)	9.8%	(6,196)	(286)	4.8%
RBTF	(9,941)	(10,597)	(656)	6.6%	(11,299)	(702)	6.6%
State/All Funds	39,764	42,390	2,626	6.6%	45,198	2,808	6.6%
Gross Collections	46,846	49,916	3,070	6.6%	53,212	3,296	6.6%
Refunds	(7,082)	(7,526)	(444)	6.3%	(8,014)	(488)	6.5%

* Excludes Transfers

In general, income tax growth for 2010-11 and 2011-12 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, business net income, 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 2010-11 of \$42.4 billion reflect an increase of 6.6 percent or \$2.6 billion above the estimate for 2009-10. Gross receipts are projected to increase 6.6 percent and reflect projected withholding growth of 5.2 percent (\$1.6 billion) while estimated taxes for tax year 2010 are expected to grow \$850 million (9.1 percent). Payments from extensions and final returns for tax year 2009 are projected to increase in total by 10.5 percent, or by \$577 million, and receipts from delinquencies are projected to increase by 4.2 percent, or \$41 million over the prior year. Refunds are projected to increase by 6.3 percent or \$444 million, an average growth rate that absent unusual developments is generally similar to withholding growth.

General Fund 2010-11 income tax receipts are projected to reach \$25.9 billion, 5.9 percent higher than the prior year. This reflects the All Funds trends noted above, a \$526 million (9.8 percent) increase in the STAR Fund transfer, mainly attributable to the third and final phase of the middle class STAR rebate program, and an increase in RBTF deposits of \$657 million.

All Funds income tax receipts for 2011-12 are expected to reach \$45.2 billion, reflecting moderate overall growth in the tax base of 6.6 percent. General Fund receipts are projected at \$27.7 billion, reflecting normal growth in STAR and RBTF deposits.

User Taxes and Fees

User Taxes and Fees (millions of dollars)							
	2007-08	2008-09	Annual \$	Annual %	2009-10	Annual \$	Annual %
	Actual	Estimated	Change	Change	Projected	Change	Change
General Fund*	8,555	8,803	248	2.9%	9,150	347	3.9%
Sales Tax	7,945	8,108	163	2.1%	8,422	314	3.9%
Cigarette and Tobacco Taxes	409	425	16	3.9%	425	0	0.0%
Motor Vehicle Fees	(51)	13	64	125.5%	37	24	184.6%
Alcoholic Beverage Taxes	205	209	4	2.0%	214	5	2.4%
ABC License Fees	47	48	1	2.1%	52	4	8.3%
State/All Funds	13,993	14,633	640	4.6%	15,150	517	3.5%
Sales Tax	11,296	11,554	258	2.3%	11,993	439	3.8%
Cigarette and Tobacco Taxes	977	1,292	315	32.2%	1,326	34	2.6%
Motor Fuel	525	530	5	1.0%	536	6	1.1%
Motor Vehicle Fees	748	800	52	7.0%	827	27	3.4%
Highway Use Tax	148	152	4	2.7%	153	1	0.7%
Alcoholic Beverage Taxes	205	209	4	2.0%	214	5	2.4%
ABC License Fees	47	48	1	2.1%	52	4	8.3%
Auto Rental Tax	47	48	1	2.1%	49	1	2.1%

* Excludes Transfers

All Funds user taxes and fees receipts for 2008-09 are estimated to be \$14.6 billion, an increase of \$640 million or 4.6 percent from 2007-08. The underlying sales tax base measured before the impact of law changes is estimated to increase by 2.2 percent (rather than the 2.8 percent which was projected in the Enacted Budget) due largely to a small increase in disposable income and overall taxable consumption. Non-sales tax user taxes and fees are estimated to increase by \$382 million from 2007-08 due to an increase in the cigarette tax rate as well as the introduction of a new driver's license. The total is also affected by the collection of taxes on the sale of motor fuel and cigarettes to non-Indians on Indian reservations.

General Fund user taxes and fees receipts are expected to total \$8.8 billion in 2008-09, an increase of \$248 million or 2.9 percent from 2007-08. The growth largely reflects an increase in sales and cigarette tax receipts. All Funds user taxes and fees receipts for 2009-10 are projected to be nearly \$15.2 billion, an increase of \$517 million or 3.5 percent from 2008-09. General Fund user taxes and fees receipts are projected to total \$9.2 billion in 2009-10, an increase of \$347 million or 3.9 percent from 2008-09.

User Taxes and Fees Change From Enacted Budget Forecast (millions of dollars)								
	2008-09	2008-09	\$	%	2009-10	2009-10	\$	%
	Enacted	Updated	Change	Change	Enacted	Updated	Change	Change
	Budget	Financial Plan			Budget	Financial Plan		
General Fund*	8,937	8,803	(134)	-1.5%	9,258	9,150	(108)	-1.2%
Sales Tax	8,186	8,108	(78)	-1.0%	8,481	8,422	(59)	-0.7%
Cigarette and Tobacco Taxes	433	425	(8)	-1.8%	430	425	(5)	-1.2%
Motor Vehicle Fees	61	13	(48)	-78.7%	81	37	(44)	-54.3%
Alcoholic Beverage Taxes	209	209	0	0.0%	214	214	0	0.0%
ABC License Fees	48	48	0	0.0%	52	52	0	0.0%
State/All Funds	14,820	14,633	(187)	-1.3%	15,298	15,150	(148)	-1.0%
Sales Tax	11,655	11,554	(101)	-0.9%	12,076	11,993	(83)	-0.7%
Cigarette and Tobacco Taxes	1,322	1,292	(30)	-2.3%	1,343	1,326	(17)	-1.3%
Motor Fuel	535	530	(5)	-0.9%	538	536	(2)	0.0%
Motor Vehicle Fees	848	800	(48)	-5.7%	870	827	(43)	-4.9%
Highway Use Tax	155	152	(3)	-1.9%	155	153	(2)	-1.3%
Alcoholic Beverage Taxes	209	209	0	0.0%	214	214	0	0.0%
ABC License Fees	48	48	0	0.0%	52	52	0	0.0%
Auto Rental Tax	48	48	0	0.0%	50	49	(1)	-2.0%

* Excludes Transfers

All Funds user taxes and fees are projected to be \$187 million less in 2008-09 than was projected in the Enacted Budget. The revision is mainly due to delays in the implementation of provisions governing the taxation of various products sold by Native Americans, weaker sales tax collections than estimated and an adjustment to motor vehicle fees. All Funds user taxes and fees for 2009-10 are revised down by \$148 million from the Enacted Budget. This is largely due to the slower growth than previously anticipated in the sales tax base as well as an adjustment to certain motor vehicle fees. 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)							
	2009-10 Projected	2010-11 Projected	Annual \$ Change	Annual % Change	2011-12 Projected	Annual \$ Change	Annual % Change
General Fund*	9,150	9,448	298	3.3%	9,804	356	3.8%
Sales Tax	8,422	8,722	300	3.6%	9,059	337	3.9%
Cigarette and Tobacco Taxes	425	421	(4)	-0.9%	420	(1)	-0.2%
Motor Vehicle Fees	37	38	1	2.7%	49	11	28.9%
Alcoholic Beverage Taxes	214	219	5	2.3%	223	4	1.8%
ABC License Fees	52	48	(4)	-7.7%	53	5	10.4%
State/All Funds	15,150	15,562	412	2.7%	16,072	510	3.3%
Sales Tax	11,993	12,418	425	3.5%	12,896	478	3.8%
Cigarette and Tobacco Taxes	1,326	1,310	(16)	-1.2%	1,307	(3)	-0.2%
Motor Fuel	536	539	3	0.6%	542	3	0.6%
Motor Vehicle Fees	827	821	(6)	-0.7%	837	16	1.9%
Highway Use Tax	153	156	3	2.0%	162	6	3.8%
Alcoholic Beverage Taxes	214	219	5	2.3%	223	4	1.8%
ABC License Fees	52	48	(4)	-7.7%	53	5	10.4%
Auto Rental Tax	49	51	2	4.1%	52	1	2.0%

* Excludes Transfers

All Funds user taxes and fees in 2010-11 are projected to grow an additional \$412 million, with further growth of \$510 million in 2011-12. Ongoing growth is due to continued, but slower economic growth; the out-year economic forecast dictates a slight reduction in the growth rate of the ongoing sales tax base compared to the Enacted Budget.

Business Taxes

Business Taxes (millions of dollars)							
	2007-08 Actual	2008-09 Estimated	Annual \$ Change	Annual % Change	2009-10 Projected	Annual \$ Change	Annual % Change
General Fund	6,017	6,049	32	0.5%	6,583	534	8.8%
Corporate Franchise Tax	3,446	3,536	90	2.6%	4,063	527	14.9%
Corporation & Utilities Tax	603	613	10	1.7%	623	10	1.6%
Insurance Tax	1,088	1,171	83	7.6%	1,197	26	2.2%
Bank Tax	880	729	(151)	-17.2%	700	(29)	-4.0%
State/All Funds	8,232	8,152	(80)	-1.0%	8,785	633	7.8%
Corporate Franchise Tax	3,997	4,041	44	1.1%	4,643	602	14.9%
Corporation & Utilities Tax	802	799	(3)	-0.4%	810	11	1.4%
Insurance Tax	1,219	1,300	81	6.6%	1,323	23	1.8%
Bank Tax	1,058	851	(207)	-19.6%	809	(42)	-4.9%
Petroleum Business Tax	1,156	1,161	5	0.4%	1,200	39	3.4%

All Funds business tax receipts for 2008-09 are estimated at nearly \$8.2 billion, a decrease of \$79 million, or 0.9 percent over the prior year. This decrease is primarily due to a 19.6 percent decline in bank tax

collections, mostly offset by modest increases in each of the other business taxes. Bank tax receipts reflect \$248 million in new receipts from tax actions and efforts to enhance audit recoveries, more than offset by a 19 percent decrease in payments on current year liabilities and an 11 percent increase in refunds. The estimated increase in petroleum business taxes reflects a 1.2 percent decrease in the PPI on January 1, 2008, and a 1.5 percent increase in the PPI on January 1, 2009. Higher estimated insurance tax receipts in 2008-09 reflect continued growth in taxable premiums. Actions taken with the fiscal year 2008-09 budget to reduce corporate tax loopholes have to date not generated the revenue anticipated. Given the apparent substantial losses experienced by taxpayers, this could be due in part to tax loophole closers producing reductions in losses versus increases in taxable income. In addition, timing delays in taxpayer responsiveness to the law changes may be resulting in a corresponding delay in receipts. The DTF is carefully reviewing filing data to monitor this issue.

The decline in 2008-09 All Funds bank tax receipts over 2007-08 is mostly offset by increases in the All Funds receipts from the corporation franchise tax of 0.7 percent, insurance tax of 6.6 percent, and the corporation and utilities taxes of 1.7 percent. The small increase in corporate franchise tax receipts reflects an increase in audit and compliance receipts of roughly 5 percent, and the estimated impact of Enacted Budget actions, offset by increased refunds on prior year payments. The overall increase in corporation and utilities taxes receipts reflects growth of 1.0 percent in non-audit receipts and a decline of 31 percent in audit receipts from 2007-08 levels. Year-to-date trends in the corporation and utilities taxes suggest small decreases in audit receipts will be offset by small increases in receipts from the telecommunications and public utilities industries.

All Funds Business Tax Audit and Non-Audit Receipts					
(Excluding PBT)					
(millions of dollars)					
	2004-05	2005-06	2006-07	2007-08	2008-09
	Actual	Actual	Actual	Actual	Estimated
Corporate Franchise Tax	2,110	3,053	4,228	3,997	4,041
Audit	397	653	1,133	1,189	1,148
Non-Audit	1,713	2,400	3,095	2,808	2,893
Corporation and Utilities Taxes	827	832	820	802	799
Audit	43	101	59	35	24
Non-Audit	784	731	761	767	775
Insurance Taxes	1,108	1,083	1,258	1,219	1,300
Audit	32	33	56	34	43
Non-Audit	1,076	1,050	1,202	1,185	1,257
Bank Taxes	675	975	1,210	1,058	851
Audit	24	330	299	104	172
Non-Audit	651	645	911	954	679
Total Business Taxes	4,720	5,943	7,516	7,076	6,991
Audit	496	1,117	1,547	1,362	1,387
Non-Audit	4,224	4,826	5,969	5,714	5,604

For total business taxes, a 1.9 percent decline in non-audit tax receipts follows last years decrease of 4.3 percent. In both fiscal years, estimated increases in receipts resulting from legislative changes to the tax code were more than offset by declines in the underlying tax base. The 1.8 percent increase in audit receipts is largely attributable to initiatives included in the 2008-09 Enacted Budget, offset by fewer expected settlements of multi-year audit issues with large taxpayers than were made in 2007-08. The business taxes audit recovery base in 2007-08 of nearly \$1.4 billion reflected a 12.0 percent decrease from 2006-07.

All Funds business tax receipts for 2009-10 of nearly \$8.8 billion are projected to increase by \$633 million or 7.8 percent over the prior year. The overall increase primarily reflects a strong rebound in

corporate franchise tax receipts that commonly follows a recession. This rebound is anticipated to result from a return to corporate profits growth and the exhaustion of carry-forwards in 2008-09. In total, the remaining business taxes are expected to essentially equal 2008-09 levels.

General Fund business tax receipts for 2008-09 of \$6.0 billion are estimated to increase by \$32 million, or 0.5 percent over 2007-08, reflecting the All Funds trends and Enacted Budget initiatives discussed above.

General Fund business tax receipts for 2009-10 of \$6.6 billion are projected to increase \$534 million, or 8.8 percent from the prior year, reflecting the All Funds trends discussed above.

Business Taxes Change From Enacted Budget Forecast (millions of dollars)								
	2008-09 Enacted Budget	2008-09 Updated Financial Plan	\$ Change	% Change	2009-10 Enacted Budget	2009-10 Updated Financial Plan	\$ Change	% Change
General Fund	6,559	6,049	(510)	-7.8%	6,925	6,583	(342)	-4.9%
Corporate Franchise Tax	3,706	3,536	(170)	-4.6%	4,240	4,063	(177)	-4.2%
Corporation & Utilities Tax	613	613	0	0.0%	623	623	0	0.0%
Insurance Tax	1,171	1,171	0	0.0%	1,197	1,197	0	0.0%
Bank Tax	1,069	729	(340)	-31.8%	865	700	(165)	-19.1%
State/All Funds	8,782	8,152	(630)	-7.2%	9,215	8,785	(430)	-4.7%
Corporate Franchise Tax	4,220	4,041	(179)	-4.2%	4,830	4,643	(187)	-3.9%
Corporation & Utilities Tax	816	799	(17)	-2.1%	827	810	(17)	-2.1%
Insurance Tax	1,300	1,300	0	0.0%	1,323	1,323	0	0.0%
Bank Tax	1,242	851	(391)	-31.5%	998	809	(189)	-18.9%
Petroleum Business Tax	1,204	1,161	(43)	-3.6%	1,237	1,200	(37)	-3.0%

Compared to the Enacted Budget, 2008-09 All Funds business tax receipts are estimated to be nearly \$8.2 billion, or \$630 million (7.2 percent) lower. The revision in the estimate reflects year-to-date receipts which now suggest a significant decline in bank tax receipts coupled with slightly lower growth in corporate franchise tax and petroleum business taxes receipts. The largest estimated change is in bank tax receipts, which have been reduced by \$391 million from the Enacted Budget level. The net decrease reflects losses from higher-than-expected refunds and adjustments to prior-year receipts, and a roughly 40 percent decline in June 2008 estimated payments from the prior year. The corporation franchise tax estimate reduction of \$179 million also reflects higher-than-expected refunds and prior-year adjustments, as well as a modest decrease in June estimated payments. The petroleum business tax estimates reduction of \$43 million reflects a decline of roughly \$25 million in first quarter estimated payments and an estimated decline in overall motor fuel consumption.

All Funds business tax receipts for 2009-10 are nearly \$8.8 billion, or \$430 million (4.7 percent) lower than the Enacted Budget. The decrease reflects the year to date results and the weaker economic forecast noted above.

Business Taxes (millions of dollars)							
	2009-10 Projected	2010-11 Projected	Annual \$ Change	Annual % Change	2011-12 Projected	Annual \$ Change	Annual % Change
General Fund	6,583	6,634	51	0.8%	6,739	105	1.6%
Corporate Franchise Tax	4,063	3,974	(89)	-2.2%	4,059	85	2.1%
Corporation & Utilities Tax	623	632	9	1.4%	636	4	0.6%
Insurance Tax	1,197	1,236	39	3.3%	1,280	44	3.6%
Bank Tax	700	792	92	13.1%	764	(28)	-3.5%
State/All Funds	8,785	8,843	58	0.7%	8,968	125	1.4%
Corporate Franchise Tax	4,643	4,538	(105)	-2.3%	4,636	98	2.2%
Corporation & Utilities Tax	810	820	10	1.2%	825	5	0.6%
Insurance Tax	1,323	1,365	42	3.2%	1,414	49	3.6%
Bank Tax	809	915	106	13.1%	883	(32)	-3.5%
Petroleum Business Tax	1,200	1,205	5	0.4%	1,210	5	0.4%

All Funds business tax receipts for 2010-11 and 2011-12 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 \$8.8 billion (0.7 percent) in 2010-11 and \$9 billion (1.4 percent) in 2011-12. General Fund business tax receipts will reflect the factors outlined above. General Fund business tax receipts over this period will increase to more than \$6.6 billion (0.8 percent) in 2010-11 and over \$6.7 billion (1.6 percent) in 2011-12.

Other Taxes

Other Taxes (millions of dollars)							
	2007-08	2008-09	Annual \$	Annual %	2009-10	Annual \$	Annual %
	Actual	Estimated	Change	Change	Projected	Change	Change
General Fund*	1,063	1,196	133	12.5%	1,325	129	10.8%
Estate Tax	1,037	1,170	133	12.8%	1,301	131	11.2%
Gift Tax	1	2	1	100.0%	0	(2)	0.0%
Real Property Gains Tax	1	0	(1)	-100.0%	0	0	0.0%
Pari-Mutuel Taxes	23	23	0	0.0%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	2,084	2,126	42	2.0%	2,290	164	7.7%
Estate Tax	1,037	1,170	133	12.8%	1,301	131	11.2%
Gift Tax	1	2	1	100.0%	0	(2)	0.0%
Real Property Gains Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Estate Transfer Tax	1,021	930	(91)	-8.9%	965	35	3.8%
Pari-Mutuel Taxes	23	23	0	0.0%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

* Excludes Transfers

All Funds other tax receipts for 2008-09 are estimated to be more than \$2.1 billion, up \$42 million or 2.1 percent from 2007-08 receipts, reflecting growth in the estate tax due to an increase in the number of large payment and a nearly 9 percent 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 \$1.2 billion in fiscal year 2008-09, an increase of \$133 million or 12.5 percent.

All Funds other tax receipts for 2009-10 are projected to be nearly \$2.3 billion, up \$164 millions or 7.7 percent from 2008-09 reflecting marginal growth in real estate transfer tax collections and an increase in estate collections from moderate improvement in household net worth levels and continued growth in the number of estate tax payments. General Fund other tax receipts are expected to total \$1.3 billion in fiscal year 2009-10, an increase of \$129 million which is attributable to growth in the estate tax.

Other Taxes Change From Enacted Budget Forecast (millions of dollars)								
	2008-09 Enacted Budget	2008-09 Updated Financial Plan	\$ Change	% Change	2009-10 Enacted Budget	2009-10 Updated Financial Plan	\$ Change	% Change
General Fund*	1,194	1,196	2	0.2%	1,325	1,325	0	0.0%
Estate Tax	1,170	1,170	0	0.0%	1,301	1,301	0	0.0%
Gift Tax	0	2	2	0.0%	0	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0	0.0%
Pari-Mutuel Taxes	23	23	0	0.0%	23	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	1	0	0.0%
State/All Funds	2,151	2,126	(25)	-1.2%	2,311	2,290	(21)	-0.9%
Estate Tax	1,170	1,170	0	0.0%	1,301	1,301	0	0.0%
Gift Tax	0	2	2	0.0%	0	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0	0.0%
Real Estate Transfer Tax	957	930	(27)	-2.8%	986	965	(21)	-2.1%
Pari-Mutuel Taxes	23	23	0	0.0%	23	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	1	0	0.0%

* Excludes Transfers

Other tax receipts projections for 2008-09 for the pari-mutuel tax, gift tax, real property gains tax and boxing/wrestling tax are unchanged from the Enacted Budget. 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 2008-09 and beyond for the real estate transfer tax are slightly reduced from the Enacted Budget forecast. Collections through the first three months of the fiscal year are modestly lower than forecast; however, property transaction and price trends are turning negative in some areas of the State. While the strength in the New York City residential markets continues, the pace of growth is uncertain. Problems in the national housing market will slow overall economic growth which will continue to impact the financial services sector. The impact of slowing corporate profits or lower bonus payments could eventually be felt in real estate transfer tax collections.

Projected estate tax collections are unchanged from the Enacted Budget forecast. Declines in equity and housing values have resulted in slower growth level of payments received from smaller estates. However, this lower growth has been offset by higher average payments from the settlement of large estates (payments over \$4 million) during the first quarter of the year. The estimate for estate tax collections in 2009-10 has remained unchanged from the Updated Financial Plan.

Other Taxes (millions of dollars)							
	2009-10 Projected	2010-11 Projected	Annual \$ Change	Annual % Change	2011-12 Projected	Annual \$ Change	Annual % Change
General Fund*	1,325	1,408	83	6.3%	1,498	90	6.4%
Estate Tax	1,301	1,384	83	6.4%	1,474	90	6.5%
Gift Tax	0	0	0	0.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Pari-Mutuel Taxes	23	23	0	0.0%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	2,290	2,411	121	5.3%	2,545	134	5.6%
Estate Tax	1,301	1,384	83	6.4%	1,474	90	6.5%
Gift Tax	0	0	0	0.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Real Estate Transfer Tax	965	1,003	38	3.9%	1,047	44	4.4%
Pari-Mutuel Taxes	23	23	0	0.0%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

* Excludes Transfers

The 2010-11 All Funds receipts projection for other taxes is slightly more than \$2.4 billion, up \$121 million or 5.3 percent from 2009-10 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 markets.

The 2011-12 All Funds receipts projection for other taxes more than \$2.5 billion, up \$133 million or 5.5 percent from 2010-11 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)							
	2007-08	2008-09	Annual \$	Annual %	2009-10	Annual \$	Annual %
	Actual	Estimated	Change	Change	Projected	Change	Change
General Fund	2,529	2,592	63	2.5%	2,531	(61)	-2.4%
Miscellaneous Receipts	2,460	2,551	91	3.7%	2,531	(20)	-0.8%
Federal Grants	69	41	(28)	-40.6%	0	(41)	-100.0%
State Funds	19,501	19,808	307	1.6%	21,061	1,253	6.3%
Miscellaneous Receipts	19,432	19,766	334	1.7%	21,060	1,294	6.5%
Federal Grants	69	42	(27)	-39.1%	1	(41)	-97.6%
All Funds	54,551	55,843	1,292	2.4%	58,219	2,376	4.3%
Miscellaneous Receipts	19,642	19,878	236	1.2%	21,167	1,289	6.5%
Federal Grants	34,909	35,965	1,056	3.0%	37,052	1,087	3.0%

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 are estimated to increase by \$236 million, or 1.2 percent, largely the result of increased abandoned property receipts in the General Fund, growth in programs financed with authority bond proceeds, including spending for higher education and public protection, and stronger mental health patient income which supports debt service. This growth is moderated by a net decline in Special Revenue Funds receipts generated through cost reimbursement.

Federal grants help pay for State spending on Medicaid, Temporary and Disability Assistance, Mental Hygiene, School Aid, Public Health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically expects that Federal reimbursement will be received in the State fiscal year in which spending occurs, but timing sometimes varies. Federal grants are projected to total nearly \$36.0 billion in 2008-09, an increase of over \$1.0 billion from 2007-08. Federal spending is expected to increase for public health, temporary and disability assistance, education, mental hygiene, and homeland security.

In 2008-09, General Fund miscellaneous receipts and Federal grants are estimated to increase by 2.6 percent over 2007-08 results, reflecting actions taken with the 2008-09 Budget that include increases in abandoned property revenue.

All Funds miscellaneous receipts are projected to total nearly \$21.2 billion in 2009-10, an increase of \$1.3 billion from the current year, driven by growth in programs financed with authority bond proceeds (\$1.2 billion), including spending for Economic Development, Transportation, SUNY and Mental Health. Federal grants are projected to total nearly \$37.1 billion in 2009-10, an increase of \$1.1 billion from the current year. Federal spending is expected to increase for Medicaid, including spending for State-operated Mental Hygiene facilities (\$1.1 billion) and Elections (\$109 million). In most cases, the grant levels reflect projected changes in State spending levels and a corresponding change in estimated Federal reimbursement, not changes in aid levels for New York authorized by Congress.

In 2009-10, General Fund miscellaneous receipts and Federal grants collections are projected to be over \$2.5 billion, down \$61 million from 2008-09. This decrease mainly results from the loss of one-time SONYMA receipts and other one-time revenues, partially offset by an increase in licenses and fees.

Miscellaneous Receipts and Federal Grants: Change From Enacted Budget Forecast (millions of dollars)								
	2008-09 Enacted Budget	2008-09 Updated Financial Plan	\$ Change	% Change	2009-10 Enacted Budget	2009-10 Updated Financial Plan	\$ Change	% Change
General Fund	2,546	2,592	46	1.8%	2,470	2,531	61	2.5%
Miscellaneous Receipts	2,505	2,551	46	1.8%	2,470	2,531	61	2.5%
Federal Grants	41	41	0	0.0%	0	0	0	0.0%
State Funds	20,006	19,808	(198)	-1.0%	20,856	21,061	205	1.0%
Miscellaneous Receipts	19,964	19,766	(198)	-1.0%	20,855	21,060	205	1.0%
Federal Grants	42	42	0	0.0%	1	1	0	0.0%
All Funds	56,040	55,843	(197)	-0.4%	57,999	58,219	220	0.4%
Miscellaneous Receipts	20,084	19,878	(206)	-1.0%	20,965	21,167	202	1.0%
Federal Grants	35,956	35,965	9	0.0%	37,034	37,052	18	0.0%

All Funds miscellaneous receipts and Federal grants in 2008-09 have been revised downward by \$197 million from the Enacted Budget, driven primarily by the General Fund revisions described above, augmented by and VLT revenues based on experience to date, partially offset by upward revisions in SUNY tuition revenue based on the university's approved FMP.

Miscellaneous Receipts and Federal Grants (millions of dollars)							
	2009-10 Projected	2010-11 Projected	Annual \$ Change	Annual % Change	2011-12 Projected	Annual \$ Change	Annual % Change
General Fund	2,531	2,531	0	0.0%	2,294	(237)	-9.4%
Miscellaneous Receipts	2,531	2,531	0	0.0%	2,294	(237)	-9.4%
Federal Grants	0	0	0	0.0%	0	0	0.0%
State Funds	21,061	21,285	224	1.1%	21,527	242	1.1%
Miscellaneous Receipts	21,060	21,284	224	1.1%	21,526	242	1.1%
Federal Grants	1	1	0	0.0%	1	0	0.0%
All Funds	58,219	59,575	1,356	2.3%	61,502	1,927	3.2%
Miscellaneous Receipts	21,167	21,391	224	1.1%	21,633	242	1.1%
Federal Grants	37,052	38,184	1,132	3.1%	39,869	1,685	4.4%

General Fund miscellaneous receipts and Federal grants for 2008-09 have been revised upward by \$46 million from the Enacted Budget, reflecting in part additional revenues expected from the Medicare Part D subsidy, better-than-expected licenses and fees revenues, which were partially offset by lower-than-expected investment income receipts.

All Funds miscellaneous receipts and Federal grants for 2010-11 are projected to be nearly \$60 billion, up nearly \$1.4 billion from 2009-10 driven by expected lottery receipts growth and growth in Federal Medicaid spending. General Fund miscellaneous receipts and Federal grants collections for 2010-11 are projected to be over \$2.5 billion, unchanged from the previous year.

All Funds miscellaneous receipts for 2011-12 are projected to be nearly \$62 billion, up \$1.9 billion from the prior year driven by expected lottery receipts growth and growth in Federal Medicaid spending. General Fund miscellaneous receipts and Federal grants for 2011-12 are projected to be almost \$2.3 billion, down \$237 million from 2010-11. This decrease is due to the loss of several one-time payments.

Non-Tax General Fund Transfers from Other Funds

General Fund Transfers From Other Funds							
Annual Change (millions of dollars)							
	2008-09	2009-10	Annual Change	2010-11	Annual Change	2011-12	Annual Change
Total Transfers From Other Funds	1,077	532	(545)	527	(5)	567	40
Environmental Protection	200	45	(155)	45	0	45	0
Sweep of Excess Fund Balances	280	50	(230)	50	0	50	0
Quality Child Care and Protection	126	110	(16)	109	(1)	118	9
Tribal State Compact Revenue	97	112	15	118	6	148	30
Elderly Pharmaceutical Insurance Coverage	70	0	(70)	0	0	0	0
Business Licensing Services	61	50	(11)	50	0	50	0
Federal Health and Human Services	39	39	0	39	0	39	0
Hazardous Waste Remedial	32	27	(5)	27	0	27	0
Revenue Arrearage Account	15	15	0	15	0	15	0
DMV - Compulsory Insurance	34	12	(22)	12	0	12	0
All Other	123	72	(51)	62	(10)	63	1

All other transfers to the General Fund from other State Funds are expected to decline in 2009-10 from 2008-09 levels primarily as a result of non-recurring fund sweeps from several special revenue accounts and the Environmental Protection Fund that were included in the 2008-09 Enacted Budget projections

In addition to changes made during the end of the regular legislative session, the spending forecasts for each of the State's major programs and activities have been updated since the Enacted Budget as more information has become available. Most of the changes are modest and include the General Fund revisions explained in detail earlier in this update.

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

Total Disbursements*						
(millions of dollars)						
	2007-08 Actuals	2008-09 Enacted	2008-09 Current	Annual \$ Change	Annual % Change	\$ Change from Enacted Plan
State Operating Funds	77,003	80,862	80,506	3,503	4.5%	(356)
General Fund **	50,613	50,811	50,512	(101)	-0.2%	(299)
Other State Funds	22,254	25,338	25,296	3,042	13.7%	(42)
Debt Services Funds	4,136	4,713	4,698	562	13.6%	(15)
All Governmental Funds	116,058	121,606	121,304	5,246	4.5%	(302)
State Operating Funds	77,003	80,862	80,506	3,503	4.5%	(356)
Capital Projects Funds	6,131	7,080	6,978	847	13.8%	(102)
Federal Operating Funds	32,924	33,664	33,820	896	2.7%	156
General Fund, including Transfers	53,387	56,361	56,157	2,770	5.2%	(204)

* Estimates assume successful implementation of FMP. See text.

** Excludes transfers.

Updated All Funds Disbursements Projections

State Funds Operating spending, which includes both the General Fund and spending from other funds supported by assessments, tuition, HCRA resources, and other non-Federal revenues, is projected to total \$80.5 billion in 2008-09, a decrease of \$356 million from the initial forecast.

State Operating Funds Budget

Revisions to 2008-09 State Funds Operating Forecast			
Enacted to First Quarter Estimate — Increases/(Decreases)			
(millions of dollars)			
	General Fund *	Other State Funds	Total State Operating Funds
2008-09 Enacted	50,811	30,051	80,862
Reestimates	(118)	66	(52)
Education	(30)	0	(30)
Medicaid	23	(7)	16
Fringe Benefits	(53)	0	(53)
Local Government Assistance	(14)	0	(14)
Federal Patient Income Revenues	(25)	0	(25)
SUNY	0	214	214
Health	0	(144)	(144)
All Other	(19)	3	(16)
Session Changes	63	2	65
Reserve for Pending End of Session Bills	50	0	50
Property Tax Costs of NYRA "Clean-Up" Bill	11	0	11
All Other	2	2	4
Labor Settlements	256	5	261
Fiscal Management Plan	(500)	(130)	(630)
2008-09 First Quarter Estimate	50,512	29,994	80,506
<i>Dollar Change (from Enacted)</i>	<i>(299)</i>	<i>(57)</i>	<i>(356)</i>
<i>Percent Change (from Enacted)</i>	<i>-0.6%</i>	<i>-0.2%</i>	<i>-0.4%</i>

* Excludes transfers.

** Estimates assume successful implementation of the FMP. See text.

In 2008-09, General Fund spending, including transfers to other funds, is projected to total \$56.2 billion, a decrease of \$204 million from the Enacted Budget forecast.

The State Operating Funds changes since the Enacted Budget mainly reflect the General Fund revisions described earlier. In addition, changes in other State Funds mainly reflect projected decreases in EPIC revenues, as well as corresponding reductions in spending, due to lower-than-anticipated pharmacy rebate collection and enrollment.

These decreases were partially offset by increased special revenue spending in SUNY reflecting the university's approved FMP. Spending from SUNY's special revenue funds is supported by revenues generated through student tuition, student fees, patient income and other dedicated revenue streams.

Capital Budget

Capital spending is projected to total \$7 billion in 2008-09, a decrease of \$102 million from the Enacted Budget. Projected spending for DOT has been revised upward to recognize spending for contractual salary increases. The remaining revisions are based on more recent information on project development and spending experience across all other programs.

Revisions to 2008-09 Capital Budget Spending Forecast Enacted to First Quarter Estimate — Increases/(Decreases) (millions of dollars)			
	State Funds	Federal Funds	Total Capital Projects Funds
2008-09 Enacted	5,109	1,971	7,080
Reestimates	(48)	(54)	(102)
SUNY Capital Reestimates	(56)	0	(56)
DOT 072 Salary Draw	20	0	20
DEC Capital Re-estimate: Kings Park	(12)	0	(12)
DOT Federal Capital Reestimates	0	(56)	(56)
All Other	0	2	2
2008-09 First Quarter Estimate	5,061	1,917	6,978
<i>Dollar Change (from Enacted)</i>	<i>(48)</i>	<i>(54)</i>	<i>(102)</i>
<i>Percent Change (from Enacted)</i>	<i>-0.9%</i>	<i>-2.7%</i>	<i>-1.4%</i>

The capital spending projections conform to the reporting of actual results in the State's cash basis of accounting. A comprehensive review of all capital projects spending, including "off-budget" spending, is provided in the Financial Plan tables.

Federal Operating Budget

The Federal Operating Budget spending estimate has increased by \$156 million since the Enacted Budget, mainly due to the technical allocation of the Public Employees Federation negotiated salary increase in Federal Funds (\$118 million). Other changes include higher cost for health related to a CHP program payment delayed in 2007-08, as well as increased Medicaid spending due to delays in pharmacy cost containment initiatives.

Revisions to 2008-09 Federal Operating Spending Forecast Enacted to First Quarter Estimate — Increases/(Decreases) (millions of dollars)	
	Federal Operating
2008-09 Enacted	33,664
Reestimates	156
Salary Allocation	118
Public Health	38
Medicaid	19
All Other	(19)
2008-09 First Quarter Estimate	33,820
<i>Dollar Change (from Enacted)</i>	<i>156</i>
<i>Percent Change (from Enacted)</i>	<i>0.5%</i>

All Funds Annual Spending Change

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

Updated Financial Plan Disbursement Projections						
Major Sources of Annual Change						
(millions of dollars)						
	General Fund *	Other State Funds	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
2007-08 Actuals	50,613	26,390	77,003	6,131	32,924	116,058
School Aid	1,619	135	1,754	0	37	1,791
Medicaid (including admin)	221	251	472	0	276	748
Transportation	8	169	177	319	5	501
Public Health	(27)	84	57	46	195	298
Economic Development	(2)	69	67	267	4	338
Mental Hygiene	(1,097)	1,881	784	43	(561)	266
STAR	0	35	35	0	0	35
Social Services	(174)	12	(162)	(1)	187	24
Higher Education	351	302	653	33	12	698
Other Education Aid	53	0	53	34	62	149
General State Charges	(1,509)	868	(641)	0	655	14
All Other	456	(202)	254	106	24	384
2008-09 July Update	50,512	29,994	80,506	6,978	33,820	121,304
<i>Annual Dollar Change</i>	<i>(101)</i>	<i>3,604</i>	<i>3,503</i>	<i>847</i>	<i>896</i>	<i>5,246</i>
<i>Annual Percent Change</i>	<i>-0.2%</i>	<i>13.7%</i>	<i>4.5%</i>	<i>13.8%</i>	<i>2.7%</i>	<i>4.5%</i>

* Excludes transfers.

** Estimates assume successful implementation of FMP. See text.

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

Financial Plan Reserves

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

The State projects that General Fund reserves will total \$1.8 billion at the end of 2008-09, with \$1.2 billion in undesignated reserves available to deal with unforeseen contingencies and \$526 million designated for subsequent use.

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

The designated reserves consist of \$189 million set aside for labor settlements (after the use of \$876 million for existing settlements in 2008-09), \$237 million in the Community Projects Fund to finance existing

"member-item" initiatives, and \$100 million set aside for debt management purposes (after the use of \$22 million).

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

GAAP-Basis Financial Plans

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

In 2008-09, the General Fund GAAP Financial Plan shows total revenues of \$42.7 billion, total expenditures of \$56.2 billion, and net other financing sources of \$9.7 billion, resulting in an operating deficit of \$3.8 billion and a projected accumulated surplus of \$149 million. These changes are due primarily to the use of a portion of prior year reserves to support 2008-09 operations and the impact of economic conditions on revenue accruals, primarily PIT. PIT collections received in the first quarter of 2008-09 were related primarily to prior year estimated payments and final returns (i.e. calendar year ended December 31, 2007) and are therefore recorded in State fiscal year 2007-08 for GAAP purposes. Estimated collections in the first quarter of 2009-10 related to calendar end year 2008 tax returns are expected to decline significantly resulting in lower accrued revenue in 2008-09.

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

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

This liability was disclosed in the 2007-08 basic GAAP financial statements issued by the State Comptroller in July 2008. 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 PAYGO costs is recognized in the financial statements. The 2007-08 liability totaled \$3.1 billion under the Frozen Entry Age actuarial cost method amortized based on a level percent of salary, or roughly \$2.1 billion above the current PAYGO retiree costs. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASBS 45 reduced the State's currently positive net asset condition at the end of 2007-08 by \$2.1 billion.

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

History and Forecast of New York State Employee Health Insurance (millions of dollars)			
<u>Year</u>	Health Insurance Costs		
	<u>Active Employees</u>	<u>Retirees</u>	<u>Total State</u>
Actuals:			
2002-03	1,023	634	1,657
2003-04	1,072	729	1,801
2004-05	1,216	838	2,054
2005-06	1,331	884	2,215
2006-07	1,517	914	2,431
2007-08	1,390	1,182	2,572
Forecast:			
2008-09	1,621	1,055	2,676
2009-10	1,802	1,178	2,980
2010-11	1,959	1,284	3,243
2011-12	2,134	1,400	3,534

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

As noted, the current Financial Plan does not assume pre-funding of the GASBS 45 liability. If such liability were pre-funded at this time, the additional cost above the PAYGO amounts would be lowered. The State's Health Insurance Council, which consists of the Governor's Office of Employee Relations, Civil Service, and DOB will continue to review this matter, and seek input from the State Comptroller, the legislative fiscal committees and other outside parties.

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

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Debt/Capital Update

Capital and Debt Summary

The Updated Financial Plan reflects reestimates to spending from capital authorizations provided in the Enacted Budget. These re-estimates are based on first quarter results and more recent program information concerning the anticipated activity levels over the next few fiscal years.

Capital spending is projected to increase by \$832 million throughout the five-year plan period. This increase is mostly related to higher education (\$803 million), and reflects an updated implementation plan for the critical maintenance and priority educational facility projects included in the Enacted Budget. Transportation re-estimates largely reflect the cost of contractual salary increases for certain DOT and DMV employees, as well as spending reductions reflecting a reduced expectation of projects qualifying for Federal funds under the Maintenance First Initiative. 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 DEC, DOH, DHCR, OTDA, MH, and OMRDD.

All Funds Projected Capital Projects Spending (millions of dollars)					
	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Projected Capital Projects Funds Spending Enacted Budget	\$7,080	\$8,548	\$8,285	\$7,983	\$7,238
Total Spending Reestimates	(\$102)	\$4	\$280	\$346	\$307
Economic Development/Government Oversight	\$0	(\$4)	(\$1)	(\$1)	\$0
Public Protection	\$0	\$0	\$0	\$0	\$0
Environment	(\$16)	(\$15)	\$12	\$0	\$0
General Government	(\$3)	\$3	\$0	\$0	\$0
Transportation	(\$35)	(\$18)	\$36	\$38	\$38
Health and Social Welfare	\$0	\$0	\$5	\$11	\$7
Higher Education	(\$48)	\$46	\$240	\$303	\$262
Mental Hygiene	\$0	(\$8)	(\$12)	(\$5)	\$0
Projected Capital Projects Funds Spending First Quarter	\$6,978	\$8,552	\$8,565	\$8,329	\$7,545

The following tables summarize the net impact of capital projects spending changes on State debt levels and debt service spending. The increases 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)					
	2008-09	2009-10	2010-11	2011-12	2012-13
Enacted Budget State-Related Debt Outstanding	52,794	56,179	58,749	60,249	61,134
SUNY	(56)	(41)	132	345	524
Housing	12	14	23	31	39
Transportation	(65)	(73)	(78)	(81)	(90)
Mental Health	(87)	(85)	(82)	(79)	(75)
Environment	(17)	(29)	(27)	(26)	(24)
All Other	(59)	(47)	(11)	(2)	8
Subtotal	(272)	(261)	(43)	188	382
1st Quarter Update State-Related Debt Outstanding	\$ 52,522	\$ 55,918	\$ 58,706	\$ 60,437	\$ 61,516

Projected Debt Issuances (millions of dollars)					
	2008-09	2009-10	2010-11	2011-12	2012-13
Enacted Budget State-Related Debt Issuances	5,986	6,491	5,901	5,547	5,143
SUNY	(57)	13	172	216	184
Housing	9	(1)	4	4	4
Transportation	(65)	(10)	(9)	(10)	(15)
Mental Health	(85)	0	0	0	0
Environment	(17)	(13)	0	0	0
All Other	(54)	7	31	1	0
Subtotal	(269)	(4)	198	211	173
1st Quarter Update State-Related Debt Issuances	\$ 5,717	\$ 6,487	\$ 6,099	\$ 5,758	\$ 5,316

Projected Debt Service (millions of dollars)					
	2008-09	2009-10	2010-11	2011-12	2012-13
Enacted Budget State-Related Debt Service	5,312	5,841	6,476	6,825	7,123
SUNY	(3)	(3)	6	20	33
Housing	(3)	(3)	(3)	(2)	(2)
Transportation	(9)	(13)	(17)	(12)	3
Mental Health	(10)	(10)	(11)	(9)	0
Environment	0	(1)	(1)	(1)	(1)
All Other	2	21	29	41	52
Subtotal	(23)	(9)	3	37	85
1st Quarter Update State-Related Debt Service	\$ 5,289	\$ 5,832	\$ 6,479	\$ 6,862	\$ 7,208

Special Considerations

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

The most significant short-term risks include:

- Further under-performance of the national and State economies that can affect State revenues and increase the demand for means-tested programs such as Medicaid and welfare;
- The potential cost of collective bargaining agreements with the union representing uniformed officers (e.g., Police Benevolent Association of the New York State Troopers, Inc., New York State Correctional Officers), the union representing graduate students (Graduate Student Employees Union), and salary increases for Judges (and possibly other elected officials) in 2008-09 and beyond. DOB estimates that if all remaining unsettled unions were to agree to the same terms that have been ratified by settled unions, it would result in added costs of approximately \$190 million in 2008-09, \$195 million in 2009-10, and \$285 million in both 2010-11 and 2011-12;
- Potential Federal disallowances arising from audits related to Medicaid claims under the School Supportive Health Services program;
- Proposed Federal rule changes concerning Medicaid payments; and
- Litigation against the State, including potential challenges to the constitutionality of certain tax actions authorized in the budget.

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

GAAP-Basis Results for Prior Fiscal Years

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

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

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

<u>Fiscal Year Ended</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>All Governmental Funds</u>	<u>Accum. General Fund Surplus/(Deficit)</u>
March 31, 2008	1,567	(1,328)	(293)	(306)	(360)	3,951
March 31, 2007	202	(840)	92	501	(45)	2,384
March 31, 2006	1,636	3,128	(664)	(251)	3,849	2,182

Beginning with the fiscal year ended March 31, 2003, statements have been prepared in accordance with GASBS 34. GASBS 34 has significantly affected the accounting and financial reporting for all state and local governments. The financial reporting model redefined the financial reporting model by changing its focus to major funds, rather than fund types, requiring a new MD&A section 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, 2008	43,510	4,217	47,727
March 31, 2007	45,327	3,599	48,926
March 31, 2006	45,997	3,136	49,133

Authorities and Localities

Localities

Certain localities outside New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing has become more common in recent years. Between 2004 and 2007, the State Legislature authorized 14 bond issuances to finance local government operating deficits. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's 2008-09 fiscal year or thereafter. Thus far, three more deficit-financing authorizations have been granted by the State Legislature in 2008.

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

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

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

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

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

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

Locality Fiscal Year Ending	Combined New York City Debt (2)(3)		Other Localities Debt(4)		Total Locality Debt(4)	
	Bonds	Notes	Bonds(5)	Notes(5)	Bonds(4)(5)	Notes(5)
1980	12,995	---	6,835	1,793	19,830	1,793
1990	20,027	---	10,253	3,082	30,280	3,082
1995	29,930	---	15,829	3,219	45,759	3,219
1996	31,623	---	16,414	3,590	48,037	3,590
1997	33,046	---	17,526	3,208	50,572	3,208
1998	34,690	---	17,100	3,203	51,790	3,203
1999	37,352	---	18,448	3,420	55,800	3,420
2000	39,244	515	19,082	4,005	58,326	4,520
2001	40,305	---	20,221	4,279	60,526	4,279
2002	42,721	2,200	21,721	4,746	64,442	6,946
2003	47,376	1,110	23,908	5,972	71,284	7,082
2004	50,265	---	26,638	4,657	76,903	4,657
2005	54,421	---	29,202	4,363	83,623	4,363
2006	55,381	---	30,706	4,247	86,087	4,247

Source: Office of the State Comptroller.

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

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

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

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

(4) Outstanding bonded debt shown includes bonds issued by the localities and certain debt guaranteed by the localities and excludes capital lease obligations (for localities other than New York City), assets held in sinking funds and certain amounts available at the start of a fiscal year for redemption of debt.

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

Litigation

Tobacco Master Settlement Agreement _____

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

Glossary of Acronyms

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

Higher Educations Services Corporation.....	(HESC)
Home Energy Assistance Program	(HEAP)
Homeless Housing Assistance Corporation.....	(HHAC)
Homeless Housing Assistance Program	(HHAP)
Housing Assistance Fund.....	(HAF)
Housing Trust Fund Corporation	(HTFC)
Hudson River Park Trust	(HRPT)
Industrial Finance Program.....	(IFP)
Initial Public Offering.....	(IPO)
Investment Tax Credit.....	(ITC)
Limited Liability Company.....	(LLC)
Local Government Assistance Corporation	(LGAC)
London Inter Bank Offered Rates	(LIBOR)
Mass Transportation Operating Assistance Fund	(MTOA)
Medical Care Facilities Finance Agency	(MCFFA)
Memorandum of Understanding	(MOU)
Metropolitan Commuter Transportation District	(MCTD)
Minority/Women-Owned Business Enterprises	(M/WBE)
National Bureau of Economic Research	(NBER)
New York Racing Authority	(NYRA)
Non-Personal Service.....	(NPS)
Office of Court Administration.....	(OCA)
Patient Income Account	(PIA)
Pay-As-You-Go	(PAYGO)
Payment in Lieu of Taxes	(PILOT)
Personal Income Tax	(PIT)
Prior Year Claims	(PYCs)
Psychiatric Services and Clinical Knowledge Enhancement System.....	(PSYCKES)
Public Authorities Control Board	(PACB)
Public Employees Federation.....	(PEF)
Public Financial Management.....	(PFM)
Percent of Personal Income.....	(PPI)
Public Resources Advisory Group.....	(PRAG)
Qualified Production Activity Income.....	(QPAI)
Real Estate Investment Fund	(REIT)
Rebuilding Schools to Uphold Education	(RESCUE)
Regulated Investment Company	(RIC)
Revenue Bond Tax Fund	(RBTF)
Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users	(SAFETEA-LU)
School Tax Relief	(STAR)
Sound Basic Education	(SBE)
Special Housing Unit.....	(SHU)
Short-Term Investment Pool.....	(STIP)
Special Revenue Funds	(SRFs)
State Parks Infrastructure Fund	(SPIF)
State Tax Asset Receivable Corporation	(STARC)
Statewide Wireless Network	(SWN)
Strategic Investment Program	(SIP)
Supplemental Education Improvement Program	(SEIP)
Supplemental Security Income	(SSI)

Tax and Revenue Anticipation Notes	(TRANS)
Tax Stabilization Reserve Fund	(TSRF)
Teacher Support Aid	(TSA)
Technical Advisory Service	(TAS)
Technical Assistance Grant	(TAG)
Temporary Assistance for Needy Families	(TANF)
Tobacco Settlement Financing Corporation	(TSFC)
Transitional Finance Authority	(TFA)
Tuition Assistance Program	(TAP)
United University Professions	(UUP)
Urban Development Corporation	(UDC)
Variable-Rate Demand Bonds	(VRDBs)
Video Lottery Terminal	(VLT)
Welfare Management System	(WMS)
Western Hemisphere Travel Initiative	(WHTI)

NEW YORK STATE AGENCIES AND PUBLIC AUTHORITIES

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

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

	<u>Enacted</u>	<u>Change</u>	<u>First Quarter</u>
Opening fund balance	<u>2,754</u>	<u>0</u>	<u>2,754</u>
Receipts:			
Taxes:			
Personal income tax	23,920	18	23,938
User taxes and fees	8,937	(134)	8,803
Business taxes	6,559	(510)	6,049
Other taxes	1,194	2	1,196
Miscellaneous receipts	2,505	46	2,551
Federal grants	41	0	41
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,583	19	8,602
Sales tax in excess of LGAC debt service	2,355	(29)	2,326
Real estate taxes in excess of CW/CA debt service	597	(24)	573
All other transfers	947	130	1,077
Total receipts	<u>55,638</u>	<u>(482)</u>	<u>55,156</u>
Disbursements:			
Grants to local governments	39,126	111	39,237
State operations:			
Personal Service	6,275	(285)	5,990
Non-Personal Service	2,387	(213)	2,174
General State charges	3,023	88	3,111
Transfers to other funds:			
Debt service	1,692	6	1,698
Capital projects	433	36	469
State Share Medicaid	2,655	0	2,655
Other purposes	770	53	823
Total disbursements	<u>56,361</u>	<u>(204)</u>	<u>56,157</u>
Change in fund balance	<u>(723)</u>	<u>(278)</u>	<u>(1,001)</u>
Closing fund balance	<u>2,031</u>	<u>(278)</u>	<u>1,753</u>
Reserves			
Tax Stabilization Reserve Fund	1,031	0	1,031
Statutory Rainy Day Reserve Fund	175	0	175
Contingency Reserve Fund	21	0	21
Community Projects Fund	237	0	237
Debt Reduction Reserve Fund	122	(22)	100
Labor Settlement Reserve/Other Risks	445	(256)	189

First Quarter estimates assume successful implementation of FMP savings (see text).

Source: NYS DOB

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

	<u>Enacted</u>	<u>Change</u>	<u>First Quarter</u>
Receipts:			
Taxes:			
Personal income tax	24,816	(376)	24,440
User taxes and fees	9,258	(108)	9,150
Business taxes	6,925	(342)	6,583
Other taxes	1,325	0	1,325
Miscellaneous receipts	2,470	61	2,531
Federal Grants	0	0	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,782	(79)	8,703
Sales tax in excess of LGAC debt service	2,454	(17)	2,437
Real estate taxes in excess of CW/CA debt service	582	(19)	563
All other	533	(1)	532
Total receipts	<u>57,145</u>	<u>(881)</u>	<u>56,264</u>
Disbursements:			
Grants to local governments	43,136	408	43,544
State operations:			
Personal Service	6,570	(311)	6,259
Non-Personal Service	2,530	(200)	2,330
General State charges	3,848	(12)	3,836
Transfers to other funds:			
Debt service	1,680	66	1,746
Capital projects	680	31	711
State Share Medicaid	2,632	0	2,632
Other purposes	1,037	166	1,203
Total disbursements	<u>62,113</u>	<u>148</u>	<u>62,261</u>
Deposit to/(use of) Community Projects Fund	<u>48</u>	<u>0</u>	<u>48</u>
Margin	<u>(5,016)</u>	<u>(1,029)</u>	<u>(6,045)</u>

First Quarter estimates assume successful implementation of FMP savings (see text).

Outyear gaps do not include potential HCRA shortfalls.

Source: NYS DOB

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

	<u>Enacted</u>	<u>Change</u>	<u>First Quarter</u>
Receipts:			
Taxes:			
Personal income tax	26,333	(450)	25,883
User taxes and fees	9,601	(153)	9,448
Business taxes	7,047	(413)	6,634
Other taxes	1,408	0	1,408
Miscellaneous receipts	2,471	60	2,531
Federal Grants	0	0	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,215	(160)	9,055
Sales tax in excess of LGAC debt service	2,561	(22)	2,539
Real estate taxes in excess of CW/CA debt service	610	(7)	603
All other	528	(1)	527
Total receipts	<u>59,774</u>	<u>(1,146)</u>	<u>58,628</u>
Disbursements:			
Grants to local governments	47,046	353	47,399
State operations:			
Personal Service	7,019	(340)	6,679
Non-Personal Service	2,645	(195)	2,450
General State charges	4,039	52	4,091
Transfers to other funds:			
Debt service	1,706	28	1,734
Capital projects	1,046	34	1,080
State Share Medicaid	2,678	0	2,678
Other purposes	1,348	223	1,571
Total disbursements	<u>67,527</u>	<u>155</u>	<u>67,682</u>
Deposit to/(use of) Community Projects Fund	<u>(22)</u>	<u>0</u>	<u>(22)</u>
Margin	<u>(7,731)</u>	<u>(1,301)</u>	<u>(9,032)</u>

First Quarter estimates assume successful implementation of FMP savings (see text).

Outyear gaps do not include potential HCRA shortfalls.

Source: NYS DOB

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

	<u>Enacted</u>	<u>Change</u>	<u>First Quarter</u>
Receipts:			
Taxes:			
Personal income tax	28,229	(526)	27,703
User taxes and fees	9,975	(171)	9,804
Business taxes	7,190	(451)	6,739
Other taxes	1,498	0	1,498
Miscellaneous receipts	2,234	60	2,294
Federal Grants	0	0	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,705	(188)	9,517
Sales tax in excess of LGAC debt service	2,682	(31)	2,651
Real estate taxes in excess of CW/CA debt service	664	(9)	655
All other	567	0	567
Total receipts	<u>62,744</u>	<u>(1,316)</u>	<u>61,428</u>
Disbursements:			
Grants to local governments	49,988	385	50,373
State operations:			
Personal Service	7,200	(340)	6,860
Non-Personal Service	2,709	(216)	2,493
General State charges	4,336	104	4,440
Transfers to other funds:			
Debt service	1,673	41	1,714
Capital projects	1,099	48	1,147
State Share Medicaid	2,701	0	2,701
Other purposes	1,880	262	2,142
Total disbursements	<u>71,586</u>	<u>284</u>	<u>71,870</u>
Deposit to/(use of) Community Projects Fund	<u>(80)</u>	<u>0</u>	<u>(80)</u>
Margin	<u>(8,762)</u>	<u>(1,600)</u>	<u>(10,362)</u>

First Quarter estimates assume successful implementation of FMP savings (see text).

Outyear gaps do not include potential HCRA shortfalls.

Source: NYS DOB

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

	<u>2008-2009 Projected</u>	<u>2009-2010 Projected</u>	<u>2010-2011 Projected</u>	<u>2011-2012 Projected</u>
Receipts:				
Taxes:				
Personal income tax	23,938	24,440	25,883	27,703
User taxes and fees	8,803	9,150	9,448	9,804
Business taxes	6,049	6,583	6,634	6,739
Other taxes	1,196	1,325	1,408	1,498
Miscellaneous receipts	2,551	2,531	2,531	2,294
Federal grants	41	0	0	0
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,602	8,703	9,055	9,517
Sales tax in excess of LGAC debt service	2,326	2,437	2,539	2,651
Real estate taxes in excess of CW/CA debt service	573	563	603	655
All other transfers	1,077	532	527	567
Total receipts	<u>55,156</u>	<u>56,264</u>	<u>58,628</u>	<u>61,428</u>
Disbursements:				
Grants to local governments	39,237	43,544	47,399	50,373
State operations:				
Personal Service	5,990	6,259	6,679	6,860
Non-Personal Service	2,174	2,330	2,450	2,493
General State charges	3,111	3,836	4,091	4,440
Transfers to other funds:				
Debt service	1,698	1,746	1,734	1,714
Capital projects	469	711	1,080	1,147
State Share Medicaid	2,655	2,632	2,678	2,701
Other purposes	823	1,203	1,571	2,142
Total disbursements	<u>56,157</u>	<u>62,261</u>	<u>67,682</u>	<u>71,870</u>
Deposit to/(use of) Community Projects Fund	<u>(103)</u>	<u>48</u>	<u>(22)</u>	<u>(80)</u>
Deposit to/(use of) Prior Year Reserves	<u>(876)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deposit to/(use of) Debt Reduction Reserve	<u>(22)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Margin	<u>0</u>	<u>(6,045)</u>	<u>(9,032)</u>	<u>(10,362)</u>

First Quarter estimates assume successful implementation of FMP savings (see text).

Outyear gaps do not include potential HCRA shortfalls.

Source: NYS DOB

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

	<u>2007-2008 Actuals</u>	<u>2008-2009 Projected*</u>	<u>Annual Change</u>
Opening fund balance	<u>3,045</u>	<u>2,754</u>	<u>(291)</u>
Receipts:			
Taxes:			
Personal income tax	22,759	23,938	1,179
User taxes and fees	8,555	8,803	248
Business taxes	6,017	6,049	32
Other taxes	1,063	1,196	133
Miscellaneous receipts	2,460	2,551	91
Federal grants	69	41	(28)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,473	8,602	129
Sales tax in excess of LGAC debt service	2,358	2,326	(32)
Real estate taxes in excess of CW/CA debt service	682	573	(109)
All other transfers	660	1,077	417
Total receipts	<u>53,096</u>	<u>55,156</u>	<u>2,060</u>
Disbursements:			
Grants to local governments	36,414	39,237	2,823
State operations:			
Personal Service	6,659	5,990	(669)
Non-Personal Service	2,920	2,174	(746)
General State charges	4,620	3,111	(1,509)
Transfers to other funds:			
Debt service	1,548	1,698	150
Capital projects	141	469	328
State Share Medicaid	0	2,655	2,655
Other purposes	1,085	823	(262)
Total disbursements	<u>53,387</u>	<u>56,157</u>	<u>2,770</u>
Change in fund balance	<u>(291)</u>	<u>(1,001)</u>	<u>(710)</u>
Closing fund balance	<u>2,754</u>	<u>1,753</u>	<u>(1,001)</u>
Reserves			
Tax Stabilization Reserve Fund	1,031	1,031	0
Statutory Rainy Day Reserve Fund	175	175	0
Contingency Reserve Fund	21	21	0
Community Projects Fund	340	237	(103)
Debt Reduction Reserve Fund **	122	100	(22)
Labor Settlement Reserve/Other Risks **	1,065	189	(876)

* First Quarter estimates assume successful implementation of FMP savings (see text).

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

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	<u>2,754</u>	<u>3,520</u>	<u>285</u>	<u>6,559</u>
Receipts:				
Taxes	39,986	8,083	12,937	61,006
Miscellaneous receipts	2,551	13,173	941	16,665
Federal grants	41	1	0	42
Total receipts	<u>42,578</u>	<u>21,257</u>	<u>13,878</u>	<u>77,713</u>
Disbursements:				
Grants to local governments	39,237	17,129	0	56,366
State operations:				
Personal Service	5,990	4,045	0	10,035
Non-Personal Service	2,174	2,619	70	4,863
General State charges	3,111	1,500	0	4,611
Debt service	0	0	4,628	4,628
Capital projects	0	3	0	3
Total disbursements	<u>50,512</u>	<u>25,296</u>	<u>4,698</u>	<u>80,506</u>
Other financing sources (uses):				
Transfers from other funds	12,578	4,037	5,651	22,266
Transfers to other funds	(5,645)	(1,079)	(14,751)	(21,475)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>6,933</u>	<u>2,958</u>	<u>(9,100)</u>	<u>791</u>
Deposit to/(use of) Community Projects Fund	<u>(103)</u>	<u>0</u>	<u>0</u>	<u>(103)</u>
Deposit to/(use of) Prior Year Reserves	<u>(876)</u>	<u>0</u>	<u>0</u>	<u>(876)</u>
Deposit to/(use of) Debt Reduction Reserve	<u>(22)</u>	<u>0</u>	<u>0</u>	<u>(22)</u>
Change in fund balance	<u>0</u>	<u>(1,081)</u>	<u>80</u>	<u>(1,001)</u>
Closing fund balance	<u>1,753</u>	<u>2,439</u>	<u>365</u>	<u>4,557</u>

First Quarter estimates assume successful implementation of FMP savings (see text).

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	0	2,439	365	2,804
Receipts:				
Taxes	41,498	8,908	13,426	63,832
Miscellaneous receipts	2,531	13,375	896	16,802
Federal grants	0	1	0	1
Total receipts	<u>44,029</u>	<u>22,284</u>	<u>14,322</u>	<u>80,635</u>
Disbursements:				
Grants to local governments	43,544	17,890	0	61,434
State operations:				
Personal Service	6,259	4,219	0	10,478
Non-Personal Service	2,330	2,735	59	5,124
General State charges	3,836	1,251	0	5,087
Debt service	0	0	5,149	5,149
Capital projects	0	3	0	3
Total disbursements	<u>55,969</u>	<u>26,098</u>	<u>5,208</u>	<u>87,275</u>
Other financing sources (uses):				
Transfers from other funds	12,235	4,115	5,783	22,133
Transfers to other funds	(6,292)	(729)	(14,834)	(21,855)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>5,943</u>	<u>3,386</u>	<u>(9,051)</u>	<u>278</u>
Deposit to/(use of) Community Projects Fund	<u>48</u>	<u>0</u>	<u>0</u>	<u>48</u>
Change in fund balance	<u>(6,045)</u>	<u>(428)</u>	<u>63</u>	<u>(6,410)</u>
Closing fund balance	<u>(6,045)</u>	<u>2,011</u>	<u>428</u>	<u>(3,606)</u>

First Quarter estimates assume successful implementation of FMP savings (see text).

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>0</u>	<u>2,011</u>	<u>428</u>	<u>2,439</u>
Receipts:				
Taxes	43,373	9,450	14,222	67,045
Miscellaneous receipts	2,531	13,686	932	17,149
Federal grants	0	1	0	1
Total receipts	<u>45,904</u>	<u>23,137</u>	<u>15,154</u>	<u>84,195</u>
Disbursements:				
Grants to local governments	47,399	18,589	0	65,988
State operations:				
Personal Service	6,679	4,363	0	11,042
Non-Personal Service	2,450	2,797	59	5,306
General State charges	4,091	1,352	0	5,443
Debt service	0	0	5,807	5,807
Capital projects	0	2	0	2
Total disbursements	<u>60,619</u>	<u>27,103</u>	<u>5,866</u>	<u>93,588</u>
Other financing sources (uses):				
Transfers from other funds	12,724	4,332	6,155	23,211
Transfers to other funds	(7,063)	(813)	(15,372)	(23,248)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>5,661</u>	<u>3,519</u>	<u>(9,217)</u>	<u>(37)</u>
Deposit to/(use of) Community Projects Fund	<u>(22)</u>	<u>0</u>	<u>0</u>	<u>(22)</u>
Change in fund balance	<u>(9,032)</u>	<u>(447)</u>	<u>71</u>	<u>(9,408)</u>
Closing fund balance	<u>(9,032)</u>	<u>1,564</u>	<u>499</u>	<u>(6,969)</u>

First Quarter estimates assume successful implementation of FMP savings (see text).

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	0	1,564	499	2,063
Receipts:				
Taxes	45,744	9,783	15,080	70,607
Miscellaneous receipts	2,294	14,187	974	17,455
Federal grants	0	1	0	1
Total receipts	<u>48,038</u>	<u>23,971</u>	<u>16,054</u>	<u>88,063</u>
Disbursements:				
Grants to local governments	50,373	19,753	0	70,126
State operations:				
Personal Service	6,860	4,391	0	11,251
Non-Personal Service	2,493	2,801	59	5,353
General State charges	4,440	1,408	0	5,848
Debt service	0	0	6,184	6,184
Capital projects	0	2	0	2
Total disbursements	<u>64,166</u>	<u>28,355</u>	<u>6,243</u>	<u>98,764</u>
Other financing sources (uses):				
Transfers from other funds	13,390	4,864	6,281	24,535
Transfers to other funds	(7,704)	(862)	(16,012)	(24,578)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>5,686</u>	<u>4,002</u>	<u>(9,731)</u>	<u>(43)</u>
Deposit to/(use of) Community Projects Fund	<u>(80)</u>	<u>0</u>	<u>0</u>	<u>(80)</u>
Change in fund balance	<u>(10,362)</u>	<u>(382)</u>	<u>80</u>	<u>(10,664)</u>
Closing fund balance	<u>(10,362)</u>	<u>1,182</u>	<u>579</u>	<u>(8,601)</u>

First Quarter estimates assume successful implementation of FMP savings (see text).

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,754	3,879	(434)	285	6,484
Receipts:					
Taxes	39,986	8,083	2,079	12,937	63,085
Miscellaneous receipts	2,551	13,285	3,101	941	19,878
Federal grants	41	33,986	1,938	0	35,965
Total receipts	<u>42,578</u>	<u>55,354</u>	<u>7,118</u>	<u>13,878</u>	<u>118,928</u>
Disbursements:					
Grants to local governments	39,237	46,535	503	0	86,275
State operations:					
Personal Service	5,990	6,179	0	0	12,169
Non-Personal Service	2,174	4,020	0	70	6,264
General State charges	3,111	2,379	0	0	5,490
Debt service	0	0	0	4,628	4,628
Capital projects	0	3	6,475	0	6,478
Total disbursements	<u>50,512</u>	<u>59,116</u>	<u>6,978</u>	<u>4,698</u>	<u>121,304</u>
Other financing sources (uses):					
Transfers from other funds	12,578	6,576	649	5,651	25,454
Transfers to other funds	(5,645)	(3,917)	(1,232)	(14,751)	(25,545)
Bond and note proceeds	0	0	354	0	354
Net other financing sources (uses)	<u>6,933</u>	<u>2,659</u>	<u>(229)</u>	<u>(9,100)</u>	<u>263</u>
Deposit to/(use of) Community Projects Fund	<u>(103)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(103)</u>
Deposit to/(use of) Prior Year Reserves	<u>(876)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(876)</u>
Deposit to/(use of) Debt Reduction Reserve	<u>(22)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(22)</u>
Change in fund balance	<u>0</u>	<u>(1,103)</u>	<u>(89)</u>	<u>80</u>	<u>(1,112)</u>
Closing fund balance	<u>1,753</u>	<u>2,776</u>	<u>(523)</u>	<u>365</u>	<u>4,371</u>

First Quarter estimates assume successful implementation of FMP savings (see text).

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	0	2,776	(523)	365	2,618
Receipts:					
Taxes	41,498	8,908	2,157	13,426	65,989
Miscellaneous receipts	2,531	13,482	4,258	896	21,167
Federal grants	0	35,100	1,952	0	37,052
Total receipts	<u>44,029</u>	<u>57,490</u>	<u>8,367</u>	<u>14,322</u>	<u>124,208</u>
Disbursements:					
Grants to local governments	43,544	48,463	545	0	92,552
State operations:					
Personal Service	6,259	6,397	0	0	12,656
Non-Personal Service	2,330	4,160	0	59	6,549
General State charges	3,836	2,198	0	0	6,034
Debt service	0	0	0	5,149	5,149
Capital projects	0	3	8,007	0	8,010
Total disbursements	<u>55,969</u>	<u>61,221</u>	<u>8,552</u>	<u>5,208</u>	<u>130,950</u>
Other financing sources (uses):					
Transfers from other funds	12,235	6,835	946	5,783	25,799
Transfers to other funds	(6,292)	(3,546)	(1,153)	(14,834)	(25,825)
Bond and note proceeds	0	0	549	0	549
Net other financing sources (uses)	<u>5,943</u>	<u>3,289</u>	<u>342</u>	<u>(9,051)</u>	<u>523</u>
Deposit to/(use of) Community Projects Fund	<u>48</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>48</u>
Change in fund balance	<u>(6,045)</u>	<u>(442)</u>	<u>157</u>	<u>63</u>	<u>(6,219)</u>
Closing fund balance	<u>(6,045)</u>	<u>2,334</u>	<u>(366)</u>	<u>428</u>	<u>(3,601)</u>

First Quarter estimates assume successful implementation of FMP savings (see text).

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	0	2,334	(366)	428	2,396
Receipts:					
Taxes	43,373	9,450	2,161	14,222	69,206
Miscellaneous receipts	2,531	13,793	4,135	932	21,391
Federal grants	0	36,236	1,948	0	38,184
Total receipts	<u>45,904</u>	<u>59,479</u>	<u>8,244</u>	<u>15,154</u>	<u>128,781</u>
Disbursements:					
Grants to local governments	47,399	50,184	546	0	98,129
State operations:					
Personal Service	6,679	6,689	0	0	13,368
Non-Personal Service	2,450	4,297	0	59	6,806
General State charges	4,091	2,393	0	0	6,484
Debt service	0	0	0	5,807	5,807
Capital projects	0	2	8,019	0	8,021
Total disbursements	<u>60,619</u>	<u>63,565</u>	<u>8,565</u>	<u>5,866</u>	<u>138,615</u>
Other financing sources (uses):					
Transfers from other funds	12,724	7,293	1,396	6,155	27,568
Transfers to other funds	(7,063)	(3,674)	(1,488)	(15,372)	(27,597)
Bond and note proceeds	0	0	591	0	591
Net other financing sources (uses)	<u>5,661</u>	<u>3,619</u>	<u>499</u>	<u>(9,217)</u>	<u>562</u>
Deposit to/(use of) Community Projects Fund	<u>(22)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(22)</u>
Change in fund balance	<u>(9,032)</u>	<u>(467)</u>	<u>178</u>	<u>71</u>	<u>(9,250)</u>
Closing fund balance	<u>(9,032)</u>	<u>1,867</u>	<u>(188)</u>	<u>499</u>	<u>(6,854)</u>

First Quarter estimates assume successful implementation of FMP savings (see text).

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2011-2012
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	0	1,867	(188)	499	2,178
Receipts:					
Taxes	45,744	9,783	2,176	15,080	72,783
Miscellaneous receipts	2,294	14,294	4,071	974	21,633
Federal grants	0	37,948	1,921	0	39,869
Total receipts	<u>48,038</u>	<u>62,025</u>	<u>8,168</u>	<u>16,054</u>	<u>134,285</u>
Disbursements:					
Grants to local governments	50,373	53,030	551	0	103,954
State operations:					
Personal Service	6,860	6,729	0	0	13,589
Non-Personal Service	2,493	4,323	0	59	6,875
General State charges	4,440	2,498	0	0	6,938
Debt service	0	0	0	6,184	6,184
Capital projects	0	2	7,778	0	7,780
Total disbursements	<u>64,166</u>	<u>66,582</u>	<u>8,329</u>	<u>6,243</u>	<u>145,320</u>
Other financing sources (uses):					
Transfers from other funds	13,390	7,901	1,451	6,281	29,023
Transfers to other funds	(7,704)	(3,747)	(1,567)	(16,012)	(29,030)
Bond and note proceeds	0	0	440	0	440
Net other financing sources (uses)	<u>5,686</u>	<u>4,154</u>	<u>324</u>	<u>(9,731)</u>	<u>433</u>
Deposit to/(use of) Community Projects Fund	<u>(80)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(80)</u>
Change in fund balance	<u>(10,362)</u>	<u>(403)</u>	<u>163</u>	<u>80</u>	<u>(10,522)</u>
Closing fund balance	<u>(10,362)</u>	<u>1,464</u>	<u>(25)</u>	<u>579</u>	<u>(8,344)</u>

First Quarter estimates assume successful implementation of FMP savings (see text).

Source: NYS DOB

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

	2008		June		July		August		September		October		November		December		January		February		March		Total
	Actuals	April	Actuals	Projected																			
OPENING BALANCE	2,754	9,111	5,629	3,618	3,618	3,881	3,914	5,337	3,555	912	605	5,339	4,366	2,754									
RECEIPTS:																							
Personal Income Tax	5,613	850	2,382	1,561	1,589	1,589	2,002	352	(114)	1,530	4,923	1,480	1,770	23,938									
User Taxes and Fees	637	651	847	691	649	649	888	655	682	912	722	620	839	8,803									
Business Taxes	104	(17)	948	136	174	1,250	1,250	118	73	1,167	128	157	1,811	6,049									
Other Taxes	102	134	80	297	74	74	74	73	73	72	72	72	73	1,196									
Total Taxes	6,456	1,618	4,257	2,685	2,466	2,466	4,214	1,198	724	3,681	5,845	2,329	4,493	39,986									
Licenses, fees, etc.	43	64	42	34	60	44	44	58	53	35	42	55	62	592									
Abandoned Property	0	5	4	17	10	17	56	17	184	41	74	60	282	750									
Reimbursement	5	10	21	5	14	23	13	13	11	25	9	10	28	174									
Investment Income	35	0	12	24	(7)	(7)	53	53	16	5	25	0	11	180									
Other transactions	33	109	201	38	41	55	38	33	33	53	38	32	184	855									
Total Miscellaneous Receipts	116	188	280	118	118	184	179	179	297	159	188	157	567	2,551									
Federal Grants	3	0	0	3	8	0	0	9	9	0	9	0	0	41									
PII in excess of Revenue Bond Debt Service	3,392	775	(1,135)	519	317	971	526	73	894	1,313	168	168	789	8,602									
Sales Tax in Excess of LGAC Debt Service	174	27	424	206	197	212	196	210	275	219	3	183	2,326										
Real Estate Taxes in Excess of CW/CA Debt Service	54	54	52	54	51	51	38	48	52	38	48	34	573										
All Other	1	9	45	89	2	7	8	8	33	225	28	27	603	1,077									
Total Transfers from Other Funds	3,621	865	(614)	857	570	1,245	781	354	1,442	1,612	236	1,609	12,576										
TOTAL RECEIPTS	10,196	2,671	3,923	3,663	3,182	5,643	2,167	1,394	5,282	7,654	2,722	6,669	56,156										
DISBURSEMENTS:																							
School Aid	410	2,284	1,923	148	630	1,439	647	1,133	1,615	406	827	6,353	17,815										
Higher Education	20	18	454	86	113	96	522	28	252	56	375	535	2,555										
All Other Education	19	75	394	121	141	75	183	168	174	183	168	271	1,742										
Medicaid - DOH	892	1,271	761	964	514	257	977	1,014	624	736	900	309	9,219										
Public Health	50	14	14	56	34	56	56	38	59	107	44	100	628										
Mental Hygiene	60	69	359	(40)	15	444	32	16	435	126	43	505	2,064										
Children and Families	8	69	167	264	104	113	90	88	294	91	95	377	1,760										
Temporary & Disability Assistance	123	123	320	155	155	171	(145)	155	171	(145)	124	6	1,213										
Transportation	0	14	32	1	14	2	14	12	8	0	12	1	110										
All Other	29	34	413	58	108	60	451	44	51	618	2,131												
Total Local Assistance Grants	1,611	3,971	4,837	1,813	1,780	2,833	2,376	2,651	4,047	1,604	2,639	9,075	39,237										
Personal Service	775	419	476	669	503	573	579	436	470	388	370	331	5,989										
Non-Personal Service	226	206	191	212	224	168	138	126	140	163	150	231	2,175										
Total State Operations	1,001	625	667	881	727	741	717	562	610	551	520	562	8,164										
General State Charges	489	1,020	(142)	324	251	15	434	280	39	341	259	(199)	3,111										
Debt Service	240	132	220	35	48	277	21	175	387	10	20	133	1,698										
Capital Projects	100	77	72	98	83	111	150	70	221	111	84	(708)	469										
State Share Medicaid	267	296	203	217	217	212	221	238	245	147	171	2,655											
Other Purposes	131	32	77	32	43	31	30	68	47	58	26	248	823										
Total Transfers to Other Funds	738	537	572	382	391	631	422	534	893	424	277	(156)	5,645										
TOTAL DISBURSEMENTS	3,839	6,153	5,934	3,400	3,149	4,220	3,949	4,027	5,989	2,920	3,695	9,282	56,157										
Excess/(Deficiency) of Receipts over Disbursements	6,357	(3,482)	(2,011)	263	33	1,423	(1,782)	(2,643)	(307)	4,734	(973)	(2,613)	(1,001)										
CLOSING BALANCE	9,111	5,629	3,618	3,881	3,914	5,337	3,555	912	605	5,339	4,366	1,753	1,753										

Source: NYS DOB

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

	2007-2008 Actuals	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT							
Agriculture and Markets, Department of	106,078	0	106,078	115,234	117,781	133,638	122,926
Alcoholic Beverage Control	16,109	0	16,109	18,087	19,145	19,870	20,372
Banking Department	82,523	0	82,523	86,066	87,800	91,683	89,925
Consumer Protection Board	4,002	0	4,002	4,975	5,110	5,349	5,219
Economic Development Capital Programs	41,578	0	41,578	48,800	18,300	0	0
Economic Development, Department of	139,785	0	139,785	130,127	150,044	154,433	146,081
Empire State Development Corporation	280,348	0	280,348	498,020	1,314,470	848,252	691,721
Energy Research and Development Authority	30,416	0	30,416	27,710	30,467	30,717	30,972
Housing and Community Renewal, Division of	303,779	0	303,779	359,312	332,149	335,149	337,882
Insurance Department	249,708	0	249,708	320,469	321,386	329,299	331,106
Olympic Regional Development Authority	6,543	0	6,543	14,169	8,927	9,147	9,373
Public Service, Department of	68,955	0	68,955	82,362	86,759	93,224	97,096
Science, Technology and Innovation, Foundation for	44,350	0	44,350	37,675	35,617	31,243	32,118
Strategic Investment	9,704	0	9,704	8,000	14,000	14,000	10,376
Functional Total	1,383,878	0	1,383,878	1,751,986	2,541,955	2,086,004	1,925,117
PARKS AND THE ENVIRONMENT							
Adirondack Park Agency	5,289	0	5,289	6,063	6,128	6,344	6,344
Environmental Conservation, Department of	964,379	0	964,379	929,701	966,052	988,788	984,009
Environmental Facilities Corporation	20,603	0	20,603	11,997	10,861	11,048	11,240
Hudson River Park Trust	14,370	0	14,370	20,682	15,000	10,000	0
Parks, Recreation and Historic Preservation, Office of	267,441	0	267,441	331,241	284,687	272,888	271,517
Functional Total	1,272,082	0	1,272,082	1,299,684	1,282,728	1,289,068	1,273,110
TRANSPORTATION							
Motor Vehicles, Department of	295,115	0	295,115	344,117	340,717	359,317	369,445
Thruway Authority	1,245	0	1,245	1,734	1,804	1,876	1,951
Metropolitan Transportation Authority	86,371	0	86,371	160,000	195,300	206,500	194,500
Transportation, Department of	6,151,063	0	6,151,063	6,533,346	6,778,225	7,033,639	7,087,664
Functional Total	6,533,794	0	6,533,794	7,039,197	7,316,046	7,601,332	7,653,560
HEALTH AND SOCIAL WELFARE							
Aging, Office for the	234,607	0	234,607	237,692	246,073	254,793	258,962
Children and Family Services, Office of	2,972,714	0	2,972,714	3,159,214	3,340,842	3,544,423	3,701,230
OCFS	2,972,714	(33,505)	2,939,209	3,114,709	3,274,975	3,432,629	3,568,629
OCFS - Medicaid	0	33,505	33,505	43,505	65,867	111,794	132,601
Health, Department of	36,549,449	0	36,549,449	37,635,424	40,484,240	43,021,996	45,984,977
Medicaid Assistance	31,040,404	0	31,040,404	31,772,587	34,158,977	36,411,503	39,127,045
Medicaid Administration	838,272	0	838,272	853,000	895,500	939,500	983,750
DOH - Other	4,670,773	0	4,670,773	5,009,837	5,429,763	5,670,983	5,874,182
Health - Medicaid Assistance	0	0	0	0	0	0	0
Human Rights, Division of	16,007	0	16,007	19,370	20,520	20,554	20,633
Labor, Department of	561,263	0	561,263	600,440	598,010	620,657	631,599
Medicaid Inspector General, Office of	47,840	0	47,840	94,754	99,487	102,277	105,952
Prevention of Domestic Violence, Office for	2,432	0	2,432	2,607	2,643	2,751	2,763
Stem Cell and Innovation	163	0	163	49,950	96,450	93,250	46,600

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

	2007-2008 Actuals	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
HEALTH AND SOCIAL WELFARE (Continued)							
Temporary and Disability Assistance, Office of Welfare Assistance	4,756,394	0	4,756,394	4,599,052	4,678,655	4,698,858	4,709,337
Welfare Administration	3,217,951	0	3,217,951	3,063,619	3,117,868	3,117,781	3,118,781
All Other	389,646	0	369,646	389,982	371,907	371,907	371,907
Welfare Inspector General, Office of	1,168,797	0	1,168,797	1,175,451	1,188,880	1,209,170	1,218,649
Workers' Compensation Board	1,073	0	1,073	1,505	1,551	1,612	1,636
Functional Total	194,007	0	194,007	198,132	203,201	213,963	216,644
	45,335,949	0	45,335,949	46,597,140	49,771,672	52,575,134	55,680,333
MENTAL HEALTH							
Mental Health, Office of	2,548,711	442,327	2,991,038	3,179,998	3,513,298	3,756,457	3,898,909
OMH	2,548,711	(1,228,855)	1,319,856	1,463,040	1,658,946	1,766,660	1,844,121
OMH - Medicaid	0	1,671,182	1,671,182	1,726,968	1,854,352	1,989,797	2,054,788
Mental Hygiene, Department of	237	449,449	449,686	674,606	406,080	438,611	477,163
Mental Retardation and Developmental Disabilities, Office of	3,395,365	548,766	3,944,131	4,024,760	4,281,921	4,513,627	4,652,918
OMRDD	3,395,365	(3,028,003)	367,362	399,377	401,555	406,343	415,928
OMRDD - Medicaid	0	3,576,769	3,576,769	3,625,383	3,880,366	4,107,284	4,236,990
Alcoholism and Substance Abuse Services, Office of	598,292	16,187	614,479	645,719	746,944	767,244	785,890
OASAS	598,292	(60,784)	537,508	566,489	666,377	684,309	701,721
OASAS - Medicaid	0	76,971	76,971	79,230	80,567	82,935	84,169
Developmental Disabilities Planning Council	5,530	0	5,530	4,150	4,150	4,150	4,150
Quality of Care for the Mentally Disabled, Commission on	14,115	0	14,115	17,511	19,234	19,699	19,733
Functional Total	6,562,250	1,456,729	8,018,979	8,546,744	8,971,627	9,499,788	9,838,763
PUBLIC PROTECTION							
Capital Defenders Office	1,035	0	1,035	388	0	0	0
Correction, Commission of	2,767	0	2,767	2,852	2,914	3,066	3,098
Correctional Services, Department of	2,723,700	0	2,723,700	2,758,778	2,872,931	2,970,221	3,039,777
Crime Victims Board	63,894	0	63,894	63,889	64,551	64,876	64,931
Criminal Justice Services, Division of	295,043	0	295,043	315,957	252,828	250,978	247,813
Homeland Security	65,821	0	65,821	207,044	377,556	303,329	569,143
Investigation, Temporary State Commission of	3,663	0	3,663	4,159	0	0	0
Judicial Commissions	3,925	0	3,925	5,075	5,210	5,367	5,470
Military and Naval Affairs, Division of	449,205	0	449,205	418,288	210,412	174,824	183,489
Parole, Division of	208,618	0	208,618	210,401	226,397	249,904	254,705
Probation and Correctional Alternatives, Division of	74,765	0	74,765	81,633	79,886	80,031	79,777
State Police, Division of	663,255	0	663,255	641,858	649,239	645,966	637,571
Functional Total	4,555,691	0	4,555,691	4,709,822	4,741,924	4,748,562	5,095,774

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

	2007-2008 Actuals	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
EDUCATION							
Arts, Council on the	53,425	0	53,425	55,218	55,468	55,625	55,723
City University of New York	1,105,307	0	1,105,307	1,380,359	1,456,481	1,546,765	1,574,662
Education, Department of	28,940,338	0	28,940,338	30,935,600	33,662,436	36,462,558	38,672,271
School Aid	21,543,493	(80,000)	21,463,493	23,233,933	25,210,450	27,384,570	29,264,570
School Aid - Medicaid Assistance	0	80,000	80,000	100,000	80,000	80,000	80,000
STAR Property Tax Relief	4,657,721	0	4,657,721	4,692,899	5,383,170	5,909,569	6,195,582
Special Education	1,623,565	0	1,623,565	1,729,690	1,828,590	1,889,590	1,968,090
Special Education - Categorical Programs	1,115,559	0	1,115,559	1,179,178	1,160,226	1,198,829	1,164,029
All Other	966,555	0	966,555	945,199	958,363	963,890	966,527
Higher Education Services Corporation	0	0	0	50,000	40,000	30,000	30,000
Higher Education Capital Grants	15,813	0	15,813	18,255	19,012	20,135	20,614
State University Construction Fund	6,126,674	0	6,126,674	6,703,209	7,012,349	7,499,693	7,619,708
State University of New York	37,208,112	0	37,208,112	40,087,840	43,204,129	46,578,666	48,939,505
Functional Total							
	250,228	0	250,228	275,235	277,376	286,094	289,053
GENERAL GOVERNMENT							
Audit and Control, Department of	38,216	0	38,216	89,098	84,176	90,721	90,612
Budget, Division of the	24,988	0	24,988	24,835	25,556	26,730	26,968
Civil Service, Department of	14,269	0	14,269	78,267	165,475	9,614	9,731
Elections, State Board of	3,613	0	3,613	4,262	4,354	4,537	4,577
Employee Relations, Office of	20,167	0	20,167	21,061	22,081	23,238	23,908
Executive Chamber	223,178	0	223,178	236,067	240,787	246,188	244,316
General Services, Office of	6,567	0	6,567	7,184	7,466	7,730	7,812
Inspector General, Office of	205,403	0	205,403	244,850	253,279	263,561	269,419
Law, Department of	1,314	0	1,314	133	0	328	1,314
Lieutenant Governor, Office of the	218,612	0	218,612	190,437	195,060	200,701	200,701
Lottery, Division of	3,657	0	3,657	4,284	4,404	4,555	4,602
Public Employment Relations Board	1,733	0	1,733	5,359	5,446	5,569	5,927
Public Integrity, Commission on	24,477	0	24,477	22,537	23,436	24,381	24,677
Racing and Wagering Board, State	62,770	0	62,770	64,147	67,773	71,041	73,051
Real Property Services, Office of	3,850	0	3,850	3,407	3,520	3,652	3,652
Regulatory Reform, Governor's Office of	200,896	0	200,896	196,196	172,528	175,574	172,196
State, Department of	3,325	0	3,325	3,406	3,489	3,671	3,671
Tax Appeals, Division of	382,325	0	382,325	394,869	408,365	427,488	428,581
Taxation and Finance, Department of	21,468	0	21,468	72,362	155,680	214,785	194,869
Technology, Office for	1,093	0	1,093	0	0	0	(332)
Lobbying, Temporary State Commission on	15,429	0	15,429	18,636	17,787	17,831	17,421
Veterans Affairs, Division of	1,727,578	0	1,727,578	1,956,632	2,158,038	2,108,589	2,096,726
Functional Total							
	216,946	0	216,946	219,279	221,931	221,974	221,974
ALL OTHER CATEGORIES							
Legislature	2,266,864	0	2,266,864	2,483,149	2,623,260	2,840,137	2,986,256
Judiciary (excluding fringe benefits)	39,755	0	39,755	80,000	70,000	35,000	32,500
World Trade Center	917,495	0	917,495	1,229,875	1,405,395	1,484,724	1,484,164
Local Government Assistance	0	0	0	0	0	0	0
Long-Term Debt Service	0	0	0	0	0	0	0
Capital Projects	0	0	0	0	0	0	0
General State Charges	3,897,233	(1,456,729)	2,540,504	2,469,484	3,163,643	3,382,010	3,705,218
Miscellaneous	4,038,780	0	4,038,780	2,833,184	3,477,878	4,151,808	4,375,197
Functional Total	11,477,073	(1,456,729)	10,020,344	9,314,971	10,962,107	12,115,653	12,815,309
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	116,056,407	0	116,056,407	121,304,026	130,950,226	138,612,796	145,318,197

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

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

Source: NYS DOB

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

	<u>Enacted</u>	<u>Change</u>	<u>First Quarter</u>
Revenues:			
Taxes:			
Personal income tax	23,426	(1,525)	21,901
User taxes and fees	8,936	(245)	8,691
Business taxes	6,534	(389)	6,145
Other taxes	1,272	12	1,284
Miscellaneous revenues	4,757	(114)	4,643
Federal grants	41	0	41
Total revenues	<u>44,966</u>	<u>(2,261)</u>	<u>42,705</u>
Expenditures:			
Grants to local governments	40,419	95	40,514
State operations	12,405	(808)	11,597
General State charges	3,848	222	4,070
Debt service	0	0	0
Capital projects	1	0	1
Total expenditures	<u>56,673</u>	<u>(491)</u>	<u>56,182</u>
Other financing sources (uses):			
Transfers from other funds	15,602	51	15,653
Transfers to other funds	(5,968)	(377)	(6,345)
Proceeds from financing arrangements/ advance refundings	0	(26)	0
Net other financing sources (uses)	<u>10,027</u>	<u>(352)</u>	<u>9,675</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(1,680)</u>	<u>(2,122)</u>	<u>(3,802)</u>
Accumulated Surplus/(Deficit)	<u>2,271</u>		<u>149</u>

Source: NYS DOB

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

	<u>2008-2009</u> <u>First Quarter</u>	<u>2009-2010</u> <u>Projected</u>	<u>2010-2011</u> <u>Projected</u>	<u>2011-2012</u> <u>Projected</u>
Revenues:				
Taxes:				
Personal income tax	21,901	24,563	24,923	27,096
User taxes and fees	8,691	9,154	9,452	9,808
Business taxes	6,145	6,583	6,634	6,739
Other taxes	1,284	1,383	1,471	1,550
Miscellaneous revenues	4,643	4,913	4,964	4,804
Federal grants	41	0	0	0
Total revenues	<u>42,705</u>	<u>46,596</u>	<u>47,444</u>	<u>49,997</u>
Expenditures:				
Grants to local governments	40,514	45,250	49,127	52,137
State operations	11,597	12,280	14,483	14,962
General State charges	4,070	4,268	2,765	3,183
Debt service	0	0	0	0
Capital projects	1	0	0	0
Total expenditures	<u>56,182</u>	<u>61,798</u>	<u>66,375</u>	<u>70,282</u>
Other financing sources (uses):				
Transfers from other funds	15,653	15,388	15,923	16,569
Transfers to other funds	(6,345)	(6,408)	(7,073)	(7,591)
Proceeds from financing arrangements/ advance refundings	367	355	360	359
Net other financing sources (uses)	<u>9,675</u>	<u>9,335</u>	<u>9,210</u>	<u>9,337</u>
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	<u>(3,802)</u>	<u>(5,867)</u>	<u>(9,721)</u>	<u>(10,948)</u>

Source: NYS DOB