

Update to Annual Information Statement (AIS)

State of New York

February 7, 2007

This quarterly update (the "AIS Update") is the third quarterly update to the Annual Information Statement of the State of New York, dated June 12, 2006 (the "AIS") and contains information only through February 7, 2007. This AIS Update should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. Extracts from the Governor's Executive Budget Financial Plan for 2007-08 (the "Current State Financial Plan") which the Division of the Budget ("DOB") presented to the Legislature on January 31, 2007. The Current State Financial Plan includes updated estimates for the State's current fiscal year (2006-07) and detailed projections for fiscal years 2007-08 through 2010-11, as modified by the Executive Budget recommendations. The entire 2007-08 Executive Budget, including the Current State Financial Plan, a detailed forecast of the State's economy and revenues, and the proposed Capital Program and Financing Plan, is available on the DOB website, www.budget.state.ny.us.
2. A discussion of special considerations related to the Current State Financial Plan including an update on GASB 45.
3. Updated information regarding State Government.
4. The status of significant litigation that has the potential to affect the State's finances.

In addition, the following information that appeared in prior updates to the AIS is reprinted as a convenience to readers:

- A. A summary of GAAP-basis results for the 2005-06 fiscal year (the full statements are available on the State Comptroller's website, www.osc.state.ny.us). This information is reprinted from the August 4, 2006 update to the AIS.
- B. Information regarding the State Retirement System that is reprinted from the November 6, 2006 update to the AIS.

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

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

The State may issue AIS supplements or other disclosure notices to this AIS Update as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS Update in Official Statements or related disclosure

documents for State or State-supported debt issuance. Readers may obtain informational copies of the AIS, updates and supplements by contacting Mr. Louis A. Raffaele, Chief Budget Examiner, New York State Division of the Budget, State Capitol, Albany, NY 12224, (518) 473-8705. The State has filed this AIS Update directly with the Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) and with the Central Post Office, Disclosure USA. The Municipal Advisory Council of Texas (Texas MAC) has established this internet-based disclosure filing system approved by the Securities and Exchange Commission to facilitate the transmission of disclosure-related information to the NRMSIRs. An official copy of this AIS Update may be obtained from the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705 or from any NRMSIR.

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PART I

Current State Financial Plan ---

Note: DOB issued the Current State Financial Plan, extracts of which are set forth below, on January 31, 2007. The Current State Financial Plan includes updated estimates for 2006-07 and projections for 2007-08 through 2010-11. As such, it contains estimates and projections of future results that should not be construed as statements of fact. These estimates and projections are based upon various assumptions that may be affected by numerous factors, including future economic conditions in the State and nation and potential litigation. There can be no assurance that actual results will not differ materially and adversely from the estimates and projections contained in the 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 statutorily required to be balanced, the focus of the State’s budget discussion is often weighted toward the General Fund.

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

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

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Extracts from 2007-08 Executive Budget Financial Plan

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Summary

ECONOMIC BACKDROP

The State's economic expansion entered its fourth year in September 2006, with State employment, personal income, and wages all experiencing solid growth. The momentum of the State's expansion appears to have peaked, however, and the DOB forecast for the next four years predicts more moderate rates of economic growth.

The State's strong income performance in 2006, was due in large part to significant increases in finance and insurance sector bonus growth, a strong real estate market and substantial stock market gains. These trends have translated into continuing strong growth in State tax revenues. If current estimates are correct, annual growth in tax receipts will approach nearly 12 percent in the current fiscal year, after factoring the impact of law changes. The extraordinary rates of underlying growth are expected to moderate in future years consistent with projected economic growth. In addition, receipts growth will be reduced by already enacted tax reductions.

2006-07 SURPLUS IS EXPECTED TO BE HIGHER

General Fund Operating Forecast For 2006-07 Has Improved Since Mid-Year Update (millions of dollars)	
Mid-Year Surplus Estimate (after Rainy Day deposit)	1,011
Change Since Mid-Year	451
Increased Revenue	279
Decreased Spending	172
Net Executive Budget Surplus Projection	1,462

The net General Fund surplus is projected at \$1.5 billion in the current year, \$451 million higher than the Mid-Year Update. Strength in tax collections, attributable especially to continued economic growth in the financial services, real estate, and construction sectors, has led DOB to raise its General Fund tax receipts forecast for the current year by over \$500 million. This growth is partially offset by a delayed payment of \$175 million from the New York Power Authority that is now expected to be received in 2007-08, and other modest revenue revisions. A planned \$428 million payment from New York City also remains at risk, but is expected by the end of the current fiscal year.

Projected General Fund disbursements have been revised downward by \$172 million across several programs. In addition, Medicaid spending projections have been reduced by \$100 million, with the savings used to finance costs that would otherwise be paid for through Health Care Resources (HCRA). Spending trends for the State's major programs otherwise remain generally consistent with the Mid-Year Update.

General Fund Estimated Closing Balance for 2006-07			
(millions of dollars)			
	<u>Mid-Year Estimate</u>	<u>Change</u>	<u>Executive Estimate</u>
Closing Fund Balance	3,120	451	3,571
Tax Stabilization Reserve Fund	1,025	0	1,025
Contingency Reserve Fund	21	0	21
2005-06 Surplus	787	0	787
2006-07 Surplus	1,011	451	1,462
Community Projects Fund	276	0	276

The Executive Budget Financial Plan includes an \$81 million deposit to the Tax Stabilization Reserve Fund (added in the Mid-Year Update), maintaining the balance at the statutory maximum level of 2 percent of General Fund spending (\$1.0 billion). DOB projects the State will end the 2006-07 fiscal year with an approximate \$3.6 billion balance in the General Fund, consisting of \$1.0 billion in the Tax Stabilization Reserve Fund, \$1.5 billion from the 2006-07 projected surplus, \$787 million from the remaining 2005-06 prior-year surplus, \$21 million in the Contingency Reserve for litigation risks, and \$276 million in the Community Projects Fund to support existing commitments.

CURRENT SERVICES BUDGET GAPS FOR 2007-08 THROUGH 2010-11 (PRIOR TO EXECUTIVE BUDGET RECOMMENDATIONS)

DOB currently projects a potential imbalance of \$1.6 billion in 2007-08, \$3.0 billion in 2008-09, and gaps in the range of \$5 billion in future years, prior to the Executive Budget recommendations.

Revisions to Current Services Gaps Since the Mid-Year Update				
(Prior to Executive Budget Recommendations)				
	GENERAL FUND (\$ Millions)			
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10*</u>	<u>2010-11*</u>
Mid-Year Budget Gaps	(2,449)	(4,486)		
Exclude Surplus from Calculation**	(1,043)	(255)		
Revised Tax Collections	1,445	1,577		
All Other Revenue Changes	465	310		
Spending Changes	(26)	(141)		
Budget Gaps (Before Recommendations)	(1,608)	(2,995)	(5,089)	(5,359)

* 2009-10 and 2010-11 gap estimates are published for the first time in this Financial Plan.

** The Mid-Year Update assumed the prior-year surplus and a portion of the 2006-07 surplus would be used to lower the 2007-08 and 2008-09 gaps. To more clearly reflect the potential use of these resources, such amounts have been excluded for purposes of calculating the current services gaps prior to Executive Budget recommendations.

The improvement in the gaps since the Mid-Year Update is primarily the result of positive revenue revisions, consistent with current-year experience. Projected spending has been increased for the expected cost of Timothy's Law (roughly \$100 million annually), which was enacted in December 2006 and mandates expanded mental health coverage that will be subsidized in part by the State; and a recent court decision that barred the State from requiring public employees and retirees to pay a share of Medicare Part B premiums (\$60 million in 2007-08; \$31 million thereafter). In addition, revenues from a planned expansion of the video lottery terminal (VLT) program beginning in 2008-09 (\$331 million) are no longer counted in the current

services forecast. The VLT receipts that were counted on to support school aid must be replaced with General Fund resources, thus adding to the gaps. Downward revisions for Medicaid, the Judiciary, and disaster assistance spending partially offset these costs.

2007-08 GENERAL FUND EXECUTIVE BUDGET

The Executive Budget eliminates the entire potential \$1.6 billion imbalance in 2007-08 and funds several new initiatives, primarily through reductions in planned spending growth in health care and other programs. The Budget addresses the structural imbalance and finances new initiatives by: (a) restraining spending in the fastest-growing programs in the State Budget, particularly Medicaid, (b) closing tax law loopholes to enhance revenue collections, and (c) using a portion of prior-year budget surpluses. It leaves roughly \$1.2 billion of surplus moneys to help reduce potential outyear gaps.

The Executive Budget recommends a \$7 billion increase in school aid over the next four school years, and an expanded \$6 billion property tax relief plan with \$2.5 billion in additional relief for middle class taxpayers over the next three years, and a plan to ensure that all children have access to health insurance. In addition, the Budget recommends a deposit of \$250 million into a reserve to lower State debt and another \$125 million into the new Rainy Day Reserve Fund, established in law in 2007, that may be used to respond to an economic downturn or catastrophic event.

The table below summarizes the multi-year fiscal impact of the 2007-08 Executive Budget recommendations.

General Fund Budget-Balancing Plan				
(millions of dollars)				
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Executive Budget Current Services (Gaps)	(1,608)	(2,995)	(5,089)	(5,359)
Savings Plan:	<u>2,810</u>	<u>3,383</u>	<u>4,460</u>	<u>4,659</u>
Medicaid/Health/Mental Hygiene	1,299	958	1,924	1,738
All Other Savings	1,062	1,858	1,999	2,384
Revenue Loophole Closures	449	567	537	537
New Initiatives:	<u>(1,873)</u>	<u>(3,097)</u>	<u>(4,271)</u>	<u>(5,961)</u>
Revised Surplus/(Gaps) Before Use of Reserves	(671)	(2,709)	(4,900)	(6,661)
Deposit to new Rainy Day Reserve Fund	(125)	0	0	0
Deposit to Debt Reduction Reserve Fund	(250)	0	0	0
Planned Use of Remaining 05-06 Surplus	787	0	0	0
Planned Use of 06-07 Surplus (\$1.5 billion)	259	401	401	401
Executive Budget Surplus/(Gaps)	0	(2,308)	(4,499)	(6,260)

Impact of Executive Budget Recommendations on Spending

Total Disbursements (millions of dollars)					
	2006-07 Revised	2007-08 Proposed	Annual \$ Change	Annual % Change	Adjusted % Change*
General Fund	51,127	53,262	2,135	4.2%	3.8%
State Funds	77,522	83,557	6,035	7.8%	6.3%
All Funds	113,536	120,633	7,097	6.3%	5.2%

* Excludes \$952 million for the STAR Property Tax Relief program and \$204 million for the Medicaid Cap/Family Health Plus Takeover.

The Executive Budget recommendations result in annual spending growth of 4.2 percent in the General Fund, 7.8 percent in State Funds, and 6.3 percent in All Governmental Funds (hereafter "All Funds"). When adjusted to exclude State-financed local school tax relief through the School Tax Relief (STAR) program, the State cap on local government Medicaid costs, and the full takeover of the Family Health Plus (FHP) program, spending increases by 3.8 percent in the General Fund, 6.3 percent in State Funds, and 5.2 percent in All Funds.

Projected 2007-08 Year-End Balances

General Fund Estimated Closing Balance (millions of dollars)			
	2006-07 Revised	2007-08 Proposed	Change
Year-End Fund Balance	3,571	2,975	(596)
<i>Undesignated Reserves</i>	<u>1,046</u>	<u>1,171</u>	<u>125</u>
Tax Stabilization Reserve Fund	1,025	1,025	0
Rainy Day Reserve Fund	0	125	125
Contingency Reserve Fund	21	21	0
<i>Designated Reserves</i>	<u>2,525</u>	<u>1,804</u>	<u>(721)</u>
Debt Reduction Reserve Fund	0	250	250
Remaining 2005-06 Surplus	787	0	(787)
Remaining 2006-07 Surplus	1,462	1,203	(259)
Community Projects Fund	276	351	75

DOB projects the State will end the 2007-08 fiscal year with a General Fund balance of \$3.0 billion (5.6 percent of spending) if the Legislature enacts the Executive Budget recommendations in their entirety. The balance consists of \$1.2 billion in undesignated reserves and \$1.8 billion in reserves designated to finance existing or planned commitments. The projected closing balance is \$596 million below the level estimated for 2006-07, which primarily reflects the use of the remaining 2005-06 surplus to support 2007-08 operations.

The undesignated reserves include \$1.0 billion in the State's Tax Stabilization Reserve, after a planned deposit of \$81 million in 2006-07 that will maintain the balance at the statutory maximum of 2 percent of General Fund spending, and \$21 million in the Contingency Reserve Fund for litigation risks. In addition, a first deposit of \$125 million is proposed to the new Rainy Day Reserve. The reserve has a maximum balance of 3 percent of General Fund spending and may be used to respond to an economic downturn or catastrophic event.

The designated reserves include \$351 million in the Community Projects Fund to finance existing initiatives, \$1.2 billion remaining from the 2006-07 surplus that is planned to be used in three equal amounts to lower the projected outyear budget gaps, and \$250 million to reduce high-cost debt.

RISKS TO THE FINANCIAL PLAN

In any year, the Financial Plan is subject to risks that, if they were to materialize, could affect operating results. The most significant short-term risks include potential collective bargaining agreements in 2007-08 and beyond; payments from New York City that are subject to ongoing negotiations; potential Federal disallowances arising from audits related to Medicaid claims under the School Supportive Health Services program; and proposed Federal rule changes concerning Medicaid payments. See “Financial Plan Reserves and Risks,” herein.

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2006-07 FINANCIAL PLAN UPDATE

The Current State Financial Plan includes the third quarterly update to the 2006-07 Enacted Budget Financial Plan. The following describes the substantive revisions to Financial Plan estimates for the current year since the issuance of the last update to the Financial Plan in October 2006. Please refer to the quarterly Financial Plans issued in July 2006 and October 2006, which are available on-line, for detailed explanations of the earlier revisions.

DOB projects the State will end the 2006-07 fiscal year with a \$1.5 billion surplus in the General Fund, after making the maximum annual contribution of \$81 million to the State's Tax Stabilization Reserve. As described below, the continued strength in revenues from 2005-06 levels is mainly responsible for the net surplus.

General Fund receipts, including transfers from other funds, are now projected at \$51.4 billion, an increase of \$279 million from the Mid-Year Update. DOB has revised the estimate for taxes (including transfers in excess of debt service) upward by \$524 million based on revenue collections to date and the strength of key economic indicators, both of which have exceeded expectations. After correcting for the impact of the law changes, tax receipts increased by 11.9 percent in 2006-07. This is the third consecutive year of double-digit growth in the revenue base. However, a number of policy changes already enacted and delays in the receipts of one-time revenues reduced growth in receipts to 9 percent for the fiscal year.

General Fund disbursements, including transfers to other funds, are expected to total \$51.1 billion in 2006-07, \$172 million below the Mid-Year Update. The revision reflects lower spending across all agencies and programs based on experience to date, with the most substantive revisions in higher education and education programs.

CURRENT YEAR REVISIONS

The following provides a summary of the substantive revisions to the Financial Plan forecast during the year.

2006-07 General Fund				
Quarterly Financial Plan Revisions From Enacted Budget				
(millions of dollars)				
	<u>First Quarter</u>	<u>Mid-Year</u>	<u>Executive</u>	<u>Total</u>
Projected Surplus	0	0	1,011	0
Revenue Revisions	(855)	720	279	144
(Costs)/Savings	(141)	122	172	153
Reimbursement to NYC for CUNY Costs	428			428
Medicaid	(345)	359		14
Medicare Part D	(120)			(120)
SUNY		(74)	45	(29)
School Aid		(65)	(16)	(81)
Judiciary	14	60	1	75
All Other Changes	(118)	(158)	142	(134)
Use of 2005-06 Surplus	996			996
Use of Debt Reduction Reserve		250		250
Deposit to Tax Stabilization Reserve		(81)	0	(81)
Net Change: Favorable/(Unfavorable)	0	1,011	451	1,462
Projected Surplus	0	1,011	1,462	1,462

The increased General Fund receipts of \$279 million reflects a combination of \$524 million more in tax receipts, offset by a \$245 million reduction in miscellaneous receipts. The largest revisions are in business taxes, user taxes and fees, and other taxes. The revisions are based on actual results to date, the continued strength of the economy, and the exceptional performance of the financial services sector, as well as enhanced audit activity, and the enforcement of tax collections on Native American lands. Delayed payments from the New York Power Authority (\$175 million) and the sale of office space at 633 Third Avenue in New York City (\$75 million) reduced expected miscellaneous receipts.

Base growth, adjusted for law changes, in tax receipts for fiscal year 2006-07 is estimated at 11.9 percent. Growth in the tax receipts base has benefited from several factors including: improvements in overall economic activity; the continued profitability and compensation gains of financial services companies; and the strong commercial real estate market downturn.

Since the Mid-Year Update, General Fund spending projections for the current fiscal year have been reduced by \$172 million. The change reflects lower-than-expected local aid payments, operational savings across all agencies, and lower fringe benefit costs.

General Fund Estimated Closing Balance for 2006-07			
(millions of dollars)			
	<u>Mid-Year Estimate</u>	<u>Change</u>	<u>Executive Estimate</u>
Closing Fund Balance	3,120	451	3,571
Tax Stabilization Reserve Fund	1,025	0	1,025
Contingency Reserve Fund	21	0	21
2005-06 Surplus	787	0	787
2006-07 Surplus (after Rainy Day deposit)	1,011	451	1,462
Community Projects Fund	276	0	276

DOB projects the State will end the 2006-07 fiscal year with a General Fund balance of approximately \$3.6 billion. The balance consists of \$1.0 billion in the Tax Stabilization Reserve Fund (TSRF), \$21 million in the Contingency Reserve Fund, \$2.2 billion from accumulated surpluses, and \$276 million in the Community Projects Fund that finances discretionary spending commitments by the Legislature.

State Funds and All Funds Changes: All Funds receipts estimates have been revised upward by \$154 million for fiscal year 2006-07. Tax receipts growth for fiscal year 2006-07 has significantly exceeded expectations and, as a result, All Funds tax estimates for fiscal year 2006-07 have been increased by \$475 million from the Mid-Year Update. The growth in tax receipts is offset by downward revisions in miscellaneous receipts of \$300 million due to timing delays and lower than anticipated Federal grants (\$21 million).

State Funds spending is now projected to total \$77.5 billion in the current year, a decrease of \$543 million from the Mid-Year Update. In addition to the \$172 million in downward adjustments in the General Fund, State Funds spending has been revised downward to reflect lower EPIC spending related to Medicare Part D savings and overall Medicaid costs (\$168 million), lower overall debt service costs mainly due to the timing of bond sales (\$59 million), and downward revisions in SUNY operations (\$73 million), STAR (\$45 million), school aid (\$26 million), and other modest program changes.

All Funds spending in 2006-07 is now projected to total \$113.5 billion, a decrease of \$512 million from the Mid-Year Update. This is consistent with the State Funds revisions, and reflects modest changes in the estimate of Federal aid for flood relief.

2006-07 YEAR-TO-DATE OPERATING RESULTS THROUGH DECEMBER 2006

The table below compares actual results for the period from April 2006 through December 31, 2006 to the estimates included in the Mid-Year and July Financial Plans, as well as actual results for the same nine-month period in 2005. Results are compared to the July Plan instead of the Enacted Plan as the former includes major supplemental legislation that completed the 2006-07 Budget.

2006-07 Fiscal Year						
Actual Year-to-Date Results: April through December, 2006						
General Fund Results vs. Projections; Year-to-Year Comparison						
(millions of dollars)						
	July Projection	Mid-Year Projection	Actual Results	Actuals vs. Estimates		Increase/ (Decrease) from Prior Year
				Favorable/ (Unfavorable)		
				July	Mid-Year	
Opening Balance (April 1, 2006)	3,257	3,257	3,257	0	0	711
<u>Receipts</u>	<u>34,686</u>	<u>35,231</u>	<u>35,065</u>	<u>379</u>	<u>(166)</u>	<u>2,258</u>
Personal Income Tax	14,990	15,019	14,605	(385)	(414)	850
User Taxes and Fees	6,190	6,168	6,264	74	96	(293)
Business Taxes	3,888	4,260	4,519	631	259	1,043
All Other Taxes, Receipts & Grants	2,465	2,714	2,587	122	(127)	544
Transfers From Other Funds	7,153	7,070	7,090	(63)	20	114
<u>Disbursements</u>	<u>35,253</u>	<u>36,466</u>	<u>35,954</u>	<u>(701)</u>	<u>512</u>	<u>4,182</u>
Local Assistance	21,552	22,602	22,150	(598)	452	2,613
State Operations						
Personal Service	5,676	5,621	5,670	6	(49)	756
Non-Personal Service	1,924	1,879	1,805	119	74	85
General State Charges	3,577	3,603	3,621	(44)	(18)	281
Transfers To Other Funds	2,524	2,761	2,708	(184)	53	447
Change in Operations	(567)	(1,235)	(889)	(322)	346	(1,924)
Closing Balance (December 31, 2006)	2,690	2,022	2,368	(322)	346	(1,213)

Year-to-Date Variance vs. Mid-Year Update Projections (General Fund)

Through December 2006, General Fund receipts, including transfers from other funds, totaled \$35.1 billion, or \$166 million lower than the Mid-Year forecast. Estimated tax payments on personal income and miscellaneous receipts came in below expectations by \$396 million and \$289 million, respectively, but were offset by higher-than-expected collections in the corporate franchise tax (\$165 million) and estate and gift taxes (\$160 million).

General Fund disbursements, including transfers to other funds, totaled \$36 billion, \$512 million below the Mid-Year estimate. Actual local assistance spending was \$452 million below planned levels through December 2006, with Medicaid and special education coming in below forecast by \$195 million and \$153 million, respectively. These spending variances are mostly timing-related. Under-spending through December 2006 for a number of other programs, including Children and Families (\$44 million), Higher Education Services Corporation (HESC) (\$30 million), and All Other Education (\$26 million) also appears to be timing-related.

State Operations spending was \$25 million below planned levels. Non-Personal Service disbursements were \$74 million lower than projected, with SUNY accounting for the largest variance (\$65 million).

Personal Service disbursements were \$49 million higher than expected and spread among several agencies. Transfers to other funds were \$73 million below plan and reflect the timing of disbursements for economic development capital projects (\$29 million) and for the Judiciary (\$37 million).

The closing balance on December 31, 2006 was \$2.4 billion, an increase of \$346 million from the Mid-Year Update.

Year-to-Date Annual Change - 2006-07 vs. 2005-06 (General Fund)

Through December 2006, total taxes, before the deposits to the debt service funds and the School Tax Relief Fund, increased by nearly \$3.0 billion, or 8.5 percent, compared to the same period in 2005-06 and is largely attributable to continued economic improvement in 2005, strong payments on current- and prior- year personal income tax liability, continued strength in the real estate market and large audit recoveries in business taxes.

General Fund spending through December 2006 was \$4.2 billion, or 13 percent, higher-than-actual results through the same period for fiscal year 2005-06. The increase in year-to-year spending is primarily concentrated in local assistance (\$2.6 billion). Programs with significant growth include Medicaid (\$1.1 million) due to program growth and, more importantly, the timing of credits and “offloads” with special revenue funds, School Aid (\$944 million) reflecting the annual aid increase, and the City University of New York (CUNY) (\$103 million) and welfare (\$231 million) due largely to timing of payments. Personal Service increases (\$756 million) are driven by the payment of a retroactive arbitration award to corrections officers in 2006-07 (\$210 million), contractual salary increases and regular movement through grade levels. The annual increase in transfers (\$447 million) includes the \$250 million to the DRRF, noted above.

2006-07 Fiscal Year						
April through December 2006						
All Funds Results vs. Projections; Year-to-Year Comparison						
(\$ in millions)						
	<u>July</u> <u>Projection</u>	<u>Mid-Year</u> <u>Projection</u>	<u>Actual</u> <u>Results</u>	<u>Actuals vs. Estimates</u> <u>Favorable/ (Unfavorable)</u>		<u>Increase/</u> <u>(Decrease) from</u> <u>Prior Year</u>
				<u>July</u>	<u>Mid-Year</u>	
Total Disbursements	81,771	81,414	80,646	1,125	768	5,904
General Fund*	32,729	33,705	33,246	(517)	459	3,736
Special Revenue Funds	42,039	40,672	40,360	1,679	312	1,523
Capital Projects Funds	4,193	4,011	4,042	151	(31)	341
Debt Service Funds	2,810	3,026	2,998	(188)	28	304

* Excludes Transfers

Year-to-Date Variance vs. Mid-Year Update Projections (All Funds)

Through December 2006, All Funds disbursements totaled \$80.6 billion, \$768 million below the Mid-Year Update projection. Aside from the General Fund variances, as described earlier, Special Revenue Funds spending was under the forecast by \$312 million, while Capital Projects Funds spending was \$31 million higher. The Special Revenue variance was driven primarily by the timing of the final NYC STAR PIT payment (\$363 million), in January 2007. The Capital Projects Funds variance is due to higher Transportation spending, offset by lower Economic Development spending.

Year-to-Date Annual Disbursements Change - 2006-07 vs. 2005-06 (All Funds)

Compared to the same period in 2005-06, Special Revenue funds disbursements were \$1.5 billion higher, due primarily to an increase in Federal Medicaid spending (\$571 million), STAR due primarily to the new local property tax rebate program in September 2006 (\$716 million) and Public Health, primarily in HCRA supported programs (\$325 million). The Capital Projects Funds increase from the prior-year spending is primarily driven by higher spending in the Dedicated Highway and Bridge Trust Fund (DHBTF). Higher Debt Service Funds spending includes the \$250 million for debt reduction.

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2007-08 FINANCIAL PLAN

REVISIONS FROM THE MID-YEAR UPDATE TO CURRENT SERVICES ESTIMATES

The current services gaps form the starting point for developing the Executive Budget. Since the Mid-Year Update, DOB has revised its current services forecasts for receipts and disbursements for 2007-08 and 2008-09 and calculated an estimate of the 2009-10 and 2010-11 gaps. The revisions reflect stronger projected revenue performance and updates to current services spending estimates based on a review of actual operating results and program trends.

Revisions to Current Services Gaps Since the Mid-Year Update (Prior to Executive Budget Recommendations)				
	GENERAL FUND (\$ Millions)			
	2007-08	2008-09	2009-10*	2010-11*
Mid-Year Budget Gaps	(2,449)	(4,486)		
Exclude Surplus from Calculation**	(1,043)	(255)		
Revised Tax Collections	1,445	1,577		
All Other Revenue Changes	465	310		
Spending Changes	(26)	(141)		
Budget Gaps (Before Recommendations)	(1,608)	(2,995)	(5,089)	(5,359)

* 2009-10 and 2010-11 gap estimates are published for the first time in this Financial Plan.

** The Mid-Year Update assumed the prior-year surplus and a portion of the 2006-07 surplus would be used to lower the 2007-08 and 2008-09 gaps. To more clearly reflect the potential use of these resources, such amounts have been excluded for purposes of calculating the current services gaps prior to Executive Budget recommendations.

DOB has increased its estimate of General Fund revenues for both 2007-08 and 2008-09, based on actual results to date, continued growth in the State economy, and the strength of the financial services sector. Base receipts are now forecast to grow by 6.5 percent in 2007-08. Tax receipts are expected to be higher, accounting for most of the upward revision in estimated growth. The forecast for miscellaneous receipts has also been increased.

DOB believes the strong economy in 2006 will continue to drive large gains in receipts in early fiscal year 2007-08 as personal income taxpayers finalize payments on their 2006 liability. Out-year growth in tax receipts, before the impact of recommended tax actions, is expected to grow at rates consistent with the mature stage of economic expansion (an average of roughly 5.5 percent per year). Enhanced audit activity and the enforcement of tax collections on Native American lands accounts for the remaining growth in collections. Miscellaneous receipts in 2007-08 and beyond have been increased for additional abandoned property receipts (\$100 million in 2007-08; \$50 million in 2008-09; and \$25 million in 2009-10), the timing of receipts that were originally budgeted in 2006-07 but are now expected next year (\$250 million), and debt service savings.

DOB has raised its estimate of lottery receipts from traditional lottery games by roughly \$100 million annually, but lowered its forecast for VLT receipts due to a delay in the grand opening of the Yonkers gaming facility (roughly \$100 million annually in 2007-08 and 2008-09; \$54 million in 2009-10 and \$73 million in 2010-11). In addition, potential VLT revenues from expanding the number of gaming facilities are no longer counted in the current services forecast since enabling legislation has not been enacted (a cost of \$331 million in 2008-09). All lottery aid, net of prizes and administrative costs, pays for a portion of the State's school aid program, with any shortfall in receipts financed by the General Fund. The net change in total lottery receipts results in higher General Fund spending of \$337 million in 2008-09.

Since the Mid-Year Update, DOB has increased the General Fund spending forecast by \$26 million in 2007-08 and \$141 million in 2008-09. The sources of higher spending include: State subsidies for mental health insurance required by Timothy's Law (roughly \$100 million annually); a court decision barring the State from requiring State employees or retirees to pay a portion of Medicare Part B premiums (\$60 million in 2007-08; \$31 million thereafter); the timing of education aid payments (\$25 million in 2007-08 and \$7 million in 2008-09); growth in the higher education budget for salaries and non-personal service expenses (roughly \$20 million annually); and school aid owed to districts based on updated enrollment figures from the Department of Education (roughly \$30 million annually).

The growth in spending is offset in part by reductions in several areas. The current-services forecast for Medicaid has been reduced based on price and utilization trends (roughly \$450 million annually beginning in 2008-09, but offset in 2009-10 by \$300 million in costs for an extra weekly payment associated with a 53rd Medicaid cycle). Estimated public assistance and child welfare spending has been lowered based on caseload and claiming trends (\$8 million growing to \$44 million). Finally, the Judiciary submitted a budget request that was lower than planned (saving \$73 million in 2007-08; \$94 million annually thereafter).

SUMMARY OF 2007-08 EXECUTIVE BUDGET RECOMMENDATIONS

The Executive Budget for 2007-08 is balanced on a cash basis in the General Fund. The Budget closes a \$1.6 billion current-services gap and finances \$1.9 billion in new initiatives, the largest of which are for school aid, school property tax relief, and health insurance for children. To close the gap and finance the initiatives, the Budget proposes \$2.8 billion in savings actions and the use of \$671 million in reserves. The unused portion of the 2006-07 surplus (\$1.2 billion) is planned to reduce the projected outyear gaps in three equal amounts. The table below summarizes the multi-year impact of the Executive Budget recommendations.

General Fund Budget-Balancing Plan				
(millions of dollars)				
	2007-08	2008-09	2009-10	2010-11
Executive Budget "Baselevel" Surplus/(Gaps)	(1,608)	(2,995)	(5,089)	(5,359)
Savings Plan:	<u>2,810</u>	<u>3,383</u>	<u>4,460</u>	<u>4,659</u>
Medicaid/Health/Mental Hygiene	1,299	958	1,924	1,738
All Other Savings	1,062	1,858	1,999	2,384
Revenue Loophole Closures	449	567	537	537
New Initiatives:	<u>(1,873)</u>	<u>(3,097)</u>	<u>(4,271)</u>	<u>(5,961)</u>
Revised Surplus/(Gaps) Before Use of Surplus	(671)	(2,709)	(4,900)	(6,661)
Use of Prior Year Surpluses	671	401	401	401
Executive Budget Surplus/(Gaps)	0	(2,308)	(4,499)	(6,260)

Recommended Initiatives

The Executive Budget proposes new initiatives totaling \$1.9 billion in 2007-08, growing to \$6 billion in 2010-11. Three initiatives, for school aid, school tax relief, and health care, account for 90 percent of the total. The Budget recommends a \$7 billion increase for school aid by 2010-11 (on a school year basis), which is roughly a \$3.3 billion increase above previous financial plan estimates; an expanded \$6 billion school property tax relief program over the next three years, or \$2.5 billion above current-law requirements; and \$100 million to expand enrollment in the CHP program, simplify eligibility for other public health insurance programs, and fund other health initiatives.

Recommended Savings

The Executive Budget proposes a set of health care, local aid, and operational reforms that will provide over \$2.8 billion in savings in 2007-08. The value of the savings proposed this year grows to \$4.7 billion by 2010-11.

General Fund Savings Plan (millions of dollars)				
	2007-08	2008-09	2009-10	2010-11
Savings Plan:	<u>2,810</u>	<u>3,383</u>	<u>4,460</u>	<u>4,659</u>
Medicaid/Health/Mental Hygiene	1,299	958	1,924	1,738
All Other Savings	1,062	1,858	1,999	2,384
Revenue Loophole Closures	449	567	537	537

Health Care

The 2007-08 savings plan includes the first step in a multi-year plan to reform the State's health care system. Recommended savings total over \$1.4 billion in the aggregate, including roughly \$150 million in savings that will accrue to the Health Care Resources (HCRA) Fund. The plan freezes reimbursement rates paid to most providers as part of a plan to develop a new reimbursement system that better aligns the interests of health care providers, patients, and public and private payers by more accurately reflecting the actual cost to providers of providing various services; strengthens statewide anti-fraud activities; improves cost controls on prescription drugs; and enhances management of high-cost beneficiaries. The table below itemizes the savings from these initiatives.

Medicaid/HCRA/Health/Mental Hygiene Savings Plan				
(millions of dollars)				
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Freeze 2007 Rates Pending Overhaul of Methodologies	350	389	389	389
Redirect Subsidies to High-Need Medicaid Hospitals	73	99	120	120
Pharmaceutical Savings	240	301	303	303
Enhance Management of High-Cost Beneficiaries	5	43	49	56
Strengthen Anti-Fraud Capabilities	104	109	109	109
Other General Fund Medicaid Savings	221	105	372	378
Other HCRA Savings	219	544	543	593
Public Health	39	33	38	38
Mental Hygiene	195	111	111	112
Total Medicaid/HCRA/Health/Mental Hygiene Savings	1,446	1,734	2,034	2,098
HCRA Savings in Other State Funds	(147)	(776)	(796)	(846)
Proposed Changes in General Fund Support for HCRA	0	0	686	486
Net General Fund Savings	1,299	958	1,924	1,738

Specific savings proposals include:

- **Freeze Rates/Redirect Subsidies:** Eliminating automatic inflationary rate increases for hospitals and nursing homes, freezing managed care premium payments, and revising subsidy payments to redirect funding to high-need facilities.
- **Pharmaceutical Savings:** Reducing reimbursement rates for pharmacies; increasing enrollment in the Medicare Part D program; strengthening the rules governing the Preferred Drug program; and expanding its applicability to the Elderly Pharmaceutical Insurance Coverage (EPIC).
- **Enhanced Management of High-Cost Beneficiaries:** Implementing a series of new demonstration projects to help provide seamless, cost-effective care to high-cost beneficiaries.
- **Anti-Fraud:** Staffing increases, greater use of technology, and stepped-up audit procedures will be put into place.

Other savings include maximizing Federal aid; continuation of the 0.35 percent assessment on hospital revenues beyond March 31, 2007 and the reimbursable 6 percent assessment on nursing home revenues beyond March 31, 2009; a \$75 increase in the covered lives assessment paid by insurance carriers; and additional health care conversion proceeds. In addition, General Fund subsidy payments to HCRA in 2009-10 and 2010-11, including discretionary repayment of a loan, have been eliminated, pursuant to proposed statutory changes.

Other Savings

Outside of health care, other recommended savings include eliminating State aid subsidies to high-wealth communities, instituting strict controls on spending by State agencies, enhancing competition in the State's debt management, and maximizing Federal aid.

All Other Savings Plan				
(millions of dollars)				
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Local Government Aid	306	267	217	167
Economic Development	209	96	96	96
Social Services/Labor	165	139	150	139
Public Safety/Homeland Security	109	113	111	112
Education/Arts	54	64	64	64
Environment/Energy	50	40	40	40
Transportation	43	176	145	185
Debt Service	40	43	45	47
Higher Education	35	60	63	65
STAR Rebate	0	675	675	675
VLT Expansion	0	150	357	766
All Other	51	35	36	28
Total General Fund Savings	1,062	1,858	1,999	2,384

The key Executive Budget recommendations include the following proposals:

Local Government Aid: Restructure local government aid to significantly increase aid to distressed municipalities and eliminate Aid and Incentives for Municipalities (AIM) funding to New York City and other high-wealth municipalities.

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

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

Public Safety/Homeland Security: Improve the parole violation process; propose less costly implementation of enhanced work zone safety; implement a new security assessment on nuclear power plant operators; and continue State Operations efficiencies to generate savings. In addition, savings are generated by using non-General Fund resources to fund State Police public safety communications projects and certain Department of Criminal Justice Services (DCJS) programs.

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

Environment/Energy: Reductions result from a shift of personal service costs for Agriculture and Markets programs from the General Fund to other financing sources. Non-personal service reductions in most departments generate additional savings.

Transportation: Includes allocating additional Transmission Tax revenue for upstate transit systems, lease-purchasing transit buses rather than using pay-as-you-go funding, and lower General Fund transfers to the Dedicated Bridge and Highway Trust Fund.

Debt Service: Savings are expected from a proposed increase to the swaps and variable rate caps from 15 percent to 20 percent, increased refunding opportunities based on proposed enhancements, and increasing the use of competitive processes.

Higher Education: Tuition Assistance Program (TAP) reforms are proposed to promote the wise investment of taxpayer funds. Specifically, use of the Ability to Benefit Test will be discontinued as a measure of determining academic eligibility for TAP beginning in the 2007-08 academic year. This will conform New York's eligibility standards to those of other major states.

STAR Rebate: The existing STAR Plus Rebate program is replaced by the new \$6 billion middle class property tax relief program.

VLT Expansion: Savings from proposed legislation to authorize the expansion of a number of VLT facilities is expected to generate additional revenue that will be used to support school aid funding.

All Other Savings: Includes changing the interest rate charged on judgments against the State to prevailing market rates, not a pre-defined, above-market rate of 9 percent (\$5 million), and State Operations savings, primarily in non-personal service costs (part of a Statewide total of \$85 million in non-personal service savings).

Revenue Loophole Closures

State tax law currently contains a number of loopholes that enable certain taxpayers to shelter income as a result of unintended consequences of existing law. The Executive Budget proposes the elimination of a number of such loopholes, as summarized on the following table.

General Fund Savings Plan -- Revenue Loophole Closures				
(millions of dollars)				
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Personal Income Tax	36	181	151	151
Extend/Restructure LLC Fees	30	30	30	30
Make Reporting of Tax Shelters Permanent	6	6	6	6
S Corporation Election	0	100	100	100
Sales Tax Itemized Deduction	0	30	0	0
Partnership Tax Abuse	0	15	15	15
Business Taxes	398	366	366	366
Corporate Franchise Tax Combined Filing	185	185	185	185
Add Back Expenses of Subs. Cap. & Elim. Disc. Wage Factor	35	28	28	28
Decouple from Federal Deduction for Qualified Production Activities	25	30	30	30
Cooperative Insurance Companies	23	18	18	18
Grandfathered Corporations	19	15	15	15
Real Estate Investment Trusts	88	70	70	70
Conform to Federal Bad Debt Deduction	13	10	10	10
Make Reporting of Tax Shelters Permanent	10	10	10	10
User Taxes and Fees	15	20	20	20
Sales Tax on Full Cost of Hotel Room Purchased Over Internet	15	20	20	20
Total General Fund Savings	449	567	537	537

The most significant loophole closures include:

- Restructure the fees imposed on Limited Liability Companies (LLC) from a per member fee to one that is based on income, to more clearly reflect an LLC's level of New York activity while generating the same amount of revenue as the LLC fees that are in effect through tax year 2006.
- Continue to deter the use of tax shelters by making permanent the authorization for the Department of Taxation and Finance to require the reporting and disclosure of Federal and New York reportable and listed transactions.
- Conform to the practices of 17 other states that require corporations which conduct substantial inter-corporate transactions with one another, to file a combined, rather than separate, corporate franchise tax return.
- Close a loophole and conform to Federal rules by eliminating the deduction for certain subsidiary dividends received by a parent company from a real estate investment trust (REIT) or regulated investment company (RIC), to ensure that the shareholders of the REIT or RIC pay tax on the income earned by the REIT or RIC.

NONRECURRING RESOURCES

The State typically uses some nonrecurring resources each year to support its operations. In many cases, the resources may occur each year, but are not included in the current services estimates since there is some uncertainty in timing and amounts that may be available. The table below summarizes the nonrecurring resources proposed in the Executive Budget.

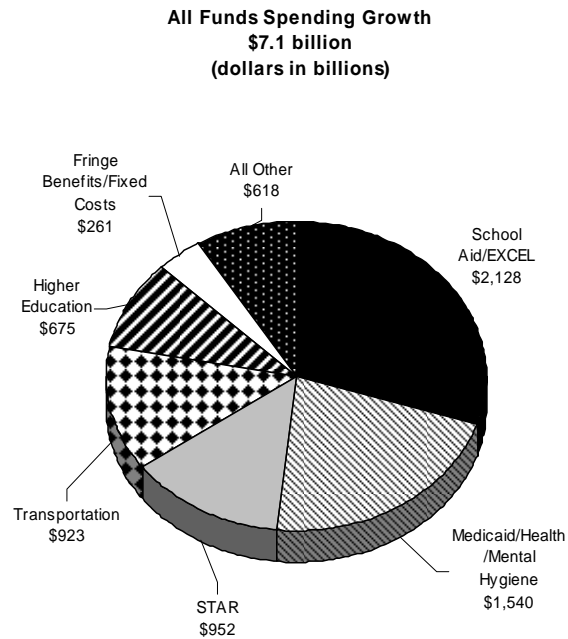
General Fund Non-Recurring Resources (millions of dollars)	
	2007-08
Transfer SONYMA Excess Balances to the General Fund	100
Medicaid: Obtain Federal Share for the Home Care Insurance Demonstration Initiative	82
Medicaid: Waive Statutory Reconciliation of Prior Year Hospital Assessment Collections	44
Medicaid: Drug Rebate Revenue	40
Mental Hygiene: Federal PIA revenues (Part B settlement; Accelerated DSH payments)	61
Mental Hygiene: Audit-Fraud Recoveries; Federal Recovery for OMH Children's Facilities	18
Sweep cash for Cult. Educ. Storage Facility	20
Sweep Balance in the Unemployment Insurance Interest Assessment Account	16
Sweep Funds from Revenue Arrearage Account	15
DMV Compulsory Insurance Sweep	16
Sweep Additional Funds from various Public Health Accounts	10
Use Cellular Surcharge to Fund State Police Statewide Wireless Network	10
Sweep Excess EPF Fund Balances to General Fund	10
Finance National Guard Costs with Federal Funds	5
Sell Vacant Building Planned for Youth Opportunity Center	3
Sweep Cash from Several Welfare/OCFS Special Revenue Accounts	3
Utilize Federal Funds for Certain Welfare costs	2
Total One-Time Resources	455
Net Use of Prior Year Surpluses (after deposit to reserves)	671
Total Non-Recurring Resources	1,126

The proposed one-time actions consist mainly of routine transfers of available cash balances from other funds, time-specific transactions, and additional Federal aid including:

- Medicaid: Savings from several cost containment recommendations and revenue raisers help finance Medicaid costs that would otherwise be paid by the General Fund. These include reforms in HCRA, increased Federal aid for the Health Care Insurance Demonstration initiative, a waiver of prior-year reconciliations of hospital assessment collections, and available drug rebate revenues;
- Mental Hygiene: Federal revenues are expected to increase as a result of one-time benefits including accelerated Medicaid claiming for services provided to mental hygiene consumers, a Federal Medicare settlement, retroactive billings for children’s residential facilities and expansion of quality assurance activities; and,
- Routine sweeps of fund balances and increasing Federal aid account for the majority of the remaining nonrecurring actions.

BUDGET IMPACT ON SPENDING GROWTH FOR MAJOR PROGRAMS

General Fund spending, including transfers to other funds, is projected to total \$53.3 billion in 2007-08, an increase of \$2.1 billion over the current-year forecast (4.2 percent; 3.8 percent excluding local Medicaid relief and the STAR program). State Funds spending, which includes both the General Fund and spending from other funds supported by State revenues, is projected to increase by \$6 billion (7.8 percent; 6.3 percent without local Medicaid relief and STAR) and total \$83.6 billion in 2007-08. All Funds spending, the broadest measure of spending, is projected to total \$120.6 billion in 2007-08, an increase of \$7.1 billion (6.3 percent; 5.2 percent without Medicaid takeover and STAR).



The 2007-08 Financial Plan includes \$204 million in spending growth related to the State cap on local Medicaid costs and the takeover of the entire FHP program, and \$952 million for the STAR Property Tax Relief program. To provide a comparable basis for calculating annual growth, the 2007-08 estimates are presented on both an “adjusted” (i.e., excluding the incremental growth in State spending for these local tax relief items) and an unadjusted basis.

Total Disbursements (millions of dollars)					
	2006-07 Revised	2007-08 Proposed	Annual \$ Change	Annual % Change	Adjusted % Change*
General Fund	51,127	53,262	2,135	4.2%	3.8%
State Funds	77,522	83,557	6,035	7.8%	6.3%
All Funds	113,536	120,633	7,097	6.3%	5.2%

* Excludes \$952 million for the STAR Property Tax Relief program and \$204 million for the Medicaid Cap/Family Health Plus Takeover.

The major sources of annual spending from 2006-07 to 2007-08 are presented in the table below. The estimates assume the Executive Budget recommendations are approved in their entirety.

Disbursement Projections -- After Recommended Savings			
Major Sources of Annual Change			
(millions of dollars)			
	General Fund	State Funds	All Funds
2006-07 Revised Estimate	51,127	77,522	113,536
School Aid	1,303	1,395	1,428
EXCEL Capital	0	700	700
STAR	0	952	952
Economic Development	55	1,036	1,038
Transportation	42	871	923
Public Health	118	186	524
Mental Hygiene	265	322	444
Higher Education	230	654	675
Medicaid (inc. takeover)	398	268	572
Social Services	302	302	327
General State Charges	221	254	261
Debt Service	(11)	140	140
Local Government Aid	(264)	(264)	(264)
Capital/Other Transfers	(440)	0	0
Capital GAAP Adjustment	0	(992)	(992)
All Other	(84)	211	369
2007-08 Executive Budget Estimate	53,262	83,557	120,633
<i>Dollar Change</i>	<i>2,135</i>	<i>6,035</i>	<i>7,097</i>
<i>Percent Change</i>	<i>4.2%</i>	<i>7.8%</i>	<i>6.3%</i>
<i>Percent Change Excluding Cap/Takeover/STAR</i>	<i>3.8%</i>	<i>6.3%</i>	<i>5.2%</i>

2007-08 FINANCIAL PLAN

INTRODUCTION

This section describes the State's Financial Plan projections for receipts and disbursements based on the 2007-08 Executive Budget recommendations. The receipts forecast describes estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds. The spending projections summarize the annual growth in current services spending and the impact of Executive Budget recommendations on each of the State's major areas of spending (e.g., Medicaid, school aid, mental hygiene).

The 2007-08 Financial Plan projections are presented on an All Funds basis, which encompasses activity in the General Fund, other State-supported Funds, and Federal Funds, thus providing the most comprehensive view of the financial operations of the State.

2007-08 RECEIPTS FORECAST

Financial Plan receipts comprise a variety of taxes, fees, charges for State-provided services, Federal grants, and other miscellaneous receipts. The receipts estimates and projections have been prepared by DOB with the assistance of the Department of Taxation and Finance and other agencies responsible for the collection of State receipts. To the extent they are material, sources of receipts not referenced in this volume are discussed in the presentations of the agencies primarily responsible for executing the programs financed by such receipts.

Total Receipts (millions of dollars)				
	2006-07 Revised	2007-08 Proposed	Annual Change	Percent Change
General Fund	51,441	52,666	1,225	2.4%
State Funds	76,868	80,917	4,049	5.3%
All Funds	113,031	118,316	5,285	4.7%

All Funds receipts are projected to total \$118.3 billion, an increase of \$5.3 billion over 2006-07 projections. The total comprises tax receipts (\$61.0 billion), Federal grants (\$37.3 billion) and miscellaneous receipts (\$20.0 billion). The following table summarizes the receipts projections for 2006-07 and 2007-08.

Receipt Projections -- After Recommended Savings			
Major Sources of Annual Change			
(millions of dollars)			
	General Fund	State Funds	All Funds
2006-07 Revised Estimate	51,441	76,868	113,031
Personal Income Tax	635	1,840	1,840
User Taxes & Fees	425	552	552
Business Taxes	306	327	327
Other Taxes	(139)	(67)	(67)
Miscellaneous Receipts	186	1,518	1,506
Federal Grants	(121)	(121)	1,127
All Other Changes	(67)	0	0
2007-08 Executive Budget Estimate	52,666	80,917	118,316
<i>Dollar Change</i>	1,225	4,049	5,285
<i>Percent Change</i>	2.4%	5.3%	4.7%

* Includes tax receipts transferred from other funds.

Receipts Overview

- Total All Funds receipts are expected to reach \$118.3 billion, an increase of \$5.3 billion, or 4.7 percent from 2006-07 results. All Funds tax receipts are projected to grow by nearly \$2.7 billion. The majority of this increase is attributable to the expectation of continued economic expansion offset by the net impact of past and proposed tax actions that serve to reduce receipts in 2007-08 on a net basis by \$450 million. All Funds Federal grants are expected to increase by more than \$1.1 billion, or 3.1 percent. All Funds Miscellaneous receipts are projected to increase by approximately \$1.5 billion, or 8.1 percent.
- After controlling for the impact of policy changes, base tax revenue growth is estimated to be 6.5 percent for fiscal year 2007-08.
- Total State Funds receipts are projected at \$80.9 billion, an increase of \$4.0 billion, or 5.3 percent from 2006-07 estimated receipts.
- Total General Fund receipts are projected at \$52.7 billion, an increase of \$1.2 billion, or 2.4 percent from 2006-07 estimates. General Fund tax receipt growth is projected to remain nearly level with 2006-07 results and General Fund miscellaneous receipts are projected to increase by \$186 million. The lack of growth in General Fund tax receipts largely reflects proposals with this Budget, including increasing STAR benefits and earmarking additional funds to debt service funds. Federal grants decline due to the loss of one-time Federal reimbursement for emergency costs related to delays in implementation of the Federal Medicare Part D program.

Overall, receipts growth in the three fiscal years following 2007-08 is expected to remain moderately strong consistent with projected continued growth in the U.S. and New York economies. In addition, the proposals contained with this Budget would eliminate unintended tax loopholes and supplement Department of Taxation and Finance efforts to find non-compliant taxpayers; both actions would continue to enhance receipt growth through 2010-11.

- Total All Funds receipts in 2008-09 are projected to reach \$124.4 billion, an increase of \$6.1 billion, or 5.2 percent from 2007-08 estimates. All Funds receipts in 2009-10 are expected to increase by nearly \$4.9 billion (3.9 percent) over the prior-year. In 2010-11, receipts are expect to increase by more than \$5.3 billion over 2009-10.
- Total State Funds receipts are projected to be nearly \$85.3 billion in 2008-09, more than \$88.4 billion in 2009-10 and nearly \$92.0 billion in 2010-11.
- Total General Fund receipts are projected to reach \$54.5 billion in 2008-09, nearly \$57.2 billion in 2009-10 and almost \$59.8 billion in 2010-11.
- All Funds tax receipts are expected to increase by 5.6 percent in 2008-09, 5.5 percent in 2009-10 and 4.7 percent in 2010-11. Again, the growth pattern is consistent with an economic forecast of continued but modest economic growth.

Governmental Funds				
Actual and Base Tax Receipts Growth				
(percent growth)				
State Fiscal Year	Actual Receipts	Base Receipts	Personal Income Growth	
2006-07	8.7	11.9	5.4	
2007-08	4.5	6.5	5.0	
2008-09	5.6	5.7	5.0	
2009-10	5.5	5.6	5.2	
2010-11	4.7	4.8	5.1	
	Actual Change	Base Change	Inflation Adjusted Base Change	Personal Income Growth
Historical Average (87-88 to 05-06)	4.4	4.0	0.9	4.8
Forecast Average (07-08 to 10-11)	5.1	5.6	3.0	5.1
Recessions	1.6	(0.6)	(3.3)	2.9
Expansions	4.5	5.3	2.1	5.8

Base Growth

Base growth, adjusted for law changes, in tax receipts for fiscal year 2006-07 is estimated at 11.9 percent. Growth in the tax receipts base has benefited from several factors including:

- 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 downstate commercial real estate market; and
- continued positive impact of high-income taxpayers on personal income tax growth.

Strong economic growth, especially concentrated in Downstate New York over the past several years, has driven large gains in receipts. It is expected that the rapid expansion in base revenue will slow modestly in 2007-08 and beyond, reflecting a slowing national economy, a continued cooling of the housing market and more modest gains in the equity markets. Actual receipts are expected to grow more slowly than the underlying base in 2007-08, reflecting the impact of proposed and already enacted tax reductions. As the above table indicates, non-adjusted receipts growth closely matches expected growth in personal income over the forecast period.

Personal Income Tax

All Funds income tax receipts for 2007-08 are projected to increase \$1.8 billion over the prior-year to total \$36.3 billion. Gross receipts are projected to increase 6.6 percent and reflect projected withholding growth of 6.2 percent (\$1.7 billion), while the growth in estimated taxes for tax year 2007 liabilities is expected to reach 9.2 percent (\$700 million). Payments from extensions and final returns for tax year 2006 are projected to each increase by less than 4.0 percent, or by \$95 million and \$74 million, respectively. Receipts from delinquencies are projected to increase \$85 million over the prior-year. Net receipts, which include refunds on tax year 2006 payments and liabilities, are projected to grow 5.3 percent and reflect growth in refunds of \$784 million or 14.2 percent. The robust growth over the prior-year in refunds is mainly attributable to the impact of the child credit implemented in 2006, offset by a slight reduction in the State/City offset from the prior-year (\$24 million).

General Fund income tax receipts for 2007-08 of \$22.3 billion are projected to decline by \$570 million or 2.5 percent from the prior-year. The decline is attributable to increases in the deposits to the STAR Fund of roughly 24 percent to nearly \$5.0 billion. This increase supports the new Middle Class STAR program proposed with the Budget. In addition, deposits to the Revenue Bond Tax Fund (RBTF) of almost \$9.1 billion reflect Executive Budget legislation that would provide that deposits to the RBTF be calculated before the deposit of income tax receipts to the STAR Fund. Although this would have the impact of decreasing General Fund PIT more than \$1.0 billion (25 percent of STAR), deposits in excess of debt service requirements are transferred back to the General Fund.

User Taxes and Fees

All Funds user taxes and fees receipts for 2007-08 are projected to be nearly \$14.3 billion, an increase of \$552 million or 4.0 percent from 2006-07. General Fund user taxes and fees receipts are projected to total \$8.6 billion in 2007-08, an increase of \$328 million or 3.9 percent from 2006-07. This increase largely reflects the projected growth in the sales tax base (4.1 percent) along with the enforcement of Tax Law provisions governing the taxation of various products sold by Native Americans.

Business Taxes

All Funds business tax receipts for 2007-08 of nearly \$8.5 billion are projected to increase by \$327 million or 4.0 percent over the prior-year. The projections reflect \$455 million of Executive Budget initiatives that would make the reporting of abusive tax shelters permanent, address loopholes in the Tax Law that allow taxpayers to shelter income in unintended ways, conform certain State provisions to Federal law and to standard practices in other states, and increase the low income housing credit. Non-audit business tax receipts before these Executive Budget initiatives are projected to increase 6.2 percent. The overall increase reflects a moderation in the growth of non-audit corporate franchise tax receipts to roughly 10 percent; growth in corporation and utilities taxes of 4.1 percent that is attributable to modest growth in receipts from utilities, and a 7.2 percent increase in the petroleum business tax. Non-audit receipts from the insurance and bank taxes are projected to remain roughly flat, reflecting current year liabilities, the volatility of the bank tax and projected industry trends. Audit receipts related to All Funds business taxes are projected to decline by approximately 35 percent or roughly \$535 million from the historical levels estimated for 2006-07. The largest projected declines in audit receipts are reflected in the corporation franchise and bank taxes.

General Fund business tax receipts for 2007-08 of \$6.3 billion are projected to increase \$306 million, or 5.1 percent over the prior-year. Business tax receipts deposited to the General Fund reflect the All Funds trends and the Executive Budget initiatives discussed above.

Other Taxes

All Funds other tax receipts in 2007-08 are projected to be nearly \$2.0 billion, down \$67 million or 3.3 percent from 2006-07, reflecting modest retrenchment in real estate transfer tax receipts as well as a return to a normal estate tax collection pace. General Fund receipts for 2007-08 are projected to total nearly \$1.1 billion or a \$17 million decline with estate tax collections expected to fall off its peak as the number of large estates closing in the year returns to a more normal level.

Miscellaneous Receipts

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total \$20.0 billion in 2007-08, an increase of more than \$1.5 billion from the current year.

In addition to the General Fund increase described above, other funds miscellaneous receipts are projected to increase by approximately \$1.3 billion comprised of \$1 billion in capital projects receipts and \$300 million in Special Revenue Funds receipts. The capital projects receipts increase was primarily driven by growth in the EXCEL and AMD programs (\$700 million and \$100 million, respectively) as well as increases in other bonded projects. The Special Revenue Funds increase is primarily driven by growth in lottery revenues, including from VLTs (\$429 million), SUNY revenue (\$173 million) and HCRA surcharge revenues (\$213 million). This growth is partially offset by a decline in proceeds from health care conversions, which the State uses to finance Medicaid and public health programs (\$500 million).

General Fund miscellaneous receipts collections in 2007-08 are projected to reach approximately \$2.9 billion, up \$183 million from 2006-07 results, reflecting license and fee collections and local government revenue and disbursement program increases, partially offset by decreases in receipts from investment income.

Federal Grants

Federal grants help pay for State spending on Medicaid (\$19.6 billion), mental hygiene (\$3.0 billion), school aid (\$2.8 billion), welfare (\$2.6 billion), transportation (\$1.6 billion), other public health (\$1.6 billion), and other activities (\$6.1 billion). Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans that Federal reimbursement will be received in the State fiscal year in which spending occurs, but timing sometimes varies.

All Funds Federal grants are projected to total \$37.3 billion in 2006-07, an increase of \$1.1 million from the current year. Federal aid is expected to increase for Medicaid (\$406 million), public health (\$355 million), mental hygiene (\$130 million), world trade enter transportation related projects (\$107 million), modernization of voting machines (\$104 million), and homeland security (\$101 million). Offsetting this growth is a projected decline in General Fund federal grants of \$121 million due to the loss of a one-time reimbursement from the Medicare Part D program. In most cases, the grant levels reflect projected changes in State spending levels and a corresponding change in estimated Federal reimbursement, not changes in aid levels for New York authorized by Congress.

2007-08 DISBURSEMENTS FORECAST

Total Disbursements (millions of dollars)					
	2006-07 Revised	2007-08 Proposed	Annual \$ Change	Annual % Change	Adjusted % Change*
General Fund	51,127	53,262	2,135	4.2	3.8
State Funds	77,522	83,557	6,035	7.8	6.3
All Funds	113,536	120,633	7,097	6.3	5.2

* Excludes \$952 million for the STAR Property Tax Relief program and \$204 million for the Medicaid Cap/Family Health Plus Takeover.

In 2007-08, General Fund spending, including transfers to other funds, is projected to total \$53.3 billion. State Funds spending, which includes both the General Fund and spending from other funds supported by assessments, tuition, HCRA resources and other non-Federal revenues, is projected to total \$83.6 billion in 2007-08. All Funds spending, the broadest measure which includes Federal aid, is projected to total \$120.6 billion in 2007-08. The Financial Plan projections assume that the 2007-08 Executive Budget is enacted in its entirety. The adjusted annual percentage change for spending excludes the growth in State costs related to capping local Medicaid costs, taking over the entire cost of the FHP Program, and providing additional property tax relief under STAR, all of which provide local tax and mandate relief.

The major sources of annual spending change between 2006-07 and 2007-08 (after Executive Budget recommendations) are summarized in the following table.

Executive Budget Spending Projections -- After Executive Budget Recommendations					
Major Sources of Annual Change					
(millions of dollars)					
	General Fund	Other State Funds	State Funds	Federal Funds	All Funds
2006-07 Revised Estimate	51,127	26,395	77,522	36,014	113,536
Major Functions					
<i>Public Health:</i>					
Medicaid	194	(130)	64	304	368
Medicaid Cap/FHP Takeover	204	0	204	0	204
Public Health	118	68	186	338	524
<i>K-12 Education:</i>					
School Aid/Excel	1,303	792	2,095	33	2,128
All Other Education Aid	(44)	20	(24)	20	(4)
STAR	0	952	952	0	952
Higher Education	230	424	654	21	675
<i>Social Services:</i>					
Temporary and Disability Assistance	119	(3)	116	25	141
Children and Family Services	183	3	186	0	186
Mental Hygiene	265	57	322	122	444
Transportation	42	829	871	52	923
General State Charges	221	33	254	7	261
Debt Service	(11)	151	140	0	140
All Other Changes					
Economic Development	55	981	1,036	2	1,038
Elections	2	3	5	104	109
World Trade Center	0	0	0	107	107
Judiciary	39	47	86	(1)	85
Homeland Security	(14)	(5)	(19)	101	82
Local Government Aid	(264)	0	(264)	0	(264)
Correctional Services	(93)	30	(63)	(24)	(87)
Criminal Justice Services	(22)	32	10	(95)	(85)
Capital/Other Transfers	(442)	442	0	0	0
Capital GAAP Adjustments	0	(992)	(992)	0	(992)
All Other	50	166	216	(54)	162
2007-08 Executive Budget Estimate	53,262	30,295	83,557	37,076	120,633
<i>Annual Dollar Change</i>	<i>2,135</i>	<i>3,900</i>	<i>6,035</i>	<i>1,062</i>	<i>7,097</i>
<i>Annual Percent Change</i>	<i>4.2%</i>	<i>14.8%</i>	<i>7.8%</i>	<i>2.9%</i>	<i>6.3%</i>
<i>Adjusted Annual Change excluding MA Cap/Takeover/STAR</i>					
<i>Dollar Change</i>	<i>1,931</i>	<i>2,948</i>	<i>4,879</i>	<i>1,062</i>	<i>5,941</i>
<i>Percent Change</i>	<i>3.8%</i>	<i>11.2%</i>	<i>6.3%</i>	<i>2.9%</i>	<i>5.2%</i>

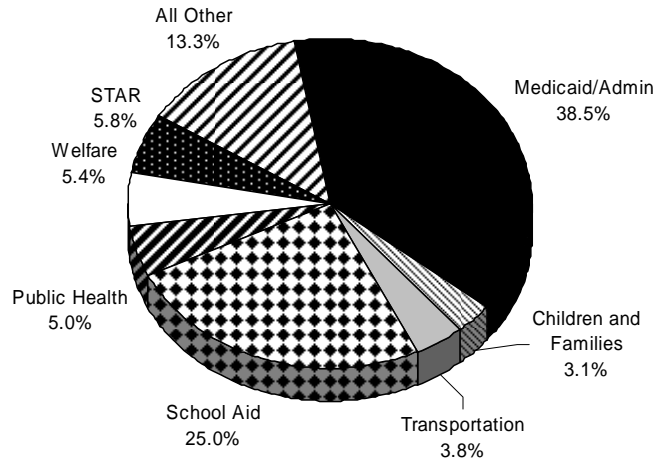
The following describes the 2007-08 Executive Budget proposals by purpose: Grants to local governments, State Operations, General State Charges, Capital Projects, and Debt Service. Detailed information by major program and function appears in the "2007-08 Executive Budget Five-Year Financial Plan" available at www.budget.state.ny.us.

GRANTS TO LOCAL GOVERNMENTS

Grants to Local Governments includes payments to local (“local assistance”) governments, school districts, healthcare providers, and other local entities, as well as certain financial assistance to, or on behalf of, individuals, families, and nonprofit organizations. Local Assistance comprises 71 percent of All Funds spending.

In 2007-08, All Funds spending for local assistance is expected to total \$85.5 billion. Spending is comprised of State aid to medical assistance providers and public health programs (\$37.1 billion), State aid to school districts, universities and for tuition assistance programs (\$31.2 billion), Temporary and Disability Assistance (\$4.6 billion), mental hygiene programs (\$3.4 billion), transportation (\$3.3 billion), children and family services (\$2.7 billion), and local government assistance (\$913 million). Other local assistance programs include criminal justice, economic development, housing, parks and recreation, and environmental quality.

**2007-08 All Funds Local Assistance Spending
\$85.5 Billion**



Local Assistance Spending Projections (millions of dollars)				
	2006-07 Revised	2007-08 Proposed	Annual Change	% Change
General Fund	34,229	36,399	2,170	6.3
Other State Support	16,013	17,444	1,431	8.9
State Funds	50,242	53,843	3,601	7.2
Federal Funds	31,006	31,702	696	2.2
All Funds	81,248	85,545	4,297	5.3

The following chart highlights proposed local assistance annual spending changes from the current year, by major program and/or agency.

Local Assistance Spending Projections			
Major Sources of Annual Change			
(millions of dollars)			
	<u>General Fund</u>	<u>State Funds</u>	<u>All Funds</u>
2006-07 Revised	34,229	50,242	81,248
School Aid	1,303	1,395	1,428
STAR	0	952	952
Medicaid (incl Admin)	398	268	572
Transportation	42	545	545
Public Health	102	18	326
Mental Hygiene	274	310	310
Children and Families	169	169	179
Temporary and Disability Assistance	116	112	135
Elections	1	1	117
Local Government Assistance	(264)	(264)	(264)
All Other	29	95	(3)
2007-08 Executive Budget	36,399	53,843	85,545
<i>Annual Dollar Change</i>	<i>2,170</i>	<i>3,601</i>	<i>4,297</i>
<i>Annual Percent Change</i>	<i>6.3%</i>	<i>7.2%</i>	<i>5.3%</i>

All Funds local assistance spending is projected to total \$85.5 billion, an increase of \$4.3 billion (5.3 percent) over the current year. The growth is primarily driven by projected increases in School Aid (\$1.4 billion), Medicaid (\$572 million), Transportation (\$545 million), and STAR spending (\$952 million), which includes the expanded Middle Class STAR program.

These annual changes in local assistance, as further categorized by current service requirements and Executive Budget savings and investment actions, are outlined in more detail below.

Local Assistance				
Sources of Annual Spending Increase/(Decrease)				
(millions of dollars)				
	<u>General Fund</u>	<u>Other State Funds</u>	<u>Federal Funds</u>	<u>All Funds</u>
Current Services:	3,297	(310)	1,086	4,073
Medicaid (incl Admin)	1,438	(456)	998	1,980
School Aid (excludes EXCEL spending)	932	92	33	1,057
Mental Hygiene	262	31	0	293
Transportation	42	209	0	251
Children and Families	197	0	10	207
Public Health	94	91	5	190
Temporary and Disability Assistance	157	0	24	181
STAR	0	(259)	0	(259)
All Other	175	(18)	16	173
Recommended Savings:	(1,682)	168	(736)	(2,250)
Medicaid Actions	(1,073)	321	(729)	(1,481)
Local Government Assistance	(306)	0	0	(306)
Public Health	(44)	(162)	(9)	(215)
Temporary and Disability Assistance	(59)	0	0	(59)
Children and Families	(37)	0	0	(37)
Economic Development	(24)	0	0	(24)
TAP	(21)	0	0	(21)
Criminal Justice/Parole	(42)	20	4	(18)
All Other	(76)	(11)	(2)	(89)
New Initiatives:	555	1,573	346	2,474
Middle Class STAR	0	1,211	0	1,211
Public Health/F-SHRP	53	18	311	382
School Aid (above base; net of EXCEL Debt Svc)	371	0	0	371
MTA/Transit Assistance	0	280	0	280
Medicaid	33	5	35	73
Other Education	27	0	0	27
Universal Broadband Access Initiative	0	25	0	25
Mental Hygiene	25	0	0	25
Community College Base Aid	17	0	0	17
All Other	29	34	0	63
Total Annual Change	2,170	1,431	696	4,297

Current Services

For 2007-08, on an All Funds basis, current service requirements increase by \$4.1 billion above 2006-07. The majority of this increase is concentrated in Medicaid (\$2 billion), and School Aid (\$1.1 billion). Changes in STAR largely reflect the discontinuance of the 2006 property tax rebate checks (in favor of the new middle class STAR initiative described below), offset by \$220 million for New York City rebate payments. Other local current services requirements include increases for CUNY salaries and inflation, TAP, and local program spending in mental hygiene.

Recommended Savings

Two-thirds of the Executive Budget's All Funds and General Fund local assistance savings plan relies on Medicaid actions (\$1.5 billion total). Other significant savings actions include reductions in local government assistance to high wealth areas, and re-direction of a growing portion of the savings to other communities.

New Initiatives

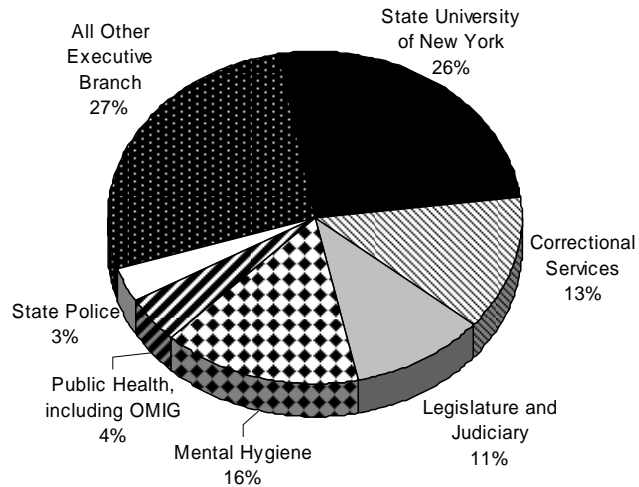
The largest areas of investment in local assistance occur in STAR, reflecting fiscal year increases for the new Middle Class property tax cut initiative and the additional State fiscal year funding required for the \$1.4 billion school year increase. Other significant Executive actions include increased Federal spending on F-SHRP (\$300 million) and additional assistance for the Metropolitan Transit Authority and statewide transit systems (\$280 million).

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STATE OPERATIONS

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

2007-08 All Funds State Operations Spending - \$18.6 Billion



All Funds State Operations spending is projected at \$18.6 billion in 2007-08, which finances the costs of Executive Branch agencies (\$16.6 billion) and the Legislature and Judiciary (\$2.0 billion). The largest executive branch agencies include SUNY (\$4.8 billion; 39,834 full-time employees), Correctional Services (\$2.4 billion; 31,514 full-time employees), Mental Hygiene (\$2.9 billion; 40,560 full-time employees), Public Health, including OMIG (\$820 million; 6,676 full-time employees), and State Police (\$620 million; 5,927 full-time employees).

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

The State workforce, which reflects full-time employees of the Executive Branch, excluding the Legislature, Judiciary, and contractual labor, is projected to total 197,068 in 2007-08, an increase of 2,468 FTEs over 2006-07 levels. Increases are expected in Mental Hygiene agencies (642 FTEs) primarily due to staffing for the Sexually Violent Predator Civil Commitment Initiative and NYS-CARES II programs; the Medicaid Inspector General (157 FTEs), reflecting staffing growth needed for Medicaid audit and fraud prevention activities; Transportation (411 FTEs) for the State takeover of I-84 maintenance and the replacement of contract staff with State employees; CUNY (198 FTEs) due to hiring of full-time faculty to reduce reliance on adjunct staff, SUNY (200 FTEs) due to staffing initiatives, including the Empire Innovations Program; Tax and Finance (200 FTEs) for enhanced voluntary compliance; and OCFS (189 FTEs) primarily for the addition of 200 direct-care staff to improve the health and safety of youth and staff at youth facilities, offset by other changes.

State Operations Spending Projections				
(millions of dollars)				
	2006-07 Revised	2007-08 Proposed	Annual Change	Percent Change
General Fund	9,404	9,601	197	2.1%
Other State Support	5,326	5,730	404	7.6%
State Funds	14,730	15,331	601	4.1%
Federal Funds	3,114	3,298	184	5.9%
All Funds	17,844	18,629	785	4.4%

All Funds State Operations spending is expected to total \$18.6 billion in 2007-08, comprised of PS (\$12.0 billion) and NPS (\$6.6 billion). The majority of State Operations spending is for SUNY (\$4.8 billion), Correctional Services (\$2.4 billion), Judiciary (\$2.0 billion), OMRDD (\$1.5 billion) and OMH (\$1.3 billion).

State Operations spending by category, based upon historical spending trends, is allocated among employee base salaries (64 percent), overtime payments (2 percent of State Operations), contractual services (25 percent), supplies and materials (6 percent), employee travel (1 percent) and other operational costs (2 percent).

All Funds State Operations Spending Projections			
Major Sources of Annual Change			
(millions of dollars)			
	Personal Service	Non-Personal Service	State Operations
2006-07 Revised	11,787	6,057	17,844
State University of New York	166	252	418
Insurance Department	2	107	109
Wireless Network	1	58	59
Mental Health	49	8	57
Health, including OMIG	41	14	55
Mental Retardation	25	23	48
Judiciary	13	31	44
Education All Other	9	28	37
Budget	(1)	29	28
Workers' Compensation Board	2	15	17
Correctional Services	(152)	36	(116)
All Other	36	(7)	29
2007-08 Executive Budget	11,978	6,651	18,629
<i>Annual Dollar Change</i>	<i>191</i>	<i>594</i>	<i>785</i>
<i>Annual Percent Change</i>	<i>1.6%</i>	<i>9.8%</i>	<i>4.4%</i>

All Funds State Operations spending increase of \$785 million (4.4 percent) is primarily driven by projected increases in SUNY (\$418 million), the Insurance Department (\$109 million), Statewide Wireless Network (\$58 million), OMH (\$57 million), Public Health (\$55 million), OMRDD (\$48 million), and the Judiciary (\$45 million), partially offset by a projected decline in DOCS (\$116 million). The annual changes are described in more detail below.

Personal Service				
Sources of Annual Spending Increase/(Decrease)				
(millions of dollars)				
	<u>General Fund</u>	<u>Other State Funds</u>	<u>Federal Funds</u>	<u>All Funds</u>
2006-07 Revised	6,782	2,904	2,101	11,787
Current Services:	66	148	(9)	205
Retroactive Salary Payments	(243)	0	0	(243)
Prior Negotiated Salary Increases	66	16	9	91
Overtime	37	0	0	37
Salary Adjustments	88	30	21	139
Workforce Growth	87	102	(8)	181
Offsets	31	0	(31)	0
Recommended Savings:	(202)	30	127	(45)
Maximize Revenues	(158)	21	128	(9)
SUNY	(11)	0	0	(11)
Power Plant Assessment	(13)	10	0	(3)
State Police	(9)	0	0	(9)
All Other	(11)	(1)	(1)	(13)
New Initiatives:	41	(14)	4	31
Fund Shifts	20	(20)	0	0
All Other	21	6	4	31
2007-08 Executive Budget	6,687	3,068	2,223	11,978
<i>Total Annual Change</i>	<i>(95)</i>	<i>164</i>	<i>122</i>	<i>191</i>

Current Services

Retroactive Salary Payments: Represents one time payments in 2006-07 for the retroactive components of the NYSCOPBA arbitration award (\$210 million) and other salary adjustments (\$33 million).

Negotiated Salary Increase: In 2007-08, personal service costs increase with an \$800 base salary adjustment effective April 1, 2007. State labor contracts expire on April 1, 2007 and no new collective bargaining agreements have been negotiated and no funding is included in the Plan for such purpose.

Overtime: A projected rise in overtime costs, drives growth in Mental Hygiene and in Correctional Services due in part to higher salaries received through binding arbitration.

Salary Adjustments: Includes performance advances which systematically raise an employee's salary annually until the "job rate" is reached; longevity payments which increase base salary for employees at their job rate for more than 5 years; merit awards and other promotional factors.

Workforce Growth: Reflect payroll increases driven by workforce growth.

Offsets: A reduction in Federal revenue available to offset General Fund costs drives spending growth.

Recommended Savings

Maximize Revenues: Proposed Mental Hygiene Patient Income Account actions are expected to increase the amount of patient care revenues available to support General Fund costs (\$128 million). In addition, assessments charged to New York City to recover State costs associated with the processing of City personal income tax returns (\$21 million).

SUNY: Reflects a more gradual phase-in of multi-year Empire Innovation Program spending growth.

Power Plant Assessment: Implementation of a new \$13 million security assessment on nuclear power plant operators to recover costs of National Guard activities.

State Police: Savings in State Police overtime costs will result from a change in the State Trooper plea bargain policy for traffic citations and increased use of civil administrative staff.

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

New Initiatives

Fund Shifts: Primarily reflects the transfer of the business and licensing function of the Department of State from the Special Revenue Fund to the General Fund (\$18 million). These additional costs are more than offset by the revenue generated from the activity.

All Other: Includes additional funding for environmental conservation resources (\$4 million), direct care staff at OCFS youth facilities (\$4 million) and Department of Health staffing investments (\$16 million).

Non-Personal Service Sources of Annual Spending Increase/(Decrease) (millions of dollars)				
	<u>General Fund</u>	<u>Other State Funds</u>	<u>Federal Funds</u>	<u>All Funds</u>
2006-07 Revised	2,622	2,422	1,013	6,057
Current Services:	335	190	59	584
General Inflation (Statewide)	78	62	26	166
Insurance Department	100	7	0	107
Correctional Services	25	0	0	25
Mental Hygiene	37	0	0	37
Judiciary	13	0	0	13
Children and Family Services	12	0	0	12
SUNY	70	116	16	202
Wireless Network	0	22	0	22
Budget	0	27	0	27
All Other	0	(44)	17	(27)
Recommended Savings:	(109)	18	0	(91)
Maximize Revenues	(11)	9	0	(2)
Statewide Wireless Network	(10)	10	0	0
SUNY	(3)	0	0	(3)
Power Plant Assessment	0	3	0	3
Efficiencies	(85)	(4)	0	(89)
New Initiatives:	66	32	3	101
Fund Shifts	9	(10)	0	(1)
Statewide Wireless Network	0	25	0	25
Phone System Rate Reduction	11	0	0	11
SUNY	9	0	0	9
Work Zone Safety	0	9	0	9
Accountability Initiative	20	0	0	20
All Other	17	8	3	28
2007-08 Executive Budget	2,914	2,662	1,075	6,651
<i>Total Annual Change</i>	292	240	62	594

Current Services

General Inflation: Reflects the composite inflationary costs for non-personal service spending.

Insurance Department: Primarily reflects \$100 million for costs associated with Timothy's Law, which became effective January 1, 2007.

Correctional Services: Annual growth is driven by projected increases in inmate medical services, including clinics and outside hospital services, and ongoing projects.

Mental Hygiene: Anticipated increases in pharmacy and utility costs, as well as quality assurance activities to ensure not-for-profit compliance.

Judiciary: Increased spending for security related equipment and contracts and real estate rental.

Children and Family Services: Reflects exhaustion of Federal revenue for the child welfare information system.

SUNY: Growth is driven largely by costs associated with multi-year initiatives enacted in 2006-07 and timing of operational payments.

Statewide Wireless Network: Reflects increased costs associated with the public safety communications program.

Budget: Reflects spending for the State's new Financial Management System which is required to provide data to support the State's new central accounting system.

Recommended Savings

Maximize Revenues: Revenues are generated by increases in assessments charged to New York City for processing of New York City PIT returns to finance related General Fund costs (\$9 million) and accelerated use of Federal revenue for the CONNECTIONS child welfare computer system that would otherwise be General Fund costs in 2007-08 (\$2 million).

Statewide Wireless Network: The Executive Budget recommends shifting certain State Police public safety communications projects previously financed by the General Fund to the Statewide Wireless Network account in the Special Revenue Fund which is funded by cellular surcharge revenues.

SUNY: Reflects a more gradual phase-in of the multi-year Empire Innovation Program and discontinues a one-time add for the University at Albany's east campus in Rensselaer.

Power Plant Assessment: Implementation of a new security assessment on nuclear power plant operators to recover costs of National Guard activities.

Efficiencies: Non-personal service spending efficiencies across nearly all State agencies are expected to generate savings in energy, utilities, and travel costs.

New Initiatives

Fund Shifts: Primarily reflects the transfer of the business and licensing function of the Department of State from the Special Revenue Fund to the General Fund (\$10 million). These additional costs are more than offset by the revenue generated from the activity.

Statewide Wireless Network: One-time funding for new initiatives, including the expansion of broadband access.

Phone System Rate Reduction: Reflects the loss of revenues from elimination of a commission received on collect calls in correctional facilities.

SUNY: Additional funding for Cornell Agricultural and Equine Services and Educational Opportunity Centers.

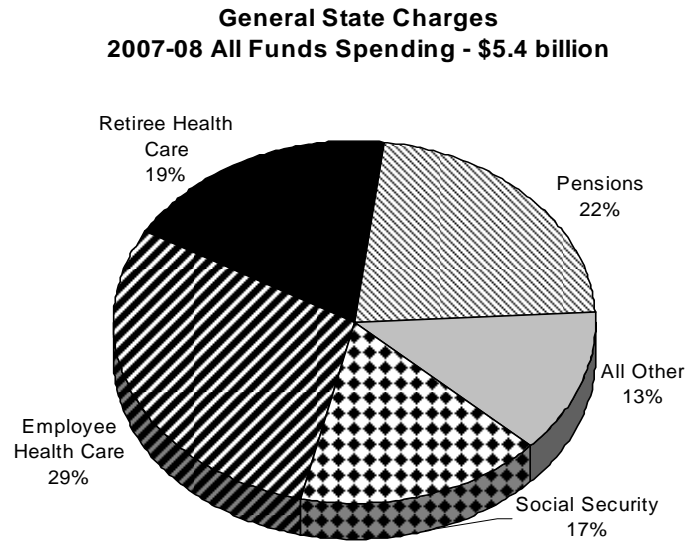
Work Zone Safety: Costs associated with the use of cameras for speed enforcement in work zones.

Accountability Initiative: Reflects the costs associated with the implementation of the State Education Department accountability measures.

All Other: Reflects funding of proposed initiatives for the Judiciary, including improved operation of the Justice courts (\$5 million General Fund) and Justice Board funding of civil legal services to the indigent (\$5 million Other State Funds), as well as additional funding for public health, including the vital records program (\$5 million) and economic development, including tourism (\$5 million).

GENERAL STATE CHARGES

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



General State Charges Spending Projections (millions of dollars)				
	2006-07 Revised	2007-08 Proposed	Annual Change	Percent Change
General Fund	4,351	4,572	221	5.1%
Other State Support	585	618	33	5.6%
State Funds	4,936	5,190	254	5.1%
Federal Funds	236	243	7	3.0%
All Funds	5,172	5,433	261	5.0%

Employee fringe benefits are paid mostly from the General Fund (84 percent), supplemented with revenue from fringe benefit assessments on Federal funds and other dedicated revenue programs (16 percent). Other General State Charges costs are paid in full by General Fund revenues.

All Funds spending on General State Charges is expected to total \$5.4 billion in 2007-08, and is comprised of health insurance spending for employees (\$1.6 billion) and retirees (\$1.0 billion), pensions (\$1.2 billion) and social security (\$873 million). The annual changes are described in more detail below.

General State Charges				
Sources of Annual Spending Increase/(Decrease) from 2006-07 to 2007-08				
(millions of dollars)				
	<u>General Fund</u>	<u>Other State Funds</u>	<u>Federal Funds</u>	<u>All Funds</u>
Current Services:	226	34	7	267
Employee Health Care	144	0	0	144
Retiree Health Care	93	0	0	93
Pension Contribution	(37)	0	0	(37)
All Other	26	34	7	67
Recommended Savings:	(5)	(1)	0	(6)
Annual Change	221	33	7	261

Current Services

Employee/Retiree Health Care: Premiums for the State health plan are projected to increase by 9.9 percent in 2007-08, or by a total of \$144 million for active employees and \$93 million for retirees.

Pension Contribution: Projected contributions to the New York State and Local Retirement Systems for fiscal year 2007-08 are based on estimated pension contribution rates provided by the State Comptroller. Baseline projections from the Comptroller show an employer pension contribution rate of 9.5 percent of payroll in 2007-08 compared to 10.2 percent in 2006-07, resulting in a decrease of three percent. The 2007-08 annual State pension cost is projected to be \$1.2 billion.

All Other: General Fund spending increases in the employee benefit programs are driven by additional costs incurred as a result of planned workforce growth, primarily for Social Security costs. In addition, spending increases are anticipated for certain fixed costs including taxes on public lands.

Recommended Savings

The Executive Budget recommends revising the interest rates payable on court judgments from the current above-market statutory fixed rate of 9 percent to a prevailing market rate.

CAPITAL PROJECTS

The following section briefly summarizes activity in the Capital Projects Funds type. A complete explanation of the State's capital programs is contained in the volume entitled "Five-Year Capital Program and Financing Plan," a component of the Executive Budget.

The following tables for capital projects do not reflect activity for certain capital spending that is not reported by the State Comptroller in actual cash spending results, but is reported in the State's GAAP Financial Statements. The unreported spending is related to programs financed directly from bond proceeds which are on deposit at various public authorities, rather than from a short-term loan from the Short-Term Investment Pool or cash from the General Fund. Estimates for this spending, projected at \$1.7 billion in 2006-07 and \$2.7 billion in 2007-08, are reflected in amounts shown in the "Five-Year Capital Program and Financing Plan."

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

Capital Projects Spending Projections (millions of dollars)				
	2006-07 Revised	2007-08 Proposed	Annual Change	Percent Change
General Fund	216	255	39	18.1%
Other State Support	3,974	5,367	1,393	35.1%
State Funds	4,190	5,622	1,432	34.2%
Federal Funds	1,795	1,974	179	10.0%
All Funds	5,985	7,596	1,611	26.9%

All Funds capital spending is projected at \$6.0 billion in 2006-07 and \$7.6 billion in 2007-08. In fiscal year 2007-08, transportation spending, primarily for improvements and maintenance to the State's highways and bridges, continues to account for the largest share (50 percent) of this total. The balance of projected spending will support capital investments in the areas of economic development and government oversight (15 percent), education (10 percent), mental hygiene and public protection (8 percent), parks and the environment (8 percent), and health and social welfare, general government and other areas (9 percent).

Capital Projects				
Sources of Annual Spending Increase/(Decrease)				
(millions of dollars)				
	General Fund	Other State Funds	Federal Funds	All Funds
Current Services:	12	1,235	86	1,333
Economic Development	0	696	0	696
Transportation	0	341	(41)	300
All Other Reestimates	12	198	127	337
Recommended Savings:	10	0	0	10
All Agencies	10	0	0	10
New Initiatives:	17	158	93	268
Economic Development	17	94	0	111
Higher Education/Education	0	58	0	58
All Other Additions	0	6	93	99
Annual Change	39	1393	179	1611

Current Services

Spending for this category increases by \$1.3 billion and primarily reflects reestimates across all programs. The largest component is \$696 million across all economic development programs. Transportation programs spending increases by \$300 million, while the remaining approximately \$337 million of the increase reflects reestimates for all other capital programs.

Recommended Savings

Approximately \$10 million has been identified as savings, primarily for efficiencies by the Office of General Services.

New Initiatives

Recommended additions of approximately \$269 million reflect new initiatives in economic development programs (\$111 million), including \$16.5 million for stem cell research and innovation. Also included is \$40 million for the State University, \$11 million for the City University, and \$7 million for a second segment of funding for public libraries. The balance of the additional spending is spread among the areas of transportation, mental hygiene, and public protection.

DEBT SERVICE

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

For a more complete discussion on State debt levels, debt service costs and debt management initiatives, please refer to the Executive Budget volume entitled “Capital Program and Financing Plan” which is available on the Division of the Budget’s website, www.budget.state.ny.us.

Debt Service Spending Projections (millions of dollars)				
	2006-07 Revised	2007-08 Proposed	Annual Change	Percent Change
General Fund	1,763	1,752	(11)	-0.6%
Other State Support	2,487	2,638	151	6.1%
State Funds	4,250	4,390	140	3.3%
All Funds	4,250	4,390	140	3.3%

All Funds debt service is projected at \$4.4 billion in 2007-08, of which \$1.75 billion is paid from the General Fund through transfers and \$2.64 billion from other State funds. Debt service is paid on revenue credits supported by dedicated taxes and fees and patient income, including Personal Income Tax Revenue Bonds, Dedicated Highway and Bridge Trust Fund bonds and Mental Health facilities bonds, as well as service contract bonds that are secured mainly by the General Fund.

Debt Service Sources of Annual Spending Increase/(Decrease) from 2006-07 to 2007-08 (millions of dollars)			
	General Fund	Other State Funds	All Funds
Current Services:	(11)	191	180
Recommended Savings:	0	(40)	(40)
Annual Change	(11)	151	140

Current Services

Underlying Growth: Primarily reflects increases in debt service costs to support ongoing bonded capital needs and reduced refunding savings compared to 2006-07. The increased spending is for Education purposes (\$207 million, of which \$112 million is for EXCEL), Transportation (\$115 million), State Facilities and Equipment (\$82 million), Economic Development and Housing (\$43 million), and the Local Government Assistance Corporation (LGAC) (\$14 million). Variable Interest rates are projected at 3.60 percent for 2007-08, slightly higher than 2006-07 levels of 3.50 percent.

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

Recommended Savings

Reflects \$40 million in savings from a variety of debt management actions, including increasing competitive processes for bond sales, maximizing refunding savings opportunities through consolidated structures, and – if market conditions become more favorable – further diversifying the State’s debt portfolio with variable rate obligations and interest rate exchange agreements up to a maximum of 20 percent of debt outstanding¹. The State will also continue to use less costly AAA-rated PIT bonds to reduce borrowing costs².

New Initiatives

A Debt Reduction Reserve Fund deposit of \$250 million is recommended. The money is not reflected in spending totals since it is in reserve, but it is expected to be used to reduce high cost debt or increase pay-as-you-go spending to generate long-term savings.

Although none of the newly-recommended bond-financed capital programs are expected to impact 2007-08 debt service spending, they will produce higher costs in later years. The recommended additions are for a variety of purposes, and are explained in detail in the Five-Year Capital Program and Financing Plan which is available on the Division of the Budget’s website, www.budget.state.ny.us.

¹ State-supported debt outstanding. Increase to 20 percent requires legislation.

² Personal Income Tax Revenue Bonds are rated AAA by Standard & Poor’s and rated AA- by Fitch.

GENERAL FUND FINANCIAL PLAN PROJECTIONS FOR 2008-09 THROUGH 2010-11

CURRENT SERVICES GAPS

The current services gaps, which form the starting point for developing the Executive Budget projections, are calculated at \$1.6 billion in 2007-08, \$3.0 billion in 2008-09, \$5.1 billion in 2009-10, and \$5.4 billion in 2010-11. Since the Mid-Year Update, DOB has revised its current-services forecasts for receipts and disbursements for 2007-08 and 2008-09 and calculated an estimate of the 2009-10 and 2010-11 gaps. The revisions reflect stronger projected revenue performance and updates to spending estimates based on a review of actual operating results and program trends. See the “Highlights” section herein for a summary of the revisions to the current services forecast.

EXECUTIVE BUDGET IMPACT ON THE OUTYEAR GAPS

The recommendations set forth in the Budget result in a balanced General Fund Financial Plan in 2007-08 and projected out-year budget gaps of \$2.3 billion in 2008-09, \$4.5 billion in 2009-10, and \$6.3 billion in 2010-11. The plan uses reserves of roughly \$400 million annually to reduce the gaps in each of the three out-years. The projections assume that the Legislature will enact the 2007-08 Executive Budget recommendations in their entirety.

The following tables summarize the impact of the 2007-08 Budget recommendations on the 2008-09 through 2010-11 budget gaps, as well as the annual changes in projected receipts, disbursements, and the use of reserves. See the “Executive Summary” and “Highlights” sections herein for detailed information on the specific budget recommendations.

General Fund Budget-Balancing Plan Impact on Outyear Gaps (millions of dollars)			
	2008-09	2009-10	2010-11
Executive Budget Current Services Surplus/(Gaps)	(2,995)	(5,089)	(5,359)
Savings Plan:	3,383	4,460	4,659
Medicaid/Health/Mental Hygiene	958	1,924	1,738
All Other Savings	1,858	1,999	2,384
Revenue Loophole Closures	567	537	537
New Initiatives:	(3,097)	(4,271)	(5,961)
Revised Surplus/(Gaps) Before Use of Surplus	(2,709)	(4,900)	(6,661)
Use of Prior Year Surpluses	401	401	401
Executive Budget Surplus/(Gaps)	(2,308)	(4,499)	(6,260)

After recommendations, General Fund spending is projected to grow at an average annual rate of 7.7 percent. The spending is driven by rising costs for public health care, the State-financed cap on local Medicaid spending, employee and retiree health benefits, mental hygiene services, and child welfare programs, as well as the recommended initiatives for school aid and health care. Over the same period, General Fund receipts are estimated to grow at just over 4 percent a year, consistent with the DOB’s forecast

of moderating economic growth. The following table summarizes the General Fund projections by major tax and Financial Plan category.

General Fund Executive Budget Forecast				
(millions of dollars)				
	<u>2007-2008</u> <u>Recommended</u>	<u>2008-2009</u> <u>Projected</u>	<u>2009-2010</u> <u>Projected</u>	<u>2010-2011</u> <u>Projected</u>
Receipts:				
Taxes:				
Personal income tax	22,258	23,518	24,902	26,313
User taxes and fees	8,633	8,915	9,228	9,554
Business taxes	6,333	6,604	6,885	7,160
Other taxes	1,060	1,186	1,317	1,400
Miscellaneous receipts	2,851	2,413	2,456	2,459
Federal grants	59	59	59	59
Transfers from other funds	11,472	11,843	12,307	12,818
Total receipts	<u>52,666</u>	<u>54,537</u>	<u>57,154</u>	<u>59,762</u>
Disbursements:				
Grants to local governments	36,399	39,624	43,476	46,755
State operations	9,601	9,977	10,378	10,631
General State Charges	4,572	4,962	5,358	5,666
Transfers to other funds	2,690	2,833	2,991	3,423
Total disbursements	<u>53,262</u>	<u>57,396</u>	<u>62,204</u>	<u>66,474</u>
Change in Reserves:				
Debt Reduction Reserve Fund	250	0	0	0
Rainy Day Reserve Fund	125	0	0	0
Community Projects Fund	75	(150)	(150)	(51)
Prior Year Surpluses	(1,046)	(401)	(401)	(401)
Deposit to/(Use of Gap)	<u>(596)</u>	<u>(551)</u>	<u>(551)</u>	<u>(452)</u>
Executive Budget Surplus/(Gap) Estimate	<u>0</u>	<u>(2,308)</u>	<u>(4,499)</u>	<u>(6,260)</u>

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

The following chart provides a "zero-based" look at the causes of the 2008-09 General Fund budget gap, followed by a brief summary of the assumptions behind the projections. For a detailed explanation of the assumptions underlying the out-year revenue and spending projections, see "Out-year General Fund Receipt Projections" and "Outyear General Fund Disbursement Projections" later in this AIS Update..

2008-09 General Fund Annual Change Savings/(Costs) (millions of dollars)	
	2008-09
RECEIPTS	1,871
Constant Law Growth	3,466
Existing Tax Reductions	(157)
2007-08 Executive Budget Net Proposals	89
Uncommon Audit Collections	(117)
Change in STAR Deposits	(653)
Change in Debt Service (RBTF/LGAC/CWCA)	(296)
Non-recurring 2007-08 NYP/SONYMA Payments	(275)
Abandoned Property	(50)
All Other	(136)
DISBURSEMENTS	(4,134)
Local Assistance	(3,225)
Medicaid (incl. admin)	(1,889)
<i>Program Growth/Other</i>	(1,074)
<i>Medicaid Cap/Family Health Plus Takeover</i>	(374)
<i>Change in HCRA/Provider Assessment Financing</i>	(441)
School Aid	(781)
Mental Hygiene	(218)
Children and Family Services	(123)
All Other Local Assistance	(215)
State Operations	(376)
Personal Service	(220)
Non-personal Service	(156)
General State Charges	(390)
Health Insurance	(334)
Pensions	(41)
All Other	(15)
Transfers to Other Funds	(143)
Change in Reserves Used for Operations	(270)
Change in Deposit to Reserves	225
"CURRENT SERVICES" BUDGET GAP FOR 2008-09	(2,308)

The forecast for 2008-09 is based on assumptions of economic performance, revenue collections, spending patterns, and projections for the current services costs of program activities. DOB believes the estimates of annual change in revenues and spending that create the 2008-09 current services gap forecast are based on reasonable assumptions and methodologies. Significant assumptions that affect the forecast include:

1. **Executive Budget enactment:** The estimates assume the Legislature enacts the 2007-08 Executive Budget appropriations and accompanying legislation in their entirety, without additions or modifications.
2. **Economic growth will continue during the forecast period.** DOB's forecast calls for moderate expansion in the economy. The momentum of the State's expansion appears to have peaked in 2005, and the forecast calls for positive, but slowing, growth in 2007 and a return to trend growth in the out-years.
3. **Revenues, adjusting for tax law changes, will grow in the range of 5 percent to 6 percent annually.** The growth rate is consistent with DOB's forecast for the economy, but, as in any year, is subject to significant volatility. Changes in the economic growth rate, Federal law, and taxpayer behavior all have a significant influence on receipts collections.
4. **The Federal government will not make substantive funding changes** to major aid programs or make substantive regulatory charges that adversely affect the State.
5. **The projections do not include any extra costs for new labor settlements** once the current contracts expire on April 1, 2007. Each 1 percent salary increase is valued at \$86 million in the General Fund and \$134 million in All Funds.

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

OUT-YEAR GENERAL FUND RECEIPT PROJECTIONS

General Fund Receipts Projections (millions of dollars)							
	2007-08	2008-09	Annual \$ Change	2009-10	Annual \$ Change	2010-11	Annual \$ Change
Personal Income Tax	22,258	23,518	1,260	24,902	1,385	26,313	1,411
User Taxes and Fees	8,633	8,915	283	9,228	313	9,554	326
Business Taxes	6,333	6,604	271	6,885	281	7,160	275
Other Taxes	1,060	1,186	125	1,317	131	1,400	83
Miscellaneous Receipts	2,851	2,413	(438)	2,456	44	2,459	3
Federal Grants	59	59	0	59	(0)	59	0
Transfers from Other Funds							
Revenue Bond Fund	8,300	8,636	336	8,990	354	9,356	366
LGAC Fund	2,277	2,368	92	2,474	106	2,584	110
CW/CA Fund	560	563	3	619	56	621	2
All Other	335	275	(60)	224	(51)	256	32
Total Receipts	52,666	54,537	1,871	57,154	2,617	59,762	2,608

General Fund receipts, including transfers from other funds, are projected to total \$54.5 billion in 2008-09, an increase of \$1.9 billion from 2007-08 estimates. Beyond 2008-09, receipts are projected to grow by an additional \$2.6 billion in each of 2009-10 and 2010-11 to total \$59.8 billion by the end of the four-year plan. The receipts forecast for 2006-07 through 2010-11 is described at length in the Executive Budget volume entitled, "Economic and Revenue Outlook" which is available on the Division of the Budget's website, www.budget.state.ny.us. In general, there is significant uncertainty associated with forecasts of receipts more than 18 months into the future. Overall, the tax receipt projections for the out-years follow the path dictated by DOB's forecast of economic growth. History suggests a large range of potential outcomes around these estimates.

Taxes

In general, PIT growth for 2008-09 through 2010-11 is governed by projections of growth in taxable personal income and its major components, including wages, interest and dividend earnings, realized taxable capital gains, and business net income and income derived from partnerships and S Corporations.

General Fund income tax receipts are projected to increase by \$1.3 billion to \$23.5 billion in 2008-09. The change from 2007-08 reflects growth in underlying liability, offset by the STAR expansion and higher debt service costs. PIT receipts for 2009-10 and 2010-11 are projected to increase by \$1.4 billion annually. Again, the increase reflects growth in liability consistent with an expanding personal income base during economic expansion.

There is significant uncertainty associated with the forecast of the out-year income components. In many cases, a reasonable degree of uncertainty around the predicted income components would include a significant range around out-year income tax estimates.

General Fund receipts from user taxes and fees are estimated to total \$8.9 billion in 2008-09, an increase of \$283 million from 2007-08. Receipts are projected to grow by an additional \$300 million annually in 2009-10 and 2010-11 to \$9.2 billion and \$9.6 billion, respectively. The increase is due almost exclusively to the projected growth in the sales tax base. The underlying growth in the sales tax base is expected to be in the range of 3 percent to 4 percent.

General Fund business tax receipts are expected to increase to \$6.6 billion in 2008-09 and to \$6.9 billion in 2009-10. Business tax receipts reflect trend growth in receipts and the full implementation of the tax reductions and loophole closing actions proposed with this Budget. Business tax receipts are projected to reach \$7.2 billion in 2010-11.

General Fund receipts from other taxes are expected to grow modestly in the outyear, primarily reflecting modest growth in real estate activity estate tax.

Miscellaneous Receipts

General Fund miscellaneous receipts in 2008-09 are projected to be \$2.4 billion, down \$438 million from 2007-08. This decrease is primarily the result of the loss of certain receipts from the Power Authority and a decrease in the amount received from the local government reserve and reimbursement program. Receipts are expected to remain relatively constant in future years.

Transfer from Other Funds

Transfers from other funds primarily reflect increases in debt service related to PIT Revenue Bonds, LGAC Bonds and Clean Water/Clean Air General Obligation debt service and the loss of non recurring fund sweeps partially offset by projected increase in overall tax receipts.

OUTYEAR GENERAL FUND DISBURSEMENT PROJECTIONS

DOB forecasts General Fund spending of \$57.4 billion in 2008-09, an increase of \$4.1 billion (7.8 percent) over recommended 2007-08 levels. Growth in 2009-10 is projected at \$4.8 billion (8.4 percent) and in 2010-11 at \$4.3 billion (6.9 percent). The growth levels are based on current services projections, as modified by the recommendations contained in the 2007-08 Executive Budget. They do not incorporate any estimate of potential new actions to control spending, that would likely result from the constitutional requirement for the Governor to submit balanced budgets annually. The main sources of annual spending growth for 2008-09, 2009-10, and 2010-11 are itemized in the following table.

General Fund Disbursement Projections							
(millions of dollars)							
	2007-08	2008-09	Annual \$ Change	2009-10	Annual \$ Change	2010-11	Annual \$ Change
Grants to Local Governments:	36,399	39,624	3,225	43,476	3,852	46,755	3,279
School Aid	15,879	16,660	781	18,095	1,435	19,685	1,590
Medicaid	8,443	9,958	1,515	11,421	1,463	12,162	741
Medicaid: Takeover Initiatives	974	1,348	374	1,898	550	2,453	555
Higher Education	2,360	2,422	62	2,477	55	2,504	27
Mental Hygiene	1,846	2,064	218	2,231	167	2,337	106
Children and Families Services	1,524	1,647	123	1,749	102	1,842	93
Temporary and Disability Assistance	1,397	1,428	31	1,424	(4)	1,420	(4)
Special Education - Categorical	1,025	1,083	58	1,145	62	1,210	65
Local Government Assistance	913	962	49	1,001	39	1,051	50
Public Health	697	744	47	724	(20)	734	10
Transportation	105	105	0	105	0	104	(1)
All Other	1,236	1,203	(33)	1,206	3	1,253	47
State Operations:	9,601	9,977	376	10,378	401	10,631	253
Personal Service	6,687	6,907	220	7,141	234	7,255	114
Non-Personal Service	2,914	3,070	156	3,237	167	3,376	139
General State Charges	4,572	4,962	390	5,358	396	5,666	308
Pensions	1,185	1,226	41	1,332	106	1,335	3
Health Insurance (Active Employees)	1,611	1,815	204	1,979	164	2,161	182
Health Insurance (Retired Employees)	1,023	1,153	130	1,260	107	1,378	118
All Other	753	768	15	787	19	792	5
Transfers to Other Funds:	2,690	2,833	143	2,992	159	3,422	430
Debt Service	1,752	1,719	(33)	1,716	(3)	1,765	49
Capital Projects	255	332	77	482	150	856	374
All Other	683	782	99	794	12	801	7
Total Disbursements	53,262	57,396	4,134	62,204	4,808	66,474	4,270

Grants to Local Governments

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

Forecast for Selected Program Measures Affecting Local Assistance							
(millions of dollars)							
	Actual		Forecast				
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Medicaid							
Medicaid Coverage (excl. FHP)	3,531,938	3,674,167	3,690,578	3,854,312	4,008,484	4,168,824	4,335,577
Medicaid Inflation	4.1%	3.9%	3.9%	2.7%	3.9%	3.8%	3.8%
Medicaid Utilization	3.2%	3.7%	3.0%	2.1%	2.9%	2.9%	2.9%
State Takeover of County/NYC Costs							
- Family Health Plus	\$60	\$214	\$438	\$477	\$518	\$530	\$547
- Medicaid	N/A	\$3	\$332	\$497	\$830	\$1,368	\$1,906
Education							
School Aid (School Year)	\$15,400	\$16,400	\$17,700	\$19,200	\$20,700	\$22,700	\$24,700
K-12 Enrollment	2,850,124	2,826,981	2,794,393	2,761,450	2,761,450	2,761,450	2,761,450
Public Higher Education Enrollment (FTEs)	490,916	489,289	501,426	501,426	501,426	501,426	501,426
TAP Recipients	335,513	331,750	330,418	330,418	330,418	330,418	330,418
Welfare							
Family Assistance Caseload	485,500	453,200	415,200	397,600	393,000	391,900	391,400
Single Adult/No Children Caseload	140,200	146,000	150,600	155,400	155,400	154,100	152,600
Mental Hygiene							
Mental Hygiene Community Beds	81,446	82,948	84,465	87,409	90,196	92,462	94,271

School Aid

Major Sources of Annual Change in School Aid Growth			
(billions of dollars)			
	2008-09	2009-10	2010-11
State Fiscal Year Basis:			
Total General Fund and Lottery:	1.3	1.8	2.0
General Fund	0.8	1.4	1.5
Lottery/VLTs	0.5	0.4	0.5
School Year Basis:			
Total State Funds:	1.5	2.0	2.1

On a school year basis, school aid is projected at \$20.7 billion in 2008-09, \$22.7 billion in 2009-10, and \$24.7 billion in 2010-11. The four-year cumulative increase through 2010-11 reflects the proposed \$7 billion in additional resources for schools over the estimated 2006-07 school year of \$17.7 billion. On a State fiscal year basis, General Fund school aid spending is projected to grow by \$781 million in 2008-09, \$1.4 billion in 2009-10, and \$1.5 billion in 2010-11. Outside the General Fund, revenues from lottery sales are projected to increase by \$63 million in 2008-09, \$97 million in 2009-10, and \$27 million in 2010-11, to a total of \$2.2 billion in 2008-09 growing to \$2.33 billion in 2010-11. In addition, VLT revenues are projected to increase by \$476 million in 2008-09, \$286 million in 2009-10, and \$430 million in 2010-11, to a total of \$1.06 billion in 2008-09 growing to \$1.78 billion in 2010-11. The VLT estimates assume the start of operations at Aqueduct in 2007 and the approval of a proposed expansion plan in 2007-08, which is expected to provide \$150 million of the increase planned in 2008-09, and \$766 million in cumulative support through 2010-11.

Medicaid

General Fund spending for Medicaid is expected to grow by roughly \$1.9 billion in 2008-09, \$2.0 billion in 2009-10, and another \$1.3 billion in 2010-11.

Major Sources of Annual Change in Medicaid Growth General Fund (billions of dollars)			
	Increase from Prior Year		
	2008-09	2009-10	2010-11
Price/Utilization/Admin Growth	1.1	1.1	1.0
Extra Weekly Payment	0.0	0.3	(0.3)
Medicaid Cap/FHP Takeover	0.4	0.6	0.6
Provider Assessments	0.1	0.0	0.0
HCRA Financing	0.3	0.0	0.0
Total	1.9	2.0	1.3

This growth results, in part, from the combination of modest growth in recipients, service utilization, and medical-care cost inflation. These factors are projected to add roughly \$1.1 billion in costs annually. In 2009-10, an extra weekly payment to providers adds \$300 million in spending. In addition, the State cap on local Medicaid costs and takeover of local FHP costs is projected to increase spending by \$374 million in 2008-09, \$550 million in 2009-10, and \$555 million in 2010-11. The remaining growth is primarily attributed to certain nursing home delinquent payor assessment collections in 2007-08 that are not expected to recur in 2008-09 and lower levels of HCRA financing beginning in 2008-09, both of which are used to lower General Fund costs.

The average number of Medicaid recipients is expected to grow to nearly 4 million in 2008-09, an increase of 4.2 percent from the estimated 2007-08 caseload of more than 3.8 million. FHP enrollment is estimated to grow to approximately 556,000, in 2008-09, an increase of 3 percent over projected 2007-08 enrollment of 540,000.

Mental Hygiene

Mental Hygiene spending is projected at \$2.1 billion in 2008-09, \$2.2 billion in 2009-10, and \$2.3 billion in 2010-11. The growth is largely attributable to increases in the projected State share of Medicaid costs, cost of living increases, projected expansions of the various mental hygiene service systems including OMH's Children's Services, increases in the NYS-CARES program and in the development of children's beds for out-of-state placements in OMRDD, the NY/NY III Supportive Housing agreement and community bed expansion in OMH, and several new chemical dependence treatment and prevention initiatives.

Children and Family Services

Children and Family Services spending is projected to grow by roughly \$100 million annually in the outyears. The increases are driven primarily by expected growth in the open-ended child welfare services program, the impact of the OCFS Medicaid waiver, and cost-of-living increases for workers in foster care, and foster and adoptive parents enacted in 2006-07.

Temporary and Disability Assistance

Spending is projected at \$1.4 billion in 2008-09, an increase of \$31 million (2.2 percent) from 2007-08, and will remain at virtually the same level in 2009-10 and 2010-11. Caseloads for family assistance and single adult/childless couples are projected to decline marginally. This reduction is more than countered by the reduced availability of Federal TANF to support public assistance costs, thereby increasing General Fund spending growth.

Other Local

All other local assistance programs total \$6.5 billion in 2008-09, an increase of \$183 million over 2007-08 revised levels. This growth in spending results primarily from increases in the local government Aid and Incentives for Municipalities (AIM) program, higher anticipated claiming for special education, and additional support for CUNY programs, salaries and operations.

State Operations

Forecast of Selected Program Measures Affecting State Operations							
	Actual		Forecast				
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
State Operations							
Prison Population (Corrections)	63,307	62,890	63,400	63,400	63,400	63,400	63,400
Negotiated Salary Increases ⁽¹⁾	2.5%	2.75%	3.00%	0.0%	0.0%	0.0%	0.0%
Personal Service Inflation	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
State Workforce	188,925	191,400	194,600	197,100	198,200	198,200	198,200

(1) Negotiated salary increases include a recurring \$800 base salary adjustment effective April 1, 2007.

State Operations spending is expected to total \$10.0 billion in 2008-09, an annual increase of \$376 million (3.9 percent). In 2009-10, spending is projected to grow by another \$401 million to a total of \$10.4 billion (4.0 percent). Spending in 2010-11 is projected to total \$10.6 billion, \$253 million above 2009-10 levels (2.4 percent). In all years, normal salary adjustments and increased staffing levels, primarily in mental health and corrections, drive higher personal service costs. Inflationary increases for non-personal service costs result in higher spending in all years. Additional growth is driven by spending for ongoing initiatives, including the Sexually Violent Predator civil commitment program and increasing medical and pharmacy costs in the areas of mental hygiene and corrections. The projections do not include any reserve for labor settlements once the current round of contracts expire on April 1, 2007 (United University Professions will expire on July 1, 2007).

General State Charges (GSCs)

Forecast of Selected Program Measures Affecting General State Charges							
	Actual		Forecast				
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
General State Charges							
Pension Contribution Rate	7.0%	8.8%	10.2%	9.5%	9.9%	11.0%	11.0%
Employee/Retiree Health Insurance Rate	13.5%	8.2%	8.2%	9.9%	12.7%	9.1%	9.3%

GSCs are projected to total \$5.0 billion in 2008-09, \$5.4 billion in 2009-10 and \$5.7 billion in 2010-11. The annual increases are due mainly to anticipated cost increases in pensions and health insurance for State employees and retirees.

The State's pension contribution rate to the New York State and Local Retirement System is expected to increase from 9.5 percent of salary in 2007-08 to 9.9 percent in 2008-09, 11.0 percent in 2009-10 and 2010-11. Pension spending in 2008-09 is projected to increase by \$41 million over 2007-08 due to anticipated increases in the employer contribution rate. In 2009-10, spending is projected to grow by another \$106 million to a total of \$1.3 billion, and remains virtually unchanged in 2010-11. Spending for employee and retiree health care costs is expected to increase by \$334 million in 2008-09, \$271 million in 2009-10, and another \$300 million in 2010-11 and assumes an average annual premium increase of roughly 10 percent. Health insurance is projected at \$3.0 billion in 2008-09 (\$1.8 billion for active employees and \$1.2 billion for retired employees), and \$3.3 billion in 2009-10 (\$2.0 billion for active employees and \$1.3 billion for retired employees), and \$3.5 billion in 2010-11 (\$2.1 billion for active employees and \$1.4 billion for retired employees).

Forecast for Selected Program Measures Affecting General State Charges (millions of dollars)			
Health Insurance			
Year	Active Employees	Retirees	Total State
2006-07	1,467	930	2,397
2007-08	1,611	1,023	2,634
2008-09	1,815	1,153	2,968
2009-10	1,979	1,260	3,239
2010-11	2,161	1,378	3,539

Notes:

1. All numbers reflect the cost of Health Insurance for General State Charges (Executive and Legislative branches) and the Office of Court Administration; actuals through 2004-05.

Transfers to Other Funds

Forecast of Selected Program Measures Affecting Debt Service							
	Actual		Forecast				
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
State Debt							
Interest on Variable Rate Debt	1.44%	2.65%	3.50%	3.60%	3.60%	3.40%	3.35%
Interest on Fixed Rate 30-Year Bonds	5.09%	5.00%	4.55%	5.00%	6.05%	6.20%	6.25%

In 2008-09, transfers to other funds are estimated at \$2.8 billion, an increase of \$143 million. This increase is primarily attributed to the first in a series of annual transfers to the Dedicated Bridge and Highway Trust Fund (\$41 million) aimed at reducing fund gaps, a \$50 million transfer to support statewide financial management systems development and a return to normal patterns for SUNY Hospital State subsidy payments after an acceleration of 2007-08 funds into 2006-07. In 2009-10 and 2010-11, transfers to other funds are expected to increase by \$159 million and \$430 million, respectively, as capital transfers to the Dedicated Bridge and Highway Trust Fund rise by an additional \$196 million and \$365 million in each of those years.

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FINANCIAL PLAN RESERVES AND RISKS

RESERVES

In January 2007, the State created a new State Rainy Day Reserve in law that has an authorized balance of 3 percent of General Fund spending. The new Rainy Day Reserve may be used to respond to an economic downturn or catastrophic event. The Executive Budget for 2007-08 proposes the first deposit of \$125 million. When combined with the existing Tax Stabilization Reserve, which has a balance of two percent and can be used only to cover unforeseen year-end deficits, the State's rainy day reserve authorization now totals 5 percent.

The State projects that General Fund reserves will total \$3.0 billion at the end of 2007-08 (5.6 percent of General Fund Spending) with \$1.2 billion in undesignated reserves available to deal with unforeseen contingencies and \$1.8 billion designated for subsequent use.

2007-08 General Fund Estimated Closing Balance (millions of dollars)	
Year-End Fund Balance	<u>2,975</u>
<i>Undesignated Reserves</i>	
Tax Stabilization Reserve Fund	1,171
Rainy Day Reserve Fund	1,025
Contingency Reserve Fund	125
	21
<i>Designated Reserves</i>	
Remaining 2006-07 Surplus	1,804
Debt Reduction Reserve Fund	1,203
Community Projects Fund	250
	351

The \$1.2 billion of undesignated reserves includes a balance of \$1 billion in the Tax Stabilization Reserve, which is at its statutory maximum balance of 2 percent, \$125 million in the new Rainy Day Reserve, and \$21 million in the Contingency Reserve Fund for litigation risks.

The Executive Budget reserves another \$1.8 billion designated for future use, including \$1.2 billion remaining from the projected 2006-07 surplus (the Financial Plan projects that the reserve will be used in equal installments in each of the out-years). In addition, \$250 million is set aside for debt reduction and \$351 million is reserved in the Community Projects Fund to finance existing initiatives.

Aside from the amounts noted above, the 2007-08 Financial Plan does not set aside specific reserves to cover potential costs that could materialize as a result of Federal disallowances or other Federal actions that could adversely affect the State's projections of receipts and disbursements.

RISKS

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

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

Risks to the U.S. Economic Forecast

Although DOB believes that the Federal Reserve has successfully managed a soft landing and that the U.S. economy will avoid a near-term recession, there is considerable risk to the forecast. As always, the forecast is contingent upon the absence of severe shocks to the economy. Unpredictable events such as a major terrorist attack remain the biggest risk to continued economic expansion. Such a shock could impair economic growth in many ways, such as causing a plunge in consumer confidence, the stock market, investment spending by firms, or impairing the transportation of goods and services, or causing a large spike in oil prices. A severe and extended downturn could easily materialize from such shocks.

A more severe downturn in the housing market than anticipated could derail the national economy from its predicted path. The additional weakness emanating from the housing and manufacturing sectors could result in lower job and income growth than expected, which in turn would produce lower growth in household spending than implied by the forecast. A more abrupt increase in energy prices than projected could reduce the ability of consumers and businesses to spend on non-energy related items. Such cutbacks could make firms behave even more cautiously and reduce business capital spending. Persistently high energy prices also raise the possibility that inflationary expectations could ratchet higher, causing the Federal Reserve Board to revert back to a tightening of monetary policy. Higher interest rates would, in turn, further exacerbate the slowdown and raise the likelihood of a recession.

A sharp reduction in the inflow of foreign funds could produce new inflationary pressures by weakening the U.S. dollar, which might also cause the Federal Reserve to resume tightening. Such a development might also produce an imbalance in the market for U.S. Treasury securities, causing long-term rates to rise further than expected in order to fund the Federal budget deficit. Higher Federal spending on the Iraq war than anticipated could have a similar effect. Higher interest rates could, in turn, induce households to increase the personal saving rate, resulting in even further cutbacks in consumer spending. This risk would only be exacerbated by lower than expected equity or housing prices, particularly if the anticipated easing of home prices happens suddenly rather than gradually, as expected. Again, lower consumption growth could weaken expected future corporate profits and, in turn, lower employment and investment growth.

On the other hand, lower than expected inflation, perhaps as a result of an even greater drop in the price of oil or more modest growth in unit labor costs, possibly due to slower growth in wages or stronger productivity growth, could induce the Federal Reserve to reduce its short-term interest rate target, resulting in stronger consumption and investment growth than projected. A more rapid increase in export growth due to either a weakened dollar or faster global growth could generate a somewhat stronger increase in total output than expected. Moreover, stronger employment growth could result in higher real wages, supporting faster growth in consumer spending than currently anticipated.

Risks to the New York Forecast

In addition to the risks described above for the national forecast, there are risks specific to New York. The chief risk remains another attack targeted at New York City that could once again plunge the State economy into a recession, resulting in substantially lower income and employment growth than is reflected in the current forecast. Higher energy prices and the potential for greater pass-through to core inflation, combined with a tightening labor market, raise the probability that the Federal Reserve could tighten one more time. Such an outcome could negatively affect the financial markets, which would also disproportionately affect the New York State economy. In addition, the State's real estate market could decline more than anticipated, which would negatively affect household consumption and taxable capital gains realizations. These effects could ripple through the economy, affecting both employment and wages.

In contrast, should the national and world economies grow faster than expected, a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities is possible, resulting in higher wage and bonuses growth than projected. It is important to recall that the financial markets, which are so pivotal to the direction of the downstate economy, are notoriously difficult to forecast.

Labor Contracts

Existing labor contracts with all of the State's major employee unions expire at the end of 2006-07 (United University Professionals will expire on July 1, 2007). The Financial Plan does not set aside any reserves for future collective bargaining agreements in 2007-08 or beyond. Each future one percent salary increase would cost roughly \$86 million annually in the General Fund and \$134 million in All Funds.

Miscellaneous Receipts

The State Financial Plan projections for 2006-07 and beyond assume approximately \$450 million annually in receipts that are the subject of ongoing negotiations between the State and New York City. Actual receipts in 2005-06 were \$450 million below planned levels, which the State recovered on a cash-basis by reducing spending for State aid to the City for reimbursement of CUNY costs.

School Supportive Health Services

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

While CMS has not taken any action with regard to the disallowances recommended by OIG, CMS is deferring 25 percent of New York City claims and 9.7 percent of claims submitted by the rest of the State, pending completion of the audits. Since the State has continued to reimburse school districts for certain costs, these Federal deferrals are projected to drive additional spending of roughly \$50 million annually, which has been reflected in the State's Financial Plan.

Proposed Federal Rule on Medicaid Funding

On January 18, 2007, the Centers for Medicare and Medicaid Services (CMS) issued a proposed rule that, if implemented, would significantly curtail Federal Medicaid funding to public hospitals (including New York City's Health and Hospital Corporation - HHC) and institutions and programs operated by both the State Office of Mental Retardation and Developmental Disabilities and the State Office of Mental Health.

The rule seeks to restrict State access to Federal Medicaid resources. The provision replacing prospective reimbursement with cost-based methodologies would have the most significant impact on New York's health care system.

The proposed rule could go into effect as soon as September 2007. It is estimated the rule could result in the loss of \$350 million annually in Federal funds for HHC and potentially larger losses in aid for the State Mental Hygiene System.

The states affected by the regulations are expected to challenge their adoption on the basis that CMS is overstepping its authority and ignoring the intent of Congress. In recent years, the Congress has rejected similar proposals in the President's budget.

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CASH FLOW FORECAST

Current projections continue to show relatively healthy monthly balances through the end of 2007-08. In 2007-08, the General Fund is projected to have quarterly-ending balances of \$3.3 billion in June 2007, \$4.7 billion in September 2007, \$1.6 billion in December 2007, and \$3.0 billion at the end of March 2008. The lowest projected month-end cash flow balance is \$1.6 billion in December 2007. The 2007-08 General Fund cash flow estimates assume on time enactment of all Executive Budget recommendations. DOB's detailed monthly cash flow projections for 2006-07, 2007-08 and 2008-09 are set forth in the sections entitled "Financial Plan Tables" and "Supplemental Financial Plan Information".

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

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

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GAAP-BASIS FINANCIAL PLANS/

In addition to the cash-basis Financial Plans, the General Fund and All Funds Financial Plans are prepared on a basis of GAAP in accordance with Governmental Accounting Standards Board (GASB) regulations. Tables comparing the cash basis and GAAP basis General Fund Financial Plans are provided at the end of this Financial Plan. The GAAP projections are based on the accounting principles applied by the State Comptroller in the financial statements issued for 2005-06.

In 2006-07, the General Fund GAAP Financial Plan reflects total revenues of \$43.3 billion, total expenditures of \$51.6 billion, and net other financing sources of \$7.8 billion, resulting in an operating deficit of roughly \$500 million and a projected accumulated surplus of \$1.7 billion. The operating results primarily reflect the 2006-07 cash-basis surplus, offset by the impact of enacted tax reductions on revenue accruals and a partial use of the 2005-06 surplus to support 2006-07 operations.

In 2007-08, the General Fund GAAP Financial Plan shows total revenues of \$44.4 billion, total expenditures of \$54.4 billion, and net other financing sources of \$9.4 billion, resulting in an operating deficit of \$661 million and a projected accumulated surplus of \$1.0 billion. These changes are due primarily to the use of a portion of the prior and current year surplus to support 2007-08 operations.

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Special Considerations

The Financial Plan is necessarily based upon forecasts of national and State economic activity. Economic forecasts have frequently failed to predict accurately the timing and magnitude of changes in the national and State economies. DOB believes that its current receipts and spending estimates related to the performance of the State and national economies are reasonable. However, there can be no assurance that actual results will not differ materially and adversely from the current forecast. For a discussion of additional risks to the Financial Plan, see the sections entitled “Risks to the Financial Plan” and “Litigation” in this AIS Update.

GASB 45

The GAAP basis results for 2005-06 showed the State having total net assets of \$49.1 billion. The net assets are before the State reflects the impact of GASB 45 “Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions.” GASB 45 requires State and local governments to reflect the value of post-employment benefits, predominantly health care, for current employees and retirees beginning with the financial statements for the 2007-08 fiscal year.

The State used an independent actuarial consulting firm to calculate retiree health care liabilities. Assuming there is no pre-funding of this liability, the analysis indicates that the present value of the actuarial accrued liability for benefits to date would be roughly \$47 billion, using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method. This is the actuarial methodology recommended to be used to implement GASB 45 by the Office of the State Comptroller. The actuarial accrued liability was calculated using a 4.1 percent annual discount rate.

The State’s total unfunded liability will be disclosed in the 2007-08 basic financial statements. While the total liability is substantial, GASB allows it to be amortized over a 30 year period; therefore, only the annual amortized liability above the current pay-as-you-go costs would be recognized in the financial statements. Assuming no pre-funding, the 2007-08 liability would total roughly \$3.7 billion under the Frozen Entry Age actuarial cost method amortized based on a level percent of salary, or \$2.6 billion above the current pay-as-you-go retiree costs. This difference between the State’s pay-as-you-go costs and the actuarially determined annual required contribution under GASB 45 would reduce the State’s net assets.

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

History of New York State Employee Health Insurance (millions of dollars)			
Year	Active Employees	Retirees	Total
2001-02	937	565	1,502
2002-03	1,023	634	1,657
2003-04	1,072	729	1,801
2004-05	1,216	838	2,054
2005-06	1,331	885	2,216
2006-07	1,466	931	2,397
2007-08	1,611	1,023	2,634
2008-09	1,815	1,153	2,968
2009-10	1,979	1,260	3,239
2010-11	2,161	1,378	3,539

All numbers reflect the cost of Health Insurance for General State Charges (Executive and Legislative branches) and the Office of Court Administration; actuals through 2004-05.

As noted, the current Financial Plan does not assume pre-funding of the GASB-45 liability. If such liability were pre-funded at this time, the additional cost above the pay-as-you-go amounts would be \$1.3 billion in 2007-08. The State's Health Insurance Council, which consists of GOER, Civil Service, and DOB will continue to review this matter, seek input from the State Comptroller, the legislative fiscal committees and outside parties, and provide options for consideration.

GAAP-Basis Results for Prior Fiscal Years

(Reprinted from August 4, 2006 Update to the AIS)

The Comptroller prepares Basic Financial Statements on a GAAP basis for governments as promulgated by GASB. The Basic Financial Statements, released in July each year, include the Statement of Net Assets and Activities, the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds, the Statements of Net Assets, Revenues, Expenses and Changes in Fund Net Assets and Cash Flows for the Enterprise Funds, the Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets and the Combining Statements of Net Assets and Activities for Discretely Presented Component Units. These statements are audited by independent certified public accountants. The Comptroller also prepares and issues a Comprehensive Annual Financial Report, which includes a financial overview, the Basic Financial Statements, other supplementary information which includes individual fund combining statements, and a statistical section. For information regarding the State's accounting and financial reporting requirements, see the section in the AIS dated June 12, 2006 entitled "State Organization—Accounting, Financial Reporting and Budgeting."

Both the Basic Financial Statements and Comprehensive Annual Financial Reports for prior fiscal years can be obtained from the Office of the State Comptroller, 110 State Street, Albany, NY 12236 or at the OSC

website at www.osc.state.ny.us. The following table summarizes recent governmental funds results on a GAAP basis.

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

<u>Fiscal Year Ended</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>All Governmental Funds</u>	<u>Accum. General Fund Surplus/(Deficit)</u>
March 31, 2006	1,636	3,128	(664)	(251)	3,849	2,182
March 31, 2005	827	833	361	89	2,110	546
March 31, 2004	3,039	(578)	173	603	3,237	(281)

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

Summary of Net Assets
(millions of dollars)

<u>Fiscal Year Ended</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
March 31, 2006	45,997	3,136	49,133
March 31, 2005	41,190	2,645	43,835
March 31, 2004	39,086	2,088	41,174

State Organization

State Government

The State has a centralized administrative system with most executive powers vested in the Governor. The State has four officials elected in statewide elections, the Governor, Lieutenant Governor, Comptroller and Attorney General. These officials serve four-year terms that next expire on December 31, 2010.

<u>Name</u>	<u>Office</u>	<u>Party Affiliation</u>	<u>First Elected</u>
Eliot Spitzer	Governor	Democrat	2006
David A. Paterson	Lieutenant	Democrat	2006
Thomas P. DiNapoli*	Comptroller	Democrat	2007
Andrew M. Cuomo	Attorney General	Democrat	2006

*Elected by the State Legislature.

The Governor is elected on a single ticket with the Lieutenant Governor; the Comptroller and Attorney General are elected on separate tickets. The Governor appoints the heads of most State departments, including the Director of the Budget (the current Director is Paul E. Francis). DOB is responsible for preparing the Governor's Executive Budget, negotiating that budget with the State Legislature, and implementing the budget once it is adopted, which includes updating the State's fiscal projections quarterly. DOB is also responsible for coordinating the State's capital program and debt financing activities. The Comptroller is responsible for auditing the disbursements, receipts and accounts of the State, as well as for auditing State departments, agencies, public authorities and municipalities. The Comptroller is also charged with managing the State's general obligation debt and most of its investments. The Attorney General is the legal advisor to State departments, represents the State and certain public authorities in legal proceedings and opines upon the validity of all State general obligations.

The State Legislature is composed of a 62-member Senate and a 150-member Assembly, all elected from geographical districts for two-year terms, expiring December 31, 2008. Both the Senate and the Assembly operate on a committee system. The Legislature meets annually, generally for about six months, and remains formally in session the entire year. In recent years there have been special sessions, as well. The current majority leaders of the Legislature are Joseph Bruno (Republican), Temporary President of the Senate, and Sheldon Silver (Democrat), Speaker of the Assembly. The minority leaders are Malcolm Smith (Democrat) in the Senate and James Tedisco (Republican) in the Assembly.

State Retirement Systems

General

The New York State and Local Retirement Systems (the "Systems") provide coverage for public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). The Systems comprise the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System. The Comptroller is the administrative head of the Systems. State employees made up about 33 percent of the membership during the 2005-06 fiscal year. There were 3,000 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, 2006, 653,291 persons were members and 342,245 pensioners or beneficiaries were receiving benefits. The State Constitution considers membership in any State pension or retirement system to be a contractual relationship, the benefits of which shall not be diminished or impaired. Members cannot be required to begin making contributions or make increased contributions beyond what was required when membership began.

Contributions

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

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

The State paid its employer contributions for the fiscal year ending March 31, 2007, which totaled \$1,067.2 million as of June 1, 2006. This amount included the Judiciary bill and the amortization payments for the 2005 and 2006 bills. Also, an additional payment of \$21 million was made on June 1, 2006 to reduce the State's remaining retirement incentive costs. The estimated bill for the fiscal year ending March 31, 2008 totals \$1,045.4 million payable as of September 1, 2007. The amount also includes the Judiciary bill and amortization payments for the 2005 and 2006 bills.

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, 2006 were \$142.6 billion (including \$2.8 billion in receivables), an increase of \$14.6 billion or 11.4 percent from the 2004-05 level of \$128.0 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 \$146.5 billion on April 1, 2005 to \$153.7 billion (including \$58.8 billion for current retirees and beneficiaries) on April 1, 2006. 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, 2006 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 2006 fiscal year and 40 percent of the unexpected gain for the 2005 fiscal year. Actuarial assets increased from \$123.8 billion on April 1, 2005 to \$132.1 billion on April 1, 2006. The table that follows shows the actuarially determined contributions that have been made over the last eight 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 March 31	Total Assets(2)	Percent Increase/ (Decrease) From Prior Year
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

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, 2006 includes approximately \$2.8 billion of receivables.

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

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

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

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

(2) Includes payments from Group Life Insurance Plan.

Litigation

Real Property Claims

On March 4, 1985 in *Oneida Indian Nation of New York, et al. v. County of Oneida*, the United States Supreme Court affirmed a judgment of the United States Court of Appeals for the Second Circuit holding that the Oneida Indians have a common-law right of action against Madison and Oneida counties for wrongful possession of 872 acres of land illegally sold to the State in 1795. At the same time, however, the Court reversed the Second Circuit by holding that a third-party claim by the counties against the State for indemnification was not properly before the Federal courts. The case was remanded to the District Court for an assessment of damages, which action is still pending. The counties may still seek indemnification in the State courts.

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 defenses that were dismissed may not be asserted as to liability, but may still be asserted with respect to damages. The District Court also denied the State's motion to dismiss for failure to join indispensable parties.

On December 7, 2004, settlement agreements were signed between the State, the Oneidas of Wisconsin and the Stockbridge-Munsee Tribe, which contemplated the extinguishment of all Oneida and other Indian claims in the tract at issue in this litigation. Although the agreements provided for monetary payment, transfers of lands and other consideration to non-signatory tribal plaintiffs, these agreements were not signed by the United States, the Oneidas of New York, the Oneidas of the Thames Band or the New York Brothertown. The settlement agreements required the passage of State and Federal legislation by September 1, 2005 in order to become effective, unless the parties agreed to an extension of time. No such legislation was enacted and no extension of time was agreed upon. On August 11, 2006, the defendants moved for summary judgment on the issue of laches.

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

In the *Seneca Nation of Indians* case, plaintiffs seek monetary damages and ejectment with regard to their claim of ownership of certain islands in the Niagara River and the New York State Thruway right of way where the Thruway crosses the Cattaraugus reservation in Erie and Chautauqua Counties. By order dated November 17, 1999, the District Court confirmed the July 12, 1999 magistrate's report, which recommended granting the State's motion to dismiss that portion of the action relating to the Thruway right of way and denying the State's motion to dismiss the Federal government's damage claims. By decision and order dated June 21, 2002, the District Court granted summary judgment to defendants dismissing that portion of the

action relating to the islands in the Niagara River. A judgment entered June 21, 2002 dismissed all aspects of this action. Plaintiffs appealed from the judgment to the U.S. Court of Appeals for the Second Circuit. By decision dated September 9, 2004, the Second Circuit affirmed the judgment of the District Court. On July 8, 2005, the Second Circuit denied the United States' motion for rehearing *en banc*. On September 2, 2005, the Second Circuit also denied the other plaintiffs' petitions for rehearing *en banc*. On January 17, 2006, plaintiffs filed for a petition for a writ of certiorari before the United States Supreme Court, seeking review of the September 9, 2004 decision. On June 5, 2006, the Supreme Court denied plaintiffs' petition for certiorari. This case is now concluded.

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 November 29, 2004, the plaintiff tribal entities, with one exception, approved a settlement proposed by the State, which would require enactment of State and Federal legislation to become effective. The plaintiff tribal entity that did not approve the proposed settlement on November 29, 2004, subsequently expressed its approval. A bill that would implement the terms of the Haudenosaunee-Mohawk settlement agreement has been passed by the New York State Assembly and awaits action by the New York State Senate. On February 10, 2006, 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 the New York Case*. On November 6, 2006, the defendants moved for judgment on the pleadings.

In the *Cayuga Indian Nation of New York* case, plaintiffs seek monetary damages for their claim that approximately 64,000 acres in Seneca and Cayuga Counties were illegally purchased by the State in 1795. Prior to trial, the court held that plaintiffs were not entitled to seek the remedy of ejectment. In October 1999, the District Court granted the Federal government's motion to have the State held liable for any damages owed to the plaintiffs. In February 2000, at the conclusion of the damages phase of the trial of this case, a jury verdict of \$35 million in damages plus \$1.9 million representing the fair rental value of the tract at issue was rendered against the defendants. By decision and judgment dated October 2, 2001, the District Court also granted plaintiffs \$211 million in prejudgment interest. The State has appealed from the judgment to the United States Court of Appeals for the Second Circuit. Following argument of the appeal, the Second Circuit requested that the parties brief the Court on the impact of the decision of the United States Supreme Court in *City of Sherrill v. Oneida Indian nation of New York, et al.*, a case to which the State is not a named party, in which the United States Supreme Court has held that parcels of land recently acquired by the Oneida Indian Nation of New York within the 1788 reservation boundaries are subject to local property taxation. On October 1, 2004, the State filed an action in the District Court for the Northern District Court under the Federal Tort Claims Act, seeking contribution from the United States toward the \$248 million judgment and post-judgment interest. On June 28, 2005, the Second Circuit held that plaintiffs' possessory land claim is subject to the defense of laches and is barred on that basis. The Court reversed the judgment of the District Court and entered judgment for defendants. On September 8, 2005 the Second Circuit denied plaintiff's motion for reconsideration and *en banc* review. On February 3, 2006, the United States and the tribal plaintiffs filed petitions for a writ of certiorari. On May 15, 2006, the Supreme Court denied plaintiffs' petitions for certiorari. The case is now concluded.

Settlements were signed by the Governor of the State with the Chief of the Seneca-Cayuga Tribe of Oklahoma on November 12, 2004 and with the Cayuga Indian nation of New York on November 17, 2004 which required, in part, require enactment of State and Federal legislation by September 1, 2005 in order to become effective, unless the parties agreed to an extension of time. These agreements provided for differential payments to be made to the plaintiff tribes, based upon the outcome of the appeal then pending in

the Second Circuit. No legislation was enacted by September 1, 2005 and no extension of time was agreed upon.

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. The District Court has granted defendants permission to move to dismiss the complaints or for summary judgment on the issue of laches. On August 15, 2006, the defendants moved for summary judgment on the issue of laches.

State Finance Policies

Budget Process

In *Greater New York Hospital Ass'n., et al. v. Pataki, et al.* (Sup. Ct., New York County), the plaintiffs seek a declaratory judgment that certain Medicaid appropriations for the State's 2006-2007 fiscal year enacted by the Legislature over the Governor's veto are constitutional and that the Governor and his co-defendants are constitutionally obligated to implement those appropriations and to take no action to prevent their implementation. On June 8, 2006, the Supreme Court, New York County denied plaintiffs' request for a temporary restraining order. In *Healthcare Association of New York State, et al. v. Pataki, et al.* (Sup. Ct., Albany County), the petitioners also challenge the Governor's refusal to authorize spending on Medicaid, mental health and other health appropriations for the State's 2006-07 fiscal year enacted by the Legislature over the Governor's veto. Both of these cases have been discontinued by agreement of the parties.

State Programs

School Aid

In *Campaign for Fiscal Equity, Inc. et al. v. State, et al.* (Supreme Court, New York County), plaintiffs challenge the State's method of providing funding for New York City public schools. Plaintiffs seek a declaratory judgment that the State's public school financing system violates article 11, section 1 of the State Constitution and Title VI of the Federal Civil Rights Act of 1964 and injunctive relief that would require the State to satisfy State Constitutional standards.

This action was commenced in 1993. In 1995, the Court of Appeals affirmed the dismissal of claims under the equal protection clauses of the Federal and State constitutions and Title VI of the Federal Civil Rights Act of 1964. It reversed dismissal of the claims under article 11, section 1 of the State Constitution and implementing regulations of Title VI, and remanded these claims for trial.

By decision dated January 9, 2001, following trial, the trial court held that the State's education funding mechanism does not provide New York City students with SBE as required by the State Constitution, and that it has a disparate impact on plaintiffs in violation of regulations enacted by the U.S. Department of Education pursuant to Title VI of the Civil Rights Act of 1964. The court ordered that defendants put in place reforms of school financing and governance designed to redress those constitutional and regulatory violations, but did not specify the manner in which defendants were to implement these reforms. The State appealed, and the trial court's decision was stayed pending resolution of the appeal. By decision and order entered June 25, 2002, the Appellate Division, First Department, reversed the January 9, 2001 decision and dismissed the

claim in its entirety. On July 22, 2002, the plaintiffs filed a notice of appeal to the decision and order to the Court of Appeals.

By decision dated June 26, 2003, the Court of Appeals reversed that portion of the June 25, 2002 decision and order of the Appellate Division, First Department relating to the claims arising under the State Constitution. The Court held that the weight of the credible evidence supported the trial court's conclusion that New York City schoolchildren were not receiving the constitutionally mandated opportunity for SBE and further held that the plaintiffs had established a causal link between the present education funding system and the failure to provide said SBE. The Court remitted the case to the trial court for further proceedings in accordance with its decision.

On August 3, 2004, the Supreme Court, New York County, referred this case to a panel of three referees. The panel was to make recommendations to the court as to how the State should fulfill the Court of Appeals mandate to provide New York City school children with a SBE. On November 30, 2004, the panel issued its report and recommendations. It recommended that the Supreme Court direct the State to pay to New York City schools a total of \$14.08 billion over the next four years in additional funding and \$9.179 billion over the next five years for capital improvements. On March 15, 2005, the Supreme Court, New York County, issued an order confirming the panel's report and recommendations and directing the State to take all steps necessary to provide additional funding for New York City schools in the amounts of \$1.41 billion in 2005-06, \$2.82 billion in 2006-07, \$4.22 billion in 2007-08 and \$5.63 billion in 2008-09, totaling \$14.08 billion over the next four years. The Court also directed the State to take all steps necessary to provide additional capital funding in the amount of \$1.836 billion annually totaling \$9.179 billion over the next five years. The State has appealed from the March 15, 2005 order to the Appellate Division, First Department and the trial court's decision was stayed pending resolution of the appeal. On May 3, 2005, the First Department denied the plaintiffs' motion to lift the automatic stay.

On March 23, 2006, the Appellate Division, First Department, by a three-member majority, vacated the March 15, 2005 order of the Supreme Court, New York County, confirming the referee's report and directed the Governor and the Legislature to:

- (1) "Consider, as within the range of constitutionally required [operational] funding for the New York City School District," between \$4.7 billion and 5.63 billion, phased in over four years, and "that they appropriate such amount" in order to remedy the constitutional deprivations found in the Court of Appeals' June 26, 2003 decision; and
- (2) "Implement a capital improvement plan that expends \$9.179 billion over the next five years or otherwise satisfies the City schools' constitutionally recognized capital needs."

In so directing the Governor and the Legislature, the First Department noted that "in the final analysis it is for the Governor and the Legislature to make the determination as to the constitutionally mandated amount of funding, including such considerations as how the funds shall be raised, how additional expenditures will affect other necessary appropriations and the economic viability of the State, and how the funding shall be allocated between the State and the City."

On April 17, 2006, the plaintiffs appealed to the Court of Appeals from the March 23, 2006 decision of the First Department. The State defendants cross appealed on April 21, 2006. On November 20, 2006, the Court of Appeals affirmed as modified the March 23, 2006 decision of the First Department. The Court of Appeals held that the constitutionally required funding for the New York City School District included additional operating funds in the amount of \$1.93 billion, as adjusted with reference to the latest version of the Geographic Cost of Education Index and inflation since 2004. The Court of Appeals further vacated that

portion of the March 23, 2006 order requiring a capital improvement program as unnecessary, citing the capital funding program approved by the Legislature in 2006. This case is now concluded.

Medicaid

There are numerous cases in which nursing homes have challenged the statutory provisions setting the reimbursement methodology pursuant to which they receive Medicaid payments, including *New York State Health Facilities Association, et al., v. DeBuono, et al., St. Luke's Nursing Center, et al. v. DeBuono, et al., New York Association of Homes and Services for the Aging v. DeBuono, et al. (six cases)*; and *Matter of Nazareth Home of the Franciscan Sisters, et al. v. Novello*. Plaintiffs allege that the changes in methodologies have been adopted in violation of procedural and substantive requirements of State and Federal law.

In *New York Association of Homes and Services for the Aging v. DeBuono, et al.*, the United States District Court for the Northern District of New York dismissed plaintiffs' complaint by order dated May 19, 2004. On April 6, 2006, the Second Circuit Court of Appeals affirmed the order of the District Court. This case is now concluded. Several related State Court cases involving the same parties and issues had been held in abeyance pending the result of the litigation in Federal Court.

In *Matter of Nazareth Home of the Franciscan Sisters, et al. v. Novello*, the Supreme Court, Erie County, dismissed the petition by decision, order and judgment dated December 22, 2004. By order entered September 30, 2005, the Supreme Court, Appellate Division, Fourth Department affirmed the decision of the lower court. On December 22, 2005, the Appellate Division, Fourth Department, granted petitioners' motion for leave to appeal to the Court of Appeals. On October 24, 2006, the Court of Appeals affirmed the order of the Appellate Division dismissing the petition.

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

	<u>Mid-Year</u>	<u>Change</u>	<u>Executive</u>
Opening fund balance	<u>3,257</u>	<u>0</u>	<u>3,257</u>
Receipts:			
Taxes:			
Personal income tax	22,836	(8)	22,828
User taxes and fees	8,216	89	8,305
Business taxes	5,899	128	6,027
Other taxes	924	153	1,077
Miscellaneous receipts	2,910	(245)	2,665
Federal grants	180	0	180
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,048	47	7,095
Sales tax in excess of LGAC debt service	2,164	16	2,180
Real estate taxes in excess of CW/CA debt service	583	99	682
All other transfers	402	0	402
Total receipts	<u>51,162</u>	<u>279</u>	<u>51,441</u>
Disbursements:			
Grants to local governments	34,386	(157)	34,229
State operations	9,477	(73)	9,404
General State charges	4,363	(12)	4,351
Transfers to other funds:			
Debt service	1,764	(1)	1,763
Capital projects	224	(8)	216
Other purposes	1,085	79	1,164
Total disbursements	<u>51,299</u>	<u>(172)</u>	<u>51,127</u>
Change in fund balance	<u>(137)</u>	<u>451</u>	<u>314</u>
Closing fund balance	<u>3,120</u>	<u>451</u>	<u>3,571</u>
Reserves			
Tax Stabilization Reserve Fund	1,025	0	1,025
Contingency Reserve Fund	21	0	21
2005-2006 Surplus	787	0	787
2006-2007 Surplus	1,011	451	1,462
Community Projects Fund	276	0	276

Source: NYS DOB

**CASH FINANCIAL PLAN
GENERAL FUND
2005-2006 AND 2006-2007
(millions of dollars)**

	<u>2005-2006</u> <u>Actuals</u>	<u>2006-2007</u> <u>Current</u>	<u>Annual</u> <u>Change</u>
Opening fund balance	<u>2,546</u>	<u>3,257</u>	<u>711</u>
Receipts:			
Taxes:			
Personal income tax	20,700	22,828	2,128
User taxes and fees	8,639	8,305	(334)
Business taxes	5,084	6,027	943
Other taxes	881	1,077	196
Miscellaneous receipts	2,029	2,665	636
Federal grants	0	180	180
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	6,500	7,095	595
Sales tax in excess of LGAC debt service	2,295	2,180	(115)
Real estate taxes in excess of CW/CA debt service	715	682	(33)
All other	363	402	39
Total receipts	<u>47,206</u>	<u>51,441</u>	<u>4,235</u>
Disbursements:			
Grants to local governments	31,287	34,229	2,942
State operations	8,160	9,404	1,244
General State charges	3,975	4,351	376
Transfers to other funds:			
Debt service	1,710	1,763	53
Capital projects	286	216	(70)
Other purposes	1,077	1,164	87
Total disbursements	<u>46,495</u>	<u>51,127</u>	<u>4,632</u>
Change in fund balance	<u>711</u>	<u>314</u>	<u>(397)</u>
Closing fund balance	<u>3,257</u>	<u>3,571</u>	<u>314</u>
Reserves			
Tax Stabilization Reserve Fund	944	1,025	81
Contingency Reserve Fund	21	21	0
2005-2006 Surplus	2,041	787	(1,254)
2006-2007 Surplus	0	1,462	1,462
Community Projects Fund	251	276	25

Source: NYS DOB

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

	<u>2006-2007</u> <u>Current</u>	<u>2007-2008</u> <u>Recommended</u>	<u>Annual</u> <u>Change</u>
Opening fund balance	<u>3,257</u>	<u>3,571</u>	<u>314</u>
Receipts:			
Taxes:			
Personal income tax	22,828	22,258	(570)
User taxes and fees	8,305	8,633	328
Business taxes	6,027	6,333	306
Other taxes	1,077	1,060	(17)
Miscellaneous receipts	2,665	2,851	186
Federal grants	180	59	(121)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,095	8,300	1,205
Sales tax in excess of LGAC debt service	2,180	2,277	97
Real estate taxes in excess of CW/CA debt service	682	560	(122)
All other	402	335	(67)
Total receipts	<u>51,441</u>	<u>52,666</u>	<u>1,225</u>
Disbursements:			
Grants to local governments	34,229	36,399	2,170
State operations	9,404	9,601	197
General State charges	4,351	4,572	221
Transfers to other funds:			
Debt service	1,763	1,752	(11)
Capital projects	216	255	39
Other purposes	1,164	683	(481)
Total disbursements	<u>51,127</u>	<u>53,262</u>	<u>2,135</u>
Change in fund balance	<u>314</u>	<u>(596)</u>	<u>(910)</u>
Closing fund balance	<u>3,571</u>	<u>2,975</u>	<u>(596)</u>
Reserves			
Tax Stabilization Reserve Fund	1,025	1,025	0
Rainy Day Reserve Fund	0	125	125
Contingency Reserve Fund	21	21	0
2005-2006 Surplus	787	0	(787)
2006-2007 Surplus	1,462	1,203	(259)
Community Projects Fund	276	351	75
Debt Reduction Reserve Fund	0	250	250

Source: NYS DOB

**CASH RECEIPTS
GENERAL FUND
2005-2006 THROUGH 2007-2008
(millions of dollars)**

	2005-2006 Actual	2006-2007 Current	2007-2008 Recommended	2007-2008 Compared with 2006-2007
Personal income tax	20,700	22,828	22,258	(570)
User taxes and fees	8,639	8,305	8,633	328
Sales and use tax	7,978	7,647	7,934	287
Cigarette and tobacco taxes	404	404	447	43
Motor fuel tax	0	0	0	0
Motor vehicle fees	23	0	0	0
Alcoholic beverages taxes	192	196	200	4
Alcoholic beverage control license fees	42	58	52	(6)
Business taxes	5,084	6,027	6,333	306
Corporation franchise tax	2,664	3,545	3,768	223
Corporation and utilities tax	591	619	618	(1)
Insurance taxes	987	1,113	1,150	37
Bank tax	842	750	797	47
Other taxes	881	1,077	1,060	(17)
Estate tax	854	1,065	1,039	(26)
Gift tax	2	(10)	0	10
Real property gains tax	1	1	0	(1)
Pari-mutuel taxes	23	20	20	0
Other taxes	1	1	1	0
Total Taxes	35,304	38,237	38,284	47
Miscellaneous receipts	2,029	2,665	2,851	186
Licenses, fees, etc.	577	684	845	161
Abandoned property	547	700	634	(66)
Reimbursements	228	171	200	29
Investment income	98	210	150	(60)
Other transactions	579	900	1,022	122
Federal Grants	0	180	59	(121)
Total	37,333	41,082	41,194	112

Source: NYS DOB

**GENERAL FUND
PERSONAL INCOME TAX COMPONENTS
2005-2006 THROUGH 2007-2008
(millions of dollars)**

	<u>2005-2006 Actual</u>	<u>2006-2007 Current</u>	<u>2007-2008 Recommended</u>
Withholdings	24,761	26,710	28,376
Estimated Payments	9,158	10,352	11,147
Final Payments	1,849	2,078	2,156
Delinquencies	<u>776</u>	<u>824</u>	<u>909</u>
Gross Collections	36,544	39,964	42,588
State/City Offset	(466)	(533)	(509)
Refunds	<u>(5,265)</u>	<u>(4,997)</u>	<u>(5,805)</u>
Reported Tax Collections	30,813	34,434	36,274
STAR	(3,213)	(3,996)	(4,948)
RBTF	<u>(6,900)</u>	<u>(7,610)</u>	<u>(9,068)</u>
General Fund	<u><u>20,700</u></u>	<u><u>22,828</u></u>	<u><u>22,258</u></u>

Source: NYS DOB

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

	<u>2007-2008 Recommended</u>	<u>2008-2009 Projected</u>	<u>2009-2010 Projected</u>	<u>2010-2011 Projected</u>
Receipts:				
Taxes:				
Personal income tax	22,258	23,518	24,902	26,313
User taxes and fees	8,633	8,915	9,228	9,554
Business taxes	6,333	6,604	6,885	7,160
Other taxes	1,060	1,186	1,317	1,400
Miscellaneous receipts	2,851	2,413	2,456	2,459
Federal grants	59	59	59	59
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,300	8,636	8,990	9,356
Sales tax in excess of LGAC debt service	2,277	2,368	2,474	2,584
Real estate taxes in excess of CW/CA debt service	560	563	619	621
All other	335	275	224	256
Total receipts	<u>52,666</u>	<u>54,537</u>	<u>57,154</u>	<u>59,762</u>
Disbursements:				
Grants to local governments	36,399	39,624	43,476	46,755
State operations	9,601	9,977	10,378	10,631
General State charges	4,572	4,962	5,358	5,666
Transfers to other funds:				
Debt service	1,752	1,719	1,716	1,765
Capital projects	255	332	482	856
Other purposes	683	782	794	801
Total disbursements	<u>53,262</u>	<u>57,396</u>	<u>62,204</u>	<u>66,474</u>
Deposit to/(use of) Community Projects Fund	<u>75</u>	<u>(150)</u>	<u>(150)</u>	<u>(51)</u>
Deposit to/(use of) Rainy Day Reserve Fund	<u>125</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deposit to/(use of) Debt Reduction Reserve Fund	<u>250</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deposit to/(use of) 2005-06 Surplus	<u>(787)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deposit to/(use of) 2006-07 Surplus	<u>(259)</u>	<u>(401)</u>	<u>(401)</u>	<u>(401)</u>
Margin	<u>0</u>	<u>(2,308)</u>	<u>(4,499)</u>	<u>(6,260)</u>

Source: NYS DOB

**GENERAL FUND
PERSONAL INCOME TAX COMPONENTS
2008-2009 THROUGH 2010-2011
(millions of dollars)**

	<u>2008-2009 Projected</u>	<u>2009-2010 Projected</u>	<u>2010-2011 Projected</u>
Withholdings	30,251	32,068	33,920
Estimated Payments	12,097	13,057	13,827
Final Payments	2,256	2,404	2,561
Delinquencies	947	985	1,027
Gross Collections	45,551	48,514	51,335
State/City Offset	(466)	(533)	(509)
Refunds	(6,260)	(6,612)	(7,180)
Reported Tax Collections	38,825	41,369	43,646
STAR	(5,601)	(6,125)	(6,421)
RBTF	(9,706)	(10,342)	(10,912)
General Fund	23,518	24,902	26,313

Source: NYS DOB

**CASH FINANCIAL PLAN
STATE FUNDS
2005-2006
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,546	2,006	(206)	184	4,530
Receipts:					
Taxes	35,304	6,057	1,941	10,341	53,643
Miscellaneous receipts	2,029	13,596	1,713	745	18,083
Federal grants	0	2	0	0	2
Total receipts	<u>37,333</u>	<u>19,655</u>	<u>3,654</u>	<u>11,086</u>	<u>71,728</u>
Disbursements:					
Grants to local governments	31,287	13,403	281	0	44,971
State operations	8,160	5,126	0	58	13,344
General State charges	3,975	546	0	0	4,521
Debt service	0	0	0	3,701	3,701
Capital projects	0	41	3,145	0	3,186
Total disbursements	<u>43,422</u>	<u>19,116</u>	<u>3,426</u>	<u>3,759</u>	<u>69,723</u>
Other financing sources (uses):					
Transfers from other funds	9,873	1,454	279	5,168	16,774
Transfers to other funds	(3,073)	(252)	(866)	(12,458)	(16,649)
Bond and note proceeds	0	0	159	0	159
Net other financing sources (uses)	<u>6,800</u>	<u>1,202</u>	<u>(428)</u>	<u>(7,290)</u>	<u>284</u>
Change in fund balance	<u>711</u>	<u>1,741</u>	<u>(200)</u>	<u>37</u>	<u>2,289</u>
Closing fund balance	<u>3,257</u>	<u>3,747</u>	<u>(406)</u>	<u>221</u>	<u>6,819</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	3,257	3,747	(406)	221	6,819
Receipts:					
Taxes	38,237	7,079	2,041	10,952	58,309
Miscellaneous receipts	2,665	12,485	2,565	664	18,379
Federal grants	180	0	0	0	180
Total receipts	<u>41,082</u>	<u>19,564</u>	<u>4,606</u>	<u>11,616</u>	<u>76,868</u>
Disbursements:					
Grants to local governments	34,229	15,180	833	0	50,242
State operations	9,404	5,264	0	62	14,730
General State charges	4,351	585	0	0	4,936
Debt service	0	0	0	4,250	4,250
Capital projects	0	7	3,357	0	3,364
Total disbursements	<u>47,984</u>	<u>21,036</u>	<u>4,190</u>	<u>4,312</u>	<u>77,522</u>
Other financing sources (uses):					
Transfers from other funds	10,359	1,330	318	5,633	17,640
Transfers to other funds	(3,143)	(473)	(801)	(12,892)	(17,309)
Bond and note proceeds	0	0	227	0	227
Net other financing sources (uses)	<u>7,216</u>	<u>857</u>	<u>(256)</u>	<u>(7,259)</u>	<u>558</u>
Change in fund balance	<u>314</u>	<u>(615)</u>	<u>160</u>	<u>45</u>	<u>(96)</u>
Closing fund balance	<u>3,571</u>	<u>3,132</u>	<u>(246)</u>	<u>266</u>	<u>6,723</u>

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	<u>3,571</u>	<u>3,132</u>	<u>(246)</u>	<u>266</u>	<u>6,723</u>
Receipts:					
Taxes	38,284	8,105	2,166	12,406	60,961
Miscellaneous receipts	2,851	12,790	3,585	671	19,897
Federal grants	59	0	0	0	59
Total receipts	<u>41,194</u>	<u>20,895</u>	<u>5,751</u>	<u>13,077</u>	<u>80,917</u>
Disbursements:					
Grants to local governments	36,399	16,622	822	0	53,843
State operations	9,601	5,669	0	61	15,331
General State charges	4,572	618	0	0	5,190
Debt service	0	0	0	4,390	4,390
Capital projects	0	3	4,800	0	4,803
Total disbursements	<u>50,572</u>	<u>22,912</u>	<u>5,622</u>	<u>4,451</u>	<u>83,557</u>
Other financing sources (uses):					
Transfers from other funds	11,472	1,138	465	5,628	18,703
Transfers to other funds	(2,690)	(518)	(935)	(14,222)	(18,365)
Bond and note proceeds	0	0	403	0	403
Net other financing sources (uses)	<u>8,782</u>	<u>620</u>	<u>(67)</u>	<u>(8,594)</u>	<u>741</u>
Change in fund balance	<u>(596)</u>	<u>(1,397)</u>	<u>62</u>	<u>32</u>	<u>(1,899)</u>
Closing fund balance	<u>2,975</u>	<u>1,735</u>	<u>(184)</u>	<u>298</u>	<u>4,824</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	0	1,735	(184)	298	1,849
Receipts:					
Taxes	40,223	8,825	2,200	13,140	64,388
Miscellaneous receipts	2,413	13,915	3,800	680	20,808
Federal grants	59	0	0	0	59
Total receipts	<u>42,695</u>	<u>22,740</u>	<u>6,000</u>	<u>13,820</u>	<u>85,255</u>
Disbursements:					
Grants to local governments	39,624	17,392	819	0	57,835
State operations	9,977	5,671	0	61	15,709
General State charges	4,962	631	0	0	5,593
Debt service	0	0	0	4,821	4,821
Capital projects	0	3	5,157	0	5,160
Total disbursements	<u>54,563</u>	<u>23,697</u>	<u>5,976</u>	<u>4,882</u>	<u>89,118</u>
Other financing sources (uses):					
Transfers from other funds	11,842	1,222	572	5,744	19,380
Transfers to other funds	(2,833)	(515)	(1,006)	(14,661)	(19,015)
Bond and note proceeds	0	0	545	0	545
Net other financing sources (uses)	<u>9,009</u>	<u>707</u>	<u>111</u>	<u>(8,917)</u>	<u>910</u>
Deposit to/(use of) Community Projects Fund	<u>(150)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(150)</u>
Deposit to/(use of) 2006-07 Surplus	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
Change in fund balance	<u>(2,308)</u>	<u>(250)</u>	<u>135</u>	<u>21</u>	<u>(2,402)</u>
Closing fund balance	<u>(2,308)</u>	<u>1,485</u>	<u>(49)</u>	<u>319</u>	<u>(553)</u>

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	1,485	(49)	319	1,755
Receipts:					
Taxes	42,332	9,428	2,246	13,929	67,935
Miscellaneous receipts	2,456	13,735	3,580	683	20,454
Federal grants	59	0	0	0	59
Total receipts	<u>44,847</u>	<u>23,163</u>	<u>5,826</u>	<u>14,612</u>	<u>88,448</u>
Disbursements:					
Grants to local governments	43,476	18,370	827	0	62,673
State operations	10,378	5,676	0	61	16,115
General State charges	5,358	643	0	0	6,001
Debt service	0	0	0	5,282	5,282
Capital projects	0	3	5,196	0	5,199
Total disbursements	<u>59,212</u>	<u>24,692</u>	<u>6,023</u>	<u>5,343</u>	<u>95,270</u>
Other financing sources (uses):					
Transfers from other funds	12,307	1,234	653	5,906	20,100
Transfers to other funds	(2,992)	(402)	(1,103)	(15,176)	(19,673)
Bond and note proceeds	0	0	778	0	778
Net other financing sources (uses)	<u>9,315</u>	<u>832</u>	<u>328</u>	<u>(9,270)</u>	<u>1,205</u>
Deposit to/(use of) Community Projects Fund	<u>(150)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(150)</u>
Deposit to/(use of) 2006-07 Surplus	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
Change in fund balance	<u>(4,499)</u>	<u>(697)</u>	<u>131</u>	<u>(1)</u>	<u>(5,066)</u>
Closing fund balance	<u>(4,499)</u>	<u>788</u>	<u>82</u>	<u>318</u>	<u>(3,311)</u>

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	788	82	318	1,188
Receipts:					
Taxes	44,427	9,795	2,280	14,609	71,111
Miscellaneous receipts	2,459	14,346	3,301	683	20,789
Federal grants	59	0	0	0	59
Total receipts	<u>46,945</u>	<u>24,141</u>	<u>5,581</u>	<u>15,292</u>	<u>91,959</u>
Disbursements:					
Grants to local governments	46,755	19,100	802	0	66,657
State operations	10,631	5,829	0	61	16,521
General State charges	5,666	648	0	0	6,314
Debt service	0	0	0	5,927	5,927
Capital projects	0	2	4,828	0	4,830
Total disbursements	<u>63,052</u>	<u>25,579</u>	<u>5,630</u>	<u>5,988</u>	<u>100,249</u>
Other financing sources (uses):					
Transfers from other funds	12,817	1,241	900	6,329	21,287
Transfers to other funds	(3,422)	(315)	(1,445)	(15,654)	(20,836)
Bond and note proceeds	0	0	718	0	718
Net other financing sources (uses)	<u>9,395</u>	<u>926</u>	<u>173</u>	<u>(9,325)</u>	<u>1,169</u>
Deposit to/(use of) Community Projects Fund	<u>(51)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(51)</u>
Deposit to/(use of) 2006-07 Surplus	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
Change in fund balance	<u>(6,260)</u>	<u>(512)</u>	<u>124</u>	<u>(21)</u>	<u>(6,669)</u>
Closing fund balance	<u>(6,260)</u>	<u>276</u>	<u>206</u>	<u>297</u>	<u>(5,481)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2005-2006
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	2,546	2,005	(454)	184	4,281
Receipts:					
Taxes	35,304	6,057	1,941	10,341	53,643
Miscellaneous receipts	2,029	13,767	1,714	745	18,255
Federal grants	0	33,363	1,766	0	35,129
Total receipts	<u>37,333</u>	<u>53,187</u>	<u>5,421</u>	<u>11,086</u>	<u>107,027</u>
Disbursements:					
Grants to local governments	31,287	43,010	739	0	75,036
State operations	8,160	8,217	0	58	16,435
General State charges	3,975	760	0	0	4,735
Debt service	0	0	0	3,701	3,701
Capital projects	0	41	4,393	0	4,434
Total disbursements	<u>43,422</u>	<u>52,028</u>	<u>5,132</u>	<u>3,759</u>	<u>104,341</u>
Other financing sources (uses):					
Transfers from other funds	9,873	3,856	279	5,168	19,176
Transfers to other funds	(3,073)	(2,826)	(877)	(12,458)	(19,234)
Bond and note proceeds	0	0	159	0	159
Net other financing sources (uses)	<u>6,800</u>	<u>1,030</u>	<u>(439)</u>	<u>(7,290)</u>	<u>101</u>
Change in fund balance	<u>711</u>	<u>2,189</u>	<u>(150)</u>	<u>37</u>	<u>2,787</u>
Closing fund balance	<u>3,257</u>	<u>4,194</u>	<u>(604)</u>	<u>221</u>	<u>7,068</u>

Source: NYS DOB

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
2005-2006
(millions of dollars)

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
Personal income tax	20,700	3,213	0	6,900	30,813
User taxes and fees	8,639	1,491	1,179	2,615	13,924
Sales and use tax	7,978	604	0	2,615	11,197
Cigarette and tobacco taxes	404	571	0	0	975
Motor fuel tax	0	111	420	0	531
Motor vehicle fees	23	205	557	0	785
Highway Use tax	0	0	160	0	160
Alcoholic beverages taxes	192	0	0	0	192
Alcoholic beverage control license fees	42	0	0	0	42
Auto rental tax	0	0	42	0	42
Business taxes	5,084	1,353	650	0	7,087
Corporation franchise tax	2,664	388	0	0	3,052
Corporation and utilities tax	591	223	18	0	832
Insurance taxes	987	96	0	0	1,083
Bank tax	842	132	0	0	974
Petroleum business tax	0	514	632	0	1,146
Other taxes	881	0	112	826	1,819
Estate tax	854	0	0	0	854
Gift tax	2	0	0	0	2
Real property gains tax	1	0	0	0	1
Real estate transfer tax	0	0	112	826	938
Pari-mutuel taxes	23	0	0	0	23
Other taxes	1	0	0	0	1
Total Taxes	<u>35,304</u>	<u>6,057</u>	<u>1,941</u>	<u>10,341</u>	<u>53,643</u>
Miscellaneous receipts	<u>2,029</u>	<u>13,767</u>	<u>1,714</u>	<u>745</u>	<u>18,255</u>
Federal grants	<u>0</u>	<u>33,363</u>	<u>1,766</u>	<u>0</u>	<u>35,129</u>
Total	<u><u>37,333</u></u>	<u><u>53,187</u></u>	<u><u>5,421</u></u>	<u><u>11,086</u></u>	<u><u>107,027</u></u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	3,257	4,194	(604)	221	7,068
Receipts:					
Taxes	38,237	7,079	2,041	10,952	58,309
Miscellaneous receipts	2,665	12,644	2,565	664	18,538
Federal grants	180	34,244	1,760	0	36,184
Total receipts	<u>41,082</u>	<u>53,967</u>	<u>6,366</u>	<u>11,616</u>	<u>113,031</u>
Disbursements:					
Grants to local governments	34,229	46,048	971	0	81,248
State operations	9,404	8,378	0	62	17,844
General State charges	4,351	821	0	0	5,172
Debt service	0	0	0	4,250	4,250
Capital projects	0	8	5,014	0	5,022
Total disbursements	<u>47,984</u>	<u>55,255</u>	<u>5,985</u>	<u>4,312</u>	<u>113,536</u>
Other financing sources (uses):					
Transfers from other funds	10,359	3,706	318	5,633	20,016
Transfers to other funds	(3,143)	(3,199)	(814)	(12,892)	(20,048)
Bond and note proceeds	0	0	227	0	227
Net other financing sources (uses)	<u>7,216</u>	<u>507</u>	<u>(269)</u>	<u>(7,259)</u>	<u>195</u>
Change in fund balance	<u>314</u>	<u>(781)</u>	<u>112</u>	<u>45</u>	<u>(310)</u>
Closing fund balance	<u>3,571</u>	<u>3,413</u>	<u>(492)</u>	<u>266</u>	<u>6,758</u>

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	22,828	3,996	0	7,610	34,434
User taxes and fees	8,305	1,616	1,265	2,539	13,725
Sales and use tax	7,647	694	0	2,539	10,880
Cigarette and tobacco taxes	404	565	0	0	969
Motor fuel tax	0	109	410	0	519
Motor vehicle fees	0	248	652	0	900
Alcoholic beverages taxes	196	0	0	0	196
Highway Use tax	0	0	157	0	157
Alcoholic beverage control license fees	58	0	0	0	58
Auto rental tax	0	0	46	0	46
Business taxes	6,027	1,467	629	0	8,123
Corporation franchise tax	3,545	525	0	0	4,070
Corporation and utilities tax	619	181	17	0	817
Insurance taxes	1,113	113	0	0	1,226
Bank tax	750	155	0	0	905
Petroleum business tax	0	493	612	0	1,105
Other taxes	1,077	0	147	803	2,027
Estate tax	1,065	0	0	0	1,065
Gift tax	(10)	0	0	0	(10)
Real property gains tax	1	0	0	0	1
Real estate transfer tax	0	0	147	803	950
Pari-mutuel taxes	20	0	0	0	20
Other taxes	1	0	0	0	1
Total Taxes	38,237	7,079	2,041	10,952	58,309
Miscellaneous receipts	2,665	12,644	2,565	664	18,538
Federal grants	180	34,244	1,760	0	36,184
Total	41,082	53,967	6,366	11,616	113,031

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	3,571	3,413	(492)	266	6,758
Receipts:					
Taxes	38,284	8,105	2,166	12,406	60,961
Miscellaneous receipts	2,851	12,937	3,585	671	20,044
Federal grants	59	35,256	1,996	0	37,311
Total receipts	<u>41,194</u>	<u>56,298</u>	<u>7,747</u>	<u>13,077</u>	<u>118,316</u>
Disbursements:					
Grants to local governments	36,399	48,182	964	0	85,545
State operations	9,601	8,967	0	61	18,629
General State charges	4,572	861	0	0	5,433
Debt service	0	0	0	4,390	4,390
Capital projects	0	4	6,632	0	6,636
Total disbursements	<u>50,572</u>	<u>58,014</u>	<u>7,596</u>	<u>4,451</u>	<u>120,633</u>
Other financing sources (uses):					
Transfers from other funds	11,472	3,637	465	5,628	21,202
Transfers to other funds	(2,690)	(3,371)	(948)	(14,222)	(21,231)
Bond and note proceeds	0	0	403	0	403
Net other financing sources (uses)	<u>8,782</u>	<u>266</u>	<u>(80)</u>	<u>(8,594)</u>	<u>374</u>
Change in fund balance	<u>(596)</u>	<u>(1,450)</u>	<u>71</u>	<u>32</u>	<u>(1,943)</u>
Closing fund balance	<u>2,975</u>	<u>1,963</u>	<u>(421)</u>	<u>298</u>	<u>4,815</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
Personal income tax	22,258	4,948	0	9,068	36,274
User taxes and fees	8,633	1,713	1,281	2,650	14,277
Sales and use tax	7,934	722	0	2,650	11,306
Cigarette and tobacco taxes	447	631	0	0	1,078
Motor fuel tax	0	112	424	0	536
Motor vehicle fees	0	248	652	0	900
Alcoholic beverages taxes	200	0	0	0	200
Highway Use tax	0	0	157	0	157
Alcoholic beverage control license fees	52	0	0	0	52
Auto rental tax	0	0	48	0	48
Business taxes	6,333	1,444	673	0	8,450
Corporation franchise tax	3,768	497	0	0	4,265
Corporation and utilities tax	618	181	17	0	816
Insurance taxes	1,150	109	0	0	1,259
Bank tax	797	129	0	0	926
Petroleum business tax	0	528	656	0	1,184
Other taxes	1,060	0	212	688	1,960
Estate tax	1,039	0	0	0	1,039
Gift tax	0	0	0	0	0
Real property gains tax	0	0	0	0	0
Real estate transfer tax	0	0	212	688	900
Pari-mutuel taxes	20	0	0	0	20
Other taxes	1	0	0	0	1
Total Taxes	38,284	8,105	2,166	12,406	60,961
Miscellaneous receipts	2,851	12,937	3,585	671	20,044
Federal grants	59	35,256	1,996	0	37,311
Total	41,194	56,298	7,747	13,077	118,316

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	<u>0</u>	<u>1,963</u>	<u>(421)</u>	<u>298</u>	<u>1,840</u>
Receipts:					
Taxes	40,223	8,825	2,200	13,140	64,388
Miscellaneous receipts	2,413	14,063	3,800	680	20,956
Federal grants	59	36,993	2,032	0	39,084
Total receipts	<u>42,695</u>	<u>59,881</u>	<u>8,032</u>	<u>13,820</u>	<u>124,428</u>
Disbursements:					
Grants to local governments	39,624	50,552	985	0	91,161
State operations	9,977	8,992	0	61	19,030
General State charges	4,962	880	0	0	5,842
Debt service	0	0	0	4,821	4,821
Capital projects	0	4	7,001	0	7,005
Total disbursements	<u>54,563</u>	<u>60,428</u>	<u>7,986</u>	<u>4,882</u>	<u>127,859</u>
Other financing sources (uses):					
Transfers from other funds	11,842	3,723	572	5,744	21,881
Transfers to other funds	(2,833)	(3,411)	(1,019)	(14,661)	(21,924)
Bond and note proceeds	0	0	545	0	545
Net other financing sources (uses)	<u>9,009</u>	<u>312</u>	<u>98</u>	<u>(8,917)</u>	<u>502</u>
Deposit to/(use of) Community Projects Fund	<u>(150)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(150)</u>
Deposit to/(use of) 2006-07 Surplus	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
Change in fund balance	<u>(2,308)</u>	<u>(235)</u>	<u>144</u>	<u>21</u>	<u>(2,378)</u>
Closing fund balance	<u>(2,308)</u>	<u>1,728</u>	<u>(277)</u>	<u>319</u>	<u>(538)</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
Personal income tax	23,518	5,601	0	9,706	38,825
User taxes and fees	8,915	1,738	1,300	2,746	14,699
Sales and use tax	8,220	747	0	2,746	11,713
Cigarette and tobacco taxes	443	625	0	0	1,068
Motor fuel tax	0	113	426	0	539
Motor vehicle fees	0	253	660	0	913
Alcoholic beverages taxes	204	0	0	0	204
Highway Use tax	0	0	164	0	164
Alcoholic beverage control license fees	48	0	0	0	48
Auto rental tax	0	0	50	0	50
Business taxes	6,604	1,486	688	0	8,778
Corporation franchise tax	3,969	522	0	0	4,491
Corporation and utilities tax	623	181	17	0	821
Insurance taxes	1,180	113	0	0	1,293
Bank tax	832	128	0	0	960
Petroleum business tax	0	542	671	0	1,213
Other taxes	1,186	0	212	688	2,086
Estate tax	1,165	0	0	0	1,165
Gift tax	0	0	0	0	0
Real property gains tax	0	0	0	0	0
Real estate transfer tax	0	0	212	688	900
Pari-mutuel taxes	20	0	0	0	20
Other taxes	1	0	0	0	1
Total Taxes	40,223	8,825	2,200	13,140	64,388
Miscellaneous receipts	2,413	14,063	3,800	680	20,956
Federal grants	59	36,993	2,032	0	39,084
Total	42,695	59,881	8,032	13,820	124,428

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>0</u>	<u>1,728</u>	<u>(277)</u>	<u>319</u>	<u>1,770</u>
Receipts:					
Taxes	42,332	9,428	2,246	13,929	67,935
Miscellaneous receipts	2,456	13,881	3,580	683	20,600
Federal grants	59	38,690	2,022	0	40,771
Total receipts	<u>44,847</u>	<u>61,999</u>	<u>7,848</u>	<u>14,612</u>	<u>129,306</u>
Disbursements:					
Grants to local governments	43,476	53,178	993	0	97,647
State operations	10,378	9,009	0	61	19,448
General State charges	5,358	894	0	0	6,252
Debt service	0	0	0	5,282	5,282
Capital projects	0	4	7,030	0	7,034
Total disbursements	<u>59,212</u>	<u>63,085</u>	<u>8,023</u>	<u>5,343</u>	<u>135,663</u>
Other financing sources (uses):					
Transfers from other funds	12,307	3,732	653	5,906	22,598
Transfers to other funds	(2,992)	(3,334)	(1,117)	(15,176)	(22,619)
Bond and note proceeds	0	0	778	0	778
Net other financing sources (uses)	<u>9,315</u>	<u>398</u>	<u>314</u>	<u>(9,270)</u>	<u>757</u>
Deposit to/(use of) Community Projects Fund	<u>(150)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(150)</u>
Deposit to/(use of) 2006-07 Surplus	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
Change in fund balance	<u>(4,499)</u>	<u>(688)</u>	<u>139</u>	<u>(1)</u>	<u>(5,049)</u>
Closing fund balance	<u>(4,499)</u>	<u>1,040</u>	<u>(138)</u>	<u>318</u>	<u>(3,279)</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
Personal income tax	24,902	6,126	0	10,342	41,370
User taxes and fees	9,228	1,781	1,343	2,849	15,201
Sales and use tax	8,529	776	0	2,849	12,154
Cigarette and tobacco taxes	438	616	0	0	1,054
Motor fuel tax	0	114	428	0	542
Motor vehicle fees	0	275	696	0	971
Alcoholic beverages taxes	209	0	0	0	209
Highway Use tax	0	0	167	0	167
Alcoholic beverage control license fees	52	0	0	0	52
Auto rental tax	0	0	52	0	52
Business taxes	6,885	1,521	691	0	9,097
Corporation franchise tax	4,209	552	0	0	4,761
Corporation and utilities tax	628	181	17	0	826
Insurance taxes	1,216	115	0	0	1,331
Bank tax	832	128	0	0	960
Petroleum business tax	0	545	674	0	1,219
Other taxes	1,317	0	212	738	2,267
Estate tax	1,296	0	0	0	1,296
Gift tax	0	0	0	0	0
Real property gains tax	0	0	0	0	0
Real estate transfer tax	0	0	212	738	950
Pari-mutuel taxes	20	0	0	0	20
Other taxes	1	0	0	0	1
Total Taxes	42,332	9,428	2,246	13,929	67,935
Miscellaneous receipts	2,456	13,881	3,580	683	20,600
Federal grants	59	38,690	2,022	0	40,771
Total	44,847	61,999	7,848	14,612	129,306

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>0</u>	<u>1,040</u>	<u>(138)</u>	<u>318</u>	<u>1,220</u>
Receipts:					
Taxes	44,427	9,795	2,280	14,609	71,111
Miscellaneous receipts	2,459	14,490	3,301	683	20,933
Federal grants	59	40,489	2,051	0	42,599
Total receipts	<u>46,945</u>	<u>64,774</u>	<u>7,632</u>	<u>15,292</u>	<u>134,643</u>
Disbursements:					
Grants to local governments	46,755	55,667	968	0	103,390
State operations	10,631	9,183	0	61	19,875
General State charges	5,666	903	0	0	6,569
Debt service	0	0	0	5,927	5,927
Capital projects	0	3	6,665	0	6,668
Total disbursements	<u>63,052</u>	<u>65,756</u>	<u>7,633</u>	<u>5,988</u>	<u>142,429</u>
Other financing sources (uses):					
Transfers from other funds	12,817	3,739	900	6,329	23,785
Transfers to other funds	(3,422)	(3,262)	(1,459)	(15,654)	(23,797)
Bond and note proceeds	0	0	718	0	718
Net other financing sources (uses)	<u>9,395</u>	<u>477</u>	<u>159</u>	<u>(9,325)</u>	<u>706</u>
Deposit to/(use of) Community Projects Fund	<u>(51)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(51)</u>
Deposit to/(use of) 2006-07 Surplus	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
Change in fund balance	<u>(6,260)</u>	<u>(505)</u>	<u>158</u>	<u>(21)</u>	<u>(6,628)</u>
Closing fund balance	<u>(6,260)</u>	<u>535</u>	<u>20</u>	<u>297</u>	<u>(5,408)</u>

Source: NYS DOB

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
2010-2011
(millions of dollars)

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
Personal income tax	26,313	6,422	0	10,912	43,647
User taxes and fees	9,554	1,815	1,375	2,959	15,703
Sales and use tax	8,860	806	0	2,959	12,625
Cigarette and tobacco taxes	432	606	0	0	1,038
Motor fuel tax	0	115	429	0	544
Motor vehicle fees	0	288	720	0	1,008
Alcoholic beverages taxes	214	0	0	0	214
Highway Use tax	0	0	171	0	171
Alcoholic beverage control license fees	48	0	0	0	48
Auto rental tax	0	0	55	0	55
Business taxes	7,160	1,558	693	0	9,411
Corporation franchise tax	4,441	582	0	0	5,023
Corporation and utilities tax	632	182	17	0	831
Insurance taxes	1,255	119	0	0	1,374
Bank tax	832	128	0	0	960
Petroleum business tax	0	547	676	0	1,223
Other taxes	1,400	0	212	738	2,350
Estate tax	1,379	0	0	0	1,379
Gift tax	0	0	0	0	0
Real property gains tax	0	0	0	0	0
Real estate transfer tax	0	0	212	738	950
Pari-mutuel taxes	20	0	0	0	20
Other taxes	1	0	0	0	1
Total Taxes	44,427	9,795	2,280	14,609	71,111
Miscellaneous receipts	2,459	14,490	3,301	683	20,933
Federal grants	59	40,489	2,051	0	42,599
Total	46,945	64,774	7,632	15,292	134,643

Source: NYS DOB

CASHFLOW
GENERAL FUND
2005-2006
(dollars in millions)

	2005 April Actual	2005 May Actual	2005 June Actual	2005 July Actual	2005 August Actual	2005 September Actual	2005 October Actual	2005 November Actual	2005 December Actual	2006 January Actual	2006 February Actual	2006 March Actual	Total
OPENING BALANCE	2,546	5,584	3,188	4,007	3,603	3,670	4,923	4,355	3,011	3,581	7,873	8,105	2,546
RECEIPTS:													
Personal Income Tax	3,347	553	2,213	1,254	1,537	2,105	719	522	1,504	4,216	1,641	1,089	20,700
User Taxes and Fees	662	667	894	680	628	888	626	629	874	726	561	794	8,639
Business Taxes	217	177	891	90	83	919	91	53	954	21	127	1,461	5,084
Other Taxes	49	64	131	118	63	68	71	77	67	56	72	45	881
Total Taxes	4,275	1,461	4,129	2,142	2,311	3,950	1,507	1,281	3,399	5,019	2,401	3,389	35,304
Licenses, fees, etc.	47	57	55	30	38	38	68	53	43	38	33	50	550
Abandoned Property	25	0	15	10	35	35	8	142	62	0	0	230	562
Reimbursement	4	5	27	4	24	24	12	4	21	8	8	97	238
Investment Income	29	(3)	4	12	(23)	43	2	6	6	33	(4)	3	79
Other transactions	56	22	75	39	35	34	48	23	70	20	12	166	600
Total Miscellaneous Receipts	161	81	176	95	109	108	179	224	202	99	49	546	2,029
PIT in excess of Revenue Bond Debt Service	1,114	160	737	417	431	718	210	5	539	1,405	295	469	6,500
Sales Tax in Excess of LGAC Debt Service	174	57	392	201	113	281	187	188	263	221	4	214	2,295
Real Estate Taxes in Excess of CW/CA Debt Service	108	60	15	66	99	66	65	50	71	48	25	42	715
All Other	0	76	63	7	6	12	9	5	11	14	5	155	363
Total Transfers from Other Funds	1,386	353	1,207	691	649	1,077	471	248	884	1,688	329	880	9,873
TOTAL RECEIPTS	5,832	1,895	5,512	2,928	3,069	5,175	2,157	1,753	4,485	6,806	2,779	4,815	47,206
DISBURSEMENTS:													
School Aid	168	1,917	1,253	53	351	1,205	431	463	1,104	284	583	5,687	13,499
Higher Education	20	16	165	211	258	47	385	34	216	36	39	363	1,790
All Other Education	40	213	115	166	64	45	46	88	193	223	99	169	1,461
Medicaid	798	633	1,155	466	864	494	447	875	352	645	774	1,131	8,634
Public Health	110	14	43	29	40	16	55	(5)	20	89	17	105	513
Mental Hygiene	54	99	56	117	66	145	119	76	113	198	185	217	1,445
Children and Families	4	134	66	109	92	173	64	67	176	72	73	243	1,273
Temporary & Disability Assistance	114	138	74	80	150	10	156	149	(4)	143	118	123	1,251
Transportation	0	6	9	45	14	0	0	14	7	0	7	47	149
All Other	14	25	344	47	101	138	11	94	399	(24)	(78)	201	1,272
Total Local Assistance Grants	1,322	3,195	3,280	1,323	2,000	2,273	1,714	1,855	2,576	1,646	1,817	8,286	31,287
Personal Service	562	520	687	556	476	690	433	621	368	349	229	214	5,705
Non-Personal Service	174	223	180	160	214	174	200	195	199	219	204	214	2,455
Total State Operations	736	743	867	716	690	864	633	816	567	568	433	527	8,160
General State Charges	405	186	269	1,212	213	379	249	189	237	276	203	157	3,975
Debt Service	207	105	197	39	30	313	50	158	389	16	32	174	1,710
Capital Projects	15	30	44	16	44	33	46	30	54	(14)	30	(24)	286
Other Purposes	109	32	36	26	27	60	33	25	132	22	32	543	1,077
Total Transfers to Other Funds	331	167	277	81	99	406	129	237	535	24	94	683	3,073
TOTAL DISBURSEMENTS	2,794	4,291	4,693	3,332	3,002	3,922	2,725	3,097	3,915	2,514	2,547	9,663	46,495
Excess/(Deficiency) of Receipts over Disbursements	3,038	(2,396)	819	(404)	67	1,253	(568)	(1,344)	570	4,292	232	(4,848)	711
CLOSING BALANCE	5,584	3,188	4,007	3,603	3,670	4,923	4,355	3,011	3,581	7,873	8,105	3,257	3,257

Source: NYS DOB

CASHFLOW
GENERAL FUND
2006-2007
(dollars in millions)

	2006 April Actuals	May Actuals	June Actuals	July Actuals	August Actuals	September Actuals	October Actuals	November Actuals	December Actuals	2007 January Projected	February Projected	March Projected	Total
OPENING BALANCE	3,257	7,517	3,730	4,485	4,957	3,944	4,734	4,340	2,189	2,368	7,768	7,240	3,257
RECEIPTS:													
Personal Income Tax	4,170	689	2,393	1,340	1,537	1,943	835	198	1,502	5,067	1,460	1,694	22,828
User Taxes and Fees	600	597	843	653	607	852	617	608	888	720	550	770	8,305
Business Taxes	325	83	1,002	120	76	1,091	576	144	1,102	68	68	1,383	6,027
Other Taxes	104	80	112	119	70	61	107	82	179	55	54	54	1,077
Total Taxes	5,199	1,449	4,350	2,232	2,290	3,947	2,135	1,032	3,671	5,910	2,121	3,901	38,237
Licenses, fees, etc.	42	63	52	38	71	72	102	26	39	50	52	78	685
Abandoned Property	38	0	30	20	5	45	13	149	20	29	31	319	699
Reimbursement	3	8	22	5	15	25	9	11	27	8	9	29	171
Investment income	52	(6)	12	24	(3)	14	37	21	23	25	5	8	212
Other transactions	32	56	163	30	22	31	15	27	34	14	14	460	898
Total Miscellaneous Receipts	167	121	279	117	110	187	176	234	143	126	111	894	2,665
Federal Grants	0	0	111	0	(1)	0	15	0	10	1	1	43	180
PIT in excess of Revenue Bond Debt Service	1,388	199	803	445	386	673	228	(68)	514	1,689	122	716	7,095
Sales Tax in Excess of LGAC Debt Service	163	53	385	187	187	189	183	180	276	212	2	163	2,180
Real Estate Taxes in Excess of CW/CA Debt Service	92	72	57	53	64	0	123	31	91	32	34	33	682
All Other	1	0	63	30	9	10	9	1	11	65	0	203	402
Total Transfers from Other Funds	1,644	324	1,308	715	646	872	543	144	892	1,998	158	1,115	10,359
TOTAL RECEIPTS	7,010	1,894	6,048	3,064	3,045	5,006	2,869	1,410	4,716	8,035	2,391	5,953	51,441
DISBURSEMENTS:													
School Aid	135	1,945	1,567	128	393	1,302	474	691	1,219	525	552	5,645	14,576
Higher Education	7	18	107	149	474	45	355	23	217	44	310	515	2,264
All Other Education	21	301	123	82	105	173	45	62	19	205	175	371	1,682
Medicaid	916	1,196	825	657	1,146	538	413	909	686	437	555	741	9,019
Public Health	111	51	15	51	13	30	45	39	22	69	38	111	595
Mental Hygiene	56	69	67	122	68	195	101	65	179	198	166	286	1,572
Children and Families	2	123	50	92	183	99	70	70	179	71	81	335	1,355
Temporary & Disability Assistance	80	203	59	75	142	173	30	161	175	81	125	(23)	1,281
Transportation	1	0	14	0	14	1	0	15	8	0	6	2	61
All Other	0	55	342	62	50	224	74	63	496	39	52	367	1,824
Total Local Assistance Grants	1,329	3,961	3,169	1,418	2,588	2,780	1,607	2,098	3,200	1,669	2,060	8,350	34,229
Personal Service	595	786	531	587	856	561	592	754	428	376	272	464	6,782
Non-Personal Service	177	234	239	183	233	195	204	146	194	185	226	406	2,622
Total State Operations	772	1,000	770	770	1,089	756	796	900	622	561	498	870	9,404
General State Charges	296	443	1,193	228	230	273	428	255	275	322	216	192	4,351
Debt Service	205	122	186	60	48	316	42	167	387	7	25	198	1,763
Capital Projects	26	124	(64)	37	56	17	109	58	13	54	58	(266)	216
Other Purposes	122	31	39	79	47	74	281	89	40	22	62	278	1,164
Total Transfers to Other Funds	353	277	161	176	151	407	432	308	440	83	145	210	3,143
TOTAL DISBURSEMENTS	2,750	5,681	5,293	2,592	4,058	4,216	3,263	3,561	4,537	2,635	2,919	9,622	51,127
Excess/(Deficiency) of Receipts over Disbursements	4,260	(3,787)	755	472	(1,013)	790	(394)	(2,151)	179	5,400	(628)	(3,669)	314
CLOSING BALANCE	7,517	3,730	4,485	4,957	3,944	4,734	4,340	2,189	2,368	7,768	7,240	3,571	3,571

Source: NYS DOB

CASH FLOW
GENERAL FUND
APRIL 1 THROUGH DECEMBER 31, 2006
(millions of dollars)

	<u>Mid-Year Projected</u>	<u>Actual Results</u>	<u>Over/(Under) Variance</u>
Opening fund balance	<u>3,257</u>	<u>3,257</u>	<u>0</u>
Receipts:			
Taxes:			
Personal income tax	15,019	14,605	(414)
User taxes and fees	6,168	6,264	96
Business taxes	4,260	4,519	259
Other taxes	755	917	162
Total Taxes	<u>26,202</u>	<u>26,305</u>	<u>103</u>
Licenses, fees, etc.	537	505	(32)
Abandoned Property	459	320	(139)
Reimbursement	119	125	6
Investment income	107	174	67
Other transactions	584	410	(174)
Total Miscellaneous receipts	<u>1,806</u>	<u>1,534</u>	<u>(272)</u>
Federal grants	153	136	(17)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	4,692	4,570	(122)
Sales tax in excess of LGAC debt service	1,778	1,803	25
Real estate taxes in excess of CW/CA debt service	461	582	121
All other	139	135	(4)
Total Transfers	<u>7,070</u>	<u>7,090</u>	<u>20</u>
Total receipts	<u>35,231</u>	<u>35,065</u>	<u>(166)</u>
Disbursements:			
School Aid	7,853	7,889	36
Higher Education	1,439	1,395	(44)
All Other Education	1,111	932	(179)
Medicaid	7,481	7,286	(195)
Public Health	380	377	(3)
Mental Hygiene	876	922	46
Children and Families	912	868	(44)
Temporary & Disability Assistance	1,108	1,098	(10)
Transportation	53	53	0
All Other	1,389	1,330	(59)
Total Local Assistance Grants	<u>22,602</u>	<u>22,150</u>	<u>(452)</u>
State operations:			
Personal Service	5,621	5,670	49
Non-Personal Service	1,879	1,805	(74)
Total State Operation	<u>7,500</u>	<u>7,475</u>	<u>(25)</u>
General State charges	3,603	3,621	18
Transfers to other funds:			
Debt service	1,547	1,535	(12)
Capital projects	400	365	(35)
Other purposes	814	808	(6)
Total Transfers to Other Funds	<u>2,761</u>	<u>2,708</u>	<u>(53)</u>
Total disbursements	<u>36,466</u>	<u>35,954</u>	<u>(512)</u>
Change in fund balance	<u>(1,235)</u>	<u>(889)</u>	<u>346</u>
Closing fund balance	<u>2,022</u>	<u>2,368</u>	<u>346</u>

Source: NYS DOB

**CASH FLOW
GENERAL FUND
APRIL 1 THROUGH DECEMBER 31, 2006
(millions of dollars)**

	<u>First Quarter Projected</u>	<u>Actual Results</u>	<u>Over/(Under) Variance</u>
Opening fund balance	<u>3,257</u>	<u>3,257</u>	<u>0</u>
Receipts:			
Taxes:			
Personal income tax	14,990	14,605	(385)
User taxes and fees	6,190	6,264	74
Business taxes	3,888	4,519	631
Other taxes	727	917	190
Total Taxes	<u>25,795</u>	<u>26,305</u>	<u>510</u>
Licenses, fees, etc.	507	505	(2)
Abandoned Property	461	320	(141)
Reimbursement	124	125	1
Investment income	94	174	80
Other transactions	394	410	16
Total Miscellaneous receipts	<u>1,580</u>	<u>1,534</u>	<u>(46)</u>
Federal grants	158	136	(22)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	4,680	4,570	(110)
Sales tax in excess of LGAC debt service	1,795	1,803	8
Real estate taxes in excess of CW/CA debt service	481	582	101
All other	197	135	(62)
Total Transfers	<u>7,153</u>	<u>7,090</u>	<u>(63)</u>
Total receipts	<u>34,686</u>	<u>35,065</u>	<u>379</u>
Disbursements:			
School Aid	7,554	7,889	335
Higher Education	1,260	1,395	135
All Other Education	1,046	932	(114)
Medicaid	7,232	7,286	54
Public Health	375	377	2
Mental Hygiene	800	922	122
Children and Families	843	868	25
Temporary & Disability Assistance	972	1,098	126
Transportation	52	53	1
All Other	1,418	1,330	(88)
Total Local Assistance Grants	<u>21,552</u>	<u>22,150</u>	<u>598</u>
State operations:			
Personal Service	5,676	5,670	(6)
Non-Personal Service	1,924	1,805	(119)
Total State Operation	<u>7,600</u>	<u>7,475</u>	<u>(125)</u>
General State charges	3,577	3,621	44
Transfers to other funds:			
Debt service	1,571	1,535	(36)
Capital projects	381	365	(16)
Other purposes	572	808	236
Total Transfers to Other Funds	<u>2,524</u>	<u>2,708</u>	<u>184</u>
Total disbursements	<u>35,253</u>	<u>35,954</u>	<u>701</u>
Change in fund balance	<u>(567)</u>	<u>(889)</u>	<u>(322)</u>
Closing fund balance	<u>2,690</u>	<u>2,368</u>	<u>(322)</u>

Source: NYS DOB

**CASH FLOW
GENERAL FUND
APRIL 1 THROUGH DECEMBER 31 (ACTUALS)
(millions of dollars)**

	2005 Actual Results	2006 Actual Results	Change
Opening fund balance	<u>2,546</u>	<u>3,257</u>	<u>711</u>
Receipts:			
Taxes:			
Personal income tax	13,755	14,605	850
User taxes and fees	6,557	6,264	(293)
Business taxes	3,476	4,519	1,043
Other taxes	708	917	209
Total Taxes	<u>24,496</u>	<u>26,305</u>	<u>1,809</u>
Licenses, fees, etc.	429	505	76
Abandoned Property	332	320	(12)
Reimbursement	125	125	0
Investment income	47	174	127
Other transactions	402	410	8
Total Miscellaneous receipts	<u>1,335</u>	<u>1,534</u>	<u>199</u>
Federal grants	0	136	136
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	4,331	4,570	239
Sales tax in excess of LGAC debt service	1,856	1,803	(53)
Real estate taxes in excess of CW/CA debt service	600	582	(18)
All other	189	135	(54)
Total Transfers	<u>6,976</u>	<u>7,090</u>	<u>114</u>
Total receipts	<u>32,807</u>	<u>35,065</u>	<u>2,258</u>
Disbursements:			
School Aid	6,945	7,889	944
Higher Education	1,352	1,395	43
All Other Education	970	932	(38)
Medicaid	6,193	7,286	1,093
Public Health	322	377	55
Mental Hygiene	845	922	77
Children and Families	885	868	(17)
Temporary & Disability Assistance	867	1,098	231
Transportation	95	53	(42)
All Other	1,063	1,330	267
Total Local Assistance Grants	<u>19,537</u>	<u>22,150</u>	<u>2,613</u>
State operations:			
Personal Service	4,914	5,670	756
Non-Personal Service	1,720	1,805	85
Total State Operation	<u>6,634</u>	<u>7,475</u>	<u>841</u>
General State charges	3,340	3,621	281
Transfers to other funds:			
Debt service	1,488	1,535	47
Capital projects	293	365	72
Other purposes	480	808	328
Total Transfers to Other Funds	<u>2,261</u>	<u>2,708</u>	<u>447</u>
Total disbursements	<u>31,772</u>	<u>35,954</u>	<u>4,182</u>
Change in fund balance	<u>1,035</u>	<u>(889)</u>	<u>(1,924)</u>
Closing fund balance	<u>3,581</u>	<u>2,368</u>	<u>(1,213)</u>

Source: NYS DOB

**CASHFLOW
SPECIAL REVENUE FUND
2006-2007**
(dollars in millions)

	2006		2007											
	April Actuals	May Actuals	June Actuals	July Actuals	August Actuals	September Actuals	October Actuals	November Actuals	December Actuals	January Projected	February Projected	March Projected	Total	
OPENING BALANCE	4,194	4,902	4,711	5,245	5,233	5,173	4,479	4,212	4,164	4,276	3,857	3,538	4,194	
RECEIPTS:														
Personal Income Tax	0	0	0	0	0	783	1,019	1,157	1,081	0	0	(44)	3,996	
User Taxes and Fees	179	128	165	123	142	136	137	123	155	132	115	81	1,616	
Business Taxes	89	54	199	60	61	214	138	72	195	65	42	278	1,467	
Total Taxes	268	182	364	183	203	1,133	1,294	1,352	1,431	197	157	315	7,079	
HCRA	198	302	276	263	270	242	267	286	769	194	181	663	3,911	
State University Income	255	144	171	164	259	382	266	184	169	200	300	137	2,631	
Lottery	208	235	183	175	214	181	184	235	199	247	215	208	2,484	
Medicaid	35	37	38	37	37	239	56	53	57	40	40	90	759	
Other receipts	163	210	293	301	257	301	387	160	274	169	184	160	2,859	
Total Miscellaneous Receipts	859	928	961	940	1,037	1,345	1,160	918	1,468	850	920	1,258	12,644	
Federal Grants	2,023	2,646	3,232	2,260	2,997	2,724	2,320	2,944	2,778	3,674	3,096	3,550	34,244	
TOTAL RECEIPTS	3,150	3,756	4,557	3,383	4,237	5,202	4,774	5,214	5,677	4,721	4,173	5,123	53,967	
DISBURSEMENTS:														
School Aid	276	483	397	194	75	1,902	153	285	426	274	366	561	5,392	
STAR	0	0	0	0	0	591	1,109	866	1,067	364	0	(1)	3,996	
Medicaid	1,289	1,904	1,884	1,668	2,362	1,997	1,878	2,112	1,805	2,559	1,802	2,093	23,553	
Public Health	97	278	262	300	506	201	275	235	260	328	401	190	3,333	
Mental Hygiene	16	171	163	154	182	150	228	219	31	31	31	49	1,425	
Children and Families	3	143	40	13	85	135	(3)	38	100	90	350	157	1,151	
Temporary & Disability Assistance	41	151	367	162	273	174	264	246	399	229	224	672	3,202	
Transportation	76	51	280	233	263	88	48	354	649	72	125	100	2,319	
All Other	134	93	120	213	(7)	89	254	147	124	254	254	254	1,877	
Total Local Assistance Grants	1,932	3,274	3,493	2,937	3,739	5,327	4,154	4,502	4,861	4,201	3,553	4,075	46,048	
Personal Service	249	355	310	270	307	326	398	429	492	517	630	722	5,005	
Non-Personal Service	241	231	305	218	192	297	285	281	265	281	276	451	3,373	
Total State Operations	490	586	615	488	499	623	683	760	757	798	906	1,173	8,378	
General State Charges	70	67	63	50	88	65	47	86	63	70	70	82	821	
Capital Projects	1	5	6	4	3	3	4	3	12	0	0	(33)	8	
TOTAL DISBURSEMENTS	2,493	3,932	4,177	3,479	4,329	6,018	4,888	5,351	5,693	5,069	4,529	5,297	55,255	
OTHER FINANCING SOURCES (uses):														
Transfers from other funds	245	275	408	202	380	312	97	337	361	268	311	500	3,706	
Transfers to other funds	(194)	(290)	(254)	(118)	(358)	(190)	(250)	(248)	(128)	(339)	(274)	(451)	(3,199)	
Net other financing sources (uses)	51	(15)	154	84	32	122	(153)	89	128	(71)	37	49	507	
Excess/(Deficiency) of Receipts over Disbursements	708	(191)	534	(12)	(60)	(694)	(267)	(48)	112	(419)	(319)	(125)	(781)	
CLOSING BALANCE	4,902	4,711	5,245	5,233	5,173	4,479	4,212	4,164	4,276	3,857	3,538	3,413	3,413	

Source: NYS DOB