

# **Update to Annual Information Statement (AIS)**

## **State of New York**

*January 28, 2009*

This quarterly update (the “AIS Update”) is the third quarterly update to the Annual Information Statement of the State of New York, dated May 12, 2008 (the “AIS”) and contains information only through January 28, 2009. This AIS Update should be read in its entirety, together with the AIS and the first and second quarterly updates to the AIS dated August 6, 2008 (the “First Quarterly Update”) and October 28, 2008 (the “Second Quarterly Update”) and the Supplement to the Second Quarterly Update released on December 23, 2008 which was based on the 2009-10 Executive Budget proposal. This AIS Update is based on the Supplement to the Second Quarterly Update and contains updates thereto based on the 2009-10 Executive Budget 30-day amendment process. Summary tables on pages 50-53 compare Financial Plan changes between the Executive Budget Financial Plan and the updated Financial Plan provided in conjunction with the 30-day amendments (the “Amended Financial Plan”).

The Governor submitted the Executive Budget for 2009-10 (the “2009-10 Executive Budget”), on December 16, 2008, one month earlier than mandated by law. The 2009-10 Executive Budget Financial Plan (the “Executive Budget Financial Plan”) included (1) a proposed Deficit Reduction Plan (“DRP”) to eliminate a current-year budget gap estimated at \$1.7 billion, and (2) a complete plan of savings proposals and new resources to eliminate a budget gap of \$13.7 billion projected for the 2009-10 fiscal year. The budget gaps represent (a) the difference between the General Fund disbursements projected to be needed to maintain current service levels and specific commitments, and the projected level of resources to pay for them, plus (b) the projected operating deficit in HCRA.

On January 15, 2009, the Governor submitted amendments to the Executive Budget, as authorized by the State Constitution. In conjunction with the amendments, the Division of the Budget issued the Amended Financial Plan, reflecting minor revisions to the operating projections set forth in the Executive Budget Financial Plan based on updated economic data, operating results through December 2008, the programmatic and technical amendments submitted by the Governor, and other information.

In the Amended Financial Plan, DOB revised the estimate for General Fund receipts upward by \$115 million in the current year, mainly reflecting the impact of certain litigation settlements reached by the State Attorney General. This reduced the estimated imbalance in the current year that must be closed by the DRP from \$1.7 billion to \$1.6 billion. In 2009-10 and beyond, DOB reduced projected General Fund tax receipts by \$200 million annually, based in large part on updated economic information for December 2008. This estimated decline in tax receipts was partially offset by other forecast revisions, leaving a potential imbalance of \$128 million in 2009-10 compared to the Executive Budget Financial Plan. To eliminate the budget imbalance in 2009-10, and maintain a balanced budget proposal, the Amended Financial Plan reflected adjustments that (a) deferred, until 2009-10, savings actions of \$100 million that were originally included in the DRP for 2008-09 but are no longer expected to be needed and (b) new savings actions of \$28 million. In addition to the changes described above, the Governor introduced several programmatic and technical amendments to the Executive Budget that have a minimal fiscal impact. The Amended Financial Plan projections assume that the Legislature will enact the Executive Budget, as amended on January 15, in its entirety.

The Executive Budget, as amended by the Governor, is structured to permit the Legislature to enact the DRP in advance of the budget for 2009-10. The Legislature convened for its new session on January 7, 2009. The Amended Financial Plan assumes the Legislature will take action on the DRP proposals by February 1,

2009 and on the Executive Budget proposals by March 1, 2009. Negotiations on the DRP have been held between the Executive and the Legislature. DOB believes that the level of Financial Plan savings that could be achieved would not be materially affected if the DRP were enacted later in the current fiscal year, and expects that any items not addressed as part of the DRP will be considered as part of the overall negotiations on the 2009-10 Budget.

As in any year, there can be no assurance that the Legislature will act on the assumed timetable, that it will adopt the DRP as proposed, or that it will not make material revisions to the 2009-10 Executive Budget, as amended and proposed.

In this AIS Update, readers will find:

1. Extracts from the Governor's Executive Budget Financial Plan for 2009-10 presented to the Legislature on December 16, 2008, updated to reflect the revisions captured in the Amended Financial Plan. The Amended Financial Plan includes:
  - (a) estimates for the State's current fiscal year (2008-09) and detailed projections for fiscal years 2009-10 through 2012-13, which reflect the 2009-10 Executive Budget recommendations (including the Amended Financial Plan);
  - (b) a summary of the recent events and changes to the Financial Plan made since the Second Quarterly Update;
  - (c) an updated economic forecast;
  - (d) operating results for the first nine months of fiscal year 2008-09;
  - (e) the Generally Accepted Accounting Principles ("GAAP")-basis Financial Plan projections for 2008-09 and 2009-10; and

The Executive Budget Financial Plan, the Amended Financial Plan, the proposed Capital Program and Financing Plan, and related budgetary information are available on the DOB website, [www.budget.state.ny.us](http://www.budget.state.ny.us).

2. A discussion of special considerations related to the Amended Financial Plan.
3. Updated information regarding the State Retirement Systems.
4. The current 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 Executive Budget Financial Plan and the Amended 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, as updated or supplemented. Investors and other market participants should, however, refer to the AIS, as 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, an internet-based disclosure filing system, approved by the Securities and Exchange Commission and established by the Municipal Advisory Council of Texas to facilitate the transmission of disclosure-related information to the NRMSIRs. An official copy of this AIS Update may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-8282 or from any NRMSIR.

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## Amended Financial Plan

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*Note:* DOB issued the 2009-10 Executive Budget Financial Plan on December 16, 2008 and the Amended Financial Plan on January 15, 2009. The extracts set forth below are from the Executive Budget Financial Plan, as updated to reflect the Governor's amendments and revised projections of January 15, 2009 (the "Executive Budget"). The Financial Plans include estimates and proposals for 2008-09 and 2009-10, and projections for 2010-11 through 2012-13. As such, they contain 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 Amended Financial Plan.

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

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

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

Please see the Glossary of Acronyms on Pages 46-49 of this AIS Update for the definitions of acronyms, defined terms and abbreviations that are used in this AIS Update.

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## Amended Financial Plan

The outlook for State finances has continued to weaken since the budget for the current fiscal year was enacted in April 2008. In the First Quarterly Update to the AIS, DOB significantly lowered its projections for tax receipts to reflect the worsening outlook for the national and State economies, and the anticipated impact on tax collections.<sup>1</sup> A potential gap was identified for the current fiscal year (2008-09), which DOB expected to eliminate through a 7 percent reduction in State agency operations. At the time, DOB warned that the State's fiscal outlook could worsen further, noting "the nation's economic troubles are severe and widespread [and] important financial institutions face a crisis of confidence among investors and the general public."

In September and October 2008, a series of unprecedented financial sector shocks transformed the economic downturn that began in late 2007 into a global financial crisis. In New York, the crisis was expected to have grave consequences for the State's financial services sector, one of the principal sources of State tax receipts. In the Second Quarterly AIS Update, after evaluating the still-unfolding crisis, DOB reduced the General Fund receipts forecast by nearly \$1.7 billion for the current year and by over \$5.8 billion for 2009-10.<sup>2</sup> In addition, market conditions were expected to disrupt plans to convert GHI/HIP to a for-profit company and to sell certain surplus properties, reducing expected resources by an additional \$384 million in the current year. As a result of these and other revisions, a combined General Fund and HCRA budget gap of \$1.5 billion was projected for the current year, growing to \$12.5 billion in 2009-10. The combined General Fund and HCRA four-year gap totaled \$47 billion, an increase of \$21 billion from the First Quarterly Update to the AIS.<sup>3</sup> At the Governor's request, the Legislature convened a special session on November 18, 2008 to consider options to close the current-year gap, but ultimately took no action.

### Economic Discussion

#### *U.S. Forecast Discussion*

Since the end of October 2008, evidence has mounted that the U.S. recession that began in December 2007 has deepened and the advance toward global recession has accelerated. The deleveraging process in the housing and credit markets has destroyed trillions of dollars of wealth, resulting in what may become the most severe economic contraction since the early 1980s and possibly the Great Depression. In spite of a massive government effort to restore the domestic banking system, and similar efforts around the world, the global economy's downward momentum continues unabated.

Real U.S. GDP is projected to decline for four consecutive quarters starting with the third quarter of calendar year 2008. For estimating purposes, it is assumed that a stimulus package will be approved at the Federal level at \$800 billion for two years. DOB projects the U.S. economy to contract by 1.4 percent in 2009, following growth of 1.2 percent in 2008.

The housing market has still failed to find a bottom, with housing starts falling to unprecedented post-war lows and home prices continuing to fall. Declining employment and wealth, combined with unfavorable credit market conditions, continue to put downward pressure on household spending. On the positive side, the recent decline in energy prices has increased the purchasing power of household incomes, while at the same time reducing inflation expectations and increasing the Federal Reserve's policy options. But this favorable trend is expected only to cushion the impact of a falling labor market and a slow-recovering financial system. Consequently, real consumption is projected to decline.

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<sup>1</sup> Issued on August 6, 2008

<sup>2</sup> Issued October 28, 2008

<sup>3</sup> Covering fiscal years 2008-09 through 2011-12

With the accelerated loss of jobs projected for 2009, wage growth is also expected to fall. DOB projects that wages will actually fall in both the fourth quarter of 2008 and the first quarter of 2009, owing in part to weak bonus performance anticipated nationwide for these quarters. The substantial decline in wage growth is expected to reduce personal income growth from 3.8 percent in 2008 to 1.8 percent in 2009. DOB projects inflation as measured by growth in the Consumer Price Index of 0.1 percent for 2009, following 3.9 percent for 2008.

### *New York Forecast Discussion*

With the financial markets at the center of the economic downturn, the New York State economy stands to be hit hard by the current recession. Financial industry consolidation is likely to have grave implications for financial sector employment, particularly in New York City. Layoffs from the State's financial services sector are now expected to total approximately 60,000 as strained financial institutions seek to cut costs and newly merged banks seek to reduce duplication of services. These projected losses are approximately double those that occurred in the wake of September 11<sup>th</sup>.

But the current downturn in the State economy is expected to extend far beyond Wall Street. A broad-based State recession is now projected to result in private sector job losses of about 180,000, with declines anticipated for all major industrial sectors except for health and education. The loss of manufacturing jobs is expected to accelerate going forward, particularly in auto-related industries. The State's real estate market will continue to weaken in 2009, with office vacancy rates expected to rise due to falling employment, tight credit market conditions, and completed construction coming online. In addition, a weak global economy and strong dollar are expected to negatively affect the State's export-related and tourism industries. State employment is now expected to fall 1.9 percent for 2009, with private sector jobs projected to fall 2.2 percent, following growth of 0.3 percent for both total and private employment for 2008. DOB projects a decline in total State wages of 4.1 percent for 2009, largely driven by a decline of 48 percent in bonus payments of the finance and insurance industry, following an estimated increase of 1.1 percent for 2008. Declines in both the wage and non-wage components of income will result in a decline in total personal income of 1.6 percent for 2009, following 2.3 percent growth for 2008.

### **Financial Plan Revisions Reflect the Weakening Economic Outlook**

In DOB's view, the updated economic information that has become available since the Second Quarterly AIS Update, the continuing instability in the financial markets, and the uneven response to Federal government efforts to restore confidence combine to provide compelling evidence for further reducing the General Fund receipts forecast over the plan period. The impact of the recession on tax collections is expected to begin to register in the high-tax collection months that remain in the current fiscal year. DOB has lowered the estimate of General Fund tax receipts (excluding deposits to the STAR fund) by \$492 million in the current year and \$1.8 billion in 2009-10.<sup>4</sup> The reductions are in addition to the substantial downward revisions reflected in the Second Quarterly AIS Update.

In comparison to the Second Quarterly AIS Update, General Fund PIT receipts (excluding STAR), have been reduced by \$253 million in 2008-09 and \$1.27 billion in 2009-10. In 2008-09, the revisions reflect an expected decrease in estimated tax payments and withholding, offset in part by an expected increase in final returns. In 2009-10, the revisions reflect falling wage growth and lower withholding and estimated tax payments, consistent with the updated economic forecast. Lower expected spending in the STAR program, based on rebate requests and other indicators, offsets these downward revisions in PIT receipts. General Fund user taxes and fees have been lowered by \$143 million in the current year, reflecting slower than expected growth in the sales tax base. Business tax estimates have been reduced by \$87 million in 2009-10, which is consistent with the economic outlook. Real estate transfer tax receipts have been lowered by \$50 million in

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<sup>4</sup> The STAR program is financed by a deposit of PIT receipts from the General Fund to a special revenue fund.

2008-09 and \$210 million in 2009-10, consistent with the expected weakness in the real estate and credit markets. The estate tax estimate has been lowered by \$56 million in 2008-09 and \$127 million in 2009-10, reflecting market conditions. DOB has also lowered its multi-year VLT forecast. Although a new facility at Aqueduct Racetrack is expected to begin operations in October 2010, plans for a temporary facility that would open earlier have not materialized.

The downward revisions to tax and VLT receipts are offset in part by lower expected costs in several areas, as compared to the forecast in the Second Quarterly AIS Update. These include: school aid, as a result of the November 2008 database update; the Judiciary, based on a review of operating results; and in other programs and agencies. In addition, DOB has revised downward its estimate concerning the cost of certain legislation enacted during the 2008 regular legislative session. DOB believes that pressure on entitlement spending is likely to build and may add additional costs over the plan period.

### Fiscal Situation

In fiscal year 2008-09, the net impact of the revisions leaves a budget gap of \$1.6 billion, an increase of \$117 million from the Second Quarterly AIS Update. In 2009-10, the result is a budget gap of \$13.8 billion, an increase of \$1.3 billion from the Second Quarterly AIS Update. The table below summarizes the impact of the revisions to operating projections.

<b>SUMMARY OF CHANGES TO GENERAL FUND/H CRA CURRENT SERVICES FORECAST</b>					
<b>SAVINGS/(COSTS)</b>					
<b>(millions of dollars)</b>					
	<u>2008-09*</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13**</u>
<b>Mid-Year Current Services Surplus/(Gap)</b>	<b>(1,475)</b>	<b>(12,518)</b>	<b>(15,752)</b>	<b>(17,234)</b>	
<i>Four-Year Total Gap (2008-09 through 2011-12)</i>				<i>(46,979)</i>	
<b>Revisions</b>	<b>(232)</b>	<b>(1,160)</b>	<b>(1,356)</b>	<b>(1,321)</b>	
Tax Revenue	(492)	(1,618)	(1,700)	(1,796)	
VLT Operations	0	(96)	(148)	(149)	
STAR	159	300	378	406	
School Aid November Database Update	0	213	142	214	
All Other	101	41	(28)	4	
<b>Executive Budget Current Services Surplus/(Gap) Estimate</b>	<b>(1,707)</b>	<b>(13,678)</b>	<b>(17,108)</b>	<b>(18,555)</b>	<b>(19,627)</b>
<i>Four-Year Total Gap (2008-09 through 2011-12)</i>				<i>(51,048)</i>	
30-Day Amendment Forecast Revisions	115	(128)	(165)	(164)	(164)
<b>Revised Current Services Surplus/(Gap) Estimate</b>	<b>(1,592)</b>	<b>(13,806)</b>	<b>(17,273)</b>	<b>(18,719)</b>	<b>(19,791)</b>
<i>Change in Current Services Surplus/(Gap) Estimate since Mid-Year</i>	<i>(117)</i>	<i>(1,288)</i>	<i>(1,521)</i>	<i>(1,485)</i>	<i>N/A</i>
<i>Four-Year Total Gap (2008-09 through 2011-12)</i>				<i>(51,390)</i>	

\* 2008-09 estimate, before reflecting impact of proposed Deficit Reduction Plan.

\*\* The 2012-13 gap estimates are published for the first time in the 2009-10 Executive Budget.

The combined four-year gap (excluding fiscal year 2012-13, which is included for the first time in the 2009-10 Executive Budget) totals \$51 billion before recommendations, up by more than \$4 billion compared to the Second Quarterly AIS Update.<sup>5</sup> The gap for 2009-10 is the largest ever faced by the State as measured in absolute dollars, and is roughly equivalent to the magnitude of the gap that needed to be closed in 2003-04 as a percentage of the total General Fund.

Since the Executive Budget was presented on December 16, 2008, DOB has revised the estimate for General Fund receipts upward by \$115 million, mainly reflecting the impact of certain litigation settlements

<sup>5</sup> The estimates beyond 2009-10 are meant to provide only a general perspective on the State's long-term operating forecast, and will be revised with each quarterly update.

reached by the State Attorney General. In 2009-10 and beyond, DOB has reduced projected General Fund tax receipts by \$200 million, based in large part on updated economic information for December 2008. The decline in tax receipts is partially offset by other forecast revisions, leaving a potential imbalance of \$128 million compared to the Executive Budget Financial Plan.

## Overview of Governor’s 2009-10 Executive Budget Recommendations

The Executive Budget would make significant progress in bringing State finances into structural balance. The gap-closing plan proposes \$15.4 billion in savings and new resources to balance the budgets in the 2008-09 and 2009-10 fiscal years.<sup>6</sup> The recommendations would, if approved by the Legislature in their entirety, fully balance the General Fund and HCRA in the current year and 2009-10, and leave a General Fund gap of \$2.0 billion in 2010-11. The combined four-year gap (2008-09 through 2011-12) would be reduced from \$51 billion to \$6.2 billion, a decrease of \$44.9 billion (88 percent). The Executive Budget gap-closing plan for 2009-10 is summarized in the following table.

COMBINED GENERAL FUND AND HCRA BUDGET-BALANCING PLAN: 2009-10 EXECUTIVE BUDGET (millions of dollars)						
	2008-09	2009-10	Shares of Plan	2010-11	2011-12	2012-13
<b>Revised Current Services Gaps</b>	<b>(1,592)</b>	<b>(13,806)</b>		<b>(17,273)</b>	<b>(18,719)</b>	<b>(19,791)</b>
<b>Spending Restraint:</b>	350	9,150	67%	11,166	11,416	11,142
Savings Actions	212	7,286	54%	9,006	9,194	8,852
School Tax Relief Program	93	1,668	12%	2,160	2,222	2,290
Elimination of Member Item Funding	45	196	1%	0	0	0
Revenue Actions	112	3,076	23%	3,630	3,503	3,024
Non-recurring Actions	1,157	1,137	8%	361	(434)	(34)
HCRA Revisions	88	315	2%	117	25	(14)
<b>Revised Executive Budget Gaps</b>	<b>115</b>	<b>(128)</b>		<b>(1,999)</b>	<b>(4,209)</b>	<b>(5,673)</b>
30-Day Amendments	(115)	128		14	14	12
<b>30-Day Amendment Executive Budget Gaps*</b>	<b>0</b>	<b>0</b>		<b>(1,985)</b>	<b>(4,195)</b>	<b>(5,661)</b>

\*Assumes enactment of Deficit Reduction Plan (DRP) in current year at levels proposed.

The Executive Budget holds 2009-10 spending flat in the General Fund and below inflation for nearly all budget measures. The State’s rainy day reserves would remain intact at \$1.2 billion, equal to approximately 2.2 percent of expected spending. Non-recurring resources would total just over \$1.1 billion in 2009-10, or approximately 8 percent of the total gap-closing plan. The number of State employees is expected to decline by approximately 3,100 in 2009-10, the first annual reduction in headcount since 2004.<sup>7</sup> The gap-closing plan is balanced with actions that are under the State’s control to enact and implement. It does not rely on the prospect of extraordinary Federal aid, which at this point remains speculative.

To address the two-year budget imbalance, the Executive Budget is presented as two distinct plans: (1) a Deficit Reduction Plan (DRP) to eliminate the current-year budget gap, and (2) a complete plan of savings

<sup>6</sup> The gap-closing plan refers to actions proposed to eliminate the combined General Fund and HCRA budget gaps. The gaps represent (a) the difference between the General Fund disbursements expected to be needed to maintain current service levels and specific commitments, and the expected level of resources to pay for them, plus (b) the operating deficit projected in HCRA.

<sup>7</sup> Employees measured as full-time equivalents.

proposals and new resources to balance the 2009-10 fiscal year. The Executive Budget is structured to permit the Legislature to enact the DRP in advance of the budget for 2009-10.

The Legislature convened for its new session on January 7, 2009. The Amended Financial Plan assumes the Legislature will take action on the DRP proposals by February 1, 2009 and on the Executive Budget proposals by March 1, 2009. Negotiations on the DRP have been held between the Executive and the Legislature. DOB believes that the level of Financial Plan savings that could be achieved would not be materially affected if the DRP were enacted later in the current fiscal year, and expects that any items not addressed as part of the DRP will be considered as part of the overall negotiations on the 2009-10 Budget.

To eliminate the entire current-year gap, the DRP for 2008-09 must achieve \$1.6 billion in savings by March 31, 2009. The types of DRP actions that can be implemented in the final quarter of the fiscal year are limited by the time period and, therefore, were developed under separate guidelines from the Executive Budget for 2009-10. Accordingly, the discussion that follows concerns the 2009-10 Executive Budget recommendations. The DRP is discussed separately in the section herein entitled “2008-09 Deficit Reduction Plan”.

### **2009-10 Executive Budget Actions**

The 2009-10 gap-closing actions can be grouped into three general categories: (1) actions that reduce current services spending in the General Fund on a recurring basis (“Spending Restraint”); (2) actions that increase revenues on a recurring basis (“Revenue Actions”); and (3) transactions that increase revenues or lower spending in 2009-10, but that are not expected to recur (“Non-Recurring Resources”). The section below provides details on the actions under each category that are recommended for 2009-10.

#### *Spending Restraint*

The fallout from the global financial crisis has caused a dramatic decline in projected State receipts, driving the extraordinary increases in the State’s budget gaps over the past two quarters. But the sustained growth in spending commitments during the last economic recovery has also contributed substantially to the State’s long-term structural deficit. Since 2004, nearly all of the State’s major aid programs and activities, including school aid, health care, and STAR, have grown faster than personal income and inflation. Left unaddressed, State spending in the General Fund next fiscal year would grow in the range of 12 percent, far greater than the rate of inflation<sup>8</sup> and more than twice the 5.3 percent long-term growth rate for State personal income. Growth rates in this range are not sustainable, based on either historical receipts patterns or current projections, especially in light of the extraordinary uncertainties in the economic outlook. It is important to note, however, that the high level and wide impact of proposed spending actions is a direct (and, in DOB’s view, necessary) response to the severity of the budget gaps. It is expected that once the immediate fiscal demands have been resolved and the long-term operating outlook improves, the State may again be in a position to increase funding for high-priority programs, albeit at more sustainable levels.

Accordingly, the Executive Budget gap-closing plan for 2009-10 focuses foremost on actions that substantially reduce the growth in State spending on a recurring basis. Actions to restrain spending account for approximately two-thirds of the gap-closing plan and will affect most activities funded by the State. The following table summarizes the recurring spending actions in the General Fund by major function or activity.

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<sup>8</sup> Projected at 0.5 percent in 2009-10.

<b>COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2009-10 - SPENDING RESTRAINT</b>				
<b>(millions of dollars)</b>				
	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
<b>Spending Restraint</b>	<b>9,150</b>	<b>11,166</b>	<b>11,416</b>	<b>11,142</b>
Medicaid/HCRA	2,626	2,506	2,624	2,678
School Aid/Lottery Aid	1,872	3,259	3,387	3,144
School Tax Relief Program	1,668	2,160	2,222	2,290
Local Government Aid	432	504	500	493
Mental Hygiene	423	451	450	416
Human Services/Labor/Housing	385	425	398	290
Higher Education	338	415	390	365
Other Education Aid	246	272	275	286
Public Safety	191	247	223	231
Transportation	177	305	381	444
Economic Development/Gaming/Regulatory	112	108	108	108
Health/Aging	106	288	287	287
State Workforce Wages	281	161	161	161
General State Charges (Fringe Benefits)	85	131	170	213
Convert Capital to PAYGO	0	(100)	(200)	(300)
Repeal Planned Member Item Deposits	196	0	0	0
All Other	12	34	40	36

The most significant actions recommended in the Executive Budget that reduce General Fund spending from the current services forecast include the following:

- Medicaid/HCRA (\$2.6 billion) through cost-containment measures, including rate reductions, restructuring the base on which rates are calculated, re-establishing certain industry assessments, and financing a greater share of Medicaid spending through HCRA. In addition, the Executive Budget recommends savings actions to fully eliminate the HCRA operating deficit;
- School Aid (\$1.9 billion on a State fiscal year basis) by maintaining selected aids at 2008-09 school year levels, extending the phase-in of Foundation Aid and the UPK program, instituting a Deficit Reduction Assessment, and authorizing certain changes to the lottery program that would increase projected resources available to education;
- STAR (\$1.7 billion) by eliminating the Middle-class STAR program, reducing the PIT credit for New York City taxpayers, and adjusting the “hold harmless” floor;
- Local government aid (\$432 million) by eliminating AIM payments to New York City, holding aid flat for other municipalities, reducing VLT aid, and other measures;
- Mental hygiene (\$423 million) by eliminating a cost-of-living increase for providers, instituting programmatic reforms to: align reimbursement with actual costs; to close, consolidate, and restructure facility operations which reduce the planned workforce by 865 positions; to maximize available Federal aid; and other measures;
- Human Services (\$385 million) by reducing the State supplement for SSI recipients living in community settings, increasing the level of Federal funding that local districts are required to spend on child welfare services, eliminating the human services COLA, discontinuing reimbursement for non-mandated, community-based preventive services funding, creating a block grant for youth programs funding, closing or downsizing underutilized facilities, and other measures;

- Higher education (\$338 million) by tuition increases at public universities approved by the SUNY and CUNY Boards of Trustees, reducing aid to community colleges, and other measures;
- Other Education Aid (\$246 million) by requiring school districts to assume a share of financial responsibility for pre-school special education (\$143 million); eliminating certain attendance requirements at non-public schools; reducing library aid; and other measures;
- Public Safety (\$191 million) by closing four prison camps and various annexes in correctional facilities; delaying expansion of mental health programs under the SHU Exclusion bill; improving parolee release and violation processes; eliminating farm operations at correctional facilities; reducing programs for inmates; and other operational changes;
- Transportation (\$177 million) by reducing the subsidies to the DHBTF (which is made possible by an increase in certain fees) and transit systems, and lowering spending on DOT operations consistent with overall reduction in planned capital activities;
- Economic development, regulatory activities, and gaming (\$112 million) by eliminating duplicative services and achieving staffing efficiencies through consolidations of existing agencies, reducing funding for the Centers for Advanced Technology program and “I Love New York” tourism marketing program, and financing, through industry assessments, assistance for small businesses in paying for the costs of Timothy’s Law (mental health) coverage;
- Health and aging (\$106 million) by discontinuing reimbursement for optional services in the General Public Health Works program, financing a portion of EI costs through insurance industry assessments, eliminating a planned Human Services COLA in 2009-10, and other targeted reductions; and
- Member item funding (\$196 million) by eliminating all planned deposits into the fund that finances discretionary payments.

The Executive Budget also recommends a number of actions to reduce the costs of the State government workforce through wage, health benefit, and pension changes. To achieve immediate savings, the Executive Budget recommends elimination of the general salary increases scheduled in 2009-10 and the deferral of five days of salary in 2009-10 that would be payable upon separation from State service, or when fiscal conditions permit. It also advances proposals that would require current and retired employees to contribute toward Medicare Part B premiums and would adjust the State’s contribution for future retirees’ health insurance on a sliding scale basis that takes years of service into account. To reduce the State’s long-term pension costs, the Budget proposes the creation of a new tier of pension benefits (“Tier 5”). This proposal includes, among other changes, raising the minimum retirement age from 55 to 62 and requiring all newly hired employees to contribute 3 percent annually to the pension system during all years of service. The Executive Branch workforce is expected to total 196,292 FTEs in 2009-10, a reduction of approximately 3,100 from the estimated total for 2008-09. The decline mainly reflects the impact of recommended closures of certain State correctional and youth facilities, agency consolidations, and the continuation of the statewide hiring freeze.

The Executive Budget proposes financing a larger share of economic development projects with ongoing resources rather than with long-term debt, starting in fiscal year 2010-11. By converting from debt financing, the State will increase capacity under its statutory debt cap and realize debt service savings in

future years. The determination to allocate the “pay-as-you-go resources” to economic development takes into account that projects in this area typically have above-average financing costs.

The Executive Budget includes new initiatives in 2009-10, the costs of which are counted against the savings actions presented in the Amended Financial Plan. The most significant include additional funding for HEAL-NY and other health priorities; quality incentive pools for nursing homes and home care agencies; an increase in the basic public assistance grant of 10 percent annually over the next three years; and a new grant and loan program to be funded with savings from reforms to the existing Empire Zone program.

*Revenue Actions*

Balancing the budget exclusively through spending reductions in 2009-10 would require an extraordinary retrenchment in State services. Absent any actions to raise revenues, General Fund spending would have to be reduced by over \$13 billion from the level required to meet existing commitments – and by over \$6 billion, or 11 percent, from the current year – to achieve a balanced budget in 2009-10. Spending reductions of this magnitude in a recession could threaten to slow a future recovery, as well as raise potential health and public safety concerns.

Accordingly, the Executive Budget includes a package of tax increases and other revenue enhancements to help close the budget gap. The table below summarizes the actions.

<b>COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2009-10 - REVENUE ACTIONS</b>				
<b>(millions of dollars)</b>				
	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
<b>Revenue Actions</b>	<b>3,076</b>	<b>3,630</b>	<b>3,503</b>	<b>3,024</b>
Increase 18-A Utility Assessment	652	652	652	273
Eliminate Sales Tax Exemption on Clothing Under \$110	462	660	660	660
Reform Empire Zones Program (net of successor program)	247	264	266	274
Enhanced "Bottle Bill"/EPF Financing	207	207	207	207
Limit Itemized Deductions for High Income Taxpayers	140	200	150	150
Impose Cable/Satellite Television Sales Tax	136	180	180	180
Limit Capital Improvement Exemption	120	160	160	160
Permit Sale of Wine in Grocery Stores	105	54	3	3
Repeal Motor Fuel Sales Tax Cap	90	120	120	120
Enhance Revenue Audit/Compliance Activities	85	85	85	85
Impose Personal Care Service Tax	78	104	104	104
Increase Beer/Wine Tax	63	63	63	63
Restructure Insurance Rates	62	50	50	50
Impose Tax on Hedge Fund Management Fees	60	60	60	60
Impose Sales Tax on Entertainment-related Activities	53	70	70	70
Install Work-Zone Cameras for Auto. Speed Enforcement	50	100	100	100
Impose Fee on Non-LLC Partnerships	50	50	50	50
Impose Sales Tax on Transportation-related Activities	45	60	60	60
All Other Revenue Actions	371	491	463	355

The largest actions include: increasing the gross receipts assessment on utilities from 1 percent to 2 percent; eliminating the sales tax exemption on clothing priced under \$110 and replacing it with time-limited exemption periods on clothing priced under \$500; broadening the State’s sales tax base to cover certain services (i.e., cable/satellite television, entertainment-related and transportation-related activities); reforming the existing Empire Zone program to link benefits to performance; expanding the “bottle bill” to cover additional types of containers and directing unclaimed deposits to the EPF, which would allow real estate transfer tax revenues currently deposited into EPF to flow to the General Fund; limiting certain types of itemized deductions by high-income taxpayers, but maintaining the exemption for charitable contributions; and permitting the sale of wine in grocery stores.

### Non-Recurring Resources

The Executive Budget relies on \$1.1 billion in non-recurring resources in 2009-10. Non-recurring resources total less than the annual growth in savings from recurring actions from 2009-10 to 2010-11, which increase in value by over \$2 billion. The practical effect is that non-recurring actions have no adverse impact on the 2010-11 gap because they are more than offset by the growth in savings. In fact, if the entire 2009-10 Executive Budget gap-closing plan consisted of recurring actions that did not grow in value (i.e., \$13.7 billion), the current-services gap remaining in 2010-11 would total approximately \$3.4 billion, instead of the \$1.8 billion projected.

The largest non-recurring actions consist of delaying, by two years, an extra Medicaid cycle that would otherwise occur at the end of 2009-10, increasing the business tax prepayment to 40 percent, transferring available resources from the Battery Park City Authority to the State and New York City, transferring of assets from NYPA, and bond-financing certain capital costs. In 2010-11, the Amended Financial Plan assumes a one-time franchise payment from a VLT operator that would be selected for the Belmont VLT facility that is proposed with the 2009-10 Executive Budget. The following table itemizes the non-recurring actions in the Executive Budget.

<b>COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2009-10 - NON-RECURRING RESOURCES</b>				
<b>(millions of dollars)</b>				
	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
<b>Non-Recurring Resources</b>	<b>1,137</b>	<b>361</b>	<b>(434)</b>	<b>(34)</b>
Delay extra MA Cycle (two years)	400	0	(400)	0
Increase Business Tax Prepayment to 40 Percent	333	0	0	0
Battery Park City Authority Resources (State Share)	270	0	0	0
NYPA Payments	170	0	(25)	(25)
Equipment Financing	104	(4)	(4)	(4)
School Aid Overpayment Recoveries	80	0	0	0
ESDC "Lock-Box" Sweep	60	0	0	0
EPF Sweep/Capital Bonding	50	0	0	0
Medicaid Reimbursement of Education Costs	20	0	0	0
Recoup Overpayments to NYC (General Public Health Works)	15	0	0	0
Increase Pre-Paid Sales Tax on Cigarettes	14	0	0	0
Recoup Overpayments to NYC (Early Intervention)	9	0	0	0
Continue TADA software bonding	3	0	0	0
Belmont Franchise Payment	0	370	0	0
Finance CUNY Payments with Jan-Mar '09 MA Savings	(429)	0	0	0
Fund Sweeps/Other	38	(5)	(5)	(5)

Consistent with the Second Quarterly AIS Update, the Amended Financial Plan assumes that \$145 million in existing reserves will be applied to finance labor settlements in 2009-10 with unions that have not yet reached agreements (assuming settlements are reached).

### 30-Day Amendments

To eliminate the budget imbalance, the Amended Financial Plan has been adjusted to (a) defer, until 2009-10, savings actions of \$100 million that were originally included in the DRP for 2008-09 but are no longer expected to be needed and (b) new savings actions of \$28 million. In addition to the changes described above, the Governor introduced several programmatic and technical amendments to the Executive Budget that have a minimal fiscal impact. The Amended Financial Plan projections assume that the Legislature will enact the Executive Budget, as amended, in its entirety.

## 2008-09 Deficit Reduction Plan

The DRP for 2008-09 is designed to achieve \$1.6 billion in savings by March 31, 2009, which when combined with additional revenues from Attorney General litigation settlements (\$125 million), will eliminate the current year deficit of \$1.7 billion. As noted above, the types of DRP actions that can be implemented by the end of the fiscal year are limited by the time period and therefore were developed under separate guidelines from the Executive Budget for 2009-10. The DRP consists of actions that require legislative approval and actions that DOB expects to take administratively. Actions requiring legislative approval total \$1.2 billion (77 percent of the \$1.6 billion total). The following table summarizes the specific actions.

<b>GENERAL FUND/HCRA OPERATING FORECAST FOR 2008-09</b>	
<b>DRP SUMMARY</b>	
<b>SAVINGS/(COSTS)</b>	
<b>(millions of dollars)</b>	
	<b>2008-09</b>
<b>Current Budget Surplus/(Gap) Estimate</b>	<b>(1,707)</b>
30-Day Revenue Forecast Revisions	115
<b>Current Budget Surplus/(Gap) Estimate after Revisions</b>	<b>(1,592)</b>
<b>Debt Reduction Plan Savings</b>	<b>1,592</b>
<b>Legislative Actions:</b>	<b>1,219</b>
Health Care Savings:	<u>500</u>
MA/HCRA Savings Attributable to Jan-Mar 2009	500
MA/HCRA Cash Savings Realized in 2009-10	(429)
CUNY Payment Deferral to Realize Current Year Savings	429
New York Power Authority Payments	306
Earned Administration Federal Funding	50
Attorney General Litigation Settlements	91
EPF Fund Sweeps/Capital Bonding	75
Higher Education (Tuition Increase/Reductions)	68
Repeal Planned Member Item Deposits	30
All Other	99
<b>Administrative Actions:</b>	<b>373</b>
Statewide Spending Controls	<u>100</u>
Existing Fund Balances	100
Timing of New York City STAR Payment	93
Manhattan District Attorney Balance	75
All Other	5
<b>General/HCRA Surplus/(Gap) Estimate After Actions</b>	<b><u><u>0</u></u></b>

In the case of health care savings, the DRP consists of cost containment measures that are applicable to the period from January 1, 2009 through March 31, 2009 (the fourth quarter of the 2008-09 fiscal year), but which will not generate actual cash savings until the first quarter of fiscal year 2009-10. The delay in savings is due to the lag between the assumed enactment of the proposals and their implementation. To realize the benefit of the savings from these cost containment measures in 2008-09, it is expected that payments to New York City related to the City University that are due in the first quarter of 2009-10 but that were budgeted in the current fiscal year will be made on their statutory due dates, not ahead of schedule.

Other legislative actions include: the transfer of assets from the Power Authority to the State under the terms of a memorandum of understanding negotiated between the Authority and the Executive; the transfer of earned Federal money related to reimbursement for the administration of child support enforcement activities; a reduction in spending for the EPF and a related transfer of excess balances; approval by the SUNY Board of Trustees of a tuition increase for SUNY; a reduction in community college base aid; elimination of a planned cash transfer to the Community Projects Fund; an across-the-board reduction to legislative initiatives authorized in the 2008-09 enacted budget; and a number of other actions to reduce planned spending.

Administrative actions include strict enforcement of the spending controls put in place in November 2008 over agency operational and capital spending, the use of existing fund balances that do not require prior legislative approval, an adjustment to the timing of the STAR payment to New York City (from December to June) on a permanent basis, and the elimination of a vacation “buy-back” program for management/confidential employees in State government.

Certain savings action originally included as part of the 2008-09 DRP have been deferred to 2009-10 to reflect the increase in expected resources in the current year and the downward revision to receipts in 2009-10. These actions include:

- **Earned Federal Administration Funding:** One half of the \$100 million in earned Federal money related to reimbursement for the administration of child support enforcement activities is now recommended for use in 2009-10.
- **Workers Compensation Board Surplus Recapture:** The use of recaptured funds is now planned for 2009-10 instead of 2008-09.
- **Member Items:** Reflects a revision to the amount of money that can be made available to the General Fund based on spending trends.

### **Projected Closing Balances**

DOB estimates the State will end 2008-09 with a General Fund balance of \$1.5 billion, consisting of \$1.2 billion in undesignated reserves and \$287 million in designated reserves. The projected closing balance is \$94 million lower than the balance projected at the time of the Second Quarterly Update to the AIS. This is due to the expected use of the Debt Reduction Reserve for debt service costs and elimination of a planned deposit to the Community Projects Fund.

The year-end balance in 2009-10 is expected to decline by \$272 million to a total of \$1.2 billion. This reflects the expected use of amounts reserved for labor settlements to finance a portion of new contracts that may be agreed to during the upcoming fiscal year. It also reflects the expected spend-down of existing balances in the Community Projects Fund to finance discretionary (“member item”) spending. The DRP and Executive Budget recommend elimination of all planned deposits (totaling \$226 million over two years) into the Community Projects Fund through 2009-10.

The closing balance estimates assume the successful implementation of the DRP and the enactment of the Executive Budget in its entirety.

<b>GENERAL FUND ESTIMATED CLOSING BALANCE</b>			
(millions of dollars)			
	<u>2008-09</u>	<u>2009-10</u>	<u>Change</u>
<b>Projected Year-End Fund Balance</b>	<b>1,514</b>	<b>1,242</b>	<b>(272)</b>
<i>Undesignated Reserves</i>	1,227	1,227	0
Tax Stabilization Reserve Fund	1,031	1,031	0
Rainy Day Reserve Fund	175	175	0
Contingency Reserve Fund	21	21	0
<i>Designated Reserves</i>	287	15	(272)
Reserved for Labor Settlements	145	0	(145)
Reserved for Debt Reduction	0	0	0
Community Projects Fund	142	15	(127)

### 2009-10 All Funds Receipts Forecast

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

### Overview of the Revenue Situation

- Base receipt growth over the period 2005-06 to 2007-08, supported by a strong financial services sector and real estate market, averaged over 9.5 percent. However, the current decline in economic activity is estimated to negatively impact receipt growth for 2008-09 and 2009-10. As a result, base tax receipts (correcting for law changes) are expected to fall 2.1 percent in 2008-09 and 2.9 percent in 2009-10.
- The negative impact of the sub-prime mortgage crisis and its aftermath on the State's economy in general and financial services industry in particular is expected to result in major declines in bonus payouts during the current fiscal year (down 46 percent from prior year) and reduced growth in business tax receipts over the remaining years of the Financial Plan.
- The volatile real estate and financial markets represent even greater risks to revenues due to the high concentration of taxable income among a relatively small segment of the taxpaying population.
- The decline in the residential housing market is projected to largely eliminate the surge in taxable capital gains realizations associated with real estate sales that characterized the last few years.
- The economy is expected to continue to decline, and as a result, 2009-10 growth in PIT withholding and sales tax collections will be weak absent the legislation included with this Budget.
- The combined impact of the declining real estate and financial markets and the deepening recession results in estimated declines in personal income tax liability of 8.9 percent in 2008, and 7.3 percent in 2009.

- The large audit settlements associated with financial service industry firms continued into 2008-09 but are expected to be largely concluded before 2009-10, and this loss of resources must be compensated for by other tax compliance actions included with this Budget.

All Funds receipts are projected to total \$120.1 billion, an increase of \$3.6 billion over 2008-09 projections. The table below summarizes the receipts projections for 2008-09 and 2009-10.

TOTAL RECEIPTS (millions of dollars)							
	2007-08 Actual	2008-09 Estimated	Annual \$ Change	Annual % Change	2009-10 Projected	Annual \$ Change	Annual % Change
<b>General Fund</b>	<b>53,096</b>	<b>54,136</b>	<b>1,040</b>	<b>2.0%</b>	<b>55,083</b>	<b>947</b>	<b>1.7%</b>
Taxes	38,395	38,603	208	0.5%	39,665	1,062	2.8%
Miscellaneous Receipts	2,460	3,124	664	27.0%	3,806	682	21.8%
Federal Grants	69	41	(28)	-40.6%	0	(41)	-100.0%
Transfers	12,172	12,368	196	1.6%	11,612	(756)	-6.1%
<b>State Funds</b>	<b>80,375</b>	<b>80,430</b>	<b>55</b>	<b>0.1%</b>	<b>84,119</b>	<b>3,689</b>	<b>4.6%</b>
Taxes	60,871	60,786	(85)	-0.1%	61,170	384	0.6%
Miscellaneous Receipts	19,435	19,602	167	0.9%	22,948	3,346	17.1%
Federal Grants	69	42	(27)	-39.1%	1	(41)	-97.6%
<b>All Funds</b>	<b>115,423</b>	<b>116,474</b>	<b>1,051</b>	<b>0.9%</b>	<b>120,061</b>	<b>3,587</b>	<b>3.1%</b>
Taxes	60,871	60,786	(85)	-0.1%	61,170	384	0.6%
Miscellaneous Receipts	19,643	19,710	67	0.3%	23,054	3,344	17.0%
Federal Grants	34,909	35,978	1,069	3.1%	35,837	(141)	-0.4%

Base growth in tax receipts is estimated to decline 2.1 percent adjusted for law changes for fiscal year 2008-09 and a further 2.9 percent for 2009-10. Overall base growth in tax receipts is dependent on many factors. Over the past several fiscal years the most important factors explaining tax receipt growth have been related to:

- Improvements in overall economic activity, especially in New York City and surrounding counties;
- Continued profitability and compensation gains of financial services companies;
- Continued growth in the downstate commercial real estate market; and
- Continued positive impact of high-income taxpayers on personal income tax growth.

Each of these factors is now expected to retard growth in 2008-09 and 2009-10.

### Proposed Law Changes

The 2009-10 Executive Budget includes changes to tax law that would:

- Reform certain components of our tax structure to ensure that tax burdens are fairly distributed, that our tax incentive programs are most efficiently utilized, and that taxpayers remit the proper amount of tax owed;
- Close unintended tax loopholes to improve the equity of the tax code; and

- Generate additional recurring revenues to help close the State's financial gaps in 2009-10 and beyond.

The tax policy changes proposed with this Budget are reported in summary below and in detail in the tax-by-tax write-ups contained in the separate "Economic and Revenue Outlook" report provided with the Executive Budget.

### *Personal Income Tax*

- Authorize UDC to award tax credits to qualifying research and development projects and qualifying grants made to certain research colleges and universities based on strategic economic development criteria.
- Amend the definition of "presence in New York" for determining the residency of taxpayers who are usually outside the country, by requiring that their spouses and children only be present in New York versus present at the taxpayers' PPA in New York for 90 days.
- Close a loophole by including the gain from the sale of partnership interests as NY-source income to nonresident taxpayers to the extent that these gains are from sales of real property located in New York.
- Enact a reciprocal program with the U.S. Treasury Department to intercept vendor payments to satisfy tax debts.
- Increase the itemized deduction limitation applicable to high income taxpayers from 50 percent to 100 percent, except charitable contributions would remain unchanged from current law.
- Impose tax on the full amount of hedge fund management fees earned by nonresidents.
- Levy fees on non-LLC partnerships with New York-source income at or above \$1 million at the same amounts currently applicable to LLC partnerships.
- Reform the Empire Zones program by ensuring that participants are providing a clear benefit to the State and disallowing certain static industries from prospective participation.
- Eliminate certain little-used and narrowly-targeted credits.

### *Business Taxes*

- Reform the Empire Zones program by ensuring that participants are providing a clear benefit to the State and disallowing certain static industries from prospective participation.
- Provide a new credit for qualifying research and development expenditures and donations to certain research colleges and universities, which would be administered by UDC and subject to an aggregate limitation amount.
- Expand the eligibility criteria for the Qualified Emerging Technology Company credit for Facilities, Operations and Training.
- Authorize the Commissioner of DHCR to allocate an additional \$4 million in State Low-Income Housing Tax Credits to developers of qualifying affordable housing projects in New York.
- Conform the definition of "manufacturer" under the capital base to the definition under the entire net income base.
- Change the mandatory first estimated tax payment for all business taxes from 30 percent to 40 percent.
- Eliminate a tax exemption intended for small, rural cooperative insurers for any large cooperatives receiving \$25 million or more in annual premiums.
- Clarify that captive insurance companies receiving less than 50 percent of their gross receipts from insurance premiums would no longer meet the definition of an insurance business and would file a combined return with their closest affiliated taxpayer.

- Restructure the insurance franchise tax to eliminate the complex calculation of tax imposed on life insurers, and equalize the rate on taxable premiums imposed on all types of insurance at 2 percent.
- Clarify current administrative practice for sourcing receipts from the sale of digital products for purposes of calculating the corporation franchise tax.
- Eliminate underutilized tax credits (automated external defibrillator, fuel cell, security guards, and QETC capital tax).

#### *Other Actions*

- Prohibit certain sales tax avoidance schemes.
- Impose an 18 percent sales tax on certain non-dietetic soft drinks.
- Impose sales tax on cable and satellite television radio services.
- Treat all discount coupons consistently for sales tax purposes.
- Replace the year-round sales tax exemption for clothing and footwear under \$110 with two one-week exemption periods with a \$500 threshold.
- Expand State and local sales tax base to cover miscellaneous personal services and credit reporting services now taxed in New York City.
- Increase the prepaid sales tax on cigarettes from 7 percent to 8 percent of the base retail price.
- Repeal the private label credit card provision.
- Modernize the definition of vendor to include an affiliate nexus provision.
- Impose sales tax on transportation related consumer spending.
- Impose sales tax on digital products.
- Impose sales tax on entertainment related consumer spending.
- Repeal the sales tax cap on fuel.
- Impose a 5 percent sales tax on certain luxury goods.
- Limit the capital improvement sales tax exemption.
- Increase beer and wine taxes.
- Allow the sale of wine in grocery stores.
- Modify the tax treatment of flavored malt beverages.
- Increase driver's license fees by 25 percent.
- Increase vehicle registration fees by 25 percent.
- Reissue license plates at a cost of \$25.
- Modify the tax treatment of cigars.
- Increase the cigarette and tobacco products retail dealer registration fee.
- Allow the Department of Taxation and Finance to issue decals to commercial carriers liable for the truck mileage tax.
- Increase the highway use tax renewal fee to \$15.
- Increase auto rental tax from 5 percent to 6 percent.
- Extend the pari-mutuel tax rates.
- Authorize a VLT facility at Belmont Park.
- Eliminate the hour restrictions and sunset of the VLT program.
- Eliminate the sunset of Quick Draw and remove the location and hours restrictions.

- Authorize the participation in more than one multi-jurisdictional lottery game.
- Authorize alternative investments of the lottery prize fund.
- Provide the Department of Taxation and Finance with statutory tools that would compliment additional staff provided in the Budget and result in a more comprehensive audit, compliance and tax enforcement program to ensure that taxpayers are remitting the taxes they owe.

**2009-10 Disbursements Forecast**

<b>TOTAL DISBURSEMENTS</b>				
<b>(millions of dollars)</b>				
	<b>2008-09</b>	<b>2009-10</b>	<b>After Proposed Changes</b>	
			<b>Annual \$</b>	<b>Annual %</b>
	<b>Revised</b>	<b>Proposed</b>	<b>Change</b>	<b>Change</b>
<b>State Operating Funds</b>	<b>79,433</b>	<b>79,817</b>	<b>384</b>	<b>0.5%</b>
General Fund *	49,665	49,441	(224)	-0.5%
Other State Funds	25,081	25,178	97	0.4%
Debt Service Funds	4,687	5,198	511	10.9%
<b>All Governmental Funds</b>	<b>119,763</b>	<b>121,066</b>	<b>1,303</b>	<b>1.1%</b>
State Operating Funds	79,433	79,817	384	0.5%
Capital Projects Funds	6,679	7,661	982	14.7%
Federal Operating Funds	33,651	33,588	(63)	-0.2%
<b>General Fund, including Transfers</b>	<b>55,376</b>	<b>55,355</b>	<b>(21)</b>	<b>0.0%</b>

\* Excludes transfers.

State Operating Funds spending, which includes both the General Fund and spending from other operating funds supported by assessments, tuition, HCRA resources and other non-Federal revenues, is projected to total \$79.8 billion in 2009-10. All Funds spending, which includes capital spending and Federal aid in addition to State Operating Funds, is projected to total \$121.1 billion in 2009-10. The Financial Plan projections assume that the 2009-10 Executive Budget is enacted in its entirety.

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The major sources of annual spending change between 2008-09 and 2009-10 (after Executive Budget recommendations) are summarized in the table below.

EXECUTIVE BUDGET SPENDING PROJECTIONS - AFTER EXECUTIVE BUDGET RECOMMENDATIONS						
MAJOR SOURCES OF ANNUAL CHANGE						
(millions of dollars)						
	General Fund *	Other State Funds**	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
<b>2008-09 Revised Estimate***</b>	<b>49,665</b>	<b>29,749</b>	<b>79,414</b>	<b>6,679</b>	<b>33,651</b>	<b>119,744</b>
<b>Major Functions</b>						
<i>Public Health:</i>						
Medicaid	(1,205)	1,605	400	0	(371)	29
Public Health	10	(538)	(528)	91	53	(384)
<i>K-12 Education:</i>						
School Aid	116	(75)	41	0	10	51
All Other Education Aid	(228)	(7)	(235)	29	11	(195)
STAR	0	(1,025)	(1,025)	0	0	(1,025)
Higher Education	789	255	1,044	191	5	1,240
<i>Social Services:</i>						
Temporary and Disability Assistance	(38)	(6)	(44)	(2)	(6)	(52)
Children and Family Services	(26)	1	(25)	(9)	(2)	(36)
Mental Hygiene	72	175	247	23	50	320
Transportation	(24)	(245)	(269)	227	1	(41)
General State Charges	426	(370)	56	0	(6)	50
Debt Service	92	418	510	0	0	510
<b>All Other Changes</b>						
Economic Development	(131)	288	157	315	4	476
Judiciary	38	7	45	15	(1)	59
Local Government Aid	(255)	0	(255)	0	0	(255)
Labor Adjustments	127	(150)	(23)	0	(26)	(49)
Correctional Services	(16)	1	(15)	25	(16)	(6)
Empire State Stem Cell Trust Fund	0	31	31	0	0	31
Criminal Justice Services	(25)	(1)	(26)	0	(53)	(79)
Homeland Security	(9)	(4)	(13)	(3)	183	167
Parks and Recreation	(1)	(2)	(3)	(47)	0	(50)
Technology	1	0	1	119	(1)	119
Elections	(6)	(5)	(11)	0	28	17
State Police	(33)	47	14	20	2	36
Department of State	(2)	1	(1)	(17)	0	(18)
Military and Naval Affairs	22	0	22	(22)	6	6
All Other	82	226	308	27	66	401
<b>2009-10 Executive Budget Estimate</b>	<b>49,441</b>	<b>30,376</b>	<b>79,817</b>	<b>7,661</b>	<b>33,588</b>	<b>121,066</b>
<i>Annual Dollar Change</i>	<i>(224)</i>	<i>627</i>	<i>403</i>	<i>982</i>	<i>(63)</i>	<i>1,322</i>
<i>Annual Percent Change</i>	<i>-0.5%</i>	<i>2.1%</i>	<i>0.5%</i>	<i>14.7%</i>	<i>-0.2%</i>	<i>1.1%</i>

\* Excludes Transfers.

\*\* Includes State Special Revenue and Debt Service Funds.

\*\*\* Revised estimate assumes successful implementation of Deficit Reduction Plan.

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

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

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

<b>FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING LOCAL ASSISTANCE</b>						
<b>(millions of dollars, where applicable)</b>						
	<b>Actual</b>	<b>Forecast</b>				
	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
<b>Medicaid</b>						
Medicaid Coverage	3,559,381	3,649,347	3,825,420	4,021,205	4,225,903	4,441,020
Family Health Plus Coverage	518,189	527,961	558,345	588,945	589,784	590,623
Child Health Plus Coverage	360,436	403,913	435,665	444,667	453,670	462,743
Medicaid Inflation	2.0%	2.9%	3.0%	3.0%	3.0%	3.0%
Medicaid Utilization	-3.0%	-4.1%	4.1%	4.2%	4.3%	4.5%
State Takeover of County/NYC Costs (Total)	\$564	\$724	\$964	\$1,315	\$1,711	\$2,168
- Family Health Plus	\$396	\$424	\$448	\$479	\$509	\$521
- Medicaid	\$168	\$300	\$516	\$836	\$1,202	\$1,647
<b>Education</b>						
School Aid (School Year)	\$19,736	\$21,391	\$20,693	\$22,390	\$24,030	\$25,940
Public Higher Education Enrollment (FTEs)	512,362	520,047	525,248	529,187	533,156	537,000
Tuition Assistance Program Recipients	309,320	312,362	312,655	313,155	313,655	314,000
<b>Welfare</b>						
Family Assistance Caseload	372,964	350,370	351,718	354,609	357,608	359,485
Single Adult/No Children Caseload	150,447	144,591	152,033	160,380	165,546	170,609
<b>Mental Hygiene</b>						
Mental Hygiene Community Beds	83,528	86,041	88,960	91,927	93,676	94,447

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**FORECAST OF SELECTED PROGRAM MEASURES AFFECTING STATE OPERATIONS**

	<b>Actual</b>	<b>Forecast</b>				
	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
<b>State Operations</b>						
Prison Population (Corrections)	62,261	61,400	59,500	59,400	59,300	59,300
Negotiated Salary Increases*	3.0%	3.0%	0.0%	4.0%	0.0%	0.0%
Personal Service Inflation	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
State Workforce	199,754	199,400	196,292	196,912	196,912	196,912

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

**FORECAST OF SELECTED PROGRAM MEASURES AFFECTING GENERAL STATE CHARGES**

	<b>Actual</b>	<b>Forecast</b>				
	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
<b>General State Charges</b>						
Pension Contribution Rate as % of Salary	9.7%	8.8%	7.6%	10.3%	11.0%	11.5%
Rate of Growth Employee/Retiree Health Insurance	5.4%	6.5%	4.4%	11.0%	7.7%	7.7%

**FORECAST OF SELECTED PROGRAM MEASURES AFFECTING DEBT SERVICE**

	<b>Actual</b>	<b>Forecast</b>				
	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
<b>State Debt</b>						
Interest on Variable Rate Debt	3.56%	3.75%	3.75%	3.75%	3.75%	3.75%
Interest on Fixed Rate 30-Year Bonds	4.79%	5.00%	5.00%	4.85%	5.50%	5.65%

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## General Fund Financial Plan OutYear Projections (2010-11 Through 2012-13)

Since the Mid-Year Update, DOB has revised its current services forecasts for receipts and disbursements for 2010-11 and 2011-12 and calculated an estimate of the 2012-13 budget gap. The current services gaps, which formed the starting point for developing the 2009-10 Executive Budget recommendations, are calculated at \$17.1 billion in 2010-11, \$18.6 billion in 2011-12, and \$19.6 billion in 2012-13. The recommendations set forth in the Executive Budget result in a balanced General Fund Financial Plan in 2009-10 and leave projected outyear budget gaps of \$2.0 billion in 2010-11, \$4.2 billion in 2011-12, and \$5.7 billion in 2012-13. The projections assume that the Legislature will enact the 2009-10 Executive Budget recommendations in their entirety. The following table summarizes the General Fund projections by major tax and Financial Plan category.

OUTYEAR GENERAL FUND PROJECTIONS (millions of dollars)										
	2009-10	2010-11	Annual \$ Change	Annual % Change	2011-12	Annual \$ Change	Annual % Change	2012-13	Annual \$ Change	Annual % Change
<b>Receipts</b>										
Taxes	<b>50,214</b>	<b>53,386</b>	<b>3,172</b>	<b>6.3%</b>	<b>55,930</b>	<b>2,544</b>	<b>4.8%</b>	<b>59,094</b>	<b>3,164</b>	<b>5.7%</b>
Personal Income Tax*	29,984	32,131	2,147	7.2%	33,952	1,821	5.7%	36,186	2,234	6.6%
User Taxes and Fees*	12,655	13,382	727	5.7%	13,798	416	3.1%	14,182	384	2.8%
Business Taxes	6,084	6,236	152	2.5%	6,405	169	2.7%	6,805	400	6.2%
Other Taxes*	1,491	1,637	146	9.8%	1,775	138	8.4%	1,921	146	8.2%
Miscellaneous Receipts	3,806	3,189	(617)	-16.2%	3,158	(31)	-1.0%	2,786	(372)	-11.8%
Other Transfers	1,063	611	(452)	-42.5%	647	36	5.9%	659	12	1.9%
<b>Total Receipts</b>	<b>55,083</b>	<b>57,186</b>	<b>2,103</b>	<b>3.8%</b>	<b>59,735</b>	<b>2,549</b>	<b>4.5%</b>	<b>62,539</b>	<b>2,804</b>	<b>4.7%</b>
<b>Disbursements</b>										
Grants to Local Governments:	<b>37,357</b>	<b>39,486</b>	<b>2,129</b>	<b>5.7%</b>	<b>43,452</b>	<b>3,966</b>	<b>10.0%</b>	<b>46,759</b>	<b>3,307</b>	<b>7.6%</b>
School Aid	17,883	18,205	322	1.8%	19,991	1,786	9.8%	21,586	1,595	8.0%
Medicaid (incl. administration)	6,823	8,400	1,577	23.1%	9,862	1,462	17.4%	10,612	750	7.6%
Medicaid: Local Relief	964	1,315	351	36.4%	1,711	396	30.1%	2,168	457	26.7%
Higher Education	2,922	2,557	(365)	-12.5%	2,596	39	1.5%	2,627	31	1.2%
Mental Hygiene	2,127	2,198	71	3.3%	2,294	96	4.4%	2,380	86	3.7%
Children and Family Services	1,697	1,840	143	8.4%	2,016	176	9.6%	2,198	182	9.0%
Other Education Aid	1,486	1,568	82	5.5%	1,623	55	3.5%	1,695	72	4.4%
Temporary and Disability Assistance	1,159	1,195	36	3.1%	1,234	39	3.3%	1,320	86	7.0%
Local Government Assistance	968	967	(1)	-0.1%	970	3	0.3%	969	(1)	-0.1%
Public Health	573	468	(105)	-18.3%	487	19	4.1%	523	36	7.4%
All Other	755	773	18	2.4%	668	(105)	-13.6%	681	13	1.9%
State Operations:	<b>8,539</b>	<b>8,945</b>	<b>406</b>	<b>4.8%</b>	<b>9,222</b>	<b>277</b>	<b>3.1%</b>	<b>9,385</b>	<b>163</b>	<b>1.8%</b>
Personal Service	6,288	6,626	338	5.4%	6,817	191	2.9%	6,908	91	1.3%
Non-Personal Service	2,251	2,319	68	3.0%	2,405	86	3.7%	2,477	72	3.0%
General State Charges	<b>3,545</b>	<b>3,970</b>	<b>425</b>	<b>12.0%</b>	<b>4,230</b>	<b>260</b>	<b>6.5%</b>	<b>4,604</b>	<b>374</b>	<b>8.8%</b>
Pensions	1,143	1,392	249	21.8%	1,485	93	6.7%	1,594	109	7.3%
Health Insurance (Active Employees)	1,689	1,877	188	11.1%	2,020	143	7.6%	2,173	153	7.6%
Health Insurance (Retired Employees)	1,108	1,228	120	10.8%	1,324	96	7.8%	1,427	103	7.8%
Fringe Benefit Escrow	(2,247)	(2,436)	(189)	8.4%	(2,552)	(116)	4.8%	(2,559)	(7)	0.3%
All Other	1,852	1,909	57	3.1%	1,953	44	2.3%	1,969	16	0.8%
Transfers to Other Funds:	<b>5,914</b>	<b>6,770</b>	<b>856</b>	<b>14.5%</b>	<b>7,026</b>	<b>256</b>	<b>3.8%</b>	<b>7,452</b>	<b>426</b>	<b>6.1%</b>
State Share Medicaid	2,732	2,716	(16)	-0.6%	2,710	(6)	-0.2%	2,712	2	0.1%
Debt Service	1,780	1,757	(23)	-1.3%	1,732	(25)	-1.4%	1,720	(12)	-0.7%
Capital Projects	520	1,071	551	106.0%	1,220	149	13.9%	1,384	164	13.4%
All Other	882	1,226	344	39.0%	1,364	138	11.3%	1,636	272	19.9%
<b>Total Disbursements</b>	<b>55,355</b>	<b>59,171</b>	<b>3,816</b>	<b>6.9%</b>	<b>63,930</b>	<b>4,759</b>	<b>8.0%</b>	<b>68,200</b>	<b>4,270</b>	<b>6.7%</b>
<b>Change in Reserves</b>										
Prior Year Reserves	(145)	0			0			0		
Community Projects Fund	(127)	0			0			0		
<b>Deposit to/(Use of) Reserves</b>	<b>(272)</b>	<b>0</b>			<b>0</b>			<b>0</b>		
<b>Budget Surplus/(Gap) Estimate</b>	<b>0</b>	<b>(1,985)</b>			<b>(4,195)</b>			<b>(5,661)</b>		

\* Includes transfers after debt service.

After recommendations, General Fund spending is projected to grow at an average annual rate of 5.3 percent from 2008-09 through 2012-13. The spending is driven by Medicaid growth, rising costs for education, the State-financed cap on local Medicaid spending, employee and retiree health benefits, and child welfare programs. Over the same period, General Fund receipts are estimated to grow at approximately 3.7 percent a year, consistent with DOB's economic forecast for the recession and recovery.

In evaluating the State's outyear operating forecast, it should be noted that the reliability of the estimates as a predictor of the State's future fiscal condition is likely to diminish as one moves further from the current year and budget year estimates. Accordingly, in terms of the outyear projections, 2010-11 is perhaps the most relevant from a planning perspective, since any gap in that year must be closed with the next budget and the variability of the estimates is likely to be less than in later years. The State will provide quarterly revisions to its multi-year estimates.

The outyear forecast for 2010-11 is based on assumptions of economic performance, revenue collections, spending patterns, and projections for the current services costs of program activities, and assumes enactment of the Executive Budget in its entirety. DOB believes the estimates of annual change in receipts and disbursements that constitute the current services gap forecast are based on reasonable assumptions and methodologies.

### **Outyear Receipts/Projections**

Overall, tax receipts growth in the three fiscal years following 2009-10 is expected to remain in the range of 4.8 to 6.3 percent. This is consistent with a projected return to trend economic growth in the U.S. and New York economies in the second half of 2009. Receipt growth is supported by proposals contained with this Budget that eliminate unintended tax loopholes, reform and simplify the Tax Law, and supplement Department of Taxation and Finance efforts to find noncompliant and fraudulent taxpayers. These factors are expected to continue to enhance expected receipts growth through 2012-13.

- Total General Fund receipts are projected to reach \$57 billion in 2010-11, nearly \$60 billion in 2011-12 and almost \$63 billion in 2012-13.
- Total State Funds receipts are projected to be approximately \$88 billion in 2010-11, almost \$91 billion in 2011-12 and nearly \$94 billion in 2012-13.
- Total All Funds receipts in 2010-11 are projected to reach over \$125 billion, an increase of \$5.2 billion, or 4.3 percent over 2009-10 estimates. All Funds receipts in 2011-12 are expected to increase by nearly \$5.2 billion (4.2 percent) over the prior year. In 2012-13, receipts are expected to increase by nearly \$2.7 billion (2.1 percent) over 2011-12 projections.
- All Funds tax receipts are expected to increase by 6.0 percent in 2010-11, 4.8 percent in 2011-12 and 5.4 percent in 2012-13. Again, the growth pattern is consistent with an economic forecast of continued, but slower, economic growth.

### **Outyear General Fund Disbursement Projections**

DOB forecasts General Fund spending of \$59.2 billion in 2010-11, an increase of \$3.8 billion (6.9 percent) over recommended 2009-10 levels. Growth in 2011-12 is projected at \$4.8 billion (8.0 percent) and in 2012-13 at \$4.3 billion (6.7 percent). The growth levels are based on current services projections, as modified by the recommendations contained in the 2009-10 Executive Budget. They do not incorporate any estimate of potential new actions to control spending in future years.

## 2008-09 Operating Results Through December 2008

The tables below compare operating results for the period from April 1, 2008 through December 31, 2008 to the estimates included in the Executive and Enacted Financial Plans for 2008-09, as well as actual results for the same nine-month period in 2007-2008.

### General Fund

2008-09 FISCAL YEAR GENERAL FUND RESULTS VS. ESTIMATES: APRIL - DECEMBER 2008 (millions of dollars)						
	Enacted Budget	Executive Budget	Results	Results vs. Estimates Favorable/(Unfavorable)		Increase/ (Decrease) from Prior Year
				Enacted Budget	Executive Budget	
<b>Opening Balance (April 1, 2008)</b>	<b>2,754</b>	<b>2,754</b>	<b>2,754</b>	<b>n/a</b>	<b>n/a</b>	<b>(291)</b>
<b>Receipts</b>	<b>38,113</b>	<b>38,253</b>	<b>38,182</b>	<b>69</b>	<b>(71)</b>	<b>2,696</b>
Taxes	27,597	27,555	27,577	(20)	22	2,247
<i>Personal Income Tax</i>	15,544	16,121	16,236	692	115	2,325
<i>User Taxes and Fees</i>	6,717	6,552	6,457	(260)	(95)	(83)
<i>Business Taxes</i>	4,439	3,871	3,858	(581)	(13)	(228)
<i>All Other Taxes</i>	897	1,011	1,026	129	15	233
Receipts & Grants	1,621	1,586	1,644	23	58	(40)
Transfers From Other Funds	8,895	9,112	8,961	66	(151)	489
<b>Disbursements</b>	<b>40,068</b>	<b>39,078</b>	<b>39,202</b>	<b>866</b>	<b>(124)</b>	<b>2,320</b>
Local Assistance	25,719	25,109	25,024	695	85	1,845
<i>Medicaid, including admin</i>	7,239	7,038	7,082	157	(44)	110
<i>School Aid</i>	10,183	9,809	9,796	387	13	1,262
<i>Higher Education</i>	1,580	1,494	1,463	117	31	35
<i>All Other Education</i>	1,121	1,299	1,200	(79)	99	25
<i>Public Health</i>	417	463	465	(48)	(2)	(24)
<i>Mental Hygiene</i>	1,296	1,379	1,423	(127)	(44)	408
<i>Children and Families</i>	1,187	992	947	240	45	(121)
<i>Temporary and Disability Assistance</i>	1,220	1,148	1,150	70	(2)	(98)
<i>Transportation</i>	98	96	98	0	(2)	2
<i>All Other</i>	1,378	1,391	1,400	(22)	-9	246
State Operations	6,642	6,656	6,709	(67)	(53)	(894)
<i>Personal Service</i>	4,961	4,983	5,040	(79)	(57)	(552)
<i>Non-Personal Service</i>	1,681	1,673	1,669	12	4	(342)
General State Charges	2,599	2,502	2,588	11	(86)	(981)
Transfers To Other Funds	5,108	4,811	4,881	227	(70)	2,350
<i>Debt Service</i>	1,529	1,515	1,554	(25)	(39)	191
<i>Capital Projects</i>	944	579	616	328	(37)	27
<i>State Medicaid Share</i>	2,096	2,144	2,133	(37)	11	2,132
<i>All Other</i>	539	573	578	(39)	(5)	0
<b>Change in Operations</b>	<b>(1,955)</b>	<b>(825)</b>	<b>(1,020)</b>	<b>935</b>	<b>(195)</b>	<b>376</b>
<b>Closing Balance</b>	<b>799</b>	<b>1,929</b>	<b>1,734</b>	<b>935</b>	<b>(195)</b>	<b>85</b>

### General Fund Comparison to Executive Budget Update Projections

The General Fund ended December 2008 with a cash balance of \$1.7 billion, which is \$195 million below the amount projected in the Executive Budget Financial Plan. General Fund receipts, including transfers from other funds, were \$71 million lower than projected, which is primarily due to the timing of expected fund sweeps from various special revenue accounts, partly offset by the unplanned receipt of \$50 million from the recent Attorney General settlement with Citigroup. The variance in net tax receipts is small, but individual categories did vary from planned levels, including lower than expected collections from user taxes and fees (\$95 million) that is partly offset by higher personal income tax receipts (\$115 million).

General Fund disbursements through December 2008, including transfer to other funds, totaled \$39.2 billion, \$118 million higher than projected. The largest spending variances included:

- **All Other Education (\$99 million lower than planned):** Largely due to lower-than-expected disbursements for special education categorical programs and nonpublic school aid, both of which are expected to occur later in the fiscal year. Payment of nonpublic school aid is expected to occur later due to an extension in the filing date for submission of claims by nonpublic schools.
- **General State Charges (\$86 million higher than planned):** Primarily attributable to slower than projected fringe benefit escrow payments, mainly from the Mental Hygiene agencies. These payments are now expected to be made in January 2009.
- **State Operations (\$53 million higher than planned):** SUNY, State Police and Tax and Finance personal service spending exceeded projections. These variances are expected to be resolved through the planned use of other financing sources that will offset costs later in the fiscal year.

### General Fund Comparison to 2008-09 Enacted Budget Projections

Through December 2008, General Fund receipts, including transfers from other funds, were \$69 million more than the initial forecast. This variance is mainly due to higher-than-expected collections in personal income tax (\$692 million), estate and gift taxes (\$128 million), and transfers from other funds (\$66 million), which are partly offset by lower receipts in business taxes (\$581 million) and sales and use taxes (\$260 million).

General Fund disbursements were \$866 million lower than projected at the time of the Enacted Budget. The largest spending variances include:

- **School Aid (\$387 million lower than planned):** Reflects lower-than-expected general aid payments and lower-than-expected claims for categorical aid programs.
- **Children and Families (\$240 million lower than planned):** Driven largely by the timing of Child Welfare Services payments.
- **Medicaid (\$157 million lower than planned):** Results from the timing of Medicaid offsets, as well as the timing of Medicaid-related spending in the Mental Hygiene agencies. Medicaid offsets were taken at an accelerated rate earlier in the fiscal year, which reduced General Fund Medicaid spending for those months.
- **Mental Hygiene (\$127 million higher than planned):** Medicaid spending in the Mental Hygiene agencies was higher than projected through the first nine months, however it is not expected to affect full-year projections for Medicaid spending in Mental Hygiene.
- **Higher Education (\$117 million lower than planned):** Largely reflects actions taken since the Enacted Budget to adjust General Fund payment schedules.
- **Transfers to Other Funds (\$227 million lower than planned):** Mainly due to lower than projected spending in capital projects.

### General Fund Annual Change

On a year-over-year basis, General Fund receipts were in 2008 \$2.7 billion, or 7.4 percent, higher than the same period in 2007. This annual increase is largely due to increased collections in the personal income tax (\$2.3 billion), transfers from other funds (\$489 million) and estate and gift taxes (\$232 million), which is partially offset by decreases in business taxes (\$228 million), the sales and use tax (\$83 million), and all other receipts and grants collections (\$40 million).

General Fund spending through December 2008 was \$2.3 billion higher than actual results through December 2007. Significant changes in spending levels include:

- **School Aid (\$1.3 billion growth):** Driven largely by the annual increase in “tail” payments for the 2007-08 school year, and partly by the annual increase in initial payments for the 2008-09 school year. On a school year basis, the State increased school aid by \$1.8 billion in 2007-08, and by another \$1.7 billion in 2008-09.
- **Mental Hygiene (\$408 million growth):** Primarily due to Medicaid-related spending in Mental Hygiene agencies. Much of this spending occurred in 2008-09, resulting in the significantly higher spending in the current year.
- **Children and Families (\$121 million decline):** Driven largely by the timing of Child Welfare Services payments.
- **Medicaid (\$110 million growth):** Primarily reflects an additional weekly cycle payment in the first nine months of 2008 compared to the prior year.
- **Temporary and Disability Assistance (\$98 million decline):** Primarily due to the timing of payments to local districts.
- **State Operations (\$894 million decline):** Primarily reflects the movement of a portion of Mental Hygiene State Operations spending from the General Fund to the Special Revenue Funds, as part of the 2008-09 restructuring of Medicaid spending.
- **General State Charges (\$981 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.
- **Transfers to Other Funds (\$2.4 billion growth):** Primarily reflects the change in reporting related to the restructuring of Medicaid spending. Beginning in 2008-09 the State share of Medicaid payments dispersed by State-operated mental hygiene facilities is now reflected as a General Fund transfer to the new State Share of Medicaid Special Revenue Fund account. Debt Service spending is also higher (\$191 million growth) due mainly to the timing of debt service payments on certain SUNY educational facilities bonds.

## State Operating Funds

2008-09 FISCAL YEAR						
STATE OPERATING RESULTS VS. ESTIMATES: APRIL - DECEMBER 2008						
(millions of dollars)						
	Enacted Budget	Executive Budget	Preliminary Results	Results* vs. Estimates Favorable/(Unfavorable)		Increase/ (Decrease) from Prior Year
				Enacted Budget	Executive Budget	
<b>Total Receipts</b>	<b>55,989</b>	<b>55,504</b>	<b>55,267</b>	<b>(722)</b>	<b>(237)</b>	<b>2,194</b>
Taxes	44,230	43,848	43,867	(363)	19	2,608
<i>Personal Income Tax</i>	26,983	27,415	27,567	584	152	2,713
<i>User Taxes and Fees</i>	10,320	10,077	9,948	(372)	(129)	132
<i>Business Taxes</i>	5,470	4,904	4,891	(579)	(13)	(252)
<i>Other Taxes</i>	1,457	1,452	1,461	4	9	15
Miscellaneous Receipts	11,722	11,620	11,355	(367)	(265)	(384)
Federal Grants	37	36	45	8	9	(30)
<b>Total Disbursements</b>	<b>58,969</b>	<b>58,219</b>	<b>57,253</b>	<b>1,716</b>	<b>966</b>	<b>2,028</b>
Local Assistance	40,620	39,645	38,671	1,949	974	1,770
<i>Medicaid (Including Admin)</i>	9,773	9,403	9,680	93	(277)	537
<i>School Aid</i>	12,777	12,388	12,374	403	14	1,212
<i>Higher Education</i>	1,581	1,495	1,464	117	31	35
<i>All Other Education</i>	1,135	1,317	1,219	(84)	98	35
<i>STAR</i>	4,694	4,440	3,535	1,159	905	(1,087)
<i>Public Health</i>	2,042	2,087	1,812	230	275	(97)
<i>Mental Hygiene</i>	1,878	2,038	2,108	(230)	(70)	894
<i>Children and Families</i>	1,189	993	949	240	44	(120)
<i>Temporary and Disability Assistance</i>	1,222	1,154	1,155	67	(1)	(93)
<i>Transportation</i>	2,790	2,735	2,769	21	(34)	164
<i>All Other</i>	1,539	1,595	1,606	(67)	(11)	290
State Operations	11,509	11,865	11,927	(418)	(62)	330
<i>Personal Service</i>	7,861	8,147	8,162	(301)	(15)	368
<i>Non-Personal Service</i>	3,648	3,718	3,765	(117)	(47)	(38)
General State Charges	3,757	3,635	3,574	183	61	(449)
Capital Projects	3	7	7	(4)	0	0
Debt Service	3,080	3,067	3,074	6	(7)	377

## State Operating Funds Comparison to Executive Financial Plan Projections

State Operating Funds receipts totaled \$55.3 billion or \$237 million less than the last forecast. Tax receipts totaled \$43.9 billion, \$19 million more than the 2009-10 Executive Budget estimates, which is largely due to lower-than-expected collections in the sales and use tax (\$129 million) and business taxes (\$13 million); partly offset by higher-than-expected collections in the PIT (\$152 million), cigarette and tobacco taxes (\$19 million) and estate and gift taxes (\$17 million). Miscellaneous receipts were \$265 million below initial estimates due mostly to lower than anticipated Special Revenue Fund receipts, primarily SUNY (\$242 million). The variance is expected to be offset by higher receipts in the final three months of the current fiscal year.

Disbursements totaled \$57.3 billion; \$966 million lower than the forecast, primarily driven by the timing of STAR payments to homeowners for property tax exemptions.

## State Operating Funds Comparison to 2008-09 Enacted Budget Projections

State Operating Funds receipts were \$722 million below the Enacted Budget projection. Tax receipts were \$363 million less than the initial estimate. The variance is largely due to decreased collections in business taxes (\$579 million), sales and use taxes (\$372 million) and the real estate transfer tax (\$128 million), which is partially offset by increases in the personal income tax (\$584 million) and estate and gift taxes (\$132 million). Miscellaneous receipts were \$367 million lower than projected, largely driven by lower-than-anticipated Special Revenue Fund receipts for SUNY.

State Operating Funds disbursements were \$1.7 billion below the Enacted Budget forecast. The largest variances outside the General Fund include the timing of HCRA-supported public health spending as well as lower-than-projected STAR payments.

### **State Operating Funds Annual Change**

Total taxes increased by \$2.6 billion compared to the same period in 2007-08. This increase is largely due to increased collections in the personal income tax (\$2.7 billion), cigarette and tobacco taxes (\$268 million) and estate and gift taxes (\$235 million), partially offset by decreases in business taxes (\$252 million), the real estate transfer tax (\$219 million), and the sales and use tax (\$132 million). The annual decline in miscellaneous receipts is largely due to the receipt of \$499 million in health insurance conversion proceeds in April 2007.

Compared to the same period in 2007-08, State Operating Funds disbursements were \$2.0 billion higher in the current year. The largest increases were for School Aid (\$1.2 billion), State Operations (\$330 million) and Debt Service (\$377 million) as described above; offset by the timing of the STAR payments (\$1.1 billion).

State Operating Funds Medicaid spending through December 2008 increased by \$537 million. This increase is primarily driven by an additional weekly cycle payment in 2008-09 and increases in recipients, service utilization, and medical care cost inflation. In addition, growth in mental hygiene spending is primarily attributable to the State share of Medicaid spending now reflected in the agency totals, which also accounts for most of the decline in General State Charges.

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## 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 OSC 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 AIS Update.

In 2008-09, the General Fund GAAP Financial Plan shows total revenues of \$41.6 billion, total expenditures of \$55.8 billion, and net other financing sources of \$9.5 billion, resulting in an operating deficit of \$4.8 billion and a projected accumulated deficit of \$803 million. These results 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.

In 2009-10, the General Fund GAAP Financial Plan shows total revenues of \$47.2 billion, total expenditures of \$55.2 billion, and net other financing sources of \$8.6 billion, resulting in an operating surplus of \$601 million, which reduces the projected accumulated deficit to \$217 million. These results reflect the impact of the Executive Budget gap-closing actions.

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

The State used an independent actuarial consulting firm to calculate retiree health care liabilities. The analysis calculated the present value of the actuarial accrued total liability for benefits as of March 31, 2008 at \$49.9 billion (\$41.4 billion for the State and \$8.5 billion for SUNY), using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method. The actuarial accrued liability was calculated using a 4.155 percent annual discount rate. DOB expects the present value of the actuarial accrued total liability for benefits as of March 31, 2009 for the State, including SUNY, may increase by as much as \$9 billion. If enacted, the benefit changes proposed with the Executive Budget would reduce this liability.

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

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

<b>HISTORY AND FORECAST OF NEW YORK STATE EMPLOYEE HEALTH INSURANCE</b> (millions of dollars)			
<b>Health Insurance</b>			
<b>Year</b>	<b>Active Employees</b>	<b>Retirees</b>	<b>Total State</b>
<b>1999-00</b>	777	466	1,243
<b>2000-01</b>	876	521	1,397
<b>2001-02</b>	937	565	1,502
<b>2002-03</b>	1,023	634	1,657
<b>2003-04</b>	1,072	729	1,801
<b>2004-05</b>	1,216	838	2,054
<b>2005-06</b>	1,331	885	2,216
<b>2006-07</b>	1,518	913	2,431
<b>2007-08</b>	1,390	1,182	2,572
<b>2008-09</b>	1,623	1,057	2,680
<b>2009-10</b>	1,689	1,108	2,797
<b>2010-11</b>	1,877	1,228	3,105
<b>2011-12</b>	2,020	1,324	3,344
<b>2012-13</b>	2,173	1,427	3,600

*All numbers reflect the cost of Health Insurance for General State Charges (Executive and Legislative branches); actuals through 2007-08.*

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

DOB's detailed GAAP Financial Plans for 2008-09 through 2012-13 are provided in the Financial Plan Tables.

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## Special Considerations

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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 Amended Financial Plan is necessarily based on forecasts of national and State economic activity. Economic forecasts have frequently failed to accurately predict the timing and magnitude of specific and cyclical changes to the national and State economies. The Amended Financial Plan also relies on estimates and assumptions concerning Federal aid, law changes, and audit activity. For a discussion of specific litigation risks to the Amended Financial Plan, see the section entitled "Litigation" in this AIS Update.

### *State Cash-Flow Projections*

DOB projects the General Fund for 2008-09 and 2009-10 will maintain sufficient monthly cash balances to meet statutorily obligated payments. The projections are based on the assumption that the Legislature will enact the DRP, as proposed, by February 1, 2009 and the Executive Budget for 2009-10 by March 1, 2009. The State's 2009-10 fiscal year will begin on April 1, 2009. Negotiations on the DRP have been held between the Executive and the Legislature. DOB believes that the level of Financial Plan savings that could be achieved would not be materially affected if the DRP were enacted later in the current fiscal year, and expects that any items not addressed as part of the DRP will be considered as part of the overall negotiations on the 2009-10 Budget. The Executive Budget includes certain statutory changes intended to improve the State's monthly operating margins, which are projected to fall below \$750 million at month-end in June 2009, November 2009, and December 2009.

### *Bond Market Issues*

One aspect of the credit crisis is that many municipal issuers either have been unable to issue bonds or, if market access exists, do so at much higher rates than existed before September 2008. If the State cannot sell bonds at the levels (or on the timetable) expected, it could experience significantly increased costs in the General Fund and a weakened overall cash position in the current fiscal year. This is because the State finances much of its capital spending in the first instance through loans from the General Fund or STIP, which it then repays with proceeds from the sale of bonds. The State expects to complete several bond sales during the remainder of the current fiscal year. The State is executing a multi-step strategy to stage entries into the bond market in a way that addresses the most immediate and consequential fiscal issues first. At the same time, DOB has imposed stringent capital controls that are expected to marginally reduce the need to issue bonds in the coming months.

The State continues to adjust its variable-rate debt portfolio in response to widespread disruption in the municipal bond market. Since February 2008, the State has repositioned nearly \$4 billion of variable-rate bonds, including \$2.8 billion of auction rate securities and \$1.2 billion of variable-rate demand bonds to mitigate risk and reduce debt service costs. The adjustments were accomplished using a combination of fixed rate bonds and better-performing variable rate bonds.

The State has terminated approximately \$1.7 billion in interest-rate exchange agreements at a cost of approximately \$76 million. The State has received \$125 million in revenues from settlements negotiated by the State Attorney General in relation to auction rate securities.

### *Other Considerations*

The Amended Financial Plan forecast contains specific transaction risks and other uncertainties, including, but not limited to, the closing of the final sale of development rights for a VLT facility at the Aqueduct Racetrack by the close of the current fiscal year; the receipt of certain payments from public authorities; the receipt of miscellaneous revenues at the levels expected in the Amended Financial Plan; the

enforcement of certain tax regulations on Native American reservations; the timing and value of other proceeds to the State that are expected to finance health care costs; and the achievement of cost-saving measures, including, but not limited to, administrative savings in State agencies and the transfer of available fund balances to the General Fund, at the levels currently projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Amended Financial Plan in the current year.

There can be no assurance that (1) legislative or administrative actions will be sufficient to eliminate the current-year shortfall without the use of existing reserves, (2) receipts will not fall below current projections, requiring additional budget-balancing actions in the current year, and (3) the gaps projected for future years will not increase materially from the projections set forth herein.

### *Risks to the Financial Plan*

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

- 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. Most recently, Medicaid caseload — which declined from 2005-06 through 2007-08 — has now begun to increase and program spending may climb;
- The potential cost of collective bargaining agreements and salary increases for Judges (and possibly other elected officials) in 2008-09 and beyond. DOB estimates that if all remaining unsettled unions were to agree to the same terms that have been ratified by settled unions, it would result in added General Fund costs of approximately \$340 million in 2009-10 (assuming a retroactive component for fiscal year 2007-08 and 2008-09; and an elimination of the 2009-10 salary increase). DOB has included a reserve to finance the costs of a pattern settlement for all unions. There can be no assurance that actual settlements will not exceed the amounts included in the Plan. In addition, no reserve has been set aside for potential pay raises for judges;
- Potential Federal disallowances arising from audits related to Medicaid claims under the School Supportive Health Services program and various other reimbursement methodologies;
- 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 final sale of development rights for a VLT facility at the Aqueduct Racetrack, which is expected to close by the end of the current fiscal year; the enforcement of certain tax regulations on Native American reservations; and the achievement of cost-saving measures, including, but not limited to, FMP savings, at the levels projected.

Recent market volatility and the decline in the market value of many stocks have negatively impacted the assets held for the New York State and Local Retirement Systems. According to OSC, as of December 31, 2008, the unaudited value of the Systems' assets had declined approximately 21 percent from their March 31, 2008 value. These factors and/or any future downturns in financial markets may result in an increase in the amount of the contributions required to be made by employers for fiscal years after fiscal year 2010. See also the section on "State Retirement Systems" in this AIS Update.

## **Labor Settlements**

The State has reached labor settlements with several labor unions, the Civil Service Employees Association, the Public Employees Federation, the United University Professions, District Council 37, and the Police Benevolent Association, and has extended comparable changes in the pay and benefits to “management/confidential” employees. Under terms of these four-year contracts, which run from April 2, 2008 through April 1, 2012 (July 2, 2008 through July 1, 2012 for UUP), employees will receive pay increases of 3 percent annually in 2008-09, 2009-10, and 2010-11 and 4 percent in 2011-12. The Executive Budget savings proposals include eliminating the 2009-10 general salary increases.

Other unions representing uniformed officers (i.e., New York State Correction Officers, BCI) graduate students (Graduate State Employee Union) and supervisory security/park police (Council 82) have not reached settlements with the State at this time. DOB estimates that if all the unsettled unions were to agree to the same terms that have been ratified by other unions, it would result in added costs of approximately \$340 million in 2009-10 (assuming a retroactive component for fiscal year 2007-08 and 2008-09; and an elimination of the 2009-10 salary increase), and approximately \$220 million in both 2010-11 and 2011-12. The earliest any costs for these contracts would likely be paid is in 2009-10. The Executive Budget recommendations would, if enacted in their entirety, provide savings sufficient to finance pattern settlements.

## **School Supportive Health Services**

The OIG of the United States Department of Health and Human Services has conducted six audits of aspects of New York State’s School Supportive Health Services program with regard to Medicaid reimbursement. The audits cover \$1.4 billion in claims submitted between 1990 and 2001. To date, OIG has issued four final audit reports, which cover claims submitted by upstate and New York City school districts for speech pathology and transportation services. The final audits recommend that the CMS disallow \$173 million of the \$362 million in claims for upstate speech pathology services, \$17 million of \$72 million for upstate transportation services, \$436 million of the \$551 million in claims submitted for New York City speech pathology services, and \$96 million of the \$123 million for New York City transportation services. New York State disagrees with the audit findings on several grounds and has requested that they be withdrawn. If the recommended disallowances are not withdrawn, the State expects to appeal.

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

## **Proposed Federal Rule on Medicaid Funding**

On May 25, 2007, CMS issued a final rule that, if implemented, would significantly curtail Federal Medicaid funding to public hospitals (including New York City’s HHC) and programs operated by both OMRDD and OMH. The rule seeks to restrict State access to Federal Medicaid resources by changing the upper payment limit for certain rates to actual facility reported costs. It is estimated that this rule could result in a loss of \$350 million annually in Federal funds for HHC and potentially larger losses in aid for the State Mental Hygiene System.

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

On February 22, 2008, CMS issued a change to the rules that regulate State taxation of healthcare entities, effective April 22, 2008. The rule affords CMS flexibility in identifying a “linkage” between

provider taxes and Medicaid payments rendering the tax invalid. The State currently uses a substantial amount of provider tax receipts to finance various healthcare programs that serve the State's most vulnerable populations. While the State strongly believes that our imposed taxes are in full compliance, the vagueness of the new rules provides no assurance that these funding streams are adequately protected.

CMS has also issued a rule regarding targeted case management which clarifies the definition of covered services. The final rule was issued on December 4, 2007 and made effective March 3, 2008. The State is currently in the process of litigating this issue and has requested a one-year implementation extension. Further, CMS has proposed to restrict Medicaid reimbursement for hospital outpatient and school based health services and restricts coverage to rehabilitative services, which could pose a risk to the Financial Plan and result in hundreds of millions of dollars in reduced Federal-share funding. However, the State argues that the proposed regulation regarding outpatient services is in direct violation of the current moratorium.

On all rules, the State is actively lobbying the Federal government to be held harmless, either through an extension/modification of the current moratorium or through other administrative or statutory means. The State is joined by many other states in challenging the adoption on the basis that CMS is overstepping its authority and ignoring Congressional intent. As a result, Congress passed a moratorium barring the implementation of these proposed rule changes (except for hospital outpatient reimbursement) set to expire April 1, 2009.

### **New York City Personal Care Audit**

The OIG of the United States Department of Health and Human Services released a September 2008 draft audit with regard to Medicaid reimbursement for personal care services in New York City. The draft audit reviewed claims for the period July 1, 2004 through December 31, 2006. Based upon their review, the OIG is calling for the State to repay an estimated \$815 million in Federal Medicaid because payments were not supported with required medical exams and social and nursing assessments. Both New York City and the Department of Health disagree with these findings and are in the process of conducting their own claims review. DOH's response to this audit is due February 2, 2009.

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## State Retirement Systems

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### General

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

As of March 31, 2008, 677,321 persons were members and 358,109 pensioners or beneficiaries were receiving benefits. The State Constitution considers membership in any State pension or retirement system to be a contractual relationship, the benefits of which shall not be diminished or impaired. Members cannot be required to begin making contributions or make increased contributions beyond what was required when membership began.

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

### Contributions

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

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

The State paid, in full, its employer contributions for the fiscal year ending March 31, 2009. Payments totaled \$1.06 billion. This amount included the Judiciary bill and the amortization payments for the 2005 and 2006 bills.

The State bill for the fiscal year ending March 31, 2010 is estimated to be \$959.1 million, assuming a payment date of September 1, 2009.

## Assets and Liabilities

Assets are held exclusively for the benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the Comptroller as trustee of the Common Retirement Fund, a pooled investment vehicle. OSC reports that the net assets available for benefits as of March 31, 2008 were \$155.8 billion (including \$2.9 billion in receivables), a decrease of \$0.8 billion or 0.5 percent from the 2006-07 level of \$156.6 billion, reflecting, in large part, equity market performance. OSC reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from \$163.1 billion on April 1, 2007 to \$170.5 billion (including \$66.1 billion for current retirees and beneficiaries) on April 1, 2008. The funding method used by the Systems anticipates that the net assets, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from net assets on April 1, 2008 in that amortized cost was used instead of market value for bonds and mortgages and the non-fixed investments utilized a smoothing method which recognized 20 percent of unexpected gain for the 2008 fiscal year, 40 percent of the unexpected gain for the 2007 fiscal year, 60 percent of the unexpected gain for the 2006 fiscal year and 80 percent of the unexpected gain for the 2005 fiscal year. Actuarial assets increased from \$142.6 billion on April 1, 2007 to \$151.8 billion on April 1, 2008. The funded ratio, as of April 1, 2008, using the entry age normal funding method, was 107 percent. The tables that follow show net assets, benefits paid and the actuarially determined contributions that have been made over the last ten years. See also "Contributions" above.

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

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

Sources: State and Local Retirement Systems.

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

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

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

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

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

(2) Includes payments from Group Life Insurance Plan.

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# Authorities and Localities

## Localities

### The City of New York

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

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

Year	General Obligation Bonds	Obligations of TFA (1)	Obligations of MAC	Obligations of STAR Corp. (2)	Obligations of TSASC, Inc.	HYIC (3)	Other(4) Obligations	Treasury Obligations	Total
1980	6,179	--	6,116	--	--	--	995	(295)	12,995
1990	13,499	--	7,122	--	--	--	1,077	(1,671)	20,027
1995	24,992	--	4,882	--	--	--	1,299	(1,243)	29,930
1996	26,627	--	4,724	--	--	--	1,394	(1,122)	31,623
1997	27,549	--	4,424	--	--	--	1,464	(391)	33,046
1998	27,310	2,150	4,066	--	--	--	1,529	(365)	34,690
1999	27,834	4,150	3,832	--	--	--	1,835	(299)	37,352
2000	27,245	6,438 (5)	3,532	--	709	--	2,065	(230)	39,759
2001	27,147	7,386	3,217	--	704	--	2,019	(168)	40,305
2002	28,465	10,489 (6)	2,880	--	740	--	2,463	(116)	44,921
2003	29,679	13,134 (7)	2,151	--	1,258	--	2,328	(64)	48,486
2004	31,378	13,364	1,758	--	1,256	--	2,561	(52)	50,265
2005	33,903	12,977	--	2,552	1,283	--	3,745	(39)	54,421
2006	35,844	12,233	--	2,470	1,334	--	3,500	--	55,381
2007	34,506	14,607	--	2,368	1,317	2,100	3,394	--	58,292
2008	36,100	14,828	--	2,339	1,297	2,067	2,556	--	59,187

Source: Office of the State Comptroller.

(1) Starting in 2007, amounts include Building Aid Revenue Bonds (BARBS), the debt service on which will be funded solely from future State Building Aid payments that are subject to appropriation by the State and have been assigned by the City of New York to the TFA.

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

(3) Includes a \$100 million and a \$67 million obligation to the MTA in 2007 and 2008, respectively.

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

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

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

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

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

## **Other Localities**

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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 2008, the State Legislature authorized 17 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.

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. In the current economic recession, 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.

Similar to the State (see "Bond Market Issues" above), municipal issuers are also being affected by diminished market access. If local governments or their public authorities cannot sell bonds or notes at the levels (or on the timetable) expected, they could experience significantly increased costs or a weakened overall cash position.

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

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

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

Source: Office of the State Comptroller.

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

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

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

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

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

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

# Litigation

## Real Property Claims

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

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

Further efforts at settlement of this action failed to reach a successful outcome. While such discussions were underway, two significant decisions were rendered by the Supreme Court and the Second Circuit Court of Appeals which changed the legal landscape pertaining to ancient land claims: *City of Sherrill v. Oneida Indian Nation of New York*, 544 U.S. 197 (2005), and *Cayuga Indian Nation of New York v. Pataki*, 413 F.3d 266 (2d Cir. 2005), *cert. denied*, 126 S.Ct. 2021, 2022 (2006). Taken together, these cases have made clear that the equitable doctrines of laches, acquiescence, and impossibility can bar ancient land claims. These decisions prompted the District Court to reassess its 2002 decision, which in part had struck such defenses, and to permit the filing of a motion for summary judgment predicated on the *Sherrill* and *Cayuga* holdings. On August 11, 2006, the defendants moved for summary judgment dismissing the action, based on the defenses of laches, acquiescence, and impossibility. By order dated May 21, 2007, the District Court dismissed plaintiffs' claims to the extent that they asserted a possessory interest, but permitted plaintiffs to pursue a claim seeking the difference between the amount paid and the fair market value of the lands at the time of the transaction. The District Court certified the May 21, 2007 order for interlocutory appeal and, on July 13, 2007, the Second Circuit granted motions by both sides seeking leave to pursue interlocutory appeals of that order. The cross-appeals have been fully briefed, and oral argument before the Second Circuit was conducted on June 3, 2008. The case now awaits decision by the Second Circuit.

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

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

reconsideration of that portion of the July 28, 2003 decision which struck a counterclaim against the United States for contribution. On February 10, 2006, after renewed efforts at settlement failed to resolve this action, and recognizing the potential significance of the *Sherrill* and *Cayuga* appeals, the District Court stayed all further proceedings in this case until 45 days after the United States Supreme Court issued a final decision in the *Cayuga Indian Nation of New York* Case. On November 6, 2006, after certiorari was denied in *Cayuga*, the defendants moved for judgment on the pleadings. Although the motion is fully briefed and awaiting decision, on April 16, 2008, the District Court issued an order staying the case until a decision is rendered with respect to the pending appeal in the *Oneida* case.

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

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

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

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

## **Tobacco Master Settlement Agreement**

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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. Following an evidentiary hearing, by December 15, 2008 order summarizing a preliminary decision, the District Court dismissed all of plaintiff’s claims.

## **Representative Payees**

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In *Weaver v. State of New York*, filed in the New York State Court of Claims on July 17, 2008, the claimant alleges that executive directors of Office of Mental Health facilities, acting as representative payees under the Federal Social Security Act, have improperly received benefits due to patients and former patients and improperly applied those benefits to defray the cost of patient care and maintenance. The named claimant seeks benefits on her own behalf as well as certification of a class of claimants.

On September 26, 2008, the State moved to dismiss the claim on the grounds that (i) claimant failed to file a motion to certify the class in a timely manner and (ii) claimant’s failure to identify the time and place in which each claim arose violates the provisions of Court of Claims Act §11(b). Claimant has opposed the motion and cross-moved, seeking certification of the class, pre-certification discovery, and partial summary judgment. The State’s reply papers are currently due on February 9, 2009.

## GLOSSARY OF ACRONYMS

(AFSCME)	American Federation of State, County, and Municipal Employees
(AHC)	Affordable Housing Corporation
(AIG)	American International Group
(AIM)	Aid and Incentive for Municipalities
(ARS)	Auction Rate Securities
(ATC)	Addiction Treatment Center
(AWP)	Average Wholesale Price
(BANS)	Bond Anticipation Notes
(BIC)	Bond Issuance Change
(BMA)	Bond Market Association
(BOCES)	Board of Cooperative Education Services
(CAFR)	Comprehensive Annual Financial Report
(CAP)	Comprehensive Attendance Program
(CDT)	Continuing Day Treatment Clinic
(CFE)	Campaign for Fiscal Equity
(CFIA)	Court Facilities Incentive Aid
(CHCCDP)	Community Health Care Conversion Demonstration Project
(CHIPs)	Consolidated Highway Improvement Programs
(CHP)	Child Health Plus
(CMS)	Centers for Medicaid and Medicare Services
(CLCs)	21st Century Community Learning Centers
(COLA)	Cost-of-Living Adjustment
(CPFs)	Community Projects Funds
(CPI)	Consumer Price Index
(CQCAPD)	Commission on Quality Care and Advocacy for Persons with Disabilities
(CRF)	Contingency Reserve Fund
(CSEA)	Civil Service Employees Association
(CSTEP)	Collegiate Science and Technology Entry Program
(CW/CA)	Clean Water/Clean Air
(CWSRF)	Clean Water State Revolving Fund
(CEFAP)	Community Enhancement Facilities Assistance Program
(DBE)	Disadvantaged Business Enterprise
(DHBTF)	Dedicated Highway and Bridge Trust Fund
(DRRF)	Debt Reduction Reserve Fund
(DRP)	Deficit Reduction Plan
(DSFs)	Debt Service Funds
(DWSRF)	Drinking Water Revolving Fund
(EI)	Early Intervention
(EITC)	Earned Income Tax Credit
(EMSC)	Elementary, Middle, Secondary and Continuing Education
(EOCs)	Educational Opportunity Centers
(EOP)	Educational Opportunity Program
(EPF)	Environmental Protection Fund
(EPIC)	Elderly Pharmaceutical Insurance Coverage
(EXCEL)	Expanding our Children's Education and Learning
(FCB)	Financial Control Board
(FHP)	Family Health Plus

(FMAP)	Federal Medical Assistance Percentage
(FMP)	Fiscal Management Plan
(FSA)	Financial Security Assurance
(GAAP)	Generally Accepted Accounting Principles
(GASB)	Governmental Accounting Standards Board
(GASB 34)	Governmental Accounting Standards Board Statement 34
(GDP)	Gross Domestic Product
(GHI)	Group Health Insurance
(GME)	Graduate Medical Education
(GOER)	Governor's Office of Employee Relations
(GPHW)	General Public Health Works
(GSCs)	General State Charges
(GSEW)	Graduate Student Employees Union
(HAF)	Housing Assistance Fund
(HCBS)	Home and Community Based Services
(HCRA)	Health Care Reform Act
(HEAL-NY)	Health Care Equity and Affordability Law for New Yorkers
(HEAP)	Home Energy Assistance Program
(HELP)	Higher Education Loan Program
(HHC)	Health and Hospital Corporation
(HESC)	Higher Education Services Corporation
(HHAC)	Homeless Housing Assistance Corporation
(HHAP)	Homeless Housing Assistance Program
(HIP)	Health Insurance Plan
(HMO)	Health Maintenance Organization
(HRPT)	Hudson River Park Trust
(HTFC)	Housing Trust Fund Corporation
(IDEA)	Individuals with Disabilities Education Act
(IFP)	Industrial Finance Program
(IPO)	Initial Public Offering
(ITC)	Investment Tax Credit
(LGAC)	Local Government Assistance Corporation
(LIBOR)	London Inter Bank Offered Rates
(LLC)	Limited Liability Company
(MCFFA)	Medical Care Facilities Finance Agency
(MCTD)	Metropolitan Commuter Transportation District
(MMTOA)	Metropolitan Mass Transportation Operating Assistance Fund
(MTOA)	Mass Transportation Operating Assistance Fund
(MOU)	Memorandum of Understanding
(M/WBE)	Minority/Women-Owned Business Enterprises
(NAICS)	North American Industry Classification System
(NBER)	National Bureau of Economic Research
(NPS)	Non-Personal Service
(NTI)	New York State Net Taxable Income
(NYSCOPBRA)	New York State Correctional Officers and Police Benevolent Association
(NYS-OPTS)	New York State Options for People Through Services
(OCA)	Office of Court Administration
(PACB)	Public Authorities Control Board
(PAYGO)	Pay-as-you-go
(PEF)	Public Employees Federation

(PEP)	Professional Education Pool
(PFM)	Public Financial Management
(PIA)	Patient Income Account
(PILOT)	Payment in Lieu of Taxes
(PIT)	Personal Income Tax
(PPA)	Permanent Place of Abode
(PPI)	Petroleum Price Index
(PRAG)	Public Resources Advisory Group
(PSYCKES)	Psychiatric Services and Clinical Knowledge Enhancement System
(PYCs)	Prior Year Claims
(QPAI)	Qualified Production Activity Income
(QCEW)	Quarterly Census of Employment and Wages
(REIT)	Real Estate Investment Fund
(RESCUE)	Rebuilding Schools to Uphold Education
(RIC)	Regulated Investment Company
(RBTF)	Revenue Bond Tax Fund
(SAFETEA-LU)	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
(SBE)	Sound Basic Education
(SEIP)	Supplemental Education Improvement Program
(SHU)	Special Housing Unit
(SIP)	Strategic Investment Program
(SOMTA)	Sex Offender Management Treatment Act
(SPIF)	State Parks Infrastructure Fund
(SRFs)	Special Revenue Funds
(SSI)	Supplemental Security Income
(STAR)	School Tax Relief
(STARC)	State Tax Asset Receivable Corporation
(STEP)	Science and Technology Entry Programs
(ST&I)	Science, Technology, and Innovation
(STIP)	Short-Term Investment Pool
(SWN)	Statewide Wireless Network
(TAG)	Technical Assistance Grant
(TANF)	Temporary Assistance for Needy Families
(TAP)	Tuition Assistance Program
(TAS)	Technical Advisory Service
(TFA)	Transitional Finance Authority
(TRANS)	Tax and Revenue Anticipation Notes
(TSA)	Teacher Support Aid
(TSFC)	Tobacco Settlement Financing Corporation
(TSRF)	Tax Stabilization Reserve Fund
(UDC)	Urban Development Corporation
(UUP)	United University Professions
(VLT)	Video Lottery Terminal
(VRDBs)	Variable-Rate Demand Bonds
(WHTI)	Western Hemisphere Travel Initiative
(WMS)	Welfare Management System

**NEW YORK STATE AGENCIES AND PUBLIC AUTHORITIES**

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

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

	<u>Executive</u>	<u>30-Day Changes</u>	<u>Technical Adjustments</u>	<u>30-Day</u>
<b>Opening fund balance</b>	2,754	0		2,754
<b>Receipts:</b>				
Taxes:				
Personal income tax	22,979	93	0	23,072
User taxes and fees	8,711	(93)	0	8,618
Business taxes	5,645	0	0	5,645
Other taxes	1,268	0	0	1,268
Miscellaneous receipts	2,999	125	0	3,124
Federal Grants	41	0	0	41
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,306	21	0	8,327
Sales tax in excess of LGAC debt service	2,267	(31)	0	2,236
Real estate taxes in excess of CW/CA debt service	390	0	0	390
All other	1,515	(100)	0	1,415
<b>Total receipts</b>	<u>54,121</u>	<u>15</u>	<u>0</u>	<u>54,136</u>
<b>Disbursements:</b>				
Grants to local governments	38,197	0	(4)	38,193
State operations:				
Personal Service	6,151	0	65	6,216
Non-Personal Service	2,198	0	(61)	2,137
General State charges	3,119	0	0	3,119
Transfers to other funds:				
Debt service	1,688	0	0	1,688
Capital projects	428	0	0	428
State Share Medicaid	2,664	0	0	2,664
Other purposes	931	0	0	931
<b>Total disbursements</b>	<u>55,376</u>	<u>0</u>	<u>0</u>	<u>55,376</u>
<b>Change in fund balance</b>	<u>(1,255)</u>	<u>15</u>	<u>0</u>	<u>(1,240)</u>
<b>Closing fund balance</b>	<u>1,499</u>	<u>15</u>	<u>0</u>	<u>1,514</u>
<b>Reserves</b>				
Tax Stabilization Reserve Fund	1,031	0	0	1,031
Statutory Rainy Day Reserve Fund	175	0	0	175
Contingency Reserve Fund	21	0	0	21
Community Projects Fund	127	15	0	142
Labor Settlement Other Risks Reserve *	145	0	0	145

\*The Labor Settlement Reserve/Other Risks is a DOB-designated use of the Refund Reserve Account.

Technical Adjustments comprise the reclassification of receipts and disbursements from one Financial Plan category to another to align estimates with actual results as reported by the Office of the State Comptroller or the allocation of State Operations appropriations between personal and non-personal service. These adjustments affect multiple agencies but have no net Financial Plan impact.

Source: NYS DOB

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

	<u>Executive</u>	<u>30-Day Changes</u>	<u>Technical Adjustments</u>	<u>30-Day</u>
<b>Receipts:</b>				
Taxes:				
Personal income tax	22,662	(150)	0	22,512
User taxes and fees	10,021	0	0	10,021
Business taxes	6,084	0	0	6,084
Other taxes	1,048	0	0	1,048
Miscellaneous receipts	3,764	45	(3)	3,806
Federal Grants	0	0	0	0
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	7,524	(53)	1	7,472
Sales tax in excess of LGAC debt service	2,634	0	0	2,634
Real estate taxes in excess of CW/CA debt service	443	0	0	443
All other	940	120	3	1,063
<b>Total receipts</b>	<u>55,120</u>	<u>(38)</u>	<u>1</u>	<u>55,083</u>
<b>Disbursements:</b>				
Grants to local governments	37,370	(15)	2	37,357
State operations:				
Personal Service	6,303	(15)	0	6,288
Non-Personal Service	2,265	(13)	(1)	2,251
General State charges	3,540	5	0	3,545
Transfers to other funds:				
Debt service	1,780	0	0	1,780
Capital projects	520	0	0	520
State Share Medicaid	2,732	0	0	2,732
Other purposes	882	0	0	882
<b>Total disbursements</b>	<u>55,392</u>	<u>(38)</u>	<u>1</u>	<u>55,355</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>(127)</u>	<u>0</u>	<u>0</u>	<u>(127)</u>
<b>Deposit to/(use of) Prior Year Reserves</b>	<u>(145)</u>	<u>0</u>	<u>0</u>	<u>(145)</u>
<b>Margin</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

*Technical Adjustments comprise the reclassification of receipts and disbursements from one Financial Plan category to another to align estimates with actual results as reported by the Office of the State Comptroller or the allocation of State Operations appropriations between personal and non-personal service. These adjustments affect multiple agencies but have no net Financial Plan impact.*

Source: NYS DOB

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

	<u>Executive</u>	<u>30-Day Changes</u>	<u>Technical Adjustments</u>	<u>30-Day</u>
<b>Receipts:</b>				
Taxes:				
Personal income tax	24,511	(150)	0	24,361
User taxes and fees	10,589	0	0	10,589
Business taxes	6,236	0	0	6,236
Other taxes	1,096	0	0	1,096
Miscellaneous receipts	3,193	0	(4)	3,189
Federal Grants	0	0	0	0
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	7,823	(53)	0	7,770
Sales tax in excess of LGAC debt service	2,793	0	0	2,793
Real estate taxes in excess of CW/CA debt service	541	0	0	541
All other	587	20	4	611
<b>Total receipts</b>	<u>57,369</u>	<u>(183)</u>	<u>0</u>	<u>57,186</u>
<b>Disbursements:</b>				
Grants to local governments	39,512	(27)	1	39,486
State operations:				
Personal Service	6,631	(5)	0	6,626
Non-Personal Service	2,330	(10)	(1)	2,319
General State charges	3,960	10	0	3,970
Transfers to other funds:				
Debt service	1,757	0	0	1,757
Capital projects	1,071	0	0	1,071
State Share Medicaid	2,716	0	0	2,716
Other purposes	1,226	0	0	1,226
<b>Total disbursements</b>	<u>59,203</u>	<u>(32)</u>	<u>0</u>	<u>59,171</u>
<b>Margin</b>	<u>(1,834)</u>	<u>(151)</u>	<u>0</u>	<u>(1,985)</u>

*Technical Adjustments comprise the reclassification of receipts and disbursements from one Financial Plan category to another to align estimates with actual results as reported by the Office of the State Comptroller or the allocation of State Operations appropriations between personal and non-personal service. These adjustments affect multiple agencies but have no net Financial Plan impact.*

---

Source: NYS DOB

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

	<u>Executive</u>	<u>30-Day Changes</u>	<u>Technical Adjustments</u>	<u>30-Day</u>
<b>Receipts:</b>				
Taxes:				
Personal income tax	26,048	(150)	0	25,898
User taxes and fees	10,913	0	0	10,913
Business taxes	6,405	0	0	6,405
Other taxes	1,154	0	0	1,154
Miscellaneous receipts	3,161	0	(3)	3,158
Federal Grants	0	0	0	0
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,106	(52)	0	8,054
Sales tax in excess of LGAC debt service	2,885	0	0	2,885
Real estate taxes in excess of CW/CA debt service	621	0	0	621
All other	623	20	4	647
<b>Total receipts</b>	<u>59,916</u>	<u>(182)</u>	<u>1</u>	<u>59,735</u>
<b>Disbursements:</b>				
Grants to local governments	43,478	(27)	1	43,452
State operations:				
Personal Service	6,822	(5)	0	6,817
Non-Personal Service	2,415	(10)	0	2,405
General State charges	4,220	10	0	4,230
Transfers to other funds:				
Debt service	1,732	0	0	1,732
Capital projects	1,220	0	0	1,220
State Share Medicaid	2,710	0	0	2,710
Other purposes	1,364	0	0	1,364
<b>Total disbursements</b>	<u>63,961</u>	<u>(32)</u>	<u>1</u>	<u>63,930</u>
<b>Margin</b>	<u>(4,045)</u>	<u>(150)</u>	<u>0</u>	<u>(4,195)</u>

*Technical Adjustments comprise the reclassification of receipts and disbursements from one Financial Plan category to another to align estimates with actual results as reported by the Office of the State Comptroller or the allocation of State Operations appropriations between personal and non-personal service. These adjustments affect multiple agencies but have no net Financial Plan impact.*

Source: NYS DOB

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

	<u>Mid-Year</u>	<u>Change</u>	<u>30-Day</u>
<b>Opening fund balance</b>	<u>2,754</u>	<u>0</u>	<u>2,754</u>
<b>Receipts:</b>			
Taxes:			
Personal income tax	22,986	86	23,072
User taxes and fees	8,749	(131)	8,618
Business taxes	5,645	0	5,645
Other taxes	1,324	(56)	1,268
Miscellaneous receipts	2,551	573	3,124
Federal Grants	41	0	41
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,387	(60)	8,327
Sales tax in excess of LGAC debt service	2,279	(43)	2,236
Real estate taxes in excess of CW/CA debt service	440	(50)	390
All other	1,185	230	1,415
<b>Total receipts</b>	<u>53,587</u>	<u>549</u>	<u>54,136</u>
<b>Disbursements:</b>			
Grants to local governments	38,769	(576)	38,193
State operations:			
Personal Service	6,260	(44)	6,216
Non-Personal Service	2,280	(143)	2,137
General State charges	3,113	6	3,119
Transfers to other funds:			
Debt service	1,730	(42)	1,688
Capital projects	435	(7)	428
State Share Medicaid	2,664	0	2,664
Other purposes	869	62	931
<b>Total disbursements</b>	<u>56,120</u>	<u>(744)</u>	<u>55,376</u>
<b>HCRA Operating Shortfall</b>	<u>(88)</u>	<u>88</u>	<u>0</u>
<b>Legislative/Administrative Actions to Close Gaps</b>	<u>1,475</u>	<u>(1,475)</u>	<u>0</u>
<b>Change in fund balance</b>	<u>(1,146)</u>	<u>(94)</u>	<u>(1,240)</u>
<b>Closing fund balance</b>	<u>1,608</u>	<u>(94)</u>	<u>1,514</u>
<b>Reserves</b>			
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	172	(30)	142
Debt Reduction Reserve Fund *	64	(64)	0
Labor Settlement Other Risks Reserve *	145	0	145

*\*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  
GENERAL FUND  
2009-2010  
(millions of dollars)**

	<u>Mid-Year</u>	<u>Change</u>	<u>30-Day</u>
<b>Receipts:</b>			
Taxes:			
Personal income tax	21,253	1,259	22,512
User taxes and fees	8,947	1,074	10,021
Business taxes	5,670	414	6,084
Other taxes	1,175	(127)	1,048
Miscellaneous receipts	2,399	1,407	3,806
Federal Grants	0	0	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,647	(175)	7,472
Sales tax in excess of LGAC debt service	2,373	261	2,634
Real estate taxes in excess of CW/CA debt service	449	(6)	443
All other	582	481	1,063
<b>Total receipts</b>	<u>50,495</u>	<u>4,588</u>	<u>55,083</u>
<b>Disbursements:</b>			
Grants to local governments	43,452	(6,095)	37,357
State operations:			
Personal Service	6,923	(635)	6,288
Non-Personal Service	2,436	(185)	2,251
General State charges	3,646	(101)	3,545
Transfers to other funds:			
Debt service	1,747	33	1,780
Capital projects	757	(237)	520
State Share Medicaid	2,572	160	2,732
Other purposes	1,277	(395)	882
<b>Total disbursements</b>	<u>62,810</u>	<u>(7,455)</u>	<u>55,355</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>31</u>	<u>(158)</u>	<u>(127)</u>
<b>Deposit to/(use of) Prior Year Reserves</b>	<u>(145)</u>	<u>0</u>	<u>(145)</u>
<b>HCRA Operating Shortfall</b>	<u>(317)</u>	<u>317</u>	<u>0</u>
<b>Margin</b>	<u>(12,518)</u>	<u>12,518</u>	<u>0</u>

Source: NYS DOB

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

	<u>Mid-Year</u>	<u>Change</u>	<u>30-Day</u>
<b>Receipts:</b>			
Taxes:			
Personal income tax	22,583	1,778	24,361
User taxes and fees	9,167	1,422	10,589
Business taxes	6,182	54	6,236
Other taxes	1,190	(94)	1,096
Miscellaneous receipts	2,333	856	3,189
Federal Grants	0	0	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,930	(160)	7,770
Sales tax in excess of LGAC debt service	2,440	353	2,793
Real estate taxes in excess of CW/CA debt service	484	57	541
All other	556	55	611
<b>Total receipts</b>	<u>52,865</u>	<u>4,321</u>	<u>57,186</u>
<b>Disbursements:</b>			
Grants to local governments	47,361	(7,875)	39,486
State operations:			
Personal Service	7,207	(581)	6,626
Non-Personal Service	2,539	(220)	2,319
General State charges	4,131	(161)	3,970
Transfers to other funds:			
Debt service	1,735	22	1,757
Capital projects	1,239	(168)	1,071
State Share Medicaid	2,589	127	2,716
Other purposes	1,735	(509)	1,226
<b>Total disbursements</b>	<u>68,536</u>	<u>(9,365)</u>	<u>59,171</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>(36)</u>	<u>36</u>	<u>0</u>
<b>HCRA Operating Shortfall</b>	<u>(117)</u>	<u>117</u>	<u>0</u>
<b>Margin</b>	<u>(15,752)</u>	<u>13,767</u>	<u>(1,985)</u>

Source: NYS DOB

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

	<u>Mid-Year</u>	<u>Change</u>	<u>30-Day</u>
<b>Receipts:</b>			
Taxes:			
Personal income tax	24,141	1,757	25,898
User taxes and fees	9,541	1,372	10,913
Business taxes	6,363	42	6,405
Other taxes	1,244	(90)	1,154
Miscellaneous receipts	2,295	863	3,158
Federal Grants	0	0	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,292	(238)	8,054
Sales tax in excess of LGAC debt service	2,531	354	2,885
Real estate taxes in excess of CW/CA debt service	565	56	621
All other	595	52	647
<b>Total receipts</b>	<u>55,567</u>	<u>4,168</u>	<u>59,735</u>
<b>Disbursements:</b>			
Grants to local governments	50,486	(7,034)	43,452
State operations:			
Personal Service	7,384	(567)	6,817
Non-Personal Service	2,595	(190)	2,405
General State charges	4,463	(233)	4,230
Transfers to other funds:			
Debt service	1,710	22	1,732
Capital projects	1,357	(137)	1,220
State Share Medicaid	2,579	131	2,710
Other purposes	2,368	(1,004)	1,364
<b>Total disbursements</b>	<u>72,942</u>	<u>(9,012)</u>	<u>63,930</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>(166)</u>	<u>166</u>	<u>0</u>
<b>HCRA Operating Shortfall</b>	<u>(25)</u>	<u>25</u>	<u>0</u>
<b>Margin</b>	<u>(17,234)</u>	<u>13,039</u>	<u>(4,195)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN  
GENERAL FUND  
2009-2010 through 2012-2013  
(millions of dollars)**

	<u>2009-2010 30-Day</u>	<u>2010-2011 Projected</u>	<u>2011-2012 Projected</u>	<u>2012-2013 Projected</u>
<b>Receipts:</b>				
Taxes:				
Personal income tax	22,512	24,361	25,898	27,724
User taxes and fees	10,021	10,589	10,913	11,181
Business taxes	6,084	6,236	6,405	6,805
Other taxes	1,048	1,096	1,154	1,221
Miscellaneous receipts	3,806	3,189	3,158	2,786
Federal grants	0	0	0	0
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	7,472	7,770	8,054	8,462
Sales tax in excess of LGAC debt service	2,634	2,793	2,885	3,002
Real estate taxes in excess of CW/CA debt service	443	541	621	700
All other transfers	1,063	611	647	659
<b>Total receipts</b>	<u>55,083</u>	<u>57,186</u>	<u>59,735</u>	<u>62,540</u>
<b>Disbursements:</b>				
Grants to local governments	37,357	39,486	43,452	46,759
State operations:				
Personal Service	6,288	6,626	6,817	6,909
Non-Personal Service	2,251	2,319	2,405	2,477
General State charges	3,545	3,970	4,230	4,604
Transfers to other funds:				
Debt service	1,780	1,757	1,732	1,720
Capital projects	520	1,071	1,220	1,384
State Share Medicaid	2,732	2,716	2,710	2,712
Other purposes	882	1,226	1,364	1,636
<b>Total disbursements</b>	<u>55,355</u>	<u>59,171</u>	<u>63,930</u>	<u>68,201</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>(127)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Deposit to/(use of) Prior Year Reserves</b>	<u>(145)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Margin</b>	<u>0</u>	<u>(1,985)</u>	<u>(4,195)</u>	<u>(5,661)</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
<b>Opening fund balance</b>	<u>2,754</u>	<u>3,520</u>	<u>286</u>	<u>6,560</u>
<b>Receipts:</b>				
Taxes	38,603	7,813	12,314	58,730
Miscellaneous receipts	3,124	12,798	779	16,701
Federal grants	41	1	0	42
<b>Total receipts</b>	<u>41,768</u>	<u>20,612</u>	<u>13,093</u>	<u>75,473</u>
<b>Disbursements:</b>				
Grants to local governments	38,193	16,885	0	55,078
State operations:				
Personal Service	6,216	4,152	0	10,368
Non-Personal Service	2,137	2,564	73	4,774
General State charges	3,119	1,472	0	4,591
Debt service	0	0	4,614	4,614
Capital projects	0	8	0	8
<b>Total disbursements</b>	<u>49,665</u>	<u>25,081</u>	<u>4,687</u>	<u>79,433</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	12,368	4,056	5,816	22,240
Transfers to other funds	(5,711)	(1,244)	(14,218)	(21,173)
Bond and note proceeds	0	0	0	0
<b>Net other financing sources (uses)</b>	<u>6,657</u>	<u>2,812</u>	<u>(8,402)</u>	<u>1,067</u>
<b>Change in fund balance:</b>	<u>(1,240)</u>	<u>(1,657)</u>	<u>4</u>	<u>(2,893)</u>
Deposit to/(use of) Community Projects Fund	(198)			
Deposit to/(use of) Prior Year Reserves	(920)			
Deposit to/(use of) Debt Reduction Reserve	(122)			
<b>Closing fund balance</b>	<u>1,514</u>	<u>1,863</u>	<u>290</u>	<u>3,667</u>

Source: NYS DOB

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

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>(MEMO) Total</b>
<b>Opening fund balance</b>	0	1,863	290	2,153
<b>Receipts:</b>				
Taxes	39,665	7,248	12,231	59,144
Miscellaneous receipts	3,806	14,692	830	19,328
Federal grants	0	1	0	1
<b>Total receipts</b>	<u>43,471</u>	<u>21,941</u>	<u>13,061</u>	<u>78,473</u>
<b>Disbursements:</b>				
Grants to local governments	37,357	16,971	0	54,328
State operations:				
Personal Service	6,288	4,242	0	10,530
Non-Personal Service	2,251	2,860	75	5,186
General State charges	3,545	1,102	0	4,647
Debt service	0	0	5,123	5,123
Capital projects	0	3	0	3
<b>Total disbursements</b>	<u>49,441</u>	<u>25,178</u>	<u>5,198</u>	<u>79,817</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	11,612	4,245	5,968	21,825
Transfers to other funds	(5,914)	(1,204)	(13,837)	(20,955)
Bond and note proceeds	0	0	0	0
<b>Net other financing sources (uses)</b>	<u>5,698</u>	<u>3,041</u>	<u>(7,869)</u>	<u>870</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>(127)</u>	<u>0</u>	<u>0</u>	<u>(127)</u>
<b>Deposit to/(use of) Prior Year Reserves</b>	<u>(145)</u>	<u>0</u>	<u>0</u>	<u>(145)</u>
<b>Change in fund balance</b>	<u>0</u>	<u>(196)</u>	<u>(6)</u>	<u>(202)</u>
<b>Closing fund balance</b>	<u>0</u>	<u>1,667</u>	<u>284</u>	<u>1,951</u>

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Source: NYS DOB

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

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>(MEMO) Total</b>
<b>Opening fund balance</b>	<u>0</u>	<u>1,667</u>	<u>284</u>	<u>1,951</u>
<b>Receipts:</b>				
Taxes	42,282	7,385	13,088	62,755
Miscellaneous receipts	3,189	15,259	820	19,268
Federal grants	0	1	0	1
<b>Total receipts</b>	<u>45,471</u>	<u>22,645</u>	<u>13,908</u>	<u>82,024</u>
<b>Disbursements:</b>				
Grants to local governments	39,486	17,581	0	57,067
State operations:				
Personal Service	6,626	4,469	0	11,095
Non-Personal Service	2,319	2,908	75	5,302
General State charges	3,970	1,193	0	5,163
Debt service	0	0	5,743	5,743
Capital projects	0	2	0	2
<b>Total disbursements</b>	<u>52,401</u>	<u>26,153</u>	<u>5,818</u>	<u>84,372</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	11,715	4,296	6,310	22,321
Transfers to other funds	(6,770)	(1,014)	(14,404)	(22,188)
Bond and note proceeds	0	0	0	0
<b>Net other financing sources (uses)</b>	<u>4,945</u>	<u>3,282</u>	<u>(8,094)</u>	<u>133</u>
<b>Change in fund balance</b>	<u>(1,985)</u>	<u>(226)</u>	<u>(4)</u>	<u>(2,215)</u>
<b>Closing fund balance</b>	<u>(1,985)</u>	<u>1,441</u>	<u>280</u>	<u>(264)</u>

Source: NYS DOB

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

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>(MEMO) Total</b>
<b>Opening fund balance</b>	<u>0</u>	<u>1,441</u>	<u>280</u>	<u>1,721</u>
<b>Receipts:</b>				
Taxes	44,370	7,633	13,830	65,833
Miscellaneous receipts	3,158	15,366	839	19,363
Federal grants	0	1	0	1
<b>Total receipts</b>	<u>47,528</u>	<u>23,000</u>	<u>14,669</u>	<u>85,197</u>
<b>Disbursements:</b>				
Grants to local governments	43,452	17,850	0	61,302
State operations:				
Personal Service	6,817	4,501	0	11,318
Non-Personal Service	2,405	2,929	75	5,409
General State charges	4,230	1,231	0	5,461
Debt service	0	0	6,150	6,150
Capital projects	0	2	0	2
<b>Total disbursements</b>	<u>56,904</u>	<u>26,513</u>	<u>6,225</u>	<u>89,642</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	12,207	4,386	6,377	22,970
Transfers to other funds	(7,026)	(1,123)	(14,810)	(22,959)
Bond and note proceeds	0	0	0	0
<b>Net other financing sources (uses)</b>	<u>5,181</u>	<u>3,263</u>	<u>(8,433)</u>	<u>11</u>
<b>Change in fund balance</b>	<u>(4,195)</u>	<u>(250)</u>	<u>11</u>	<u>(4,434)</u>
<b>Closing fund balance</b>	<u>(4,195)</u>	<u>1,191</u>	<u>291</u>	<u>(2,713)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN  
STATE OPERATING FUNDS BUDGET  
2012-2013  
(millions of dollars)**

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>(MEMO) Total</b>
<b>Opening fund balance</b>	<u>0</u>	<u>1,191</u>	<u>291</u>	<u>1,482</u>
<b>Receipts:</b>				
Taxes	46,931	7,856	14,690	69,477
Miscellaneous receipts	2,786	15,750	858	19,394
Federal grants	0	1	0	1
<b>Total receipts</b>	<u>49,717</u>	<u>23,607</u>	<u>15,548</u>	<u>88,872</u>
<b>Disbursements:</b>				
Grants to local governments	46,759	18,504	0	65,263
State operations:				
Personal Service	6,909	4,523	0	11,432
Non-Personal Service	2,477	3,112	75	5,664
General State charges	4,604	1,291	0	5,895
Debt service	0	0	6,474	6,474
Capital projects	0	2	0	2
<b>Total disbursements</b>	<u>60,749</u>	<u>27,432</u>	<u>6,549</u>	<u>94,730</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	12,823	4,569	6,399	23,791
Transfers to other funds	(7,452)	(922)	(15,399)	(23,773)
Bond and note proceeds	0	0	0	0
<b>Net other financing sources (uses)</b>	<u>5,371</u>	<u>3,647</u>	<u>(9,000)</u>	<u>18</u>
<b>Change in fund balance</b>	<u>(5,661)</u>	<u>(178)</u>	<u>(1)</u>	<u>(5,840)</u>
<b>Closing fund balance</b>	<u>(5,661)</u>	<u>1,013</u>	<u>290</u>	<u>(4,358)</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
<b>Opening fund balance</b>	2,754	3,879	(433)	286	6,486
<b>Receipts:</b>					
Taxes	38,603	7,813	2,056	12,314	60,786
Miscellaneous receipts	3,124	12,906	2,900	779	19,709
Federal grants	41	34,031	1,906	0	35,978
<b>Total receipts</b>	<u>41,768</u>	<u>54,750</u>	<u>6,862</u>	<u>13,093</u>	<u>116,473</u>
<b>Disbursements:</b>					
Grants to local governments	38,193	46,135	484	0	84,812
State operations:					
Personal Service	6,216	6,282	0	0	12,498
Non-Personal Service	2,137	3,964	0	73	6,174
General State charges	3,119	2,343	0	0	5,462
Debt service	0	0	0	4,614	4,614
Capital projects	0	8	6,195	0	6,203
<b>Total disbursements</b>	<u>49,665</u>	<u>58,732</u>	<u>6,679</u>	<u>4,687</u>	<u>119,763</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	12,368	6,601	595	5,816	25,380
Transfers to other funds	(5,711)	(4,241)	(1,303)	(14,218)	(25,473)
Bond and note proceeds	0	0	349	0	349
<b>Net other financing sources (uses)</b>	<u>6,657</u>	<u>2,360</u>	<u>(359)</u>	<u>(8,402)</u>	<u>256</u>
<b>Change in fund balance</b>	<u>(1,240)</u>	<u>(1,622)</u>	<u>(176)</u>	<u>4</u>	<u>(3,034)</u>
Deposit to/(use of) Community Projects Fund	(198)				
Deposit to/(use of) Prior Year Reserves	(920)				
Deposit to/(use of) Debt Reduction Reserve	(122)				
<b>Closing fund balance</b>	<u>1,514</u>	<u>2,257</u>	<u>(609)</u>	<u>290</u>	<u>3,452</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
<b>Opening fund balance</b>	0	2,257	(609)	290	1,938
<b>Receipts:</b>					
Taxes	39,665	7,248	2,025	12,231	61,169
Miscellaneous receipts	3,806	14,798	3,620	830	23,054
Federal grants	0	33,971	1,866	0	35,837
<b>Total receipts</b>	<u>43,471</u>	<u>56,017</u>	<u>7,511</u>	<u>13,061</u>	<u>120,060</u>
<b>Disbursements:</b>					
Grants to local governments	37,357	46,056	487	0	83,900
State operations:					
Personal Service	6,288	6,392	0	0	12,680
Non-Personal Service	2,251	4,348	0	75	6,674
General State charges	3,545	1,967	0	0	5,512
Debt service	0	0	0	5,123	5,123
Capital projects	0	3	7,174	0	7,177
<b>Total disbursements</b>	<u>49,441</u>	<u>58,766</u>	<u>7,661</u>	<u>5,198</u>	<u>121,066</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	11,612	6,782	806	5,968	25,168
Transfers to other funds	(5,914)	(4,263)	(1,178)	(13,837)	(25,192)
Bond and note proceeds	0	0	531	0	531
<b>Net other financing sources (uses)</b>	<u>5,698</u>	<u>2,519</u>	<u>159</u>	<u>(7,869)</u>	<u>507</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>(127)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(127)</u>
<b>Deposit to/(use of) Prior Year Reserves</b>	<u>(145)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(145)</u>
<b>Change in fund balance</b>	<u>0</u>	<u>(230)</u>	<u>9</u>	<u>(6)</u>	<u>(227)</u>
<b>Closing fund balance</b>	<u>0</u>	<u>2,027</u>	<u>(600)</u>	<u>284</u>	<u>1,711</u>

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Source: NYS DOB

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

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Debt Service Funds</b>	<b>(MEMO) Total</b>
<b>Opening fund balance</b>	<u>0</u>	<u>2,027</u>	<u>(600)</u>	<u>284</u>	<u>1,711</u>
<b>Receipts:</b>					
Taxes	42,282	7,385	2,058	13,088	64,813
Miscellaneous receipts	3,189	15,365	3,645	820	23,019
Federal grants	0	35,646	1,768	0	37,414
<b>Total receipts</b>	<u>45,471</u>	<u>58,396</u>	<u>7,471</u>	<u>13,908</u>	<u>125,246</u>
<b>Disbursements:</b>					
Grants to local governments	39,486	48,205	468	0	88,159
State operations:					
Personal Service	6,626	6,760	0	0	13,386
Non-Personal Service	2,319	4,463	0	75	6,857
General State charges	3,970	2,157	0	0	6,127
Debt service	0	0	0	5,743	5,743
Capital projects	0	2	7,622	0	7,624
<b>Total disbursements</b>	<u>52,401</u>	<u>61,587</u>	<u>8,090</u>	<u>5,818</u>	<u>127,896</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	11,715	7,105	1,505	6,310	26,635
Transfers to other funds	(6,770)	(4,068)	(1,442)	(14,404)	(26,684)
Bond and note proceeds	0	0	596	0	596
<b>Net other financing sources (uses)</b>	<u>4,945</u>	<u>3,037</u>	<u>659</u>	<u>(8,094)</u>	<u>547</u>
<b>Change in fund balance</b>	<u>(1,985)</u>	<u>(154)</u>	<u>40</u>	<u>(4)</u>	<u>(2,103)</u>
<b>Closing fund balance</b>	<u>(1,985)</u>	<u>1,873</u>	<u>(560)</u>	<u>280</u>	<u>(392)</u>

Source: NYS DOB

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

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Debt Service Funds</b>	<b>(MEMO) Total</b>
<b>Opening fund balance</b>	<u>0</u>	<u>1,873</u>	<u>(560)</u>	<u>280</u>	<u>1,593</u>
<b>Receipts:</b>					
Taxes	44,370	7,633	2,072	13,830	67,905
Miscellaneous receipts	3,158	15,472	3,667	839	23,136
Federal grants	0	37,607	1,800	0	39,407
<b>Total receipts</b>	<u>47,528</u>	<u>60,712</u>	<u>7,539</u>	<u>14,669</u>	<u>130,448</u>
<b>Disbursements:</b>					
Grants to local governments	43,452	50,431	543	0	94,426
State operations:					
Personal Service	6,817	6,797	0	0	13,614
Non-Personal Service	2,405	4,505	0	75	6,985
General State charges	4,230	2,217	0	0	6,447
Debt service	0	0	0	6,150	6,150
Capital projects	0	2	7,617	0	7,619
<b>Total disbursements</b>	<u>56,904</u>	<u>63,952</u>	<u>8,160</u>	<u>6,225</u>	<u>135,241</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	12,207	7,189	1,693	6,377	27,466
Transfers to other funds	(7,026)	(4,172)	(1,488)	(14,810)	(27,496)
Bond and note proceeds	0	0	452	0	452
<b>Net other financing sources (uses)</b>	<u>5,181</u>	<u>3,017</u>	<u>657</u>	<u>(8,433)</u>	<u>422</u>
<b>Change in fund balance</b>	<u>(4,195)</u>	<u>(223)</u>	<u>36</u>	<u>11</u>	<u>(4,371)</u>
<b>Closing fund balance</b>	<u>(4,195)</u>	<u>1,650</u>	<u>(524)</u>	<u>291</u>	<u>(2,778)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN  
ALL GOVERNMENTAL FUNDS  
2012-2013  
(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>
<b>Opening fund balance</b>	<u>0</u>	<u>1,650</u>	<u>(524)</u>	<u>291</u>	<u>1,417</u>
<b>Receipts:</b>					
Taxes	46,931	7,856	2,076	14,690	71,553
Miscellaneous receipts	2,786	15,856	2,980	858	22,480
Federal grants	0	37,317	1,844	0	39,161
<b>Total receipts</b>	<u>49,717</u>	<u>61,029</u>	<u>6,900</u>	<u>15,548</u>	<u>133,194</u>
<b>Disbursements:</b>					
Grants to local governments	46,759	50,800	555	0	98,114
State operations:					
Personal Service	6,909	6,832	0	0	13,741
Non-Personal Service	2,477	4,698	0	75	7,250
General State charges	4,604	2,341	0	0	6,945
Debt service	0	0	0	6,474	6,474
Capital projects	0	2	6,805	0	6,807
<b>Total disbursements</b>	<u>60,749</u>	<u>64,673</u>	<u>7,360</u>	<u>6,549</u>	<u>139,331</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	12,823	7,463	1,645	6,399	28,330
Transfers to other funds	(7,452)	(3,974)	(1,513)	(15,399)	(28,338)
Bond and note proceeds	0	0	380	0	380
<b>Net other financing sources (uses)</b>	<u>5,371</u>	<u>3,489</u>	<u>512</u>	<u>(9,000)</u>	<u>372</u>
<b>Change in fund balance</b>	<u>(5,661)</u>	<u>(155)</u>	<u>52</u>	<u>(1)</u>	<u>(5,765)</u>
<b>Closing fund balance</b>	<u>(5,661)</u>	<u>1,495</u>	<u>(472)</u>	<u>290</u>	<u>(4,348)</u>

Source: NYS DOB



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

	2007-2008 Actuals	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Revised	2009-2010 30-Day	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected
<b>ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT</b>								
Agriculture and Markets, Department of	106,078	0	106,078	103,084	102,463	120,890	114,924	103,075
Alcoholic Beverage Control	16,109	0	16,109	17,142	21,634	22,538	22,871	23,364
Banking Department	82,523	0	82,523	78,993	79,690	83,343	82,476	83,857
Consumer Protection Board	4,002	0	4,002	4,720	3,209	3,365	3,330	3,375
Economic Development Capital Programs	41,578	0	41,578	14,500	18,300	0	0	0
Economic Development, Department of	139,785	0	139,785	103,055	97,937	132,278	123,855	84,146
Empire State Development Corporation	280,348	0	280,348	498,648	775,703	778,716	777,084	506,734
Energy Research and Development Authority	30,416	0	30,416	27,054	29,560	29,798	30,041	30,041
Housing and Community Renewal, Division of	303,779	0	303,779	348,220	351,980	319,420	320,810	324,767
Insurance Department	249,708	0	249,708	295,974	500,405	621,982	625,305	630,197
Olympic Regional Development Authority	6,543	0	6,543	11,559	9,509	7,714	7,924	7,924
Public Service, Department of	68,955	0	68,955	77,793	80,612	87,497	90,322	92,886
Science, Technology and Innovation, Foundation for	44,350	0	44,350	24,557	16,729	16,589	17,309	17,309
Strategic Investment	9,704	0	9,704	4,000	9,000	14,000	10,376	5,000
<b>Functional Total</b>	<b>1,383,878</b>	<b>0</b>	<b>1,383,878</b>	<b>1,609,299</b>	<b>2,096,731</b>	<b>2,238,130</b>	<b>2,226,627</b>	<b>1,912,675</b>
<b>PARKS AND THE ENVIRONMENT</b>								
Adirondack Park Agency	5,289	0	5,289	5,703	5,802	6,005	6,008	6,010
Environmental Conservation, Department of	964,379	0	964,379	883,410	891,394	906,577	890,843	883,886
Environmental Facilities Corporation	20,603	0	20,603	11,417	10,272	10,448	10,630	10,814
Hudson River Park Trust	14,370	0	14,370	20,682	15,000	10,000	0	0
Parks, Recreation and Historic Preservation, Office of	267,441	0	267,441	333,898	273,084	256,962	255,558	257,176
<b>Functional Total</b>	<b>1,272,082</b>	<b>0</b>	<b>1,272,082</b>	<b>1,255,110</b>	<b>1,195,552</b>	<b>1,188,992</b>	<b>1,163,039</b>	<b>1,157,886</b>
<b>TRANSPORTATION</b>								
Motor Vehicles, Department of	295,115	0	295,115	328,689	331,225	349,835	359,870	363,413
Thruway Authority	1,245	0	1,245	1,734	1,804	1,876	1,951	2,029
Metropolitan Transportation Authority	86,371	0	86,371	160,000	195,300	206,500	194,500	183,600
Transportation, Department of	6,151,063	0	6,151,063	6,513,762	6,433,425	6,447,806	6,457,651	6,509,143
<b>Functional Total</b>	<b>6,533,794</b>	<b>0</b>	<b>6,533,794</b>	<b>7,004,185</b>	<b>6,961,754</b>	<b>7,006,017</b>	<b>7,013,972</b>	<b>7,058,185</b>
<b>HEALTH AND SOCIAL WELFARE</b>								
Aging, Office for the	234,607	0	234,607	225,774	217,368	225,689	229,729	229,729
Children and Family Services, Office of	2,972,714	0	2,972,714	3,123,976	3,087,147	3,248,516	3,428,700	3,619,756
OCFS	2,972,714	(33,505)	2,939,209	3,075,828	3,031,129	3,190,453	3,345,378	3,493,926
OCFS - Medicaid	0	33,505	33,505	48,148	56,018	58,063	83,322	125,830
Health, Department of	36,549,449	0	36,549,449	37,024,397	36,672,647	40,205,884	43,928,746	44,769,055
Medical Assistance	31,040,404	0	31,040,404	31,395,627	31,383,579	34,680,325	38,079,445	39,035,413
Medicaid Administration	838,272	0	838,272	853,000	895,500	939,500	983,750	1,029,750
Public Health	4,670,773	0	4,670,773	4,775,770	4,393,568	4,586,059	4,865,551	4,703,892
Health - Medicaid Assistance	0	0	0	0	0	0	0	0
Human Rights, Division of	16,007	0	16,007	19,768	21,565	21,858	21,914	22,106
Labor, Department of	561,263	0	561,263	593,616	660,260	644,537	648,376	639,123
Medicaid Inspector General, Office of	47,840	0	47,840	92,248	91,740	94,464	97,905	97,921
Prevention of Domestic Violence, Office for	2,432	0	2,432	2,471	2,439	2,381	2,393	2,414
Stem Cell and Innovation	163	0	163	15,153	46,321	63,300	50,000	167,826

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

	2007-2008 Actuals	2007-2008 Medicaid Transparency	2007-2008 Adjusted	2008-2009 Revised	2009-2010 30-Day	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected
<b>HEALTH AND SOCIAL WELFARE (Continued)</b>								
Temporary and Disability Assistance, Office of	4,756,394	0	4,756,394	4,591,345	4,541,429	4,600,194	4,647,017	4,741,147
Welfare Assistance	3,217,951	0	3,217,951	3,053,369	3,330,678	3,368,691	3,407,291	3,492,291
Welfare Administration	369,646	0	369,646	366,669	54,222	52,830	52,830	52,830
All Other	1,168,797	0	1,168,797	1,171,307	1,156,529	1,178,673	1,186,896	1,196,026
Welfare Inspector General, Office of	1,073	0	1,073	1,476	0	0	0	0
Workers' Compensation Board	194,007	0	194,007	203,807	214,070	199,636	204,198	209,096
<b>Functional Total</b>	<b>45,335,949</b>	<b>0</b>	<b>45,335,949</b>	<b>45,894,031</b>	<b>45,554,980</b>	<b>49,306,459</b>	<b>53,258,978</b>	<b>54,498,173</b>
<b>MENTAL HEALTH</b>								
Mental Health, Office of	2,548,711	442,327	2,991,038	3,136,245	3,303,547	3,588,954	3,762,217	3,897,247
OMH	2,548,711	(1,228,855)	1,319,856	1,425,422	1,513,123	1,663,846	1,781,400	1,843,351
OMH - Medicaid	0	1,671,182	1,671,182	1,710,823	1,790,424	1,925,108	1,980,817	2,053,896
Mental Hygiene, Department of	237	449,449	449,686	661,542	406,080	438,611	477,163	478,986
Mental Retardation and Developmental Disabilities, Office of	3,395,365	548,766	3,944,131	4,149,566	4,272,660	4,480,740	4,598,915	4,737,981
OMRDD	3,395,365	(3,028,003)	367,362	546,002	513,874	514,557	524,957	539,657
OMRDD - Medicaid	0	3,576,769	3,576,769	3,603,564	3,758,786	3,966,183	4,073,958	4,198,324
Alcoholism and Substance Abuse Services, Office of	598,292	16,187	614,479	625,541	646,189	673,820	735,709	754,778
OASAS	598,292	(60,784)	537,508	546,370	561,758	586,862	647,819	665,358
OASAS - Medicaid	0	76,971	76,971	79,171	84,431	86,958	87,890	89,420
Developmental Disabilities Planning Council	5,530	0	5,530	4,150	4,150	4,150	4,150	4,150
Quality of Care for the Mentally Disabled, Commission on	14,115	0	14,115	17,227	17,169	18,933	19,018	19,226
<b>Functional Total</b>	<b>6,562,250</b>	<b>1,456,729</b>	<b>8,018,979</b>	<b>8,594,271</b>	<b>8,649,795</b>	<b>9,205,208</b>	<b>9,597,172</b>	<b>9,892,368</b>
<b>PUBLIC PROTECTION</b>								
Capital Defenders Office	1,035	0	1,035	361	0	0	0	0
Correction, Commission of	2,767	0	2,767	2,653	2,785	2,927	2,956	2,990
Correctional Services, Department of	2,723,700	0	2,723,700	2,747,532	2,741,318	2,788,382	2,849,521	2,921,402
Crime Victims Board	63,894	0	63,894	63,033	65,430	65,608	65,710	65,903
Criminal Justice Services, Division of	295,043	0	295,043	313,794	235,370	235,404	231,247	230,444
Homeland Security	65,821	0	65,821	151,428	359,617	286,486	553,012	550,121
Investigation, Temporary State Commission of	3,663	0	3,663	3,882	0	0	0	0
Judicial Commissions	3,925	0	3,925	5,075	5,214	5,208	5,311	5,385
Military and Naval Affairs, Division of	449,205	0	449,205	297,179	285,673	224,377	190,481	191,492
Parole, Division of	208,618	0	208,618	196,122	190,652	199,975	204,329	208,322
Probation and Correctional Alternatives, Division of	74,765	0	74,765	76,716	69,253	70,898	71,586	73,121
State Police, Division of	663,255	0	663,255	713,493	726,917	786,240	783,662	759,738
<b>Functional Total</b>	<b>4,555,691</b>	<b>0</b>	<b>4,555,691</b>	<b>4,571,268</b>	<b>4,682,229</b>	<b>4,665,505</b>	<b>4,957,815</b>	<b>5,008,918</b>

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

	2007-2008 Actuals	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Revised	2009-2010 30-Day	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected
<b>EDUCATION</b>								
Arts, Council on the	53,425	0	53,425	45,246	44,863	44,992	45,090	45,090
City University of New York	1,105,307	0	1,105,307	937,208	1,784,481	1,435,249	1,482,152	1,515,138
Education, Department of	28,940,338	0	28,940,338	30,607,158	29,449,015	30,488,031	32,408,890	34,452,011
<i>School Aid</i>	21,543,493	(80,000)	21,463,493	23,218,033	23,289,338	24,217,513	25,898,356	27,710,190
<i>School Aid - Medicaid Assistance</i>	0	80,000	80,000	100,000	80,000	80,000	80,000	80,000
<i>STAR Property Tax Relief</i>	4,657,721	0	4,657,721	4,440,285	3,415,450	3,371,270	3,568,620	3,745,167
<i>Special Education Categorical Programs</i>	1,623,565	0	1,623,565	1,725,000	1,638,090	1,737,950	1,813,470	1,878,490
<i>All Other</i>	1,115,559	0	1,115,559	1,123,840	1,026,137	1,081,298	1,048,444	1,038,164
Higher Education Services Corporation	966,555	0	966,555	947,591	994,730	945,340	943,498	947,430
Higher Education Capital Grants	0	0	0	50,000	40,000	30,000	30,000	0
State University Construction Fund	15,813	0	15,813	18,255	19,586	20,992	21,463	21,822
State University of New York	6,126,674	0	6,126,674	6,633,687	6,980,050	7,456,758	7,587,033	7,648,215
<b>Functional Total</b>	<b>37,208,112</b>	<b>0</b>	<b>37,208,112</b>	<b>39,239,145</b>	<b>39,312,725</b>	<b>40,421,362</b>	<b>42,518,126</b>	<b>44,623,706</b>
<b>GENERAL GOVERNMENT</b>								
Audit and Control, Department of	250,228	0	250,228	268,777	263,980	265,052	269,832	274,416
Budget, Division of the	36,216	0	36,216	57,450	73,822	85,293	98,206	108,270
Civil Service, Department of	24,988	0	24,988	23,946	22,630	23,376	23,586	23,833
Elections, State Board of	14,269	0	14,269	123,392	139,719	7,576	7,685	7,827
Employee Relations, Office of	3,613	0	3,613	4,093	3,623	3,901	3,939	3,978
Executive Chamber	20,167	0	20,167	19,577	18,605	19,580	20,204	20,481
General Services, Office of *	223,178	0	223,178	226,172	221,551	225,934	234,211	238,429
Inspector General, Office of	6,567	0	6,567	6,687	6,704	6,939	7,015	7,100
Law, Department of	205,403	0	205,403	244,050	248,256	252,131	258,403	265,253
Lieutenant Governor, Office of the	1,314	0	1,314	133	0	276	1,193	1,208
Lottery, Division of	218,612	0	218,612	188,023	188,569	194,284	194,546	195,298
Public Employment Relations Board	3,657	0	3,657	3,985	4,396	4,646	4,685	4,733
Public Integrity, Commission on	1,733	0	1,733	4,984	5,018	5,120	5,453	5,530
Racing and Wagering Board, State	24,477	0	24,477	20,701	21,515	22,366	22,466	22,799
Real Property Services, Office of	62,770	0	62,770	60,855	47,403	44,934	45,945	46,532
Regulatory Reform, Governor's Office of	3,850	0	3,850	3,168	640	763	763	763
State, Department of	200,896	0	200,896	186,486	165,908	166,237	162,702	165,238
Tax Appeals, Division of	3,325	0	3,325	3,168	3,152	3,321	3,321	3,321
Taxation and Finance, Department of	382,325	0	382,325	381,051	425,470	443,249	443,688	444,804
Technology, Office for	21,468	0	21,468	48,815	168,333	216,385	191,469	152,541
Lobbying, Temporary State Commission on	1,093	0	1,093	0	0	0	0	0
Veterans Affairs, Division of	15,429	0	15,429	16,268	17,481	18,436	18,010	18,136
<b>Functional Total</b>	<b>1,727,578</b>	<b>0</b>	<b>1,727,578</b>	<b>1,891,781</b>	<b>2,046,775</b>	<b>2,009,799</b>	<b>2,017,322</b>	<b>2,010,490</b>

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

	2007-2008 Actuals	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Revised	2009-2010 30-Day	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected
<b>ALL OTHER CATEGORIES</b>								
Legislature	216,946	0	216,946	218,950	220,717	220,717	220,717	220,717
Judiciary (excluding fringe benefits)	2,266,864	0	2,266,864	2,433,666	2,505,026	2,718,941	2,896,326	2,915,710
World Trade Center	39,755	0	39,755	60,000	50,000	40,000	30,000	20,000
Local Government Assistance	917,495	0	917,495	1,221,875	967,079	966,740	968,848	968,473
Long-Term Debt Service	4,008,752	0	4,008,752	4,084,555	4,655,702	5,239,547	0	0
Capital Projects	0	0	0	0	0	0	0	0
General State Charges	3,997,233	(1,456,729)	2,540,504	2,469,182	2,884,840	3,264,886	3,499,455	3,868,849
Miscellaneous	32,028	0	32,028	(783,679)	(717,488)	(595,930)	4,872,899	5,167,306
<b>Functional Total</b>	<b>11,479,073</b>	<b>(1,456,729)</b>	<b>10,022,344</b>	<b>9,704,549</b>	<b>10,565,876</b>	<b>11,854,901</b>	<b>12,486,245</b>	<b>13,161,055</b>
<b>TOTAL ALL GOVERNMENTAL FUNDS SPENDING</b>	<b>116,058,407</b>	<b>0</b>	<b>116,058,407</b>	<b>119,763,639</b>	<b>121,066,423</b>	<b>127,896,373</b>	<b>135,241,296</b>	<b>139,329,455</b>

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.

\* To facilitate comparability, the new Office of Procurement Services is reflected within the amounts shown for the Office of General Services.

Source: NYS DOB

**GAAP FINANCIAL PLAN  
GENERAL FUND  
UPDATED FOR GOVERNORS AMENDMENTS  
2008-2009  
(millions of dollars)**

	<u>Mid-Year</u>	<u>Change</u>	<u>Revised</u>
<b>Revenues:</b>			
Taxes:			
Personal income tax	20,788	74	20,862
User taxes and fees	8,637	(131)	8,506
Business taxes	5,741	0	5,741
Other taxes	1,307	(145)	1,162
Miscellaneous revenues	4,646	644	5,290
Federal grants	41	0	41
<b>Total revenues</b>	<u>41,160</u>	<u>442</u>	<u>41,602</u>
<b>Expenditures:</b>			
Grants to local governments	40,086	(301)	39,785
State operations	12,140	(151)	11,989
General State charges	4,036	19	4,055
Debt service	0	0	0
Capital projects	1	0	1
<b>Total expenditures</b>	<u>56,263</u>	<u>(433)</u>	<u>55,830</u>
<b>Other financing sources (uses):</b>			
Transfers from other funds	15,315	(29)	15,286
Transfers to other funds	(6,267)	62	(6,205)
Proceeds from financing arrangements/ advance refundings	0 393	0 0	0 393
<b>Net other financing sources (uses)</b>	<u>9,441</u>	<u>33</u>	<u>9,474</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<u>(5,662)</u>	<u>908</u>	<u>(4,754)</u>
<b>Legislative/Administrative Actions to Close Gap</b>	<u>1,387</u>	<u>(1,387)</u>	<u>0</u>
<b>Operating Surplus/(Deficit)</b>	<u>(4,275)</u>	<u>(479)</u>	<u>(4,754)</u>
<b>Accumulated Surplus/(Deficit)</b>	<u>(324)</u>		<u>(803)</u>

Source: NYS DOB

**GAAP FINANCIAL PLAN  
GENERAL FUND  
UPDATED FOR GOVERNORS AMENDMENTS  
2009-2010 THROUGH 2012-2013  
(millions of dollars)**

	<u>2009-2010</u> <u>30-Day</u>	<u>2010-2011</u> <u>Projected</u>	<u>2011-2012</u> <u>Projected</u>	<u>2012-13</u> <u>Projected</u>
<b>Revenues:</b>				
Taxes:				
Personal income tax	23,070	23,742	25,303	27,172
User taxes and fees	10,022	10,603	10,927	11,195
Business taxes	6,084	6,237	6,405	6,805
Other taxes	1,081	1,136	1,201	1,278
Miscellaneous revenues	6,946	6,342	6,391	6,061
Federal grants	0	0	0	0
<b>Total revenues</b>	<u>47,203</u>	<u>48,060</u>	<u>50,227</u>	<u>52,511</u>
<b>Expenditures:</b>				
Grants to local governments	39,024	41,853	45,877	49,209
State operations	12,336	12,682	14,669	15,508
General State charges	3,808	4,280	3,015	3,665
Debt service	0	0	0	0
Capital projects	1	0	0	0
<b>Total expenditures</b>	<u>55,169</u>	<u>58,815</u>	<u>63,561</u>	<u>68,382</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	14,642	15,035	15,452	20,183
Transfers to other funds	(6,390)	(6,873)	(7,395)	(11,719)
Proceeds from financing arrangements/ advance refundings	0 315	0 355	0 359	0 359
<b>Net other financing sources (uses)</b>	<u>8,567</u>	<u>8,517</u>	<u>8,416</u>	<u>8,823</u>
<b>Operating Surplus/(Deficit)</b>	<u>601</u>	<u>(2,238)</u>	<u>(4,918)</u>	<u>(7,048)</u>

Source: NYS DOB