Annual Information Statement

State of New York

May 8, 2007

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Dated: May 8, 2007

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Annual Information Statement of the State of New York

Introduction

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

In this AIS, readers will find:

1. A section entitled the "Current Fiscal Year" that contains (a) extracts from the 2007-08 Enacted Budget Financial Plan dated April 19, 2007 (the "Financial Plan") prepared by the Division of the Budget ("DOB"), including the State's official Financial Plan projections, and (b) a discussion of potential risks that may affect the Financial Plan during the State's current fiscal year under the heading "Special Considerations." The first part of the section entitled "Current Fiscal Year" summarizes the major components of the 2007-08 Enacted Budget and the projected impact on operations, annual spending growth, and the magnitude of future potential budget gaps; the second part provides detailed information on projected total receipts and disbursements in the State's governmental funds in 2007-08.

2. Information on other subjects relevant to the State's fiscal condition, including: (a) operating results for the three prior fiscal years, (b) the State's revised economic forecast and a profile of the State economy, (c) debt and other financing activities, (d) governmental organization, and (e) activities of public authorities and localities.

3. The status of significant litigation that has the potential to adversely affect the State's finances.

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

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

The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS in Official Statements or related disclosure documents for State or State-supported debt issuance. The State has filed this AIS directly with the Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) and with the Central Post Office, Disclosure USA. The Municipal Advisory Council of Texas established this internet-based disclosure filing system, approved by the Securities and Exchange Commission, to facilitate the transmission of disclosure-related information to the NRMSIRs. An official copy of this AIS may be obtained by contacting Mr. Louis Raffaele, Chief Budget Examiner, New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705 or from any NRMSIR. OSC expects to issue the Basic Financial Statements for the 2006-07 fiscal year in July 2007. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and will be available on its website at www.osc.state.ny.us.

Usage Notice

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

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

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Current Fiscal Year

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

The 2007-08 Enacted Budget Financial Plan contains estimates for 2007-08 and projections for 2008-09 through 2010-11. As such, it contains estimates and projections of future results that should not be construed as statements of fact. These estimates and projections are based upon various assumptions, including future economic conditions in the State and nation and potential litigation. There can be no assurance that actual results will not differ materially and adversely from the estimates and projections contained in the 2007-08 Enacted Budget Financial Plan set forth below.

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

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

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

2007-08 Enacted Budget Financial Plan Overview

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

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

* Preliminary, unaudited results.

The Enacted Budget Financial Plan for 2007-08 is balanced on a cash basis in the General Fund, based on DOB's current estimates. Annual spending in the General Fund is projected to grow by $2.1 billion (4.1 percent) from 2006-07 levels, which includes substantial increases in aid to public schools. The growth in spending is moderated by cost containment initiatives that reduce the overall rate of growth in health care spending. All Governmental Funds[1] spending, which includes Federal aid, is estimated at $120.7 billion in 2007-08, an increase of $7.9 billion (7.0 percent) from 2006-07. Consistent with the Executive Budget recommendations, the Enacted Budget establishes $1.2 billion in flexible reserves that are planned to help balance future budgets. The General Fund is projected to have a closing balance of

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

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

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

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

Changes to General Fund Operating Forecast for 2007-08 Through 2010-11

Savings/(Costs)

(millions of dollars)

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

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

During budget negotiations, the Executive and Legislature agreed that additional net resources were available to finance changes to the 2007-08 Executive Budget. The resources included $1 billion in higher projected tax revenues; $50 million in additional abandoned property receipts; $50 million in savings in State programs based on updated information on program trends; new spending cuts and proposed spending not accepted by the Legislature totaling roughly $92 million in addition to $69 million in savings (such as retroactive Judicial salary increases) that affected 2006-07 estimated disbursements; and approximately $187 million in available fund balances. Planned payments from New York City of $428 million in 2007-08 and $350 million in 2008-09, which were originally added to the State's receipts forecast in 2005, have been removed from the Financial Plan, partially offsetting the increase in available resources. New York City did not make similar planned payments in 2005-06 or 2006-07 and, accordingly, any such payments in the current or future years are no longer counted in the Financial Plan.

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

- **School Aid:** A new Foundation Aid formula is enacted in permanent law that bases the amount of School Aid on a district's educational needs and its ability to provide local support for education. Under the Foundation Aid formula, approximately 72 percent of the aid increase will go to high-needs districts.

- **School Tax Relief (STAR):** The Enacted Budget expands the STAR program, providing a new benefit that is targeted to middle class taxpayers.

- **Expanded access to health care for children:** Access to health insurance coverage is made available for the 400,000 children that are without coverage in New York State.

- **Investment in stem cell research:** Provides initial funding for stem cell research.

- **Increased deposits in reserves:** The Enacted Budget finances deposits of $250 million to the Debt Reduction Reserve and $175 million to the new Rainy Day Reserve.

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

- Savings of $2.0 billion in spending restraint of which more than $1 billion will slow growth in Health, Medicaid and Mental Hygiene spending.

- Approximately $450 million in loophole-closing revenue actions, which is partially offset by $150 million in revenue reductions from broad-based business tax cuts.

- About $1.0 billion from the use of prior year surplus moneys.

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

Size of the Enacted Budget and impact by major program

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

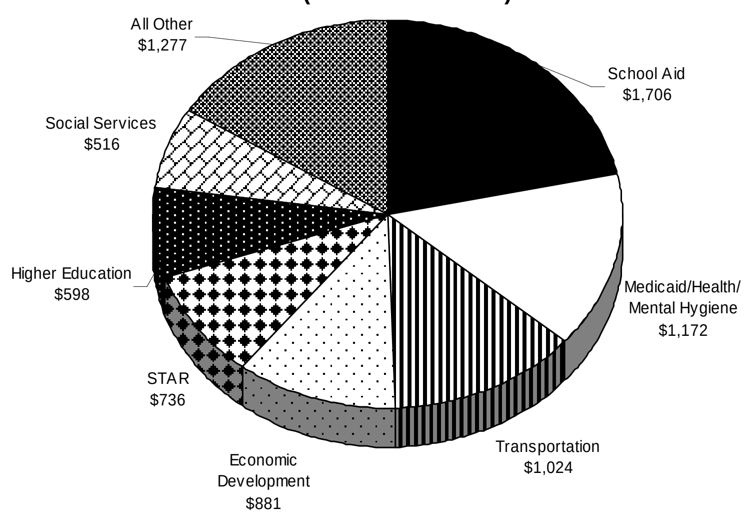
** Unaudited year-end results.*

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

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

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

All Funds Spending Growth
$7.9 Billion
(billions of dollars)



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

Projected 2007-08 Year-End Balances

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

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

** Unaudited year-end results.*

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

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

Risks to the Financial Plan

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

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Changes to the Executive Budget

Recap of Multi-Year General Fund Operating Forecast:

Initial Budget through Enactment

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

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

Changes to General Fund Operating Forecast for 2007-08 Through 2010-11
(millions of dollars)

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

Executive Budget Proposals vs. Enacted Budget

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

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

General Fund Budget-Balancing Plan: Executive Proposals vs. Enacted Budget (millions of dollars)

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

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

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

New Initiatives

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

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

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

Savings

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

Health Care

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

Specific savings initiatives include:

- **Reduce Rates/Redirect Subsidies:** The Enacted Budget reduces the automatic inflationary rate increases for hospitals and nursing homes by 25 percent, freezes managed care premium payments, and revises subsidy payments to redirect funding to high-need facilities.

- **Pharmaceutical Savings:** Reduces reimbursement rates for pharmacies; increases enrollment in the Medicare Part D program; and expands the applicability of the Preferred Drug Program to the Elderly Pharmaceutical Insurance Coverage (EPIC) program.

- **Enhanced Management of High-Cost Beneficiaries:** Implements a series of new demonstration projects to help provide cost-effective and coordinated care to high-cost beneficiaries.

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

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

Other Savings

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

The key Enacted Budget actions include the following initiatives:

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

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

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

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

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

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

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

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

STAR Rebate: The existing STAR Property Tax Rebate program is replaced by the new Middle Class STAR rebate program.

Video Lottery Terminal (VLT) Expansion: Legislation to authorize the expansion of a number of VLT facilities is expected to be enacted sometime in 2007-08 to generate additional revenue to support school aid funding.

All Other Savings: Includes State Operations savings, primarily in non-personal service costs (part of a statewide total of $85 million in non-personal service savings).

Revenue Loophole Closing Initiatives

State tax law currently contains a number of loopholes that enable certain taxpayers to shelter income in unintended ways. The Executive Budget proposed the elimination of a number of such loopholes.

The Enacted Budget loophole closing initiatives, which were used in part to finance $150 million of new business tax cuts described earlier, include:

- Continue to deter the use of tax shelters by extending for two years the authorization for the Department of Taxation and Finance to require the reporting and disclosure of Federal and New York tax planning strategies that might be contrary to proper compliance with tax law.
- Require certain corporations that are Federal S Corporations to also be New York S corporations. This provision will close a loophole that allows State taxpayers to avoid tax by taking advantage of the preferential investment allocation provision under the corporate franchise tax.
- Provide the Commissioner of Taxation and Finance with authority similar to that now provided to the Federal Secretary of Treasury to end practices used by New York partnerships that allow nonresidents to avoid paying personal income tax on New York source income.
- Require closely affiliated corporations which conduct substantial inter-corporate transactions across the affiliated group to file a combined, rather than separate, corporate franchise tax return.
- Phase out over five years the deduction for certain subsidiary dividends received by a parent company from a real estate investment trust (REIT) or regulated investment company (RIC). This will ensure that the shareholders of the REIT or RIC pay tax on the income earned by the REIT or RIC. Banking corporations with taxable assets of $8 billion or less will not be subject to the phase out.
- Close a loophole that allows banks to shelter income by using subsidiaries that were grandfathered as corporate taxpayers when the bank tax was changed in 1985.

Non-Recurring Resources

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

General Fund 2007-08 Non-Recurring Resources (millions of dollars)	
Transfer SONYMA Excess Balances to the General Fund	100
Sweep other excess balances	100
Medicaid: Obtain Federal Share for the Home Care Insurance Demonstration Initiative	82
Use excess balances in Lottery Fund to finance school aid costs	76
Additional Abandoned Property Revenue	50
Medicaid: Waive Statutory Reconciliation of Prior Year Hospital Assessment Collections	44
Medicaid: Drug Rebate Revenue	40
Mental Hygiene: Federal PIA revenues (Part B settlement; Accelerated DSH payments)	61
Mental Hygiene: Audit-Fraud Recoveries; Federal Recovery for OMH Children's Facilities	18
Sweep cash for Cultural Education Storage Facility	20
Sweep Balance in the Unemployment Insurance Interest Assessment Account	16
Sweep Funds from Revenue Arrearage Account	15
DMV Compulsory Insurance Sweep	16
Sweep Funds from Motor Vehicle Law Enforcement Account	11
Sweep Additional Funds from various Public Health Accounts	10
Use Cellular Surcharge to Fund State Police Statewide Wireless Network	10
Sweep Excess EPF Fund Balances to General Fund	10
Finance National Guard Costs with Federal Funds	5
Sell Vacant Building Planned for Youth Opportunity Center	3
Sweep Cash from Several Welfare/OCFS Special Revenue Accounts	3
Utilize Federal Funds for Certain Welfare costs	2
Total One-Time Resources	**692**
Net Use of Prior-Year Surpluses (after deposit to reserves)	671
Total Non-Recurring Resources	**1,363**

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

- Medicaid: Savings from several actions help finance Medicaid costs that would otherwise be paid by the General Fund. These include obtaining Federal aid for the Health Care Insurance Demonstration initiative, a waiver of prior-year reconciliations of hospital assessment collections, and maximizing drug rebate revenues;
- Mental Hygiene: Federal revenues are expected to increase as a result of one-time benefits including accelerated Medicaid claiming for services provided to mental hygiene consumers, a Federal Medicare settlement, retroactive billings for children’s residential facilities and expansion of quality assurance activities; and

- Routine sweeps of fund balances and increased Federal aid account for the majority of the remaining non-recurring actions.

2007-08 Receipts and Disbursements Forecast

Introduction

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

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

Receipts Forecast

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

Total Receipts
(millions of dollars)

	2006-07	2007-08	Annual Change	
	Results	Enacted	Dollars	Percent
General Fund	51,379	53,672	2,293	4.5%
State Funds	76,755	82,267	5,512	7.2%
All Funds	112,396	119,490	7,094	6.3%

2007-08 Receipts Overview

All Funds receipts are projected to total \$119.5 billion, an increase of \$7.1 billion over 2006-07 results. The total comprises tax receipts (\$62.0 billion), Federal grants (\$37.1 billion) and miscellaneous receipts (\$20.4 billion). The following table summarizes the receipts actuals for 2006-07 and projections for 2007-08.

Total Receipts (millions of dollars)							
	2006-07 Actual	2007-08 Estimated	Annual Change	Percent Change	2008-09 Projected	Annual Change	Percent Change
General Fund	**51,379**	**53,672**	**2,293**	**4.5**	**55,179**	**1,507**	**2.8**
Taxes	38,668	39,264	596	1.5	41,046	1,782	4.5
Miscellaneous Receipts	2,268	2,485	217	9.6	2,054	(431)	(17.3)
Federal Grants	151	59	(92)	-	59	0	0.0
Transfers	10,292	11,864	1,572	15.3	12,020	156	1.3
State Funds	**76,755**	**82,267**	**5,512**	**7.2**	**85,777**	**3,510**	**4.3**
Taxes	58,739	61,960	3,221	5.5	65,237	3,277	5.3
Miscellaneous Receipts	17,864	20,247	2,383	13.3	20,480	233	1.2
Federal Grants	152	60	(92)	(60.5)	60	0	0
All Funds	**112,396**	**119,490**	**7,094**	**6.3**	**125,117**	**5,627**	**4.7**
Taxes	58,739	61,960	3,221	5.5	65,237	3,277	5.3
Miscellaneous Receipts	18,078	20,402	2,324	12.9	20,628	226	1.1
Federal Grants	35,579	37,128	1,549	4.4	39,252	2,124	5.7

2007-08

- Total All Funds receipts in 2007-08 are expected to reach $119.5 billion, an increase of $7.1 billion, or 6.3 percent from 2006-07 results. All Funds tax receipts are projected to grow by more than $3.2 billion. All Funds Federal grants are expected to increase by more than $1.5 billion, or 4.4 percent. All Funds Miscellaneous receipts are projected to increase by approximately $2.3 billion, or 12.9 percent.
- After controlling for the impact of all policy changes, base tax revenue growth is estimated to be 7.8 percent for fiscal year 2007-08.
- Total State Funds receipts are projected at $82.3 billion, an increase of $5.5 billion, or 7.2 percent from 2006-07 receipts.
- Total General Fund receipts are projected at $53.7 billion, an increase of $2.3 billion, or 4.5 percent from 2006-07 results. General Fund tax receipt growth is projected to be 1.5 percent over 2006-07 results and General Fund miscellaneous receipts are projected to increase by $217 million. The relatively small growth in General Fund tax receipts largely reflects non-tax and non-economy related factors including proposals increasing STAR benefits and earmarking additional funds to debt service funds. Federal grants decline due to the loss of one-time Federal reimbursement for emergency costs related to delays in implementation of the Federal Medicare Part D program.

Fiscal Years 2007-08 through 2010-11

Total Receipts (millions of dollars)										
	2007-08 Estimated	2008-09 Projected	Annual Change	Percent Change	2009-10 Projected	Annual Change	Percent Change	2010-11 Projected	Annual Change	Percent Change
General Fund	**53,672**	**55,179**	**1,507**	**2.8**	**58,258**	**3,079**	**5.6**	**60,868**	**2,610**	**4.5**
Taxes	39,264	41,046	1,782	4.5	43,244	2,198	5.4	45,335	2,091	4.8
State Funds	**82,267**	**85,777**	**3,510**	**4.3**	**89,385**	**3,608**	**4.2**	**92,912**	**3,527**	**3.9**
Taxes	61,960	65,237	3,277	5.3	68,840	3,603	5.5	72,024	3,184	4.6
All Funds	**119,490**	**125,117**	**5,627**	**4.7**	**129,903**	**4,786**	**3.8**	**135,310**	**5,407**	**4.2**
Taxes	61,960	65,237	3,278	5.3	68,840	3,603	5.5	72,024	3,184	4.6

Overall, receipts growth through fiscal year 2010-11 is expected to remain strong consistent with projected continued growth in the U.S. and New York economies. In addition, actions contained with this Budget eliminate unintended tax loopholes and supplement Department of Taxation and Finance efforts to find non-compliant taxpayers; these actions are expected to enhance receipt growth through 2010-11.

- Total All Funds receipts in 2008-09 are projected to reach $125.1 billion, an increase of $5.6 billion, or 4.7 percent from 2007-08 estimates. All Funds receipts in 2009-10 are expected to increase to nearly $130 billion, or 3.8 percent over the prior year. In 2010-11, receipts are expected to increase by more than $5.4 billion over 2009-10.
- All Funds tax receipts are expected to increase by 5.3 percent in 2008-09, 5.5 percent in 2009-10 and 4.6 percent in 2010-11. Again, the growth pattern is consistent with an economic forecast of continued but modest economic growth.
- Total State Funds receipts are projected to be nearly $85.8 billion in 2008-09, nearly $89.4 billion in 2009-10 and almost $93.0 billion in 2010-11.
- Total General Fund receipts are projected to be $55.2 billion in 2008-09, nearly $58.3 billion in 2009-10 and roughly $60.9 billion in 2010-11.

Change From Executive Budget Estimates & Projections (millions of dollars)								
	2007-08 21-Day Amendments	2007-08 Enacted Budget	Change	Percent Change	2008-09 21-Day Amendments	2008-09 Enacted Budget	Change	Percent Change
General Fund	**41,194**	**41,808**	**614**	**1.5**	**42,695**	**43,159**	**464**	**1.1**
Taxes	38,284	39,264	980	2.6	40,223	41,046	823	2.0
Miscellaneous Receipts	2,851	2,485	(366)	(12.8)	2,413	2,054	(359)	(14.9)
Federal Grants	59	59	0	0.0	59	59	0	0.0
State Funds	**80,923**	**82,267**	**1,344**	**1.7**	**85,255**	**85,777**	**522**	**0.6**
Taxes	60,961	61,960	999	1.6	64,388	65,237	849	1.3
Miscellaneous Receipts	19,902	20,247	345	1.7	20,807	20,480	(327)	(1.6)
Federal Grants	60	60	0	0.3	60	60	0	0.3
All Funds	**118,331**	**119,490**	**1,159**	**1.0**	**124,400**	**125,117**	**717**	**0.6**
Taxes	60,961	61,960	999	1.6	64,388	65,237	849	1.3
Miscellaneous Receipts	20,057	20,402	345	1.7	20,955	20,628	(327)	(1.6)
Federal Grants	37,313	37,128	(185)	(0.5)	39,057	39,252	195	0.5

Base Tax Receipts Growth

Governmental Funds Actual and Base Tax Receipts Growth (percent growth)			
State Fiscal Year	**Actual Receipts**	**Base Receipts**	**Personal Income Growth**
2006-07	9.5	12.8	5.4
2007-08	5.5	7.8	5.0
2008-09	5.3	5.3	5.0
2009-10	5.5	5.6	5.2
2010-11	4.6	4.7	5.1

Base growth, adjusted for law changes, in tax receipts for fiscal year 2006-07 was a strong 12.8 percent. This was the third consecutive year of double digit growth in base tax receipts. The recent strong performance in the tax receipts base has benefited from several factors including:

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

Strong economic growth, especially concentrated in Downstate New York over the past several years, has driven large gains in receipts. It is expected that the rapid expansion in base revenue will stay strong in 2007-08 at 7.8 percent and moderate in 2008-09 and beyond. Base growth is expected to remain at or slightly above 5 percent throughout the forecast period. Actual receipts are expected to grow more slowly than the underlying base in 2007-08, reflecting the impact of tax actions taken with this Budget. As the above table indicates, non-adjusted receipts growth closely matches expected growth in personal income over the forecast period.

Personal Income Tax

Personal Income Tax (millions of dollars)					
	2006-07 Actual	**2007-08 Estimated**	**Annual Change**	**2008-09 Projected**	**Annual Change**
General Fund	**22,940**	**22,885**	**(55)**	**24,128**	**1,243**
Gross Collections	40,090	43,083	2,993	46,046	2,963
Refunds	(5,510)	(6,263)	(753)	(6,732)	(469)
STAR	(3,994)	(4,730)	(736)	(5,358)	(628)
RBTF	(7,647)	(9,205)	(1,558)	(9,828)	(623)
State/All Funds	**34,580**	**36,820**	**2,240**	**39,314**	**2,494**
Gross Collections	40,090	43,083	2,993	46,046	2,963
Refunds	(5,510)	(6,263)	(753)	(6,732)	(469)

All Funds income tax receipts for 2007-08 are projected to increase $2.2 billion over the prior-year to total $36.8 billion. Gross receipts are projected to increase 7.5 percent and reflect projected growth for tax year 2007 liabilities in withholding of 6.7 percent ($1.8 billion) and in estimated taxes of 9.9 percent ($750 million). Estimated taxes also include $6 million of receipts from Enacted Budget legislation that will extend statutory tools used by the Tax Department to address the use of abusive tax shelters. Payments from extensions and final returns for tax year 2006 are projected to increase in total by 8.4 percent, or by $242 million and $169 million, respectively. Receipts from delinquencies are projected to increase by 9.3 percent or $77 million over the prior year. Net receipts, which include refunds on tax year 2006 payments and liabilities, are projected to grow 6.5 percent. Refunds, which are projected to increase by a robust 13.7 percent or $753 million, reflect the impact of the Empire State Child Credit (a refundable credit for resident taxpayers with children ages 4 to 16) that was enacted in 2006 and is applicable to tax years beginning in 2006 and thereafter.

General Fund income tax receipts for 2007-08, which are net of deposits to the STAR Fund and the Revenue Bond Tax Fund (RBTF), are estimated to remain almost flat at $22.9 billion. Deposits to the STAR Fund, which will increase by $736 million to $4.7 billion in 2007-08, reflect Enacted Budget legislation that will increase the current STAR program by providing property tax relief rebates to middle-class homeowners and seniors. Deposits to the RBTF of over $9.2 billion reflect Enacted Budget legislation that requires RBTF deposits to be calculated before the deposit of income tax receipts to the STAR Fund. Although this has the impact of decreasing General Fund receipts by nearly $1.2 billion (25 percent of STAR), deposits in excess of debt service requirements are transferred back to the General Fund.

Personal Income Tax Change From Executive Budget Estimates (millions of dollars)

	2007-08 Executive Budget	2007-08 Enacted Budget	Change	Percent Change
General Fund	**22,258**	**22,885**	**627**	**2.8**
Gross Collections	42,588	43,083	495	1.2
Refunds	(6,314)	(6,263)	51	(0.8)
STAR	(4,948)	(4,730)	218	(4.4)
RBTF	(9,068)	(9,205)	(137)	1.5
State/All Funds	**36,274**	**36,820**	**546**	**1.5**
Gross Collections	42,588	43,083	495	1.2
Refunds	(6,314)	(6,263)	51	(0.8)

All Funds personal income tax receipts for 2007-08 are projected to be $546 million, or 1.5 percent, higher than projected in the Executive Budget with 21-Day Amendments. The increase is primarily due to stronger growth in withholding ($225 million), estimated payments ($200 million), and final return payments ($70 million). The net increase in final return payments reflects Enacted Budget legislation that does not include an Executive Budget recommendation to extend and restructure the higher level of fees imposed on limited liability company fees. The Enacted Budget also projects refunds to be $51 million below the Executive Budget forecast.

General Fund receipts are projected to be $627 million above the Executive Budget with 21-Day Amendments. This includes $546 million in additional net receipts, offset by a higher deposit to the RBTF of $137 million. As a result of amendments made to the STAR proposal submitted with the Executive Budget, deposits to STAR will be $218 million less than projected in the Executive Budget.

Personal Income Tax (millions of dollars)					
	2008-09 Projected	2009-10 Projected	Annual Change	2010-11 Projected	Annual Change
General Fund	**24,128**	**25,576**	**1,448**	**26,979**	**1,402**
Gross Collections	46,046	49,004	2,958	51,824	2,820
Refunds	(6,732)	(7,120)	(388)	(7,664)	(544)
STAR	(5,358)	(5,838)	(480)	(6,141)	(304)
RBTF	(9,828)	(10,470)	(642)	(11,040)	(570)
State/All Funds	**39,314**	**41,884**	**2,570**	**44,160**	**2,276**
Gross Collections	46,046	49,004	2,958	51,824	2,820
Refunds	(6,732)	(7,120)	(388)	(7,664)	(544)

In general, income tax growth for 2008-09 and 2009-10 is governed by projections of growth in taxable personal income and its major components, including wages, interest and dividend earnings, realized taxable capital gains, and business net income and income derived from partnerships and S corporations, and the impact of tax law changes. Projections for 2008-09 and 2009-10 reflect the impact of Enacted Budget legislation that will close loopholes that allow nonresidents of New York partnerships and certain residents to use corporate status to avoid New York personal income taxes. The legislation applies to tax years beginning on and after January 1, 2007 and is estimated to increase All Funds income tax receipts by $115 million annually beginning in 2008-09. In addition, receipts for 2008-09 reflect the second year impact of enacted legislation that extended the tax shelter legislation for two years.

All Funds PIT projected receipts for 2008-09 of $39.3 billion reflect an increase of 6.7 percent or $2.5 billion above the estimate for 2007-08. The forecast reflects continued solid economic growth and the impact of Enacted Budget legislation described above. All Funds receipts for 2009-10 continue to reflect relatively strong growth in tax liability, and are estimated at $41.9 billion, an increase of $2.6 billion or 6.5 percent above 2008-09.

General Fund income tax receipts are projected to increase by $1.2 billion to just over $24.1 billion in 2008-09. The change from 2007-08 reflects the growth in net receipts discussed above, a $600 million increase in transfers to the RBTF and a $650 million increase in transfers to the STAR Fund. The additional transfers to the STAR Fund will support an increase in the Middle Class STAR rebate program scheduled for 2008-09. General Fund PIT receipts for 2009-10 are projected to increase over 2008-09 by $1.4 billion to $25.5 billion. Receipts reflect the 2009-10 increase in the Middle Class STAR program and deposits to the RBTF that are consistent with growth in All Funds receipts discussed above.

User Taxes and Fees

User Taxes and Fees (millions of dollars)					
	2006-07 Actual	2007-08 Estimated	Annual Change	2008-09 Projected	Annual Change
General Fund	**8,185**	**8,566**	**381**	**8,901**	**335**
Sales Tax	7,539	7,867	328	8,205	338
Cigarette and Tobacco Taxes	411	447	36	443	(4)
Motor Vehicle Fees	(17)	0	17	0	0
Alcoholic Beverage Taxes	194	200	6	205	5
ABC License Fees	58	52	(6)	48	(4)
State/All Funds	**13,457**	**14,187**	**730**	**14,680**	**493**
Sales Tax	10,739	11,215	476	11,692	477
Cigarette and Tobacco Taxes	985	1,078	93	1,068	(10)
Motor Fuel	513	536	23	539	3
Motor Vehicle Fees	769	900	131	913	13
Highway Use Tax	153	157	4	164	7
Alcoholic Beverage Taxes	194	200	6	205	5
ABC License Fees	58	52	(6)	48	(4)
Auto Rental Tax	46	49	3	51	2

All Funds user taxes and fees receipts for 2007-08 are projected to be $14.2 billion, an increase of $730 million or 5.4 percent from 2006-07. General Fund user taxes and fees receipts are projected to total $8.6 billion in 2007-08, an increase of $381 million or 4.7 percent from 2006-07. This increase largely reflects the projected growth in the sales tax base (4.1 percent), the collection of taxes on sales to non-Native Americans on New York reservations and a reclassification of motor vehicle fees.

User Taxes And Fees Change From Executive Budget Estimates (millions of dollars)				
	2007-08 Executive Budget	2007-08 Enacted Budget	Change	Percent Change
General Fund	**8,633**	**8,566**	**(67)**	**(0.8)**
Sales Tax	7,934	7,867	(67)	(0.8)
Cigarette and Tobacco Taxes	447	447	0	0
Motor Vehicle Fees	0	0	0	0
Alcoholic Beverage Taxes	200	200	0	0
ABC License Fees	52	52	0	0
State/All Funds	**14,278**	**14,187**	**(91)**	**(0.6)**
Sales Tax	11,306	11,215	(91)	(0.8)
Cigarette and Tobacco Taxes	1,078	1,078	0	0
Motor Fuel	536	536	0	0
Motor Vehicle Fees	900	900	0	0
Highway Use Tax	157	157	0	0
Alcoholic Beverage Taxes	200	200	0	0
ABC License Fees	52	52	0	0
Auto Rental Tax	49	49	0	0

User Taxes and Fees (millions of dollars)					
	2008-09 Projected	2009-10 Projected	Annual Change	2010-11 Projected	Annual Change
General Fund	**8,901**	**9,212**	**311**	**9,540**	**328**
Sales Tax	8,205	8,514	309	8,845	331
Cigarette and Tobacco Taxes	443	437	(6)	432	(5)
Motor Vehicle Fees	0	0	0	0	0
Alcoholic Beverage Taxes	205	209	4	214	5
ABC License Fees	48	52	4	49	(3)
State/All Funds	**14,680**	**15,181**	**501**	**15,683**	**502**
Sales Tax	11,692	12,133	441	12,604	471
Cigarette and Tobacco Taxes	1,068	1,054	(14)	1,038	(16)
Motor Fuel	539	542	3	544	2
Motor Vehicle Fees	913	971	58	1,008	37
Highway Use Tax	164	167	3	171	4
Alcoholic Beverage Taxes	205	209	4	214	5
ABC License Fees	48	52	4	49	(3)
Auto Rental Tax	51	53	2	55	2

General Fund receipts from user taxes and fees are estimated to total $8.9 billion in 2008-09, an increase of $335 million from 2007-08. Receipts are projected to grow by an additional $300 million annually in 2009-10 and 2010-11 to $9.2 billion and $9.5 billion, respectively. The increase is due almost exclusively to the projected growth in the sales tax base. The underlying growth in the sales tax base is expected to be in the range of 3 to 4 percent.

Business Taxes

Business Taxes (millions of dollars)					
	2006-07 Actual	2007-08 Estimated	Annual Change	2008-09 Projected	Annual Change
General Fund	**6,468**	**6,679**	**211**	**6,807**	**128**
Corporate Franchise Tax	3,677	3,904	228	4,104	200
Corporation & Utilities Tax	626	618	(8)	623	5
Insurance Tax	1,142	1,176	34	1,161	(15)
Bank Tax	1,024	981	(43)	919	(62)
State/All Funds	**8,606**	**8,919**	**313**	**9,084**	**166**
Corporate Franchise Tax	4,228	4,476	248	4,701	226
Corporation & Utilities Tax	820	816	(4)	821	5
Insurance Tax	1,258	1,292	34	1,276	(16)
Bank Tax	1,210	1,150	(60)	1,073	(78)
Petroleum Business Tax	1,090	1,185	94	1,213	29

All Funds business tax receipts for 2007-08 of more than $8.9 billion are estimated to increase by nearly $313 million or 3.6 percent over the prior year. The estimates reflect a net increase in receipts of $362 million from enacted provisions that will close corporate tax loopholes that have allowed bank and corporate franchise taxpayers to use complex tax shelter techniques to avoid tax ($516 million) and certain business tax cuts. The loophole provisions include: a five-year phase out of the deduction for subsidiary capital received by certain corporations from closely-held real estate investment trusts ($102 million), combined filing requirements for corporations which conduct substantial inter-corporate transactions with one another to file a combined corporate franchise tax return ($381 million), eliminating the use of certain grandfathered corporations by banks to shelter income from tax ($22 million), and extending for two years the authorization for the Department of Taxation and Finance to require the reporting of abusive tax shelters ($17 million).

The Enacted Budget also reflects legislation that will reduce taxes by $154 million in 2007-08. That legislation reduces the entire net income tax rate imposed on corporations, banks, and insurance companies from 7.5 percent to 7.1 percent and the alternative minimum tax imposed under the corporate franchise tax from 2.5 percent to 1.5 percent (effective January 1, 2007). In addition, effective January 31, 2007, the entire net income tax rate imposed on certain manufacturers and qualified emerging technology companies is reduced from 7.5 percent to 6.5 percent. Enacted legislation also accelerates the effective date of the phase-in of the change in the computation of a corporation's business allocation percentage from a three factor formula of payroll, property and receipts to a single receipts factor from January 1, 2008 to January 1, 2007, and increases the amount of low income housing credits the Commissioner of Housing and Community Renewal may allocate by $4 million.

All Funds non-audit business tax receipts before these enacted tax initiatives are estimated to increase 6.6 percent in 2007-08. This overall increase reflects a moderation in the growth of non-audit corporate franchise tax receipts to roughly 8.4 percent. This estimated rate of growth follows two consecutive years of extraordinary growth in non-audit corporate tax receipts of 40 percent in 2005-06 and 29 percent in 2006-07. Total corporate franchise tax receipts for 2007-08 of $4.5 billion reflect the enacted budget tax legislation described above and a moderation in audit receipts from last year's historic levels.

All Funds non-audit bank tax receipts before enacted tax initiatives are projected to increase by 4.5 percent. Receipts from the bank tax also reflect a moderation in the growth of non-audit receipts of more than 40 percent in 2006-07. Total bank tax receipts for 2007-08 of $1.2 billion reflect the enacted budget tax legislation described above and a reduction in audit receipts from last year's high levels.

Projected All Funds non-audit business tax receipts for 2007-08 also reflect growth in corporation and utilities taxes receipts of 3.6 percent, the insurance tax receipts of 4.1 percent and petroleum business tax receipts of 8 percent. All Funds audit receipts from all business taxes are projected to decline by 33 percent, or roughly $515 million, from the historical level of the prior year. Large declines in audit receipts are expected in all business taxes except the petroleum business taxes.

General Fund business tax receipts for 2007-08 of $6.7 billion are estimated to increase $211 million, or 3.3 percent over the prior year. Business tax receipts deposited to the General Fund reflect the All Funds trends and the enacted tax initiatives discussed above.

Business Taxes (millions of dollars)					
	2008-09 Projected	2009-10 Projected	Annual Change	2010-11 Projected	Annual Change
General Fund	**6,807**	**7,113**	**306**	**7,392**	**279**
Corporate Franchise Tax	4,104	4,342	238	4,578	236
Corporation & Utilities Tax	623	628	5	632	4
Insurance Tax	1,161	1,197	36	1,236	39
Bank Tax	919	946	27	946	0
State/All Funds	**9,084**	**9,435**	**351**	**9,757**	**323**
Corporate Franchise Tax	4,701	4,975	273	5,245	270
Corporation & Utilities Tax	821	826	5	831	5
Insurance Tax	1,276	1,315	39	1,358	43
Bank Tax	1,073	1,100	27	1,100	0
Petroleum Business Tax	1,213	1,220	6	1,224	4

All Funds business tax receipts for 2008-09 are projected to increase $166 million, or 1.9 percent, to nearly $9.1 billion. The projected receipts reflect the impact of the loophole-closing and business tax rate reduction initiatives enacted in 2007. Without these law changes, business tax receipts are expected to increase by 2.3 percent from comparable 2007-08 receipts. This change reflects modest increases in corporate franchise tax, corporation and utilities taxes, and petroleum business taxes receipts, partially offset by modest decreases in bank tax and insurance taxes receipts.

For 2009-10, All Funds business tax receipts are projected to increase by 3.9 percent, to more than $9.4 billion. The projected receipts continue to reflect the loophole-closing and business tax rate reduction initiatives enacted in 2007. Without these law changes, business tax receipts are expected to increase by 3.7 percent from comparable 2008-09 receipts. This increase reflects minimal increases in corporation and utilities taxes and petroleum business tax receipts, with modest increases in receipts from each of the other business taxes.

Other Taxes

Other Taxes (millions of dollars)					
	2006-07 Actual	2007-08 Estimated	Annual Change	2008-09 Projected	Annual Change
General Fund	**1,075**	**1,135**	**60**	**1,211**	**75**
Estate Tax	1,063	1,115	51	1,190	75
Gift Tax	(10)	0	10	0	0
Real Property Gains Tax	0	0	(0)	0	0
Pari-mutuel Taxes	21	20	(1)	20	0
All Other Taxes	1	1	0	1	0
State/All Funds	**2,097**	**2,036**	**(62)**	**2,161**	**125**
Estate Tax	1,063	1,115	51	1,190	75
Gift Tax	(10)	0	10	0	0
Real Property Gains Tax	0	0	0	0	0
Real Estate Transfer Tax	1,022	900	(122)	950	50
Pari-mutuel Taxes	21	20	(1)	20	0
All Other Taxes	1	1	0	1	0

All Funds other tax receipts in 2007-08 are projected to be roughly $2 billion, down $62 million or 3.0 percent from 2006-07, reflecting retrenchment in real estate transfer tax receipts and a slight increase in estate tax collections. General Fund receipts for 2007-08 are projected to total more than $1.1 billion or a $60 million increase with estate tax collections expected to grow modestly.

Other Taxes (millions of dollars)					
	2008-09 Projected	2009-10 Projected	Annual Change	2010-11 Projected	Annual Change
General Fund	**1,211**	**1,342**	**131**	**1,425**	**83**
Estate Tax	1,190	1,321	131	1,404	83
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Pari-mutuel Taxes	20	20	0	20	0
All Other Taxes	1	1	0	1	0
State/All Funds	**2,161**	**2,342**	**181**	**2,425**	**83**
Estate Tax	1,190	1,321	131	1,404	83
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Real Estate Transfer Tax	950	1,000	50	1,000	0
Pari-mutuel Taxes	20	20	0	20	0
All Other Taxes	1	1	0	1	0

General Fund receipts from other taxes are expected to grow modestly in the outyears, primarily reflecting modest growth in estate tax collections. All Funds other tax receipts are projected to increase moderately in future years, primarily due to positive change in the estate tax as well real estate transfer tax collections.

Miscellaneous Receipts

Miscellaneous Receipts and Federal Grants (millions of dollars)					
	2006-07 Actual	2007-08 Estimated	Annual Change	2008-09 Projected	Annual Change
General Fund	**2,419**	**2,545**	**125**	**2,113**	**(431)**
Miscellaneous Receipts	2,268	2,485	218	2,054	(431)
Federal Grants	152	59	(92)	59	0
State Funds	**17,117**	**20,307**	**3,190**	**20,539**	**232**
Miscellaneous Receipts	16,964	20,247	3,283	20,480	232
Federal Grants	153	60	(93)	60	0
All Funds	**53,901**	**58,212**	**4,311**	**60,556**	**2,344**
Miscellaneous Receipts	17,775	21,059	3,285	21,279	220
Federal Grants	36,126	37,153	1,026	39,277	2,124

General Fund miscellaneous receipts collections in 2007-08 are projected to reach approximately $2.5 billion, up $218 million from 2006-07 results, reflecting license and fee collections and expected receipts from the New York Power Authority, partially offset by decreases in receipts from investment income.

Miscellaneous Receipts and Federal Grants (millions of dollars)					
	2008-09 Projected	2009-10 Projected	Annual Change	2010-11 Projected	Annual Change
General Fund	**2,113**	**2,516**	**402**	**2,518**	**2**
Miscellaneous Receipts	2,054	2,456	402	2,459	2
Federal Grants	59	59	0	59	0
State Funds	**20,539**	**20,545**	**6**	**20,887**	**342**
Miscellaneous Receipts	20,480	20,486	6	20,827	342
Federal Grants	60	60	0	60	0
All Funds	**60,556**	**61,742**	**1,187**	**63,995**	**2,253**
Miscellaneous Receipts	21,279	21,287	8	21,656	369
Federal Grants	39,277	40,456	1,179	42,339	1,883

General Fund miscellaneous receipts in 2008-09 are projected to be $2.1 billion, down $419 million from 2007-08. This decrease is primarily the result of the loss of certain receipts from the Power Authority and a decrease in abandoned property collections. General Fund miscellaneous receipts are projected to be up $402 million from 2008-09. Receipts are expected to remain relatively constant in 2010-11.

2007-08 DISBURSEMENTS FORECAST

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

** Unaudited year-end results.*

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

In 2007-08, General Fund spending, including transfers to other funds, is projected to total $53.7 billion. State Funds spending, which includes both the General Fund and spending from other funds supported by assessments, tuition, HCRA resources and other non-Federal revenues, is projected to total $83.8 billion in 2007-08. All Funds spending, the broadest measure which includes Federal aid, is projected to total $120.7 billion in 2007-08.

The major sources of annual spending change between 2006-07 and 2007-08 are summarized in the following table.

Enacted Budget Spending Projections
Major Sources of Annual Change from 2006-07 to 2007-08
(millions of dollars)

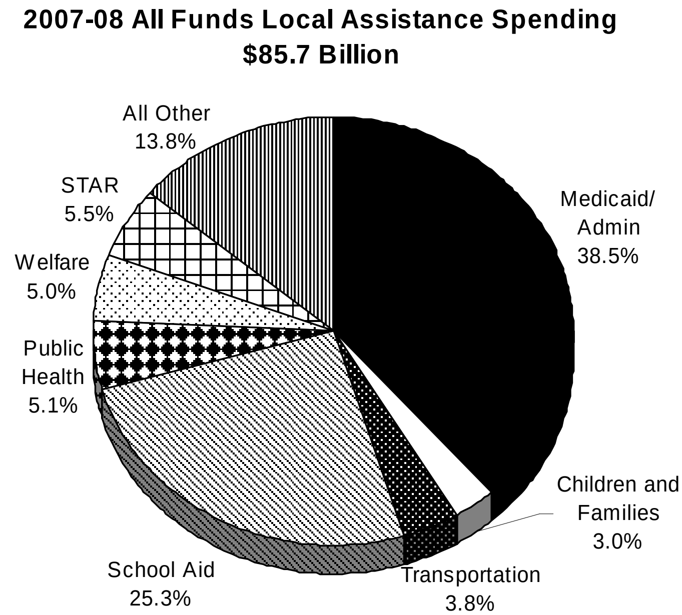
	General Fund	Other State Funds	State Funds	Federal Funds	All Funds
2006-07 Results	**51,591**	**25,720**	**77,311**	**35,453**	**112,764**
Major Functions					
Public Health:					
Medicaid	(43)	(140)	(183)	(41)	(224)
Medicaid Cap/FHP Takeover	204	0	204	0	204
Public Health	145	265	410	321	731
K-12 Education:					
School Aid	1,506	154	1,660	46	1,706
All Other Education Aid	182	30	212	53	265
STAR	0	736	736	0	736
Higher Education	266	290	556	42	598
Social Services:					
Temporary and Disability Assistance	128	6	134	95	229
Children and Family Services	194	8	202	85	287
Mental Hygiene	261	71	332	129	461
Transportation	46	821	867	157	1,024
General State Charges	127	20	147	16	163
Debt Service	(327)	10	(317)	0	(317)
All Other Changes					
Economic Development	148	728	876	5	881
Homeland Security	47	0	47	331	378
Judiciary	84	42	126	1	127
World Trade Center	0	0	0	98	98
Elections	4	7	11	66	77
Environmental Conservation	13	69	82	(3)	79
Local Government Aid	(213)	0	(213)	0	(213)
Criminal Justice Services	30	26	56	(69)	(13)
Capital/Other Transfers	(865)	865	0	0	0
All Other	156	367	523	111	634
2007-08 Enacted Budget	**53,684**	**30,095**	**83,779**	**36,896**	**120,675**
Annual Dollar Change	*2,093*	*4,375*	*6,468*	*1,443*	*7,911*
Annual Percent Change	*4.1%*	*17.0%*	*8.4%*	*4.1%*	*7.0%*
Adjusted Annual Change excluding Capital Projects spending growth					
Dollar Change	*n/a*	*2,843*	*4,936*	*1,182*	*6,118*
Percent Change	*n/a*	*13.0%*	*6.7%*	*3.5%*	*5.7%*

In general, the forecasts are described in two parts: the first describes the current services estimate for the 2007-08 fiscal year for major programs or activities; the second summarizes the Enacted Budget actions. The combination of current services spending growth and Enacted Budget actions produce the resulting annual change in spending.

The current services estimates are based on agency staffing levels, program caseloads, formulas contained in State and Federal law, inflation and other factors. The factors that affect spending estimates vary by program. For example, welfare spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends, projected economic conditions, and changes in Federal law. In correctional services, spending estimates are based in part on estimates of the State's prison population, which in turn depend on forecasts of incarceration rates, release rates, and conviction rates. All projections account for the timing of payments, since not all the amounts appropriated in the budget are disbursed in the same fiscal year.

Grants to Local Governments

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



In 2007-08, All Funds spending for local assistance is expected to total $85.7 billion. Total spending comprises State aid to medical assistance providers and public health programs ($37.5 billion), State aid to school districts, universities, and TAP ($31.5 billion), Temporary and Disability Assistance ($4.3 billion), mental hygiene programs ($3.5 billion), transportation ($2.9 billion), children and family services ($2.6 billion), and local government assistance ($943 million). Other local assistance programs include criminal justice, economic development, housing, parks and recreation, and environmental quality.

Local Assistance Spending Projections (millions of dollars)

	2006-07 Results	2007-08 Enacted	Annual Change	Percent Change
General Fund	**34,302**	**37,158**	**2,856**	**8.3**
Other State Support	15,575	16,984	1,409	8.9
State Funds	**49,877**	**54,142**	**4,265**	**8.5**
Federal Funds	30,848	31,512	664	2.2
All Funds	**80,725**	**85,654**	**4,929**	**6.1**

The following chart highlights local assistance annual spending changes from 2006-07 to 2007-08 by major program and/or agency.

Local Assistance Spending Projections Major Sources of Annual Change (millions of dollars)			
	General Fund	**State Funds**	**All Funds**
2006-07 Results (unaudited)	**34,302**	**49,877**	**80,725**
School Aid	1,506	1,659	1,706
STAR	0	736	736
Public Health	138	93	393
Mental Hygiene	253	325	326
Homeland Security	0	0	325
Children and Families	174	175	267
Transportation	46	541	261
Temporary and Disability Assistance	118	123	203
Environmental Conservation	7	96	161
Medicaid (incl Admin)	161	22	(21)
All Other	453	495	572
2007-08 Enacted Budget	**37,158**	**54,142**	**85,654**
Annual Dollar Change	*2,856*	*4,265*	*4,929*
Annual Percent Change	*8.3%*	*8.6%*	*6.1%*

For 2007-08, All Funds local assistance spending is projected to total $85.7 billion, an increase of $4.9 billion (6.1 percent) over 2006-07 results. The growth is primarily driven by projected increases in School Aid ($1.7 billion), STAR spending ($736 million) which includes the expanded Middle Class STAR program, Public Health ($393 million), Mental Hygiene ($326 million), and Homeland Security ($325 million).

These annual changes in local assistance, as further categorized by current service requirements in addition to Enacted Budget savings and new initiatives, are outlined in more detail below.

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Local Assistance
Sources of Annual Spending Increase/(Decrease) from 2006-07 to 2007-08
(millions of dollars)

	General Fund	Other State Funds	Federal Funds	All Funds
Current Services:	**2,902**	**36**	**852**	**3,790**
Medicaid (incl Admin)	938	(383)	459	1,014
School Aid	768	154	46	968
Homeland Security	0	0	325	325
Mental Hygiene	255	30	1	286
Public Health	88	205	19	312
Children and Families	173	1	92	266
Temporary and Disability Assistance	156	6	95	257
Other Education	108	13	53	174
Transportation	45	237	(280)	2
STAR	0	(275)	0	(275)
All Other	371	48	42	461
Enacted Savings:	**(1,206)**	**15**	**(581)**	**(1,772)**
Medicaid Actions	(834)	219	(574)	(1,189)
Public Health	(49)	(185)	0	(234)
Local Government Assistance	(213)	0	0	(213)
Temporary and Disability Assistance	(37)	0	0	(37)
Children and Families	(27)	0	0	(27)
All Other	(46)	(19)	(7)	(72)
New Initiatives:	**1,160**	**1,358**	**393**	**2,911**
Middle Class STAR	0	1,011	0	1,011
School Aid	738	0	0	738
Public Health/F-SHRP	93	24	311	428
MTA/Transit Assistance	1	297	0	298
Other Education	97	0	0	97
Medicaid	57	24	74	73
Mental Hygiene	37	5	0	42
Children and Families	29	0	0	29
Community College Base Aid	26	0	0	26
All Other	82	(3)	8	87
Total Annual Change	**2,856**	**1,409**	**664**	**4,929**

Current Services

For 2007-08, on an All Funds basis, current service requirements increase by $3.8 billion above 2006-07 results. Over half of this increase is concentrated in School Aid and Medicaid ($1.0 billion each). Specific initiatives are described in more detail below.

Medicaid Program Growth: General Fund Medicaid spending is growing due to several factors, including the increasing cost of providing health care services, the rising number of recipients, and increases in medical service utilization in nursing homes and managed care programs. Other changes affecting growth include increases in managed care premiums and escalating prescription drug costs. Program growth in 2007-08 is partially offset in the General Fund by the prepayment in 2006-07 of expenses for Supplemental Medical Insurance and a Medicare Part D payment to the Federal government and by the timing of the use of certain assessment and drug rebate revenues. In Federal Funds, growth is partially reduced by the payment in 2006-07 instead of 2007-08 of certain Federal disproportionate share aid to hospitals. The number of Medicaid recipients is projected to reach 3.8 million in 2007-08, an increase of 4.0 percent over the current fiscal year.

School Aid: Growth reflects the balance of the 2006-07 school year increase and the level of spending growth which was already projected in the State's current services plan. School aid commitments are made on a July 1 starting school-year basis, thus, each fiscal year, there is a "tail" of payments related to the prior-school year increase (roughly 30 percent of the prior-year total).

Homeland Security: As a result of the continued centralization of all "homeland security" grants, Federal grants previously budgeted in Criminal Justice Services have been transferred to the Office of Homeland Security (roughly $100 million). In addition, delays in Federal Homeland Security spending resulted in approximately $131 million of this spending being shifted from 2006-07 to 2007-08.

Mental Hygiene: Reflects increases in existing program commitments and mandates for the Office of Mental Retardation and Developmental Disabilities (OMRDD), the Office of Mental Health (OMH), and the Office for Alcohol and Substance Abuse Services (OASAS).

Public Health: Reflects increases in existing program commitments for Elderly Pharmaceutical Insurance Coverage (EPIC), the Early Intervention Program, and other reimbursements to local governments for the cost of providing local public health services.

Children and Families: Largely reflects the human services cost of living adjustment (COLA) and other legislative additions to services provided to children and families.

Temporary and Disability Assistance: Temporary Assistance for Needy Families (TANF) and Supplemental Security Income (SSI) are expected to increase over the prior year.

Other Education: Aid to non-public schools and special education costs are expected to increase over the prior year.

Transportation: Largely reflects timing of transit aid.

STAR: Reflects the replacement of the 2006-07 property tax rebate program with the new Middle Class STAR rebate program, partly offset by program growth in other STAR tax exemptions and Personal Income Tax (PIT) relief.

Enacted Savings

Nearly two-thirds of the Enacted Budget's All Funds and General Fund local assistance savings plan relies on Medicaid actions ($1.2 billion). Other significant savings actions are described in more detail below.

Medicaid Actions: Largely reflects a strengthening of anti-fraud capabilities, a change in 2007 rates, pharmaceutical savings, and a reduction in workforce recruitment and retention.

Public Health: Reflects program reductions and other savings initiatives in public health programs, particularly in EPIC, Early Intervention, and programs financed by the Health Care Reform Act (HCRA).

Local Government Assistance: Largely reflects a one-time reduction in New York City's unrestricted local government assistance, part of which is invested in funding for distressed municipalities.

Temporary and Disability Assistance: Reflects the reprogramming of TANF funding.

Children and Families: Largely reflects a cap on the rate of reimbursable growth for certain services and implementation delays in certain programs.

New Initiatives

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

Middle Class STAR: Reflects an increased fiscal year cash impact of $1.0 billion in 2007-08. Middle Class STAR is targeted to benefit homeowners with incomes of $250,000 or less, based on a sliding scale increase in benefits. Under the 2007-08 STAR program, homeowners will get an increase of approximately 60 percent in their STAR savings via a rebate check if their household income is $90,000 or less ($120,000 or less in the New York City metropolitan region).

School Aid: This amount represents the new school year commitments related to the 2007-08 school year increase of $1.8 billion, approximately 70 percent of which is payable in the State's 2007-08 fiscal year. The school aid growth reflects increased funding for a new Foundation Aid Program (which represents $13.6 billion of total school aid funding of $19.6 billion), an expansion in the Universal Prekindergarten program ($146 million) and an increase in Transportation Aid ($81 million).

Public Health/F-SHRP: Reflects the disbursement of Federal aid pursuant to the Federal-State Health Reform Partnership Program (F-SHRP), and other public health investments.

MTA/Transit Assistance: Largely reflects State aid increases to the Metropolitan Transit Authority (MTA), which will be financed with existing dedicated fund balances.

Other Education: Includes additional aid for non-public schools to comply with State attendance-taking requirements, additional funding for a variety of legislative initiatives, and other additional aid.

Medicaid: New initiatives include the simplification of enrollment, long-term care initiatives, demonstration projects for high-cost users, and additional hospital funding.

Mental Hygiene: Reflects Enacted Budget initiatives at OMH, OMRDD, and OASAS.

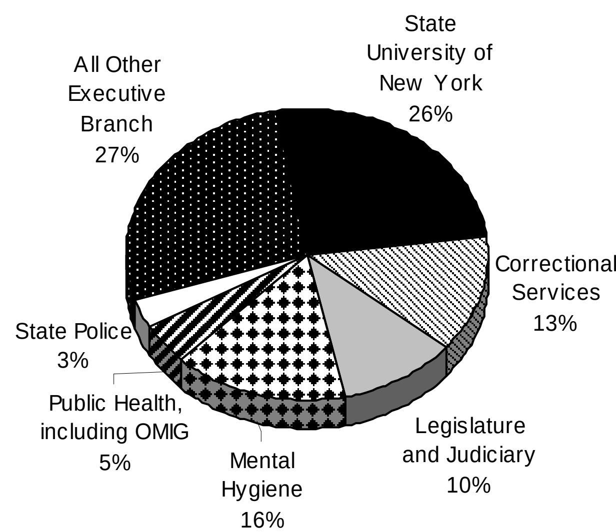
Chilren and Families: The Enacted Budget provides additional funding for programs serving children and families.

Community College Base Aid: For the 2007-08 academic year, base operating aid for SUNY and CUNY community colleges will be raised by $150 per full-time student to a total of $2,675 per full-time student.

State Operations

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

2007-08 All Funds State Operations Spending - $18.7 Billion



All Funds State Operations spending is projected at $18.7 billion in 2007-08, which finances the costs of Executive Branch agencies ($16.7 billion) and the Legislature and Judiciary ($1.9 billion). The largest executive branch agencies include SUNY ($4.8 billion; 39,834 Full Time Equivalent Employees (FTEs)), Correctional Services ($2.4 billion; 31,756 FTEs), Mental Hygiene ($2.9 billion; 40,422 FTEs), Public Health, including Office of the Medicaid Inspector General (OMIG) ($842 million; 6,674 FTEs), and State Police ($627 million; 5,927 FTEs).

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

The State workforce, which reflects full-time employees of the Executive Branch, excluding the Legislature, Judiciary, and contractual labor, is projected to total 198,413 in 2007-08, an increase of 2,887 FTEs over 2006-07 levels. Increases are expected in Mental Hygiene agencies (504 FTEs) primarily due to staffing related to the Sex Offender Management and Treatment Act and the NYS-CARES II program; the Office of the Medicaid Inspector General (284 FTEs), reflecting staffing growth needed for Medicaid audit and fraud prevention activities; Health (427 FTEs) and Labor (415 FTEs) reflecting authorized fill levels for 2007-08; Law (277 FTEs) due to several initiatives including Medicaid Fraud Investigation, the sex offender initiative, and Project Sunlight; Tax and Finance (158 FTEs) for enhanced compliance; and OCFS (215 FTEs) primarily for the addition of direct-care staff to improve the health and safety of youth and staff at youth facilities, offset by other changes.

State Operations Spending Projections
(millions of dollars)

	2006-07 Results	2007-08 Enacted	Annual Change	Percent Change
General Fund	**9,319**	**9,620**	**301**	**3.2%**
Other State Support	5,195	5,821	626	12.1%
State Funds	**14,514**	**15,441**	**927**	**6.4%**
Federal Funds	3,013	3,285	272	9.0%
All Funds	**17,527**	**18,726**	**1,199**	**6.8%**

All Funds State Operations spending is expected to total $18.7 billion in 2007-08, comprised of Personal Services PS ($12.0 billion) and Non-Personal Service NPS ($6.7 billion). The majority of State Operations spending is for SUNY ($4.8 billion), Correctional Services ($2.4 billion), Judiciary ($1.9 billion), OMRDD ($1.5 billion) and OMH ($1.3 billion).

State Operations spending by category, based upon historical spending trends, is allocated among employee base salaries (62 percent), overtime payments (3 percent), contractual services (23 percent), supplies and materials (6 percent), employee travel (1 percent) and other operational costs (5 percent).

All Funds State Operations Spending Projections
Major Sources of Annual Change
(millions of dollars)

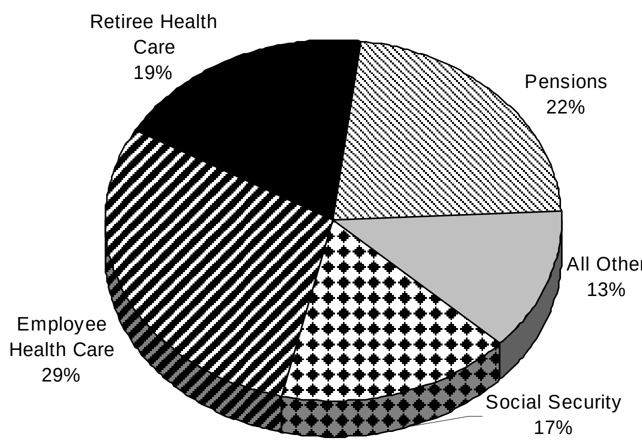
	Personal Service	Non-Personal Service	State Operations
2006-07 Results (unaudited)	**11,555**	**5,972**	**17,527**
State University of New York	168	187	355
Insurance Department	(19)	137	118
Health, including OMIG	51	63	114
Judiciary	66	27	93
Mental Retardation	45	27	72
Mental Health	85	(28)	57
Homeland security	35	18	53
City University of New York	45	8	53
Tribal State Compact	0	40	40
Wireless Network	1	33	34
Correctional Services	(125)	53	(72)
All Other	107	169	276
2007-08 Enacted Budget	**12,023**	**6,703**	**18,726**
Annual Dollar Change	*468*	*731*	*1,199*
Annual Percent Change	*4.1%*	*12.2%*	*6.8%*

All Funds State Operations spending increase of $1.2 billion (6.8 percent) is primarily driven by projected increases in SUNY ($355 million), the Insurance Department ($118 million), Public Health ($114 million), Judiciary ($93 million), OMRDD ($72 million), OMH ($57 million), Homeland Security ($53 million), and CUNY ($53 million), partially offset by a projected decline in DOCS ($72 million).

General State Charges

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

General State Charges
2007-08 All Funds Spending - $5.4 billion



General State Charges Spending Projections (millions of dollars)				
	2006-07 Results	**2007-08 Enacted**	**Annual Change**	**Percent Change**
General Fund	**4,403**	**4,530**	**127**	**2.9%**
Other State Support	594	614	20	3.4%
State Funds	**4,997**	**5,144**	**147**	**2.9%**
Federal Funds	226	242	16	7.1%
All Funds	**5,223**	**5,386**	**163**	**3.1%**

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

All Funds spending on General State Charges is expected to total $5.4 billion in 2007-08, and comprises health insurance spending for employees ($1.6 billion) and retirees ($1.0 billion), pensions ($1.2 billion) and social security ($873 million).

Debt Service

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

Debt Service Spending Projections (millions of dollars)				
	2006-07 Results	2007-08 Enacted	Annual Change	Percent Change
General Fund	**1,906**	**1,579**	**(327)**	**-17.2%**
Other State Support	2,545	2,555	10	0.4%
State Funds	**4,451**	**4,134**	**(317)**	**-7.1%**
All Funds	**4,451**	**4,134**	**(317)**	**-7.1%**

All Funds debt service is projected at $4.1 billion in 2007-08, of which $1.58 billion is paid from the General Fund through transfers and $2.6 billion from other State funds, primarily dedicated taxes. The year-to-year decrease is due to the timing of payments which were made at the end of 2006-07 (absent such payments, 2007-08 debt service would have increased by an estimated 4.3 percent). Debt service is paid on revenue credits supported by dedicated taxes and fees and patient income, including Personal Income Tax Revenue Bonds, DHBTF bonds and Mental Health facilities bonds, as well as service contract bonds that are secured mainly by the General Fund. For more information, see the "Debt and Other Financing Activities" section later in this AIS.

Capital Projects

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

Capital Projects Spending Projections (millions of dollars)				
	2006-07 Results	2007-08 Enacted	Annual Change	Percent Change
General Fund	**389**	**82**	**(307)**	**-78.9%**
Other State Support	3,432	5,271	1,839	53.6%
State Funds	**3,821**	**5,353**	**1,532**	**40.1%**
Federal Funds	1,737	1,999	262	15.1%
All Funds	**5,558**	**7,352**	**1,794**	**32.3%**

All Funds capital spending of $5.6 billion in 2006-07 is projected to increase to $7.3 billion in 2007-08. In fiscal year 2007-08, transportation spending, primarily for improvements and maintenance to the State’s highways and bridges, continues to account for the largest share (57 percent) of this total. The balance of projected spending will support capital investments in the areas of education (9 percent), mental hygiene and public protection (9 percent), economic development and government oversight (8 percent), parks and the environment (8 percent), and health and social welfare, general government, and other areas (9 percent). For more information, see the "Debt and Other Financing Activities" section later in this AIS

Other Financing Sources/(Uses)

Every year, the State authorizes the transfer of resources among funds and accounts. All Funds transfers from other funds are expected to total $21.3 billion and comprise of $11.9 billion in the General Fund, $3.7 billion in the Special Revenue Funds, $5.5 billion in the Debt Service Funds and $293 million in the Capital Projects Funds.

All Funds transfers to other funds are also expected to total $21.3 billion and comprise $2.4 billion in the General Fund, $3.6 billion in the Special Revenue Funds, $14.4 billion in the Debt Service Funds and $947 million in the Capital Projects Funds.

The most significant General Fund transfer to other funds is for general debt service ($1.6 billion). Other significant General Fund transfers to other funds include Judiciary transfers to the Court Facilities Incentive Aid Fund, New York City County Clerks Fund, and Judiciary Data Processing Fund ($211 million, total) and transfers representing payments for patients residing in State-operated Health, Mental Hygiene and State University facilities ($174 million), SUNY hospital subsidy payments ($110 million), and to the Capital Projects fund for pay-as-you-go projects ($82 million). All other transfers to other funds totaled $219 million; the most significant include $69 million for the payment of banking services, $33 million for transit, $25 million for stem cell research, and $20 million for OMRDD.

Of the $11.9 billion General Fund transfer from other funds, $11.3 billion results from dedicated Personal Income, Sales and Real Estate Transfer taxes above required debt service. All other fund/account sweeps total $537 million, the largest of which include $133 million from the Tribal-State Compact, $100 million in miscellaneous special revenue sweeps, $28 million from DMV, $27 million from the Hazardous Waste Fund, and $21 million from the Cultural Education account.

General Fund Financial Plan Outyear Projections

Impact of Enacted Budget on Gap Forecast

The actions included in the 2007-08 Enacted Budget result in a balanced General Fund Financial Plan in 2007-08 and projected outyear gaps of $3.1 billion in 2008-09, $4.8 billion in 2009-10, and $6.6 billion in 2010-11.

The projected spending increases are driven by rising costs for public health care, the State-financed cap on local Medicaid spending, employee and retiree health benefits, mental hygiene services, child welfare programs, as well as the new initiatives for school aid and health care. Over the same period, General Fund receipts are estimated to grow at just over 4 percent a year (after tax cuts), consistent with the DOB's forecast of moderating economic growth.

The following table summarizes the Financial Plan projections on the 2008-09 through 2010-11 budget gaps, as well as the annual changes in projected receipts, disbursements, the use of reserves, and changes in fund balances.

General Fund Enacted Budget Forecast (millions of dollars)				
	2007-2008	**2008-2009**	**2009-2010**	**2010-2011**
Receipts:				
Taxes:				
Personal income tax	22,885	24,128	25,576	26,979
User taxes and fees	8,565	8,900	9,213	9,539
Business taxes	6,679	6,807	7,113	7,392
Other taxes	1,135	1,211	1,342	1,425
Miscellaneous receipts	2,485	2,054	2,456	2,459
Federal grants	59	59	59	59
Transfers from other funds	11,864	12,020	12,499	13,015
PIT in excess of Revenue Bond debt service	8,445	8,765	9,133	9,505
Sales tax in excess of LGAC debt service	2,320	2,363	2,469	2,579
Real estate taxes in excess of CW/CA debt service	561	614	670	672
All other	538	278	227	259
Total receipts	**53,672**	**55,179**	**58,258**	**60,868**
Disbursements:				
Grants to local governments	37,158	40,951	44,762	48,347
State operations	9,620	9,999	10,398	10,644
General State Charges	4,530	4,949	5,342	5,646
Transfers to other funds	2,376	2,851	2,993	3,408
Debt service	1,579	1,709	1,706	1,740
Capital projects	82	277	489	862
Other purposes	715	865	798	806
Total disbursements	**53,684**	**58,750**	**63,495**	**68,045**
Change in Reserves:				
Debt Reduction Reserve Fund	250	0	0	0
Rainy Day Reserve Fund	175	0	0	0
Community Projects Fund	75	(65)	(65)	(151)
Prior Year Surpluses	(512)	(401)	(401)	(401)
Deposit to/(Use of Gap)	**(12)**	**(466)**	**(466)**	**(552)**
Enacted Budget Surplus/(Gap) Estimate	0	(3,105)	(4,771)	(6,625)

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

The following chart provides a "zero-based" look at the causes of the 2008-09 General Fund budget gap, followed by a brief summary of the assumptions behind the projections. Detailed explanation of the assumptions underlying the outyear revenue and spending projections appear elsewhere in this section.

2008-09 General Fund Annual Change Savings/(Costs) (millions of dollars)	2008-09
RECEIPTS	**1,507**
Constant Law Growth	3,267
Existing Tax Reductions	(130)
Uncommon Audit Collections	(117)
Change in STAR Tax Cuts	(650)
Change in Debt Service (RBTF/LGAC/CWCA)	(370)
Non-recurring 2007-08 Payments (NYPA; SONYMA; Hurricane Katrina)	(299)
Non-recurring Abandoned Property	(84)
All Other	(110)
DISBURSEMENTS	**(5,066)**
Local Assistance	**(3,793)**
Medicaid	(2,104)
Program Growth/Other	(1,255)
Medicaid Cap/Family Health Plus Takeover	(374)
Change in HCRA/Provider Assessment Financing	(475)
School Aid	(876)
Local Government Assistance	(380)
Mental Hygiene	(219)
Children and Family Services	(149)
All Other Local Assistance	(65)
State Operations	**(379)**
Personal Service	(215)
Non-personal Service	(164)
General State Charges	**(419)**
Health Insurance	(363)
Pensions	(41)
All Other	(15)
Transfers to Other Funds	**(475)**
Debt Service	(130)
Capital Projects	(195)
All Other	(150)
Use of Reserves (net)	**454**
CURRENT SERVICES BUDGET GAP FOR 2008-09	**(3,105)**

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

- **Economic growth will continue during the forecast period.** DOB's forecast calls for moderate expansion in the economy. The momentum of the State's expansion appears to have peaked in 2005, and the forecast calls for positive, but slowing, growth in 2007 and a return to trend growth in the outyears.

- **Revenues, adjusting for tax law changes, will grow in the range of 5 percent to 6 percent annually.** The growth rate is consistent with DOB's forecast for the economy, but, as in any year, is subject to significant volatility. Changes in the economic growth rate, Federal law, and taxpayer behavior all have a significant influence on receipts collections.
- **The Federal government will not make substantive funding changes** to major aid programs or make substantive regulatory changes that adversely affect the State.
- **The projections do not include any extra costs for new labor settlements** or pay increases for judges or elected officials. Current labor contracts expired on April 1, 2007. Each 1 percent salary increase is valued at $86 million in the General Fund and $134 million in All Funds.
- **The projections do not assume the use of one-time resources.** In a typical year, the Financial Plan will include in the range of $500 million in such resources and DOB expects similar levels could be achieved in the future.

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

Outyear General Fund Disbursement Projections

DOB forecasts General Fund spending of $58.8 billion in 2008-09, an increase of $5.1 billion (9.4 percent) over projected 2007-08 levels. Growth in 2009-10 is projected at $4.7 billion (8.1 percent) and in 2010-11 at $4.6 billion (7.2 percent). The growth levels are based on current services projections, as modified by the actions contained in the 2007-08 Enacted Budget. **The State Constitution requires the Governor to annually submit a balanced budget to the Legislature. The current estimates do not incorporate any proposals to control spending that are likely to be part of any balanced budget submission in 2008-09 and in future years.** The main sources of annual spending growth for 2008-09, 2009-10, and 2010-11 are itemized in the following table.

General Fund Disbursement Projections (millions of dollars)							
	2007-08	**2008-09**	**Annual $ Change**	**2009-10**	**Annual $ Change**	**2010-11**	**Annual $ Change**
Grants to Local Governments:	**37,158**	**40,951**	**3,793**	**44,762**	**3,811**	**48,347**	**3,585**
School Aid	16,170	17,046	876	18,576	1,530	20,358	1,782
Medicaid	8,081	9,811	1,730	11,166	1,355	11,893	727
Medicaid: Takeover Initiatives	974	1,348	374	1,898	550	2,453	555
Higher Education	2,388	2,460	72	2,515	55	2,542	27
Mental Hygiene	1,858	2,077	219	2,244	167	2,349	105
Children and Families Services	1,530	1,679	149	1,782	103	1,875	93
Temporary and Disability Assistance	1,394	1,438	44	1,434	(4)	1,429	(5)
Special Education - Categorical	1,025	1,083	58	1,145	62	1,210	65
Local Government Assistance	943	1,323	380	1,364	41	1,420	56
Public Health	719	771	52	756	(15)	766	10
Transportation	106	105	(1)	105	0	104	(1)
All Other	1,970	1,810	(160)	1,777	(33)	1,948	171
State Operations:	**9,620**	**9,999**	**379**	**10,398**	**399**	**10,644**	**246**
Personal Service	6,709	6,924	215	7,156	232	7,268	112
Non-Personal Service	2,911	3,075	164	3,242	167	3,376	134
General State Charges	**4,530**	**4,949**	**419**	**5,342**	**393**	**5,646**	**304**
Pensions	1,185	1,226	41	1,330	104	1,332	2
Health Insurance (Active Employees)	1,586	1,808	223	1,972	164	2,152	180
Health Insurance (Retired Employees)	1,007	1,148	141	1,255	107	1,373	118
All Other	752	769	17	785	16	789	4
Transfers to Other Funds:	**2,376**	**2,851**	**475**	**2,993**	**142**	**3,408**	**415**
Debt Service	1,579	1,709	130	1,706	(3)	1,740	34
Capital Projects	82	277	195	489	212	862	373
All Other	715	865	150	798	(67)	806	8
Total Disbursements	**53,684**	**58,750**	**5,066**	**63,495**	**4,745**	**68,045**	**4,550**

Grants to Local Governments

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

Forecast for Selected Program Measures Affecting Local Assistance (millions of dollars)					
	Actual	Forecast			
	2006-07 *	2007-08	2008-09	2009-10	2010-11
Medicaid					
Medicaid Coverage (excl. FHP)	3,690,578	3,854,312	4,008,484	4,168,824	4,335,577
Medicaid Inflation	1.4%	1.8%	4.4%	4.7%	4.3%
Medicaid Utilization	1.1%	1.4%	3.4%	3.5%	3.3%
State Takeover of County/NYC Costs					
- Family Health Plus	$438	$477	$518	$530	$547
- Medicaid	$332	$497	$830	$1,368	$1,906
Education					
School Aid (School Year)	$17,900	$19,600	$21,000	$23,200	$25,500
K-12 Enrollment	2,794,393	2,761,450	2,761,450	2,761,450	2,761,450
Public Higher Education Enrollment (FTEs)	503,538	515,178	515,178	515,178	515,178
TAP Recipients	323,000	318,000	318,000	318,000	318,000
Welfare					
Family Assistance Caseload	415,200	397,600	393,000	391,900	391,400
Single Adult/No Children Caseload	150,600	155,400	155,400	154,100	152,600
Mental Hygiene					
Mental Hygiene Community Beds	84,465	87,409	90,196	92,462	94,271

School Aid

On a school year basis, school aid is projected at $21.0 billion in 2008-09, $23.2 billion in 2009-10, and $25.5 billion in 2010-11. On a State fiscal year basis, General Fund school aid spending is projected to grow by $875 million in 2008-09, $1.5 billion in 2009-10, and $1.8 billion in 2010-11. Outside the General Fund, revenues from lottery sales are projected to increase by $63 million in 2008-09, $97 million in 2009-10, and $27 million in 2010-11, to a total of $2.2 billion in 2008-09 growing to $2.3 billion in 2010-11. In addition, VLT revenues are projected to increase by $476 million in 2008-09, $286 million in 2009-10, and $430 million in 2010-11, to a total of $1.1 billion in 2008-09 and growing to $1.8 billion in 2010-11. The VLT estimates assume the start of operations at Aqueduct by April 2008 and the approval of a proposed expansion plan in 2007-08, which is expected to provide $150 million of the increase planned in 2008-09, growing to $766 million in additional revenue provided in 2010-11.

The Financial Plan assumes that certain school aid initiatives included in the 2007-08 Enacted Budget are non-recurring. Specifically, High Tax Aid ($100 million); Supplemental Public Excess Cost Aid ($21 million) and the New York City Academic Achievement Grant ($89 million). In future years, projected school aid increases are primarily due to increases in Foundation Aid; Universal Prekindergarten expansion; and increases in expense-based aids such as Building Aid and Transportation Aid as detailed in the following table.

Four Year School Aid Projection -- School Year Cumulative Increase (millions of dollars)				
	Enacted	Forecast		
	2007-08	2008-09	2009-10	2010-11
Foundation Aid	1,092	2,343	3,858	5,512
Universal Prekindergarten	103	200	300	350
Additional Prekindergarten	43	0	0	0
High Tax Aid	100	0	0	0
Supplemental Public Excess Cost	21	0	0	0
New York City Academic Achievement Grant	89	0	0	0
EXCEL Building Aid	112	184	197	197
Expense-Based Aids (Building, Transportation, High Cost and Private Excess Cost, BOCES)	142	332	785	1,280
Other Aid Categories/Initiatives/Miscellaneous Growth	63	63	200	300
School Aid Subtotal	**1,765**	**3,122**	**5,340**	**7,639**
Other: SED State Operations--Accountability Initiative	15	20	20	20
Total Cumulative Increase	**1,780**	**3,142**	**5,360**	**7,659**

Medicaid

The Financial Plan projects that General Fund spending for Medicaid will grow by roughly $2.1 billion in 2008-09, $1.9 billion in 2009-10, and another $1.3 billion in 2010-11.

Major Sources of Annual Change in Medicaid Growth General Fund (billions of dollars)			
	Increase from Prior Year		
	2008-09	2009-10	2010-11
Price/Utilization/Admin Growth	1.1	1.0	1.0
Timing	0.2	0.0	0.0
Extra Weekly Payment	0.0	0.3	(0.3)
Medicaid Cap/FHP Takeover	0.4	0.6	0.6
Provider Assessments	0.1	0.0	0.0
HCRA Financing	0.3	0.0	0.0
Total	**2.1**	**1.9**	**1.3**

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

The average number of Medicaid recipients is expected to grow to 4 million in 2008-09, an increase of 4.0 percent from the estimated 2007-08 caseload of more than 3.8 million. FHP enrollment is estimated to grow to approximately 556,000 in 2008-09, an increase of 3 percent over projected 2007-08 enrollment of 540,000.

Mental Hygiene

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

Children and Family Services

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

Temporary and Disability Assistance

Spending is projected at $1.4 billion in 2008-09, an increase of $44 million (3.2 percent) from 2007-08, and is expected to remain at virtually the same level in 2009-10 and 2010-11. Caseloads for family assistance and single adult/childless couples are projected to decline marginally. This reduction is more than countered by the reduced availability of Federal TANF to support public assistance costs, thereby increasing General Fund spending growth.

Other Local

All other local assistance programs total $7.6 billion in 2008-09, an increase of approximately $400 million over 2007-08 Enacted levels. This growth in spending results primarily from increases in local government assistance ($380 million) as unrestricted aid to New York City is expected to return to prior-year levels ($308 million increase) and additional AIM funding for "high need" municipalities increases another $50 million above 2007-08 levels.

State Operations

Forecast of Selected Program Measures Affecting State Operations	Actual	Forecast			
	2006-07	2007-08	2008-09	2009-10	2010-11
State Operations					
Prison Population (Corrections)	63,577	63,400	63,400	63,400	63,400
Negotiated Salary Increases (1)	3.00%	0.0%	0.0%	0.0%	0.0%
Personal Service Inflation	0.8%	0.8%	0.8%	0.8%	0.8%
State Workforce	195,526	198,413	199,184	199,184	199,184

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

State Operations spending is expected to total $10.0 billion in 2008-09, an annual increase of $379 million (3.9 percent). In 2009-10, spending is projected to grow by another $399 million to a total of $10.4 billion (3.9 percent). Spending in 2010-11 is projected to total $10.6 billion, $246 million above 2009-10 levels (2.4 percent). In all years, normal salary adjustments and increased staffing levels, primarily in mental health and corrections, drive higher personal service costs. Inflationary increases for non-personal service costs result in higher spending in all years. Additional growth is driven by spending for ongoing initiatives, including the civil commitment program Sexually Violent Offender and increasing medical and pharmacy costs in the areas of mental hygiene and corrections. The projections do not include any reserve for labor settlements after the current round of contracts, which expired on April 1, 2007 (United University Professions will expire on July 1, 2007).

General State Charges (GSCs)

Forecast of Selected Program Measures Affecting General State Charges	Actual	Forecast			
	2006-07	2007-08	2008-09	2009-10	2010-11
General State Charges					
Pension Contribution Rate	10.2%	9.5%	9.9%	11.0%	11.0%
Employee/Retiree Health Insurance Rate	10.4%	6.6%	14.0%	9.2%	9.2%

GSCs are projected to total $5.0 billion in 2008-09, $5.3 billion in 2009-10 and $5.6 billion in 2010-11. The annual increases are due mainly to anticipated cost increases in pensions and health insurance for State employees and retirees.

The State's pension contribution rate to the New York State and Local Retirement System is expected to increase from 9.5 percent of salary in 2007-08 to 9.9 percent in 2008-09 and 11.0 percent in 2009-10 and 2010-11. Pension spending in 2008-09 is projected to increase by $41 million over 2007-08 due to anticipated increases in the employer contribution rate. In 2009-10, spending is projected to grow by another $104 million to a total of $1.3 billion, and remains virtually unchanged in 2010-11. Spending for employee and retiree health care costs is expected to increase by $364 million in 2008-09, $271 million in 2009-10, and another $298 million in 2010-11 and assumes an average annual premium increase of roughly 10 percent. Health insurance is projected at $3.0 billion in 2008-09 ($1.8 billion for active employees and $1.2 billion for retired employees), $3.3 billion in 2009-10 ($2.0 billion for active employees and $1.3 billion for retired employees), and $3.5 billion in 2010-11 ($2.1 billion for active employees and $1.4 billion for retired employees).

Forecast of New York State Employee Health Insurance (millions of dollars)

	Health Insurance		
Year	**Active Employees**	**Retirees**	**Total State**
2006-07	1,492	940	2,432
2007-08	1,586	1,007	2,593
2008-09	1,808	1,148	2,956
2009-10	1,972	1,255	3,227
2010-11	2,152	1,373	3,525

All numbers reflect the cost of Health Insurance for General State Charges (Executive and Legislative branches) and the Office of Court Administration

Transfers to Other Funds

In 2008-09, transfers to other funds are estimated at $2.9 billion, an increase of $480 million over 2006-07. This increase is primarily attributed to the first in a series of annual transfers to the Dedicated Highway Fund ($37 million) aimed at reducing fund gaps, annual transfers of $50 million to support development of a single State financial management system, annual transfers of $50 million for stem cell research, and a return to normal patterns for SUNY Hospital State subsidy payments ($42 million increase) and debt service requirements ($130 million increase) after an acceleration of 2007-08 payments into 2006-07. In 2009-10 and 2010-11, transfers to other funds are expected to increase by $141 million and $415 million, respectively, as capital transfers to the Dedicated Highway Fund rise by an additional $209 million and $364 million in each of those years.

Financial Plan Reserves

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

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

2007-08 General Fund Estimated Closing Balance (millions of dollars)	
Year-End Fund Balance	**3,033**
Undesignated Reserves	1,227
Tax Stabilization Reserve Fund	1,031
Rainy Day Reserve Fund	175
Contingency Reserve Fund	21
Designated Reserves	1,806
Remaining 2006-07 Surplus	1,203
Debt Reduction Reserve Fund	250
Community Projects Fund	353

The $1.2 billion of undesignated reserves includes a balance of $1 billion in the Tax Stabilization Reserve, which is at its statutory maximum balance of 2 percent of General Fund spending, $175 million in the new Rainy Day Reserve, and $21 million in the Contingency Reserve Fund for litigation risks.

The Enacted Budget reserves another $1.8 billion designated for future use, including $1.2 billion remaining from the projected 2006-07 surplus (the Financial Plan projects that the reserve will be used in equal installments in each of the outyears). In addition, $250 million is set aside for debt reduction and $353 million is reserved in the Community Projects Fund to finance existing initiatives.

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

Cash Flow Forecast

Current projections continue to show relatively healthy monthly balances through the end of 2007-08. In 2007-08, the General Fund is projected to have quarterly-ending balances of $4.2 billion in June 2007, $5.0 billion in September 2007, $2.4 billion in December 2007, and $3.1 billion at the end of March 2008. The lowest projected month-end cash flow balance is $2.4 billion in December 2007. DOB's detailed monthly cash flow projections for 2007-08 are provided later in this section.

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

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

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

	2006-2007 Year-End	Change	2007-2008 Enacted
Opening fund balance	3,257	(212)	3,045
Receipts:			
Taxes:			
Personal income tax	22,939	(54)	22,885
User taxes and fees	8,186	379	8,565
Business taxes	6,468	211	6,679
Other taxes	1,075	60	1,135
Miscellaneous receipts	2,268	217	2,485
Federal grants	151	(92)	59
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,136	1,309	8,445
Sales tax in excess of LGAC debt service	2,093	227	2,320
Real estate taxes in excess of CW/CA debt service	753	(192)	561
All other transfers	310	228	538
Total receipts	51,379	2,293	53,672
Disbursements:			
Grants to local governments	34,302	2,856	37,158
State operations	9,319	301	9,620
General State charges	4,403	127	4,530
Transfers to other funds:			
Debt service	1,906	(327)	1,579
Capital projects	389	(307)	82
Other purposes	1,272	(557)	715
Total disbursements	51,591	2,093	53,684
Change in fund balance	(212)	200	(12)
Closing fund balance	3,045	(12)	3,033
Reserves			
Tax Stabilization Reserve Fund	1,031	0	1,031
Statutory Rainy Day Reserve Fund	0	175	175
Contingency Reserve Fund	21	0	21
Community Projects Fund	278	75	353
Debt Reduction Reserve Fund	0	250	250
2005-2006 Surplus	787	(787)	0
2006-2007 Surplus	1,493	(290)	1,203
2006-2007 Timing Related Transactions	(565)	565	0

Source: NYS DOB

*2006-07 year-end results are preliminary and unaudited.

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

	2007-2008 Enacted	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected
Receipts:				
Taxes:				
Personal income tax	22,885	24,128	25,576	26,979
User taxes and fees	8,565	8,900	9,213	9,539
Business taxes	6,679	6,807	7,113	7,392
Other taxes	1,135	1,211	1,342	1,425
Miscellaneous receipts	2,485	2,054	2,456	2,459
Federal grants	59	59	59	59
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,445	8,765	9,133	9,505
Sales tax in excess of LGAC debt service	2,320	2,363	2,469	2,579
Real estate taxes in excess of CW/CA debt service	561	614	670	672
All other	538	278	227	259
Total receipts	53,672	55,179	58,258	60,868
Disbursements:				
Grants to local governments	37,158	40,951	44,762	48,347
State operations	9,620	9,999	10,398	10,644
General State charges	4,530	4,949	5,342	5,646
Transfers to other funds:				
Debt service	1,579	1,709	1,706	1,740
Capital projects	82	277	489	862
Other purposes	715	865	798	806
Total disbursements	53,684	58,750	63,495	68,045
Deposit to/(use of) Community Projects Fund	75	(65)	(65)	(151)
Deposit to/(use of) Rainy Day Reserve Fund	175	0	0	0
Deposit to/(use of) Debt Reduction Reserve Fund	250	0	0	0
Deposit to/(use of) 2005-06 Surplus	(787)	0	0	0
Deposit to/(use of) 2006-07 Surplus	275	(401)	(401)	(401)
Margin	0	(3,105)	(4,771)	(6,625)

Source: NYS DOB

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

	Executive Proposal	Change	Enacted Budget
Opening fund balance	3,607	(562)	3,045
Receipts:			
Taxes:			
Personal income tax	22,258	627	22,885
User taxes and fees	8,633	(68)	8,565
Business taxes	6,333	346	6,679
Other taxes	1,060	75	1,135
Miscellaneous receipts	2,851	(366)	2,485
Federal grants	59	0	59
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,300	145	8,445
Sales tax in excess of LGAC debt service	2,277	43	2,320
Real estate taxes in excess of CW/CA debt service	560	1	561
All other transfers	335	203	538
Total receipts	52,666	1,007	53,673
Disbursements:			
Grants to local governments	36,384	774	37,158
State operations	9,602	18	9,620
General State charges	4,572	(42)	4,530
Transfers to other funds:			
Debt service	1,752	(173)	1,579
Capital projects	255	(173)	82
Other purposes	683	32	715
Total disbursements	53,248	437	53,685
Change in fund balance	(582)	570	(12)
Closing fund balance	3,025	8	3,033
Reserves			
Tax Stabilization Reserve Fund	1,025	6	1,031
Statutory Rainy Day Reserve Fund	175	0	175
Contingency Reserve Fund	21	0	21
Community Projects Fund	351	2	353
Debt Reduction Reserve Fund	250	0	250
2006-2007 Surplus	1,203	0	1,203

Source: NYS DOB

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

	2006-2007	2007-2008	Annual Change
Personal income tax	22,939	22,885	(54)
User taxes and fees	8,186	8,565	379
Sales and use tax	7,539	7,867	328
Cigarette and tobacco taxes	411	447	36
Motor vehicle fees	(16)	0	16
Alcoholic beverages taxes	194	200	6
Alcoholic beverage control license fees	58	51	(7)
Business taxes	6,468	6,679	211
Corporation franchise tax	3,676	3,904	228
Corporation and utilities tax	626	618	(8)
Insurance taxes	1,142	1,176	34
Bank tax	1,024	981	(43)
Other taxes	1,075	1,135	60
Estate tax	1,063	1,114	51
Gift tax	(10)	0	10
Real property gains tax	0	0	0
Pari-mutuel taxes	21	20	(1)
Other taxes	1	1	0
Total taxes	38,668	39,264	596
Miscellaneous receipts	2,268	2,485	217
Federal Grants	151	59	(92)
Total	41,087	41,808	721

Source: NYS DOB

*2006-07 year-end results are preliminary and unaudited.

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

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

Source: NYS DOB

*2006-07 year-end results are preliminary and unaudited.

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	3,045	3,671	(228)	233	6,721
Receipts:					
Taxes	39,264	8,009	2,166	12,521	61,960
Miscellaneous receipts	2,485	13,590	3,501	671	20,247
Federal grants	59	1	0	0	60
Total receipts	41,808	21,600	5,667	13,192	82,267
Disbursements:					
Grants to local governments	37,158	16,545	439	0	54,142
State operations	9,620	5,760	0	61	15,441
General State charges	4,530	614	0	0	5,144
Debt service	0	0	0	4,134	4,134
Capital projects	0	3	4,915	0	4,918
Total disbursements	51,308	22,922	5,354	4,195	83,779
Other financing sources (uses):					
Transfers from other funds	11,864	1,168	293	5,453	18,778
Transfers to other funds	(2,376)	(719)	(934)	(14,411)	(18,440)
Bond and note proceeds	0	0	358	0	358
Net other financing sources (uses)	9,488	449	(283)	(8,958)	696
Change in fund balance	(12)	(873)	30	39	(816)
Closing fund balance	3,033	2,798	(198)	272	5,905

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,798	(198)	272	2,872
Receipts:					
Taxes	41,046	8,684	2,200	13,307	65,237
Miscellaneous receipts	2,054	14,186	3,560	680	20,480
Federal grants	59	1	0	0	60
Total receipts	43,159	22,871	5,760	13,987	85,777
Disbursements:					
Grants to local governments	40,951	17,255	464	0	58,670
State operations	9,999	5,840	0	61	15,900
General State charges	4,949	628	0	0	5,577
Debt service	0	0	0	4,798	4,798
Capital projects	0	3	5,340	0	5,343
Total disbursements	55,899	23,726	5,804	4,859	90,288
Other financing sources (uses):					
Transfers from other funds	12,020	1,304	530	5,734	19,588
Transfers to other funds	(2,851)	(532)	(1,006)	(14,835)	(19,224)
Bond and note proceeds	0	0	545	0	545
Net other financing sources (uses)	9,169	772	69	(9,101)	909
Deposit to/(use of) Community Projects Fund	(65)	0	0	0	(65)
Deposit to/(use of) 2006-07 Surplus	(401)	0	0	0	(401)
Change in fund balance	(3,105)	(83)	25	27	(3,602)
Closing fund balance	(3,105)	2,715	(173)	299	(730)

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	2,715	(173)	299	2,841
Receipts:					
Taxes	43,244	9,248	2,246	14,102	68,840
Miscellaneous receipts	2,456	14,005	3,342	682	20,485
Federal grants	59	1	0	0	60
Total receipts	45,759	23,254	5,588	14,784	89,385
Disbursements:					
Grants to local governments	44,762	18,201	466	0	63,429
State operations	10,398	5,794	0	61	16,253
General State charges	5,342	640	0	0	5,982
Debt service	0	0	0	5,250	5,250
Capital projects	0	3	5,297	0	5,300
Total disbursements	60,502	24,638	5,763	5,311	96,214
Other financing sources (uses):					
Transfers from other funds	12,499	1,239	672	5,896	20,306
Transfers to other funds	(2,993)	(419)	(1,103)	(15,365)	(19,880)
Bond and note proceeds	0	0	638	0	638
Net other financing sources (uses)	9,506	820	207	(9,469)	1,064
Deposit to/(use of) Community Projects Fund	(65)	0	0	0	(65)
Deposit to/(use of) 2006-07 Surplus	(401)	0	0	0	(401)
Change in fund balance	(4,771)	(564)	32	4	(5,299)
Closing fund balance	(4,771)	2,151	(141)	303	(2,458)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,151	(141)	303	2,313
Receipts:					
Taxes	45,335	9,627	2,280	14,782	72,024
Miscellaneous receipts	2,459	14,618	3,068	683	20,828
Federal grants	59	1	0	0	60
Total receipts	47,853	24,246	5,348	15,465	92,912
Disbursements:					
Grants to local governments	48,347	18,932	442	0	67,721
State operations	10,644	5,898	0	61	16,603
General State charges	5,646	647	0	0	6,293
Debt service	0	0	0	5,877	5,877
Capital projects	0	2	4,932	0	4,934
Total disbursements	64,637	25,479	5,374	5,938	101,428
Other financing sources (uses):					
Transfers from other funds	13,015	1,246	918	6,307	21,486
Transfers to other funds	(3,408)	(331)	(1,445)	(15,849)	(21,033)
Bond and note proceeds	0	0	578	0	578
Net other financing sources (uses)	9,607	915	51	(9,542)	1,031
Deposit to/(use of) Community Projects Fund	(151)	0	0	0	(151)
Deposit to/(use of) 2006-07 Surplus	(401)	0	0	0	(401)
Change in fund balance	(6,625)	(318)	25	(15)	(6,933)
Closing fund balance	(6,625)	1,833	(116)	288	(4,620)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	3,257	4,238	(648)	221	7,068
Receipts:					
Taxes	38,668	7,109	1,929	11,033	58,739
Miscellaneous receipts	2,268	12,715	2,247	848	18,078
Federal grants	151	33,690	1,738	0	35,579
Total receipts	41,087	53,514	5,914	11,881	112,396
Disbursements:					
Grants to local governments	34,302	45,693	730	0	80,725
State operations	9,319	8,164	0	44	17,527
General State charges	4,403	820	0	0	5,223
Debt service	0	0	0	4,451	4,451
Capital projects	0	9	4,829	0	4,838
Total disbursements	48,024	54,686	5,559	4,495	112,764
Other financing sources (uses):					
Transfers from other funds	10,292	3,873	454	5,600	20,219
Transfers to other funds	(3,567)	(2,932)	(774)	(12,974)	(20,247)
Bond and note proceeds	0	0	181	0	181
Net other financing sources (uses)	6,725	941	(139)	(7,374)	153
Change in fund balance	(212)	(231)	216	12	(215)
Closing fund balance	3,045	4,007	(432)	233	6,853

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

*2006-07 year-end results are preliminary and unaudited.

**The opening balance cash balances, receipts, disbursements, other financing sources, and ending cash balances in the Special Revenue and Capital Projects Fund groups have been adjusted to reflect the reclassification of the Hazardous Waste Remedial Fund from the Special Revenue Fund to the Capital Projects Fund, pursuant to Section 70 of the State Finance Law.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	3,045	4,007	(432)	233	6,853
Receipts:					
Taxes	39,264	8,009	2,166	12,521	61,960
Miscellaneous receipts	2,485	13,745	3,501	671	20,402
Federal grants	59	35,049	2,020	0	37,128
Total receipts	41,808	56,803	7,687	13,192	119,490
Disbursements:					
Grants to local governments	37,158	47,915	581	0	85,654
State operations	9,620	9,045	0	61	18,726
General State charges	4,530	856	0	0	5,386
Debt service	0	0	0	4,134	4,134
Capital projects	0	4	6,771	0	6,775
Total disbursements	51,308	57,820	7,352	4,195	120,675
Other financing sources (uses):					
Transfers from other funds	11,864	3,666	293	5,453	21,276
Transfers to other funds	(2,376)	(3,573)	(947)	(14,411)	(21,307)
Bond and note proceeds	0	0	358	0	358
Net other financing sources (uses)	9,488	93	(296)	(8,958)	327
Change in fund balance	(12)	(924)	39	39	(858)
Closing fund balance	3,033	3,083	(393)	272	5,995

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	0	3,083	(393)	272	2,962
Receipts:					
Taxes	41,046	8,684	2,200	13,307	65,237
Miscellaneous receipts	2,054	14,334	3,560	680	20,628
Federal grants	59	37,156	2,037	0	39,252
Total receipts	43,159	60,174	7,797	13,987	125,117
Disbursements:					
Grants to local governments	40,951	50,599	630	0	92,180
State operations	9,999	9,139	0	61	19,199
General State charges	4,949	875	0	0	5,824
Debt service	0	0	0	4,798	4,798
Capital projects	0	4	7,189	0	7,193
Total disbursements	55,899	60,617	7,819	4,859	129,194
Other financing sources (uses):					
Transfers from other funds	12,020	3,805	530	5,734	22,089
Transfers to other funds	(2,851)	(3,428)	(1,019)	(14,835)	(22,133)
Bond and note proceeds	0	0	545	0	545
Net other financing sources (uses)	9,169	377	56	(9,101)	501
Deposit to/(use of) Community Projects Fund	(65)	0	0	0	(65)
Deposit to/(use of) 2006-07 Surplus	(401)	0	0	0	(401)
Change in fund balance	(3,105)	(66)	34	27	(3,576)
Closing fund balance	(3,105)	3,017	(359)	299	(614)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	3,017	(359)	299	2,957
Receipts:					
Taxes	43,244	9,248	2,246	14,102	68,840
Miscellaneous receipts	2,456	14,152	3,342	682	20,632
Federal grants	59	38,348	2,024	0	40,431
Total receipts	45,759	61,748	7,612	14,784	129,903
Disbursements:					
Grants to local governments	44,762	52,693	632	0	98,087
State operations	10,398	9,102	0	61	19,561
General State charges	5,342	888	0	0	6,230
Debt service	0	0	0	5,250	5,250
Capital projects	0	4	7,132	0	7,136
Total disbursements	60,502	62,687	7,764	5,311	136,264
Other financing sources (uses):					
Transfers from other funds	12,499	3,737	672	5,896	22,804
Transfers to other funds	(2,993)	(3,351)	(1,117)	(15,365)	(22,826)
Bond and note proceeds	0	0	638	0	638
Net other financing sources (uses)	9,506	386	193	(9,469)	616
Deposit to/(use of) Community Projects Fund	(65)	0	0	0	(65)
Deposit to/(use of) 2006-07 Surplus	(401)	0	0	0	(401)
Change in fund balance	(4,771)	(553)	41	4	(5,279)
Closing fund balance	(4,771)	2,464	(318)	303	(2,322)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,464	(318)	303	2,449
Receipts:					
Taxes	45,335	9,627	2,280	14,782	72,024
Miscellaneous receipts	2,459	14,762	3,068	683	20,972
Federal grants	59	40,203	2,052	0	42,314
Total receipts	47,853	64,592	7,400	15,465	135,310
Disbursements:					
Grants to local governments	48,347	55,183	608	0	104,138
State operations	10,644	9,282	0	61	19,987
General State charges	5,646	899	0	0	6,545
Debt service	0	0	0	5,877	5,877
Capital projects	0	3	6,771	0	6,774
Total disbursements	64,637	65,367	7,379	5,938	143,321
Other financing sources (uses):					
Transfers from other funds	13,015	3,744	918	6,307	23,984
Transfers to other funds	(3,408)	(3,278)	(1,459)	(15,849)	(23,994)
Bond and note proceeds	0	0	578	0	578
Net other financing sources (uses)	9,607	466	37	(9,542)	568
Deposit to/(use of) Community Projects Fund	(151)	0	0	0	(151)
Deposit to/(use of) 2006-07 Surplus	(401)	0	0	0	(401)
Change in fund balance	(6,625)	(309)	58	(15)	(6,891)
Closing fund balance	(6,625)	2,155	(260)	288	(4,442)

Source: NYS DOB

CASHFLOW
GENERAL FUND
2007-2008
(dollars in millions)

	2007 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2008 January Projected	February Projected	March Projected	Total
OPENING BALANCE	3,045	6,990	3,765	4,185	4,380	3,887	5,045	3,469	2,652	2,449	7,465	7,090	3,045
RECEIPTS:													
Personal Income Tax	4,012	738	2,345	1,493	1,625	1,954	342	474	906	5,387	1,909	1,700	22,885
User Taxes and Fees	629	627	877	671	638	889	647	638	927	678	570	774	8,565
Business Taxes	248	25	1,236	177	136	1,269	167	60	1,271	157	139	1,794	6,679
Other Taxes	94	95	95	95	96	96	94	94	94	94	94	94	1,135
Total Taxes	4,983	1,485	4,553	2,436	2,495	4,208	1,250	1,266	3,198	6,316	2,712	4,362	39,264
Licenses, fees, etc.	64	60	59	140	57	70	57	54	60	54	65	89	829
Abandoned Property	12	20	35	15	16	48	23	190	55	23	27	220	684
Reimbursement	21	14	25	19	18	21	8	8	22	4	5	35	200
Investment income	13	12	12	12	13	12	12	13	12	12	13	14	150
Other transactions	10	29	139	20	20	39	20	20	39	20	20	246	622
Total Miscellaneous Receipts	120	135	270	206	124	190	120	285	188	113	130	604	2,485
Federal Grants	1	1	13	1	1	13	1	1	13	1	0	13	59
PIT in excess of Revenue Bond Debt Service	1,336	195	859	498	384	936	568	238	790	1,740	143	758	8,445
Sales Tax in Excess of LGAC Debt Service	184	20	441	199	191	256	194	190	287	204	2	152	2,320
Real Estate Taxes in Excess of CW/CA Debt Service	64	60	40	40	42	47	42	47	47	42	44	46	561
All Other	0	0	159	5	1	87	10	6	21	0	0	249	538
Total Transfers from Other Funds	1,584	275	1,499	742	618	1,326	814	481	1,145	1,986	189	1,205	11,864
TOTAL RECEIPTS	6,688	1,896	6,335	3,385	3,238	5,737	2,185	2,033	4,544	8,416	3,031	6,184	53,672
DISBURSEMENTS:													
School Aid	127	1,817	1,711	96	410	1,549	601	697	1,336	468	846	6,512	16,170
Higher Education	18	11	228	211	230	87	447	23	198	55	339	541	2,388
All Other Education	32	98	91	220	93	116	137	86	128	240	141	356	1,738
Medicaid	856	1,279	738	746	1,030	609	645	598	593	810	763	829	9,496
Public Health	114	52	16	52	13	31	65	57	36	101	(4)	186	719
Mental Hygiene	63	78	77	135	81	232	115	74	212	259	165	367	1,858
Children and Families	47	62	69	88	226	90	93	96	220	88	84	367	1,530
Temporary & Disability Assistance	139	142	243	156	160	177	156	(143)	176	6	125	56	1,393
Transportation	0	15	45	0	15	0	0	15	7	0	8	1	106
All Other	26	47	414	41	53	157	22	61	317	96	65	461	1,760
Total Local Assistance Grants	1,422	3,601	3,632	1,745	2,311	3,048	2,281	1,564	3,223	2,123	2,532	9,676	37,158
Personal Service	650	819	605	645	750	587	716	537	381	546	306	167	6,709
Non-Personal Service	147	224	205	215	249	244	248	222	232	247	243	435	2,911
Total State Operations	797	1,043	810	860	999	831	964	759	613	793	549	602	9,620
General State Charges	336	281	1,187	450	310	275	414	277	299	345	150	206	4,530
Debt Service	48	144	216	43	38	295	32	141	409	4	24	185	1,579
Capital Projects	33	25	23	53	44	50	41	42	101	90	127	(547)	82
Other Purposes	107	27	47	39	29	80	29	67	102	45	24	119	715
Total Transfers to Other Funds	188	196	286	135	111	425	102	250	612	139	175	(243)	2,376
TOTAL DISBURSEMENTS	2,743	5,121	5,915	3,190	3,731	4,579	3,761	2,850	4,747	3,400	3,406	10,241	53,684
Excess/(Deficiency) of Receipts over Disbursements	3,945	(3,225)	420	195	(493)	1,158	(1,576)	(817)	(203)	5,016	(375)	(4,057)	(12)
CLOSING BALANCE	6,990	3,765	4,185	4,380	3,887	5,045	3,469	2,652	2,449	7,465	7,090	3,033	3,033

Source: NYS DOB

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

	2005-2006 Actuals	2006-2007 Actuals	2007-2008 Projected	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT						
Agriculture and Markets, Department of	85,677	94,967	122,415	132,022	106,183	106,587
Alcoholic Beverage Control	10,286	11,696	12,948	13,287	13,849	13,911
Banking Department	56,278	57,224	60,010	60,798	61,580	62,377
Consumer Protection Board	2,622	2,792	3,055	3,090	3,125	3,159
Economic Development, Department of	225,352	88,458	154,743	412,627	314,556	164,449
Empire State Development Corporation	45,829	169,786	778,720	538,900	335,840	252,981
Energy Research and Development Authority	26,151	28,865	28,623	27,950	27,950	27,950
Housing and Community Renewal, Division of	259,549	272,073	309,562	291,111	276,706	275,759
Insurance Department	124,142	145,590	262,421	262,594	263,718	264,860
Olympic Regional Development Authority	8,550	8,250	14,126	9,009	9,217	9,217
Public Service, Department of	50,453	50,931	56,884	58,427	59,765	61,705
Science, Technology and Academic Research, Office of	61,470	52,054	57,488	48,335	44,403	43,725
University Broadband	2,930	4,840	7,500	8,200	14,000	14,000
Functional Total	959,289	987,526	1,868,495	1,866,350	1,530,892	1,300,680
PARKS AND THE ENVIRONMENT						
Adirondack Park Agency	4,398	4,599	5,731	5,929	5,935	5,942
Environmental Conservation, Department of	816,091	818,004	896,910	875,694	894,001	902,647
Environmental Facilities Corporation	8,034	8,416	11,760	11,815	6,760	6,760
Parks, Recreation and Historic Preservation, Office of	248,425	284,161	272,031	269,640	250,908	242,053
Functional Total	1,076,948	1,115,180	1,186,432	1,163,078	1,157,604	1,157,402
TRANSPORTATION						
Motor Vehicles, Department of	238,186	257,839	288,051	298,568	302,683	337,234
Thruway Authority	1,671	1,775	1,734	1,778	1,822	1,868
Metropolitan Transportation Authority	38,078	0	93,700	188,550	258,700	278,922
Transportation, Department of	5,323,373	5,553,463	6,452,696	6,594,492	6,773,178	6,822,620
Functional Total	5,601,308	5,813,077	6,836,181	7,083,388	7,336,383	7,440,644
HEALTH AND SOCIAL WELFARE						
Advocate for Persons with Disabilities, Office of	18	0	0	0	0	0
Aging, Office for the	185,728	197,862	228,894	237,659	237,604	236,593
Blind, Office for the	0	0	0	0	0	0
Children and Family Services, Office of	3,196,604	2,711,049	2,997,831	3,180,910	3,311,746	3,445,400
Health, Department of	35,203,517	37,706,416	38,480,237	42,217,902	45,771,058	48,739,728
Medical Assistance	30,209,572	32,316,313	32,271,732	35,718,692	39,199,792	42,199,292
Medicaid Administration	575,158	745,398	840,600	859,800	880,200	901,900
All Other	4,418,787	4,644,705	5,367,905	5,639,410	5,691,066	5,638,536
Human Rights, Division of	14,942	16,226	15,166	15,677	15,677	15,677
Labor, Department of	573,213	513,840	583,624	576,803	577,041	574,350
Medicaid Inspector General, Office of	1,049	34,842	81,256	91,816	93,149	94,268
Prevention of Domestic Violence, Office of	1,985	2,315	2,556	2,584	2,584	2,577
Stem Cell Initiatives	0	0	25,000	125,000	50,000	0

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

	2005-2006 Actuals	2006-2007 Actuals	2007-2008 Projected	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected
HEALTH AND SOCIAL WELFARE (Continued)						
Temporary and Disability Assistance, Office of	4,391,625	4,458,289	4,686,998	4,636,779	4,636,392	4,636,080
Welfare Assistance	2,979,052	3,110,913	3,284,923	3,228,074	3,222,743	3,218,456
Welfare Administration	368,537	380,495	377,933	377,933	377,933	377,933
All Other	1,044,036	966,881	1,024,142	1,030,772	1,035,716	1,039,691
Welfare Inspector General, Office of	1,004	1,074	1,295	1,321	1,347	1,374
Workers' Compensation Board	140,892	148,277	162,246	152,010	154,126	156,381
Functional Total	43,710,577	45,790,190	47,265,103	51,238,461	54,850,724	57,902,428
MENTAL HEALTH						
Mental Health, Office of	2,199,159	2,335,339	2,520,224	2,692,453	2,830,816	2,894,995
Mental Hygiene, Department of	9,370	8,442	7,800	7,800	7,800	7,800
Mental Retardation and Developmental Disabilities, Office of	2,930,056	3,168,254	3,369,167	3,560,454	3,676,258	3,788,938
Alcohol and Substance Abuse Services, Office of	484,034	521,906	595,007	655,669	704,897	687,400
Developmental Disabilities Planning Council	4,081	4,129	3,621	3,617	3,617	3,617
Quality of Care for the Mentally Disabled, Commission on	12,770	12,605	15,492	15,373	15,424	15,394
Functional Total	5,639,470	6,050,675	6,511,311	6,935,366	7,238,812	7,398,144
PUBLIC PROTECTION						
Capital Defenders Office	4,572	1,558	1,300	1,303	1,309	1,315
Correction, Commission of	2,515	2,621	2,629	2,674	2,674	2,674
Correctional Services, Department of	2,316,062	2,736,338	2,715,169	2,782,450	2,849,374	2,922,707
Crime Victims Board	55,565	60,073	62,709	62,248	62,269	62,294
Criminal Justice Services, Division of	193,492	267,326	254,005	265,162	245,525	235,356
Homeland Security	19,586	29,562	407,925	539,937	347,937	354,184
Investigation, Temporary State Commission of	3,586	3,551	3,929	4,152	4,219	4,242
Judicial Commissions	2,714	2,785	4,785	4,819	4,850	4,884
Military and Naval Affairs, Division of	209,562	401,610	396,929	291,930	146,845	166,777
Parole, Division of	193,231	194,729	205,978	220,361	233,189	250,269
Probation and Correctional Alternatives, Division of	72,254	72,752	74,649	74,702	74,726	73,484
Public Security, Office of	0	0	0	0	0	0
State Police, Division of	598,904	644,506	635,780	676,038	697,900	691,810
Functional Total	3,672,043	4,417,411	4,765,787	4,925,776	4,670,817	4,769,996
EDUCATION						
Arts, Council on the	42,825	49,244	55,766	54,665	54,845	54,826
City University of New York	619,871	1,064,544	1,186,315	1,245,860	1,301,014	1,332,761
Education, Department of	24,250,119	26,662,215	29,354,589	31,295,132	33,706,912	36,355,352
School Aid (includes EXCEL)	18,549,341	20,088,579	21,794,505	23,143,777	25,056,911	27,295,916
STAR Property Tax Relief	3,213,204	3,993,970	4,730,450	5,358,402	5,837,916	6,141,480
Handicapped	1,560,076	1,620,800	1,719,600	1,788,490	1,849,790	1,914,590
All Other	927,498	958,866	1,110,034	1,004,463	962,295	1,003,366
Higher Education Services Corporation	1,018,291	956,737	981,212	975,422	976,822	978,251
State University Construction Fund	10,013	13,157	12,493	12,628	12,756	12,884
State University of New York	4,964,540	5,447,926	5,901,289	5,996,243	6,164,116	6,130,560
Functional Total	30,905,659	34,193,823	37,491,664	39,579,950	42,216,465	44,864,634

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

	2005-2006 Actuals	2006-2007 Actuals	2007-2008 Projected	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected
GENERAL GOVERNMENT						
Audit and Control, Department of	225,148	244,078	245,462	247,821	252,679	253,678
Budget, Division of the	37,423	54,817	94,137	109,900	112,400	115,800
Civil Service, Department of	26,391	24,363	23,653	23,857	24,037	24,270
Elections, State Board of	4,206	13,037	90,119	171,199	9,215	99,475
Employee Relations, Office of	3,579	3,852	4,000	4,025	4,062	4,103
Executive Chamber	13,937	14,517	20,320	20,930	21,560	22,200
General Services, Office of	260,359	255,060	234,558	236,355	222,064	233,375
Inspector General, Office of	5,336	5,933	6,908	6,980	7,059	7,127
Law, Department of	182,295	193,461	211,763	213,781	216,561	218,744
Lieutenant Governor, Office of the	348	360	1,378	1,420	1,460	1,500
Lottery, Division of	176,524	164,825	182,527	183,147	187,318	191,393
Racing and Wagering Board, State	13,093	16,899	19,489	19,497	19,967	20,148
Real Property Services, Office of	43,830	47,620	52,570	53,407	54,266	55,154
Regulatory Reform, Governor's Office of	3,661	3,509	3,781	3,825	3,871	3,895
State Labor Relations Board	3,508	3,376	4,077	4,118	4,156	4,198
State, Department of	158,651	148,140	193,507	176,781	155,666	141,851
Tax Appeals, Division of	2,958	3,228	3,233	3,228	3,263	3,298
Taxation and Finance, Department of	341,429	355,452	367,658	364,362	368,490	372,691
Technology, Office for	21,018	19,258	33,856	53,362	81,823	25,221
TSC Lobbying	1,572	2,338	2,314	2,324	2,351	2,370
Veterans Affairs, Division of	13,621	14,117	15,368	15,674	15,774	14,351
Functional Total	1,538,887	1,588,240	1,810,678	1,915,993	1,768,042	1,814,842
ALL OTHER CATEGORIES						
Legislature	210,051	213,118	220,258	223,168	225,841	225,887
Judiciary (excluding fringe benefits)	1,618,170	1,731,791	1,859,488	1,980,944	2,134,111	2,129,205
World Trade Center	38,003	37,020	135,450	82,950	55,500	34,150
Local Government Assistance	1,018,896	1,156,176	943,098	1,323,576	1,363,874	1,419,739
Long-Term Debt Service	3,701,385	4,450,737	4,133,998	4,798,128	5,250,500	5,877,446
General State Charges	4,735,317	5,222,834	5,385,856	5,824,962	6,230,090	6,544,433
Miscellaneous	(84,564)	(85,873)	261,566	251,825	234,109	440,996
Functional Total	11,237,258	12,725,803	12,939,714	14,485,553	15,494,025	16,671,856
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	104,341,439	112,681,925	120,675,365	129,193,915	136,263,764	143,320,626

Source: NYS DOB

GAAP-Basis Financial Plans/GASB Statement 45

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

In 2007-08, the General Fund GAAP Financial Plan shows total revenues of $45.0 billion, total expenditures of $55.3 billion, and net other financing sources of $9.7 billion, resulting in an operating deficit of $559 million and a projected accumulated surplus of $1.1 billion. These changes are due primarily to the use of a portion of the prior-and current-year surplus to support 2007-08 operations.

In 2006-07, the General Fund GAAP Financial Plan reflects total revenues of $43.8 billion, total expenditures of $51.7 billion, and net other financing sources of $7.5 billion, resulting in an operating deficit of roughly $500 million and a projected accumulated surplus of $1.7 billion. The operating results primarily reflect the 2006-07 cash-basis surplus, offset by the impact of enacted tax reductions on revenue accruals and a partial use of the 2005-06 surplus to support 2006-07 operations.

The GAAP basis results for 2005-06 showed the State in a net positive overall asset condition of $49.1 billion. The net positive asset condition is before the State reflects the impact of GASB Statement 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions." GASB Statement 45 requires State and local governments to reflect the value of post-employment benefits, predominantly health care, for current employees and retirees beginning with the financial statements for the 2007-08 fiscal year.

The State used an independent actuarial consulting firm to calculate retiree health care liabilities. Assuming there is no pre-funding of this liability, the analysis performed April 1, 2006 indicates that the present value of the actuarial accrued total liability for benefits would be roughly $49.7 billion ($41.4 billion for the State and $8.3 billion for SUNY), using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method. This is the actuarial methodology recommended to be used to implement GASB Statement 45 by OSC.

The actuarial accrued liability was calculated using a 4.155 percent annual discount rate, a payroll growth rate of 3.5 percent annually, an increase of per capita medical costs of 10 percent in 2007-08 declining by 1 percent annually to 5 percent annual growth for 2013-14 and thereafter, and drug costs of 12 percent in 2007-08 declining by 1 percent annually to 5 percent annual growth beginning in 2014-15 and thereafter.

The State's total unfunded liability will be disclosed in the 2007-08 basic financial statements. While the total liability is substantial, GASB rules indicate it may be amortized over a 30-year period; therefore, only the annual amortized liability above the current pay-as-you-go costs would be recognized in the financial statements. Assuming no pre-funding, the 2007-08 liability would total roughly $3.8 billion under the Frozen Entry Age actuarial cost method amortized based on a level percent of salary, or $2.8 billion above the current pay-as-you-go retiree costs. This difference between the State's pay-as-you-go costs and the actuarially determined required annual contribution under GASB Statement 45 would reduce the State's currently positive net asset condition.

The current Financial Plan does not assume pre-funding of the GASB 45 liability. The State's Health Insurance Council, which consists of GOER, Civil Service, and DOB will continue to review this matter, seek input from the State Comptroller, the legislative fiscal committees and outside parties, and provide options for consideration.

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

History and Forecast of New York State Employee Health Insurance
(millions of dollars)

	Health Insurance		
Year	**Active Employees**	**Retirees**	**Total State**
2001-02	937	565	1,502
2002-03	1,023	634	1,657
2003-04	1,072	729	1,801
2004-05	1,216	838	2,054
2005-06	1,331	885	2,216
2006-07	1,492	940	2,432
2007-08	1,586	1,007	2,593
2008-09	1,808	1,148	2,956
2009-10	1,972	1,255	3,227
2010-11	2,152	1,373	3,525

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

DOB's detailed GAAP Financial Plans for 2006-07 and 2007-08 are provided below.

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

	2006-2007 Results	2007-2008 Enacted	Annual Change
Revenues:			
Taxes:			
Personal income tax	22,919	23,090	171
User taxes and fees	8,042	8,564	522
Business taxes	6,661	6,654	(7)
Other taxes	1,053	1,187	134
Miscellaneous revenues	4,928	5,476	548
Federal grants	151	59	(92)
Total revenues	43,754	45,030	1,276
Expenditures:			
Grants to local governments	36,644	39,346	2,702
State operations	11,336	12,161	825
General State charges	3,670	3,811	141
Debt service	26	0	(26)
Capital projects	0	1	1
Total expenditures	51,676	55,319	3,643
Other financing sources (uses):			
Transfers from other funds	13,115	14,991	1,876
Transfers to other funds	(6,003)	(5,628)	375
Proceeds from financing arrangements/		0	
advance refundings	347	367	20
Net other financing sources (uses)	7,459	9,730	2,271
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	(463)	(559)	(96)
Accumulated Surplus/(Deficit)	1,719	1,160	(559)

Source: NYS DOB

*2006-07 year-end results are preliminary and unaudited.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	39,495	7,969	2,167	12,520	62,151
Patient fees	0	0	0	326	326
Miscellaneous revenues	5,476	4,914	311	24	10,725
Federal grants	59	36,766	2,020	0	38,845
Total revenues	45,030	49,649	4,498	12,870	112,047
Expenditures:					
Grants to local governments	39,346	44,593	579	0	84,518
State operations	12,161	1,750	0	61	13,972
General State charges	3,811	335	0	0	4,146
Debt service	0	0	0	3,386	3,386
Capital projects	1	3	6,341	0	6,345
Total expenditures	55,319	46,681	6,920	3,447	112,367
Other financing sources (uses):					
Transfers from other funds	14,991	281	267	5,453	20,992
Transfers to other funds	(5,628)	(3,930)	(962)	(14,838)	(25,358)
Proceeds of general obligation bonds	0	0	358	0	358
Proceeds from financing arrangements/ advance refundings	367	0	2,702	0	3,069
Net other financing sources (uses)	9,730	(3,649)	2,365	(9,385)	(939)
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	(559)	(681)	(57)	38	(1,259)

Source: NYS DOB

Special Considerations

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

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

Risks to the U.S. Economic Forecast

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

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

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

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

Risks to the New York Forecast

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

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

Labor Contracts/Salary Increases

Existing labor contracts with all of the State's major employee unions expired on April 1, 2007 (United University Professionals will expire on July 1, 2007). The Financial Plan does not set aside any reserves for future collective bargaining agreements in 2007-08 or beyond. Each future 1 percent salary increase would cost roughly $86 million annually in the General Fund and $134 million in All Funds. The projections do not contain any funding for pay raises for the Judiciary or elected officials.

School Supportive Health Services

The Office of the Inspector General (OIG) of the United States Department of Health and Human Services is conducting six audits of aspects of New York State's School Supportive Health Services program with regard to Medicaid reimbursement. The audits cover $1.4 billion in claims submitted between 1990 and 2001. To date, OIG has issued four final audit reports, which cover claims submitted by upstate and New York City school districts for speech pathology and transportation services. The final audits recommend that the Centers for Medicare and Medicaid Services (CMS) disallow $173 million of the $362 million in claims for upstate speech pathology services, $17 million of $72 million for upstate transportation services, $436 million of the $551 million in claims submitted for New York City speech pathology services, and $96 million of the $123 million for New York City transportation services. New York State disagrees with the audit findings on several grounds and has requested that they be withdrawn.

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

Proposed Federal Rule on Medicaid Funding

On January 18, 2007, CMS issued a proposed rule that, if implemented, would significantly curtail Federal Medicaid funding to public hospitals (including New York City's Health and Hospital Corporation (HHC)) and institutions and programs operated by both the State OMRDD and the State OMH.

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

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

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

Video Lottery Terminal Expansion

In developing annual VLT revenue estimates, the State's four-year Financial Plan assumes the approval of an expansion plan sometime in 2007-08, which is expected to provide $150 million in 2008-09, $357 million in 2009-10, and $766 million in 2010-11. Including expansion, VLT revenues are projected to increase by $476 million in 2008-09, $286 million in 2009-10, and $430 million in 2010-11, and are projected to total $1.1 billion in 2008-09 growing to $1.8 billion in 2010-11. Additional VLT revenues from the expansion support planned School Aid spending, offsetting General Fund costs. Absent legislative approval for the expansion, General Fund support for School Aid, as well as the estimated General Fund spending gaps, would increase by $150 million in 2008-09, $357 million in 2009-10, and $766 million in 2010-11.

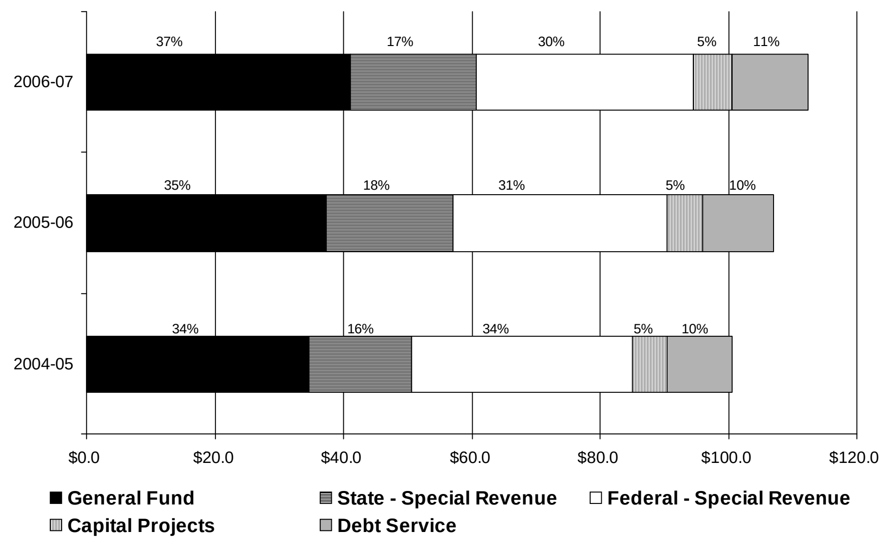
School Aid Database Updates

After enactment of the State Budget, school districts are authorized to submit additional State aid claims for payment in the September following the close of such school year. In some cases, these additional claims have significantly increased the State's liability on a school year basis. Recent database updates increased the State's liability for School Aid by $222 million ($176 million net of SED reclassifications) for increases for the 2006-07 school year, $161 million for 2005-06 and $119 million for the 2004-05 school year, the vast majority of which was for New York City. If school districts -- particularly New York City -- continue to submit additional claims after enactment of the 2007-08 State Budget, the State will have an increased financial obligation beyond what is currently reflected in the Financial Plan.

Prior Fiscal Years

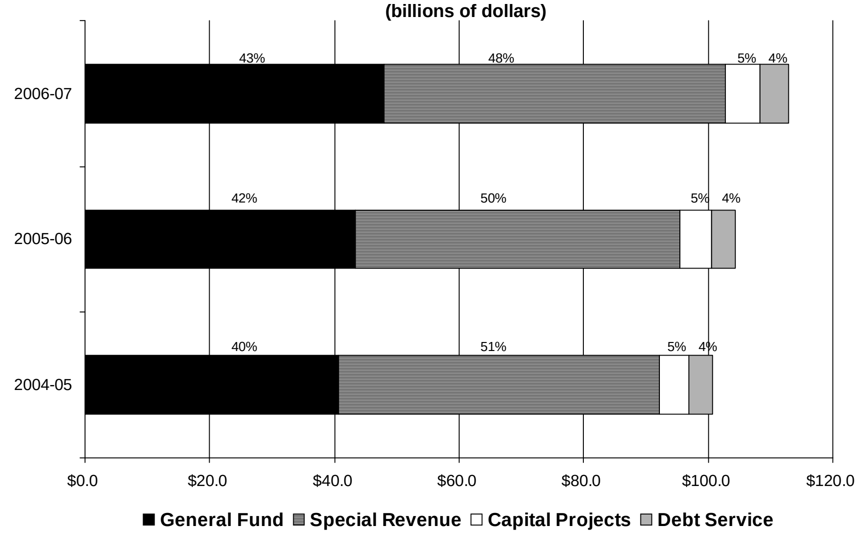
The following four tables show the composition of the State's governmental funds and its General Fund. Following the tables is a summary of the cash-basis results for the State's three most recent fiscal years.

Governmental Funds Receipts
State Fiscal Years 2004-05, 2005-06 and 2006-07
(billions of dollars)



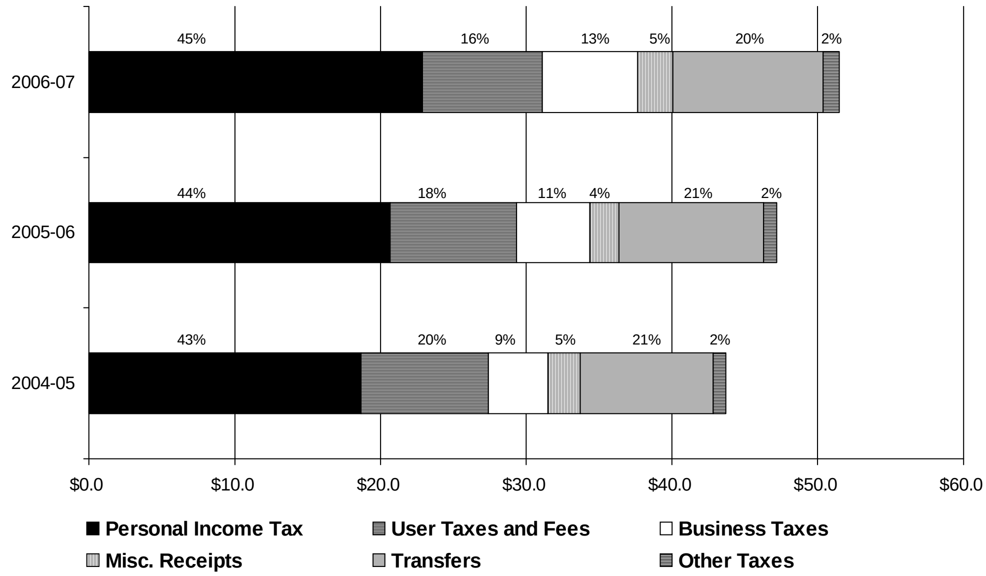
Note: Percentage total may not add due to rounding.

Governmental Funds Disbursements
State Fiscal Years 2004-05, 2005-06 and 2006-07
(billions of dollars)



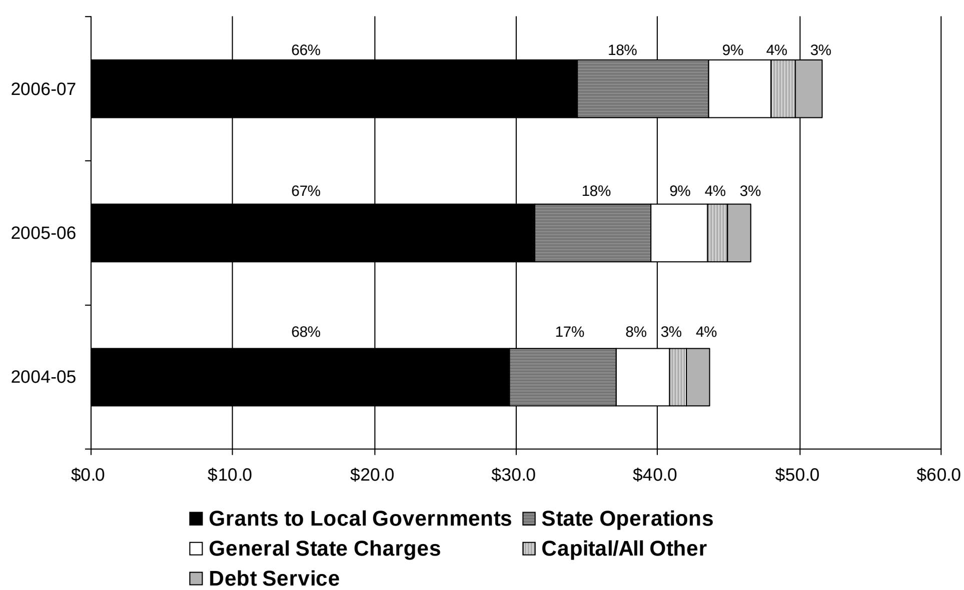
Note: Percentage total may not add due to rounding.

General Fund Receipts and Transfers by Source
State Fiscal Years 2004-05, 2005-06 and 2006-07
(billions of dollars)



Note: Percentage total may not add due to rounding.

General Fund Disbursements and Transfers by Type
State Fiscal Years 2004-05, 2005-06 and 2006-07
(billions of dollars)



Note: Percentage total may not add due to rounding.

Cash-Basis Results for Prior Fiscal Years

The State reports its financial results on two bases of accounting: the cash basis, showing receipts and disbursements; and the modified accrual basis, prescribed by GAAP, showing revenues and expenditures. With the exception of 2006-07 results, the State's financial results set forth in this section of the AIS have been audited.

General Fund 2004-05 through 2006-07

The General Fund is the principal operating fund of the State and is used to account for all financial transactions, except those required to be accounted for in another fund. It is the State's largest single fund and receives most State taxes and other resources not dedicated to particular purposes. General Fund moneys are also transferred to other funds, primarily to support certain capital projects and debt service payments in other fund types. In some cases, the fiscal year results provided below may exclude certain timing-related transactions which have no net impact on operations.

Recent Trends

State finances have continued to gain strength since emerging from the national recession and impact of the World Trade Center attacks. The State's recovery is securely in its fourth year and the State's economy is experiencing growth. The State ended each of the last four fiscal years with an operating surplus in the General Fund.

2006-07 Fiscal Year (Unaudited Results)

DOB reported a 2006-07 General Fund surplus of $1.5 billion. Results for 2006-07 were $1.5 billion higher than the balanced Enacted Budget as a result of revenue revisions over initial projections ($1.4 billion) and changes to reserve fund balances ($767 million), partly offset by higher than initially projected spending ($607 million). Total receipts, including transfers from other funds, were $51.4 billion. Disbursements, including transfers to other funds, totaled $51.6 billion.

The General Fund ended the 2006-07 fiscal year with a balance of $3.0 billion, which included dedicated balances of $1.0 billion in the Tax Stabilization Reserve Fund (TSRF) that can only be used for unforeseen mid-year shortfalls (after an $87 million deposit at the close of 2006-07), the Contingency Reserve Fund ($21 million), and the Community Projects Fund ($278 million). The closing balance also included $1.7 billion in general reserves.

General Fund receipts, including transfers from other funds and the impact of the tax refund reserve transaction, totaled $51.4 billion in 2006-07, an increase of $4.2 billion from 2005-06 results. Tax receipts increased by $3.4 billion, transfers increased by $419 million, and miscellaneous receipts increased by $390 million.

General Fund spending, including transfers to other funds, totaled $51.6 billion in 2006-07, an increase of $5.1 billion from 2005-06. The main sources of annual growth were school aid, Medicaid, and higher education programs.

2005-06 Fiscal Year

DOB reported a 2005-06 General Fund surplus of $2.0 billion. Results for 2005-06 were $2.0 billion higher than the Enacted Budget as a result of revenue revisions over initial projections ($1.2 billion), changes to reserve fund balances ($895 million) and other timing-related transactions which had no impact on operations ($251 million), partly offset by higher than initially projected spending ($288 million). Total receipts, including transfers from other funds, were $47.2 billion. Disbursements, including transfers to other funds, totaled $46.5 billion.

The General Fund ended the 2005-06 fiscal year with a balance of $3.3 billion, which included dedicated balances of $944 million in the TSRF (after a $72 million deposit at the close of 2005-06), the Contingency Reserve Fund ($21 million), and the Community Projects Fund ($251 million). The closing balance also included $2.0 billion in general reserves.

General Fund receipts, including transfers from other funds and the impact of the tax refund reserve transaction, totaled $47.2 billion in 2005-06, an increase of $3.3 billion from 2004-05 results. Tax receipts increased by $3.8 billion and transfers increased by $743 million, while miscellaneous receipts decreased by $197 million. The decline in miscellaneous receipts was primarily attributable to the loss of various one-time receipts including the securitization of tobacco proceeds.

General Fund spending, including transfers to other funds, totaled $46.5 billion in 2005-06, an increase of $2.9 billion from 2004-05. The main sources of annual growth were Medicaid, school aid, and fringe benefits.

2004-05 Fiscal Year

DOB reported a 2004-05 General Fund surplus of $1.2 billion. Results for 2004-05 were $1.2 billion higher than the Enacted Budget as a result of revenue revisions over initial projections ($1.1 billion), changes to reserve fund balances ($91 million) and other timing-related transactions which had no impact on operations ($579 million), partly offset by higher than initially projected spending ($580 million). Total receipts, including transfers from other funds, were $43.9 billion. Disbursements, including transfers to other funds, totaled $43.6 billion.

The General Fund ended the 2004-05 fiscal year with a balance of $2.5 billion, which included dedicated balances of $872 million in the TSRF (after a $78 million deposit at the close of 2004-05), the Contingency Reserve Fund ($21 million), and the Community Projects Fund ($325 million). The closing fund balance also included $1.3 billion on deposit in the refund reserve account at the end of the 2004-05 fiscal year, including $601 million in general reserves.

General Fund receipts, including transfers from other funds, totaled $43.9 billion in 2004-05, an increase of $939 million from 2003-04 results. Tax receipts, including the impact of the tax refund reserve transaction, increased by nearly $4 billion on an annual basis. The growth was offset by an annual decline of $3.5 billion in miscellaneous receipts, due mainly to the State's securitization of tobacco settlement payments in 2003-04.

General Fund spending, including transfers to other funds, totaled $43.6 billion in 2004-05, an increase of $1.6 billion from 2003-04. Medicaid, school aid, fringe benefits, and debt service were the main sources of annual growth.

State Funds 2004-05 through 2006-07

The State Funds portion of the Enacted Budget Financial Plan comprises that part of the All Funds Plan supported exclusively by State taxes, fees, and other resources. It includes the General Fund and State-financed special revenue, capital, and debt service funds, but excludes Federal aid.

Recent Trends

State Funds spending increased from $69.7 billion in 2005-06 to $77.3 billion in 2006-07, an increase of $7.6 billion or 11 percent. Excluding transfers to other funds, the General Fund portion of State Funds increased by $4.6 billion. The remaining growth consisted of higher spending for programs supported by special revenues ($1.9 billion), capital projects ($396 million), and debt service funds ($736 million). The largest contributors to the spending increase in State-supported special revenue funds were the school tax relief fund (STAR) which provided an additional $781 million to taxpayers across New York State, lottery funds which provided an additional $339 million to finance education costs, and the Medicaid program which increased by $244 million to cover costs associated with the

State takeover of the local share of the Family Health Plus program and the State cap on local costs. Annual growth in State capital projects primarily financed improvements and maintenance to the State's highways and bridges and educational facilities. Debt service disbursements increased primarily due to the defeasance of high-cost debt and timing-related debt service costs on SUNY Educational and LGAC bonds.

Over the three-year period beginning in 2004-05, State Funds spending has grown by an average 6.5 percent annually. In recent years, the State has financed 35-38 percent of its operations outside of the General Fund. Historically, the State has financed an increasing share of its operations outside of the General Fund.

Major programmatic changes that have increased activity outside the General Fund include the financing of certain Medicaid and other health care costs under HCRA and the creation of the STAR program that is funded by directing PIT receipts to a special revenue fund. The State has also seen growth in the portion of transportation-related revenues transferred from the General Fund to two dedicated funds in the special revenue and capital projects fund types to support the capital programs of DOT, MTA and other transit entities.

2006-07 Fiscal Year (Unaudited Results)

The State ended the 2006-07 fiscal year with a State Funds cash balance of $6.7 billion. In addition to the $3.0 billion General Fund balance, the State's special revenue funds had a closing balance of $3.7 billion and the debt service funds had a closing balance of $233 million, partially offset by a negative balance in the capital projects funds of $228 million. The fund balance in the special revenue funds largely reflects the timing of receipts and disbursements (e.g. dedicated monies received for a specified purpose prior to disbursement). The largest fund balances are dedicated to finance ongoing HCRA programs ($706 million) and the operations and activities of SUNY campuses and hospitals ($685 million). The remaining special revenue fund balances are held in numerous funds and accounts that support a variety of programs including industry regulation, public health, and public safety. The fund balance in the debt service funds reflects the timing of bond sales. The negative balance in the capital projects fund results from outstanding loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

State Funds receipts totaled $76.8 billion in 2006-07, an increase of $5.0 billion from the 2005-06 results. In addition to the growth in General Fund receipts described above, tax receipts to other State funds also increased. Actual State Funds disbursements totaled $77.3 billion in 2006-07, an increase of $7.6 billion from the 2005-06 results. School aid, Medicaid, STAR, and higher education were the main sources of annual program growth.

2005-06 Fiscal Year

The State ended the 2005-06 fiscal year with a State Funds cash balance of $6.8 billion. In addition to the $3.3 billion General Fund balance, the State's special revenue funds had a closing balance of $3.7 billion and the debt service funds had a closing balance of $221 million, partially offset by a negative balance in the capital projects funds of $406 million. The fund balance in the special revenue funds largely reflects the timing of receipts and disbursements (e.g. dedicated monies received for a specified purpose prior to disbursement). The largest fund balances are dedicated to finance ongoing HCRA programs ($1.6 billion) and the operations and activities of SUNY campuses ($339 million). The remaining special revenue fund balances are held in numerous funds and accounts that support a variety of programs including industry regulation, public health, and public safety. The fund balance in the debt service funds reflects the timing of bond sales. The negative balance in the capital projects fund results from outstanding loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

State Funds receipts totaled $71.7 billion in 2005-06, an increase of $7.4 billion from the 2004-05 results. The annual growth in General Fund receipts combined with growth in other State taxes and miscellaneous receipts, particularly the receipt of $2.7 billion in health care conversion proceeds in 2005-06, accounted for the annual change. Actual State Funds disbursements totaled $69.7 billion, an increase of $5.8 billion from the 2004-05 results. The annual change in General Fund spending combined with growth in other State funds spending, particularly for HCRA and Medicaid, accounted for the annual change.

2004-05 Fiscal Year

The State ended the 2004-05 fiscal year with a State Funds cash balance of $3.2 billion. In addition to the $1.2 billion General Fund balance, the State's special revenue funds had a closing balance of $2.0 billion and the debt service funds had a closing balance of $184 million, partially offset by a negative balance in the capital projects funds of $206 million. The fund balance in the special revenue funds largely reflects the timing of receipts and disbursements (e.g. dedicated monies received for a specified purpose prior to disbursement). The fund balance was held in numerous funds/accounts that support a variety of programs including operations and activities of SUNY campuses, industry regulation, public health, public safety, and transportation. The fund balance in the debt service funds reflects the timing of bond sales. The negative balance in the capital projects fund results from outstanding loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

State Funds receipts totaled $64.2 billion in 2004-05, an increase of $2.0 billion from the 2003-04 results. In addition to the growth in General Fund receipts described above, tax receipts to other State funds also increased. Actual State Funds disbursements totaled $64.0 billion in 2004-05, an increase of $2.6 billion from the 2003-04 results. Medicaid, school aid, higher education, and fringe benefits were the main sources of annual growth.

All Funds 2004-05 through 2006-07

The All Funds Financial Plan includes Federal aid received by the State, making it the broadest measure of the State budget. The All Funds Financial Plan records the operations of the four governmental fund types: the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds.

Recent Trends

All Funds spending totaled $112.8 billion in 2006-07, $8.4 billion (8.1 percent) higher than in 2005-06. The State funds component of All Funds spending increased by $7.6 billion, as described above, was complemented by the Federal component of All Funds spending which increased by $834 million (2.4 percent) from 2005-06 levels.

The most significant increase to Federal aid was for Medicaid, partly offset by a decline in Federal aid to the Office of Children and Family Services. Medicaid spending supported by Federal funds increased by $1.2 billion, primarily reflecting the prepayment of certain 2007-08 obligations in 2006-07 and additional disproportionate share payments to public hospitals. Federal aid to the Office of Children and Family Services decreased as a result of the consolidation of all Temporary Assistance to Needy Families (TANF) spending in the Office for Temporary and Disability Assistance (OTDA).

2006-07 Fiscal Year (Unaudited Results)

The State ended the 2006-07 fiscal year with an All Funds cash balance of $6.8 billion. In addition to the $6.7 billion State Funds balance described above, the Federal Funds had a closing balance of $85 million, including $288 million in Federal special revenue funds, partially offset by a negative balance in the Federal capital projects funds of $203 million. The fund balance in the special revenue funds partly reflects the timing of receipts and disbursements (e.g. dedicated monies received for a specified purpose prior to disbursement). The negative balance in the capital projects fund results from outstanding loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

All Funds receipts for 2006-07 totaled $112.4 billion, an increase of $5.4 billion over 2005-06 results. Strong growth in tax collections and moderate growth in Federal grants, were partially offset by a decline in miscellaneous receipts. All Funds disbursements for 2006-07 totaled $112.8 billion, an increase of $8.4 billion over 2005-06 results. The annual change reflects growth in Medicaid, school aid, higher education, school tax relief and other State programs.

2005-06 Fiscal Year

The State ended the 2005-06 fiscal year with an All Funds cash balance of $7.1 billion. In addition to the $6.8 billion State Funds balance described above, the Federal Funds had a closing balance of $249 million, including $447 million in Federal special revenue funds, partially offset by a negative balance in the Federal capital projects funds of $198 million. The fund balance in the special revenue funds partly reflects the timing of receipts and disbursements (e.g. dedicated monies received for a specified purpose prior to disbursement). The negative balance in the capital projects fund results from outstanding loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

All Funds receipts for 2005-06 totaled $107 billion, an increase of $6.3 billion over 2004-05 results. Strong growth in tax collections and moderate growth in miscellaneous receipts, were partially offset by a decline in Federal grants. All Funds disbursements for 2005-06 totaled $104.3 billion, an increase of $3.7 billion over 2004-05 results. The annual change reflects growth in Medicaid, other public health programs, and school aid, partially offset by the decline in Federal pass-through aid for the World Trade Center.

2004-05 Fiscal Year

The State ended the 2004-05 fiscal year with an All Funds cash balance of $4.3 billion. Partially offsetting the $3.2 billion State Funds balance described above, the Federal Funds had a negative closing balance of $249 million, including $248 million in Federal capital projects funds and $1 million in Federal special revenue funds. The negative balance in the capital projects fund results from outstanding loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

All Funds receipts for 2004-05 totaled $100.7 billion, an increase of $1.6 billion from the 2003-04 results. Increased personal income tax collections, business tax and real estate transfer tax collections were partially offset by a decline in both miscellaneous receipts and Federal Grants. All Funds disbursements for 2004-05 totaled $100.7 billion, an increase of $3.3 billion from the 2003-04 results. The annual change largely reflects growth in Medicaid, school aid, fringe benefits, and debt service.

COMPARISON OF ACTUAL GENERAL FUND RECEIPTS AND DISBURSEMENTS
2004-05 THROUGH 2006-07
(millions of dollars)

	2004-05	2005-06	2006-07
OPENING FUND BALANCE (1)	2,302	2,546	3,257
Personal Income Tax (1) (2)	18,781	20,700	22,939
User Taxes and Fees:			
Sales and Use Tax (3)	8,094	7,978	7,539
Cigarette and Tobacco Tax	406	403	411
Motor Vehicle Fees	4	24	(16)
Alcoholic Beverage Taxes and Fees	227	234	252
Subtotal	8,731	8,639	8,186
Business Taxes:			
Corporation Franchise Tax	1,858	2,664	3,676
Corporation and Utilities Taxes	617	591	626
Insurance Taxes	1,007	987	1,142
Bank Tax	587	842	1,024
Subtotal	4,069	5,084	6,468
Other Taxes:			
Estate and Gift Taxes	898	857	1,053
Real Property Gains Tax	1	1	0
Pari-mutuel Tax	26	22	21
Other Taxes	1	1	1
Subtotal	926	881	1,075
Miscellaneous Receipts & Federal Grants	2,226	2,029	2,419
Transfers from Other Funds:			
PIT in excess of Revenue Bond debt service	5,981	6,500	7,136
Sales Tax in Excess of LGAC Debt Service	2,182	2,295	2,093
All Other Transfers	967	1,078	1,063
Subtotal	9,130	9,873	10,292
TOTAL RECEIPTS	43,863	47,206	51,379
Grants to Local Governments	29,493	31,287	34,302
State Operations	7,565	8,160	9,319
General State Charges	3,653	3,975	4,403
Debt Service	0	0	0
Transfers to Other Funds:			
In Support of Debt Service	1,731	1,710	1,906
In Support of Capital Projects	197	286	389
All Other Transfers	980	1,077	1,272
Subtotal	2,908	3,073	3,567
TOTAL DISBURSEMENTS	43,619	46,495	51,591
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	244	711	(212)
CLOSING FUND BALANCE	2,546	3,257	3,045

Source: NYS Office of State Comptroller.

(1) The opening balances and personal income tax receipts have been adjusted to reflect the inclusion of the Personal Income Tax Refund Reserve in the General Fund.

(2) Excludes personal income tax receipts that flow into the Revenue Bond Tax Fund in the first instance and are then transferred to the General Fund after debt service obligation are satisfied.

(3) Excludes sales tax in excess of LGAC Debt Service.

*2006-07 year-end results are preliminary and unaudited.

CASH FINANCIAL PLAN
STATE FUNDS
2004-2005
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,302	1,703	(336)	174	3,843
Receipts:					
Taxes	32,507	4,859	1,862	9,371	48,599
Miscellaneous receipts	2,226	10,972	1,753	768	15,719
Federal grants	0	1	0	0	1
Total receipts	34,733	15,832	3,615	10,139	64,215
Disbursements:					
Grants to local governments	29,493	11,131	340	0	40,964
State operations	7,565	4,917	0	10	12,492
General State charges	3,653	524	0	0	4,177
Debt service	0	0	0	3,789	3,789
Capital projects	0	11	2,538	0	2,549
Total disbursements	40,711	16,583	2,878	3,799	63,971
Other financing sources (uses):					
Transfers from other funds	9,131	1,221	217	5,134	15,703
Transfers to other funds	(2,908)	(167)	(1,002)	(11,464)	(15,541)
Bond and note proceeds	0	0	178	0	178
Net other financing sources (uses)	6,222	1,054	(607)	(6,330)	339
Change in fund balance	244	303	130	10	687
Closing fund balance	2,546	2,006	(206)	184	4,530

Source: NYS DOB

Note: DOB calculation of State Funds excludes activity in certain miscellaneous special revenue funds that are financed primarily with Federal funds. The activity in these funds is reflected in the All Governmental Funds Financial Plan.

For comparison purposes, the opening balance and personal income tax receipts have been adjusted to reflect the inclusion of the Personal Income Tax Refund Reserve in the General Fund pursuant to Section 70 of the State Finance Law. This change in presentation has no impact on Financial Plan results.

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	35,305	6,057	1,879	10,341	53,581
Miscellaneous receipts	2,028	13,596	1,775	745	18,144
Federal grants	0	2	0	0	2
Total receipts	37,333	19,655	3,654	11,086	71,728
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	43,422	19,116	3,426	3,759	69,723
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)	6,800	1,202	(428)	(7,290)	284
Change in fund balance	711	1,741	(200)	37	2,289
Closing fund balance	3,257	3,747	(406)	221	6,819

Source: NYS DOB

Note: DOB calculation of State Funds excludes activity in certain miscellaneous special revenue funds that are financed primarily with Federal funds. The activity in these funds is reflected in the All Governmental Funds Financial Plan.

The opening balances and personal income tax receipts have been adjusted to reflect the inclusion of the Personal Income Tax Refund Reserve in the General Fund beginning in 2005-06 pursuant to Section 70 of the State Finance Law.
This change in presentation has no impact on net Financial Plan results.

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

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

Source: NYS DOB

Note: DOB calculation of State Funds excludes activity in certain miscellaneous special revenue funds that are financed primarily with Federal funds. The activity in these funds is reflected in the All Governmental Funds Financial Plan.

*2006-07 year-end results are preliminary and unaudited.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2004-2005
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,302	2,183	(489)	175	4,171
Receipts:					
Taxes *	32,507	4,902	1,862	9,371	48,642
Miscellaneous receipts	2,226	11,071	1,759	768	15,824
Federal grants	0	34,492	1,721	0	36,213
Total receipts	34,733	50,466	5,342	10,139	100,576
Disbursements:					
Grants to local governments	29,493	42,643	852	0	72,988
State operations	7,565	8,095	0	12	15,672
General State charges	3,653	712	0	0	4,365
Debt service	0	0	0	3,788	3,788
Capital projects	0	11	3,844	0	3,855
Total disbursements	40,711	51,461	4,696	3,800	100,668
Other financing sources (uses):					
Transfers from other funds	9,131	3,614	217	5,134	18,095
Transfers to other funds	(2,908)	(2,796)	(1,006)	(11,464)	(18,174)
Bond and note proceeds	0	0	178	0	178
Net other financing sources (uses)	6,222	818	(611)	(6,330)	99
Change in fund balance	244	(178)	35	9	110
Closing fund balance	2,546	2,005	(454)	184	4,281

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

For comparison purposes, the opening balance and personal income tax receipts have been adjusted to reflect the inclusion of the Personal Income Tax Refund Reserve in the General Fund pursuant to Section 70 of the State Finance Law. This change in presentation has no impact on Financial Plan results.

*To facilitate improved accounting for Motor Vehicle fees, FY 2004-05 receipts reflect the reclassification of $43.8 million from Miscellaneous Receipts to Consumption/Use Taxes and Fees.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,546	2,005	(454)	184	4,281
Receipts:					
Taxes	35,305	6,053	1,879	10,341	53,578
Miscellaneous receipts	2,028	13,771	1,775	745	18,319
Federal grants	0	33,363	1,767	0	35,130
Total receipts	37,333	53,187	5,421	11,086	107,027
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	43,422	52,028	5,132	3,759	104,341
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)	6,800	1,030	(439)	(7,290)	101
Change in fund balance	711	2,189	(150)	37	2,787
Closing fund balance	3,257	4,194	(604)	221	7,068

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

The opening balances and personal income tax receipts have been adjusted to reflect the inclusion of the Personal Income Tax Refund Reserve in the General Fund beginning in 2005-06 pursuant to Section 70 of the State Finance Law. This change in presentation has no impact on net Financial Plan results.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	3,257	4,238	(648)	221	7,068
Receipts:					
Taxes	38,668	7,109	1,929	11,033	58,739
Miscellaneous receipts	2,268	12,715	2,247	848	18,078
Federal grants	151	33,690	1,738	0	35,579
Total receipts	41,087	53,514	5,914	11,881	112,396
Disbursements:					
Grants to local governments	34,302	45,693	730	0	80,725
State operations	9,319	8,164	0	44	17,527
General State charges	4,403	820	0	0	5,223
Debt service	0	0	0	4,451	4,451
Capital projects	0	9	4,829	0	4,838
Total disbursements	48,024	54,686	5,559	4,495	112,764
Other financing sources (uses):					
Transfers from other funds	10,292	3,873	454	5,600	20,219
Transfers to other funds	(3,567)	(2,932)	(774)	(12,974)	(20,247)
Bond and note proceeds	0	0	181	0	181
Net other financing sources (uses)	6,725	941	(139)	(7,374)	153
Change in fund balance	(212)	(231)	216	12	(215)
Closing fund balance	3,045	4,007	(432)	233	6,853

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

*2006-07 year-end results are preliminary and unaudited.

**The opening balance cash balances, receipts, disbursements, other financing sources, and ending cash balances in the Special Revenue and Capital Projects Fund groups have been adjusted to reflect the reclassification of the Hazardous Waste Remedial Fund from the Special Revenue Fund to the Capital Projects Fund, pursuant to Section 70 of the State Finance Law.

GAAP-Basis Results for Prior Fiscal Years

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 entitled "State Organization—Accounting, Financial Reporting and Budgeting" in this AIS.

The Comprehensive Annual Financial Reports, including the Basic Financial Statements, 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)

Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accum. General Fund Surplus/(Deficit)
March 31, 2006	1,636	3,128	(664)	(251)	3,849	2182
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 Statement 34. GASB Statement 34 has significantly affected the accounting and financial reporting for all state and local governments. Under GASB Statement 34, the financial reporting model changed its focus to major funds, rather than fund types, requiring a section called management discussion and analysis (the "MD&A"), and containing government-wide financial statements which include the reporting of revenues and expenses by program. The new Basic Financial Statements and the MD&A are issued in place of the general purpose financial statements. The statements also report on all current assets and liabilities as well as long-term assets and liabilities, such as capital assets, including infrastructure (e.g., roads and bridges).

Summary of Primary Government Net Assets
(millions of dollars)

	Governmental Activities			Business-Type Activities			
Fiscal Year Ended	Assets	Liabilities	Total	Assets	Liabilities	Total	Total Net Assets
March 31, 2006	108,263	(62,266)	45,997	15,959	(12,823)	3,136	**49,133**
March 31, 2005	104,017	(62,827)	41,190	15,971	(13,326)	2,645	**43,835**
March 31, 2004	100,878	(61,792)	39,086	15,622	(13,534)	2,088	**41,174**

Economics and Demographics

The following section presents economic information that may be relevant in evaluating the future prospects of the State economy. Additional information on the economic forecast that supports the current financial plan projections appears in this AIS in the section entitled "Current Fiscal Year."

The demographic and statistical data in this section, which have been obtained from the sources indicated, do not represent all of the factors which may have a bearing on the State's fiscal and economic affairs. Further, such information requires economic and demographic analysis in order to assess its significance, and may be interpreted differently by individual experts.

The U.S. Economy

Data for the fourth quarter of 2006 showed a national economy in the throes of a substantial inventory correction and a severe residential housing market contraction. The DOB projects that both will continue to keep economic growth below its long-term trend rate through the first half of 2007. For all of 2006, real U.S. GDP increased 3.3 percent, following a 3.2 percent rise in 2005. The DOB currently projects growth of 2.4 percent for this year, virtually unchanged from the February forecast. A small upward revision in household consumption spending is expected to compensate for weaker business investment spending than anticipated in February.

Despite relatively low output growth, the resiliency of the national labor market remains impressive. First quarter 2007 growth in U.S. nonagricultural employment was somewhat stronger than anticipated. However, employment is often a lagging indicator and the DOB continues to project a deceleration in job growth for 2007. The DOB also projects a gradual rise in the unemployment rate over the course of this year, consistent with the February forecast. Personal income growth has been revised up slightly to 5.5 percent for 2007, due primarily to an upward revision in wage growth to 5.5 percent. Inflation of 2.2 percent, as measured by growth in the Consumer Price Index, is now projected for 2007, down from 3.2 percent for 2006. A slightly stronger labor market, along with stronger wage growth, will act to further restrain growth in U.S. corporate profits, which are now projected to grow 5.3 percent in 2007.

The DOB outlook for a soft landing of the national economy and a stable monetary policy stance through the end of 2007 remains unchanged from February. However, there are a number of risks to this forecast. If the labor market outperforms the forecast, higher employment and wage growth could induce stronger growth in consumer spending than projected. However, a tighter labor market than expected, particularly within the service-producing sectors that are less vulnerable to global competition, could result in higher inflation as well. Higher inflation, in turn, might induce the Federal Reserve to raise its short-term interest rate target, restraining economic growth. Higher interest rates and stronger employment and wages could also result in weaker profits and equity markets than projected. Higher interest rates could also further delay the recovery of the housing market, which could put downward pressure on consumer spending. Higher interest rates could also compound the troubles emanating from the subprime mortgage market. A shock to the economy related to geopolitical uncertainty, either in the form of a direct attack or excessive energy price volatility, also remains a risk. On the other hand, lower energy prices or stronger global growth than anticipated could result in stronger economic growth than expected.

Economic Indicators for the United States

	2003	2004	2005	2006	2007 [1]
Gross Domestic Product					
Nominal ($ billions)	10,960.8	11,712.5	12,455.8	13,246.6	13,900.0
Percent Change	4.7	6.9	6.3	6.3	4.9
Real ($ billions)	10,301.1	10,703.5	11,048.6	11,415.3	11,694.4
Percent Change	2.5	3.9	3.2	3.3	2.4
Personal Income					
($ billions)	9,163.7	9,731.4	10,239.2	10,883.5	11,487.0
Percent Change	3.2	6.2	5.2	6.3	5.5
Nonagricultural Employment					
(millions)	130.0	131.4	133.7	136.2	137.9
Percent Change	(0.3)	1.1	1.7	1.9	1.3
Unemployment Rate (%)	6.0	5.5	5.1	4.6	4.8
Consumer Price Index					
(1982-84=100)	184.0	188.9	195.3	201.6	206.0
Percent Change	2.3	2.7	3.4	3.2	2.2

Sources: US Department of Commerce, Bureau of Economic Analysis; US Department of Labor, Bureau of Labor Statistics. Table reflects revisions by source agencies to figures for prior years.

1 As projected by the NYS DOB, based on National Income and Product Account data through March 2007.

The New York Economy

The New York economy continues to expand. Anticipated growth in total New York nonfarm employment for 2007 remains virtually unchanged at 0.7 percent, following downward revised growth of 0.8 percent for 2006. Projected private sector job growth is also unchanged at 0.8 percent for 2007, following an estimated 1.1 percent growth for 2006. The DOB forecast for growth in State wages and salaries has been revised up to 6.2 percent for 2007, following growth of 7.6 percent for 2006, due almost entirely to stronger finance and insurance sector bonus growth than projected in February. Growth in total New York personal income for 2007 is now projected at 5.6 percent, following growth of 6.0 percent for 2006. All of the risks to the forecast for the national economy apply to the State forecast as well, although interest rate risk and equity market volatility pose a particularly large degree of uncertainty for New York. Should the Federal Reserve revert to a tight monetary policy, the negative impact would disproportionately affect New York due the importance of the finance industry to the State economy.

Economic Indicators for New York State

	2003	2004	2005	2006	2007 [1]
Personal Income					
($ billions)	693.5	742.2	772.0	818.4	864.7
Percent Change	2.4	7.0	4.0	6.0	5.6
Nonagricultural Employment					
(thousands)	8,201.2	8,252.8	8,327.2	8,397.1	8,454.7
Percent Change	(0.6)	0.6	0.9	0.8	0.7
Unemployment Rate (%)	6.4	5.8	5.0	4.5	5.0

Sources: US Department of Commerce, Bureau of Economic Analysis; NYS Department of Labor.
Table reflects revisions by source agencies to data for prior years.

1 As projected by Division of the Budget, based on National Income and Product Account data and employment data available through March 2007.

New York is the third most populous state in the nation and has a relatively high level of personal wealth. The State's economy is diverse, with a comparatively large share of the nation's financial activities, information, education, and health services employment, and a very small share of the nation's farming and mining activity. The State's location and its air transport facilities and natural harbors have made it an important link in international commerce. Travel and tourism constitute an important part of the economy. Like the rest of the nation, New York has a declining proportion of its workforce engaged in manufacturing, and an increasing proportion engaged in service industries. In 2003, Federal and state governments began reporting employment and wage statistics in accordance with the NAICS industrial classification system.

Services: Under NAICS, the services industries include professional and business services, private education and healthcare, leisure and hospitality services, and other services. These industries account for more than four of every ten nonagricultural jobs in New York, and account for a higher proportion of total jobs than the rest of the nation.

Manufacturing: Manufacturing employment continues to decline in New York, as in most other states, and New York's economy is less reliant on this sector than in the past. However, it remains an important sector of the State economy, particularly for the upstate region, which hosts high concentrations of manufacturers of transportation and other types of equipment.

Trade, Transportation, and Utilities: As defined under NAICS, the trade, transportation, and utilities supersector accounts for the largest component of State nonagricultural employment, but only the fourth largest when measured by wage share. This sector accounts for slightly less employment and wages for the State than for the nation.

Financial Activities: New York City is the nation's leading center of banking and finance and, as a result, this is a far more important sector in the State than in the nation as a whole. Although this sector accounts for under one-tenth of all nonagricultural jobs in the State, it contributes more than one-fifth of total wages.

Agriculture: Farming is an important part of the economy in rural areas, although it constitutes only about 0.2 percent of total State output. Principal agricultural products of the State include milk and dairy products, greenhouse and nursery products, fruits, and vegetables. New York ranks among the nation's leaders in the production of these commodities.

Government: Federal, State and local governments together comprise the second largest sector in terms of nonagricultural jobs, with the bulk of the employment accounted for by local governments. Public education is the source of nearly one-half of total State and local government employment.

The importance of the different sectors of the State's economy relative to the national economy is shown in the following table, which compares nonagricultural employment and wages by sector for the State and the nation as a whole. Manufacturing and construction account for smaller shares of employment for the State than for the nation, while service industries account for a larger share. The financial activities sector share of total wages is particularly large for the State relative to the nation. Thus, the State is likely to be less affected than the nation as a whole during an economic recession that is concentrated in manufacturing and construction, but likely to be more affected by any economic downturn that is concentrated in the services sector.

Composition of Nonagricultural Employment and Wages by Major NAICS Sector for 2006 (Percent)

	Employment		Wages	
	State	United States	State	United States
Natural Resources and Mining	0.1	0.5	0.3	1.1
Construction	3.9	5.6	3.8	5.9
Manufacturing	6.6	10.4	6.4	12.2
Trade, Transportation, and Utilities	17.5	19.3	13.0	16.6
Information	3.1	2.2	4.6	3.4
Financial Activities	8.4	6.1	21.5	9.5
Professional and Business Services	12.9	12.9	16.4	15.7
Educational and Health Services	18.2	13.1	12.9	11.6
Leisure and Hospitality	7.9	9.7	3.7	4.2
Other Services	4.1	4.0	2.7	3.1
Government	17.3	16.1	14.7	16.7

Source: NYS Department of Labor; US Department of Labor, Bureau of Labor Statistics; US Department of Commerce, Bureau of Economic Analysis.

Economic and Demographic Trends

In calendar years 1990 through 1998, the State's rate of economic growth was somewhat slower than that of the nation. In particular, during the 1990-91 recession and post-recession period, the economies of the State and much of the rest of the Northeast were more heavily damaged than the nation as a whole and were slower to recover. However, the situation subsequently improved. In 1999, for the first time in 13 years, State employment growth surpassed that of the nation, and in 2000 the rates were essentially the same. In 2001, the September 11th attack resulted in a downturn in New York that was more severe than for the nation as a whole. Although the State unemployment rate was higher than the national rate from 1991 to 2000, the gap between them has since closed.

The following table compares population change in the State and in the United States since 1960.

Comparitive Population Figures

	State			US	
	Total Population (000s)	% Change from Preceding Period	Percentage of U.S. Population	Total Population (000s)	% Change from Preceding Period
1960	16,782	13.2	9.4	179,323	18.5
1970	18,241	8.7	9.0	203,302	13.4
1980	17,558	(3.7)	7.8	226,546	11.4
1990	17,990	2.5	7.2	248,710	9.8
2000	18,976	5.5	6.7	281,422	13.2
2006*	19,306	1.7	6.4	299,398	6.4

* Growth rates for 2006 are relative to 2000 population levels.

Source: US Department of Commerce, Census Bureau.

Total State nonagricultural employment has declined as a share of national nonagricultural employment. The following historical table compares these levels and the rate of unemployment for the State and the nation.

Nonagricultural Employment and Unemployment Rate for New York and the United States

	Employment (000s)		State as Percent of US Employment	Unemployment Rate (%)	
	State	US		State	US
1960	6,182	54,296	11.4	N/A	5.5
1970	7,156	71,006	10.1	4.5	4.9
1980	7,207	90,528	8.0	7.5	7.1
1990	8,212	109,487	7.5	5.3	5.6
2000	8,635	131,785	6.6	4.5	4.0
2006	8,612	136,174	6.3	4.5	4.6

Source: US Department of Labor and NYS Department of Labor.

Note: Nonagricultural employment and unemployment rates are generated from separate surveys.

State per capita personal income has historically been significantly higher than the national average, although the ratio has varied substantially. Because New York City is an employment center for a multi-state region, State personal income measured on a residence basis understates the relative importance of the State to the national economy and the size of the base to which State taxation applies. The following table compares per capita personal incomes for the State and the nation.

Per Capita Personal Income
(Income in Dollars)

	State	US	State/US
1960	2,821	2,269	1.24
1970	4,874	4,085	1.19
1980	11,015	10,114	1.09
1990	23,523	19,477	1.21
2000	34,895	29,843	1.17
2006	42,392	36,276	1.17

Source: US Department of Commerce, Bureau of Economic Analysis.

Debt and Other Financing Activities

State Law requires the Governor to submit the five-year Capital Program and Financing Plan (the Plan) with the Executive Budget and to submit an update to the Plan (the "Enacted Plan") by 30 days after the enactment of the State Budget. A copy of the Executive Budget and the Enacted Budget Capital Program and Financing Plan can be obtained, when available, by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 473-8705, or at www.budget.state.ny.us.

State Debt and Other Financings

State-related debt consists of State-supported debt, where the State, subject to an appropriation, is directly responsible for paying debt service, as well as State-guaranteed debt (to which the full faith and credit of the State has been pledged), moral obligation financings and certain contingent-contractual obligation financings, where debt service is expected to be paid from other sources and State appropriations are contingent in that they may be made and used only under certain circumstances (see "State-Related Debt Outstanding"). *State-supported debt* is a subset of State-related debt. It includes general obligation debt, to which the full faith and credit of the State has been pledged, and lease-purchase and contractual obligations of public authorities and municipalities, where the State's legal obligation to make payments to those public authorities and municipalities is subject to and paid from annual appropriations made by the Legislature (see "State-Supported Debt Outstanding").

The State has never defaulted on any of its general obligation indebtedness or its obligations under lease-purchase or contractual obligation financing arrangements and has never been called upon to make any direct payments pursuant to its guarantees.

The table on the following page summarizes State-related debt outstanding for the past three fiscal years.

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Outstanding State-Related Debt (1)
(millions of Dollars)

	As of 3/31/05	As of 3/31/06	As of 3/31/07
State-Supported Debt			
General Obligation	3,652	3,470	3,302
Local Government Assistance Corporation	4,449	4,317	4,204
Other Lease-Purchase and Contractual-Obligation Financing Arrangements	28,139	27,067	26,733
State Personal Income Tax Revenue Bond Financing	4,461	6,323	8,415
Total State-Supported Debt	40,701	41,177	42,654
Contingent Contractual-Obligation Financing			
DASNY/MCFFA - Secured Hospital Program	871	837	775
Tobacco Settlement Financing Corporation	4,495	4,278	4,084
Total Contingent Contractual-Obligation Financing	5,366	5,115	4,859
Moral Obligation Financing			
Housing Finance Agency	96	58	52
MCFFA-Hospitals and Nursing Homes	16	9	4
Total Moral Obligation Financing	112	67	56
State-Guaranteed Debt			
Job Development Authority	64	63	42
Other State Financings			
MBBA Prior Year School Aid Claims	507	504	484
Capital Leases	239	232	232
Mortgage Loan Commitments	0	62	62
	746	798	778
TOTAL STATE-RELATED DEBT	46,989	47,220	48,389

Source: Data provided by the Office of the State Comptroller for year ending 3/31/05. Data based on the Comprehensive Annual Financial Report (CAFR), specifically DOB's cash estimate of the GAAP numbers contained therein (CAFR Tables 5 and Note 10) for year ending 3/31/06. Data provided by DOB for year ending 3/31/07. Presentation of data and composition of State-Related Debt supplied by DOB. Amounts for DASNY/MCFFA-Secured Hospital Program, Moral Obligation Financing and State-Guaranteed Debt are reported as a contingent liability to the State in Note 10 of the CAFR and not counted as debt outstanding in Table 5 of the CAFR.

(1) Amounts outstanding reflect original par amounts or original gross proceeds in the case of capital appreciation bonds. Amounts outstanding do not reflect accretion of capital appreciation bonds or premiums received.

State-Supported Debt Outstanding

State-supported debt includes general obligation debt, to which the full faith and credit of the State has been pledged, and lease-purchase and contractual obligations of public authorities and municipalities, where the State's legal obligation to make payments to those public authorities and municipalities is subject to and paid from annual appropriations made by the Legislature.

General Obligation Financings

Under the State Constitution, the State may not, with limited exceptions for emergencies, undertake a long-term general obligation borrowing (i.e. borrowing for more than one year) unless the borrowing is authorized in a specific amount for a single work or purpose by the Legislature and approved by the voters. There is no constitutional limitation on the amount of long-term general obligation debt that may be so authorized and subsequently incurred by the State. However, the Debt Reform Act of 2000 (Debt Reform Act) imposed statutory limitations on new State-supported debt issued on and after April 1, 2000. The State Constitution provides that general obligation bonds must issued on and after April 1, 2000. The State Constitution provides that general obligation bonds must be paid in equal annual principal installments or installments that result in substantially level or declining debt service payments, mature within 40 years after issuance, and begin to amortize not more than one year after the issuance of such bonds. However, general obligation housing bonds must be paid within 50 years after issuance, with principal commencing no more than three years after issuance. Regardless, the Debt Reform Act limits the maximum term of State-supported bonds, including general obligation bonds, to thirty years (see “Limitations on State-supported Debt – Debt Reform Act of 2000” below).

Under the State Constitution, the State may undertake short-term borrowings without voter approval (i) in anticipation of the receipt of taxes and revenues, by issuing tax and revenue anticipation notes (TRANs), and (ii) in anticipation of the receipt of proceeds from the sale of duly authorized but unissued general obligation bonds, by issuing bond anticipation notes (BANs). TRANs must mature within one year from their date of issuance and cannot be refunded or refinanced beyond such period. However, since 1990, the State's ability to issue TRANs has been limited due to the enactment of the fiscal reform program which created LGAC (see "Local Government Assistance Corporation" below). BANs may only be issued for the purposes and within the amounts for which bonds may be issued pursuant to voter authorizations, and must be paid from the proceeds of the sale of bonds in anticipation of which they were issued or from other sources within two years of the date of issuance or, in the case of BANs for housing purposes, within five years of the date of issuance. In order to provide flexibility within these maximum term limits, the State had previously utilized the BANs authorization to conduct a commercial paper program to fund disbursements eligible for general obligation bond financing. The State does not anticipate issuing BANs during the 2007-08 fiscal year.

General Obligation Bonds Outstanding

General obligation debt is currently authorized for transportation, environment and housing purposes. Transportation-related bonds are issued for State and local highway and bridge improvements, aviation, mass transportation, rail, canal, port and waterway programs and projects. Environmental bonds are issued to fund environmentally-sensitive land acquisitions, air and water quality improvements, municipal non-hazardous waste landfill closures and hazardous waste site cleanup projects. The amount of general obligation bonds issued in the 2006-07 fiscal year (excluding refunding bonds) was $180 million, and as of March 31, 2007, the total amount of general obligation debt outstanding was $3.3 billion. The following table sets forth information regarding the levels of authorized, unissued and outstanding State general obligation debt by purpose as of March 31, 2007. The Enacted Capital Plan projects that approximately $358 million in general obligation bonds will be issued in 2007-08.

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STATE GENERAL OBLIGATION DEBT
March 31, 2007
(millions of dollars)(1)

Purpose/Year Authorized	Total Authorized	Authorized but Unissued	Total Debt Outstanding
Transportation Bonds:			
Accelerated Capacity and Transportation			
Improvements of the Nineties (1988)	3,000	32	827
Rebuild New York Through Transportation			
Infrastructure Renewal (1983)			
Highway Related Projects	1,064	23	8
Ports, Canals, and Waterways	49	-	-
Rapid Transit, Rail and Aviation Projects	137	-	33
Energy Conservation Through Improved Transportation (1979)			
Local Streets and Highways	100	-	-
Rapid Transit and Rail Freight	400	-	34
Rail Preservation (1974)	250	-	28
Transportation Capital Facilities (1967)			
Highways	1,250	-	-
Mass Transportation	1,000	-	49
Aviation	250	-	38
Rebuild and Renew New York Transportation Bonds (2005)			
Highway Facilities/Other Transportation (Excluding MTA)			
Highway Facilities	Note 2	Note 2	50
Rail & Port	Note 2	Note 2	4
Subtotal Highway Facilities/Other Transportation (Excluding MTA)	1,450	1,395	54
Mass Transit - Metropolitan Transportation Authority	1,450	1,355	93
Total Transportation Bonds	**10,400**	**2,805**	**1,164**
Environmental Bonds:			
Clean Water/Clean Air (1996)			
Air Quality	230	32	119
Safe Drinking Water	355	-	148
Clean Water	790	243	475
Solid Waste	175	13	119
Environmental Restoration	200	149	40
Environmental Quality (1972)			
Air	150	9	32
Land and Wetlands	350	11	65
Water	650	7	159
Environmental Quality (1986)			
Land and Forests	250	3	86
Solid Waste Management	1,200	81	646
Outdoor Recreation Development (1966)	200	-	-
Pure Waters (1965)	1,000	29	113
Park and Recreation Land Acquisition (1960)	100	1	-
Total Environmental Bonds	**5,650**	**578**	**2,002**
Education Bonds:			
Higher Education Facilities (1957)	**250**	**-**	**-**
Housing Bonds:			
Low-Income Housing (through 1958)	960	8	81
Middle-Income Housing (through 1958)	150	1	55
Urban Renewal (1958)	25	2	-
Total Housing Bonds	**1,135**	**11**	**136**
TOTAL GENERAL OBLIGATION DEBT	**17,435**	**3,394**	**3,302**

Source: Office of the State Comptroller

(1) Amounts have been rounded to the nearest million.
(2) The Legislature did not provide any limitation on bonds to be issued for specific project categories or programs authorized within the Highway Facilities/Other Transportation (Excluding MTA) Purpose.

State-Supported Lease-Purchase and Contractual-Obligation Financings

The State utilizes certain long-term financing mechanisms, lease-purchase and contractual-obligation financings which involve obligations of public authorities or municipalities where debt service is payable by the State, but which are not general obligations of the State. Under these financing arrangements, certain public authorities and municipalities have issued obligations to finance certain payments to local governments (see "Local Government Assistance Corporation" below), various capital programs, including those which finance the State's highway and bridge program, SUNY and CUNY educational facilities, health and mental hygiene facilities, prison construction and rehabilitation, economic development projects, State buildings and housing programs, and equipment acquisitions, and expect to meet their debt service requirements through the receipt of rental or other contractual payments made by the State.

Debt service payable to certain public authorities from State appropriations for such lease-purchase and contractual obligation financings may be paid from general resources of the State or from dedicated tax and other sources (e.g., State personal income taxes, motor vehicle and motor fuel related-taxes, dormitory facility rentals, and patient charges). Although these financing arrangements involve a contractual agreement by the State to make payments to a public authority, municipality or other entity, the State's obligation to make such payments is generally expressly made subject to appropriation by the Legislature and the actual availability of money to the State for making the payments.

The State expects to continue to use lease-purchase and contractual-obligation financing arrangements to finance its capital programs, and expects to finance many of these capital programs with State PIT Revenue Bonds (see "State Personal Income Tax Revenue Bond Financing" below). The Enacted Capital Plan projects that $4.9 billion of State PIT Revenue Bonds, $102 million of SUNY Dormitory Facilities Revenue Bonds, and $373 million of Mental Health Facilities Improvement Revenue Bonds will be issued in 2007-08. The Enacted Capital Plan also projects the issuance of $703 million of Dedicated Highway and Bridge Trust Fund Bonds in 2007-08.

Some of the major capital programs financed by lease-purchase and contractual-obligation agreements are highlighted below.

Transportation. The State DOT is primarily responsible for maintaining and rehabilitating the State's system of highways and bridges, which includes 40,000 State highway lane miles and 7,500 State bridges. The Department also oversees and funds programs for rail, port, transit and aviation projects and programs that help defray local capital expenses associated with road and bridge projects.

The 2005-2010 Transportation Capital Plan continues to reflect a five-year DOT capital plan and a five-year MTA capital plan of $17.9 billion each. The Transportation Capital Plan includes the entire DOT plan, but only reflects the portion of the MTA capital plan that is financed by State-supported bonds. The balance of the MTA capital plan is financed by a combination of other State, City and MTA resources (see below). To partially fund the new DOT and MTA plans, the voters passed a $2.9 billion Rebuild and Renew New York Transportation General Obligation Bond Act in November 2005. Proceeds from the Bond Act are divided equally between the DOT and the MTA capital programs ($1.45 billion for each program). Additional resources still need to be identified in the out years of the plan to support the DOT and MTA capital plans.

DOT's programs are financed by a combination of Federal grants, pay-as-you-go capital and bond proceeds supported by the Dedicated Highway and Bridge Trust Fund, and revenues from the Dedicated Mass Transportation Trust Fund. Legislation has been periodically adopted to increase the deposit of revenues into the Dedicated Highway and Bridge Trust Fund and the Dedicated Mass Transportation Trust Fund to meet program needs. In addition, general obligation bond acts have been used to support capital transportation spending.

The State has supported the capital plans of the MTA in part by entering into service contracts relating to certain State-supported bonds issued by the MTA. Legislation adopted in 1992 and 1993 also authorized payments, subject to appropriation, of a portion of the petroleum business tax from the State's Dedicated Mass Transportation Trust Fund to the MTA and authorized it to be used as a source of payment for non-State-supported bonds to be sold by the MTA to support its capital program. Legislation adopted in 2000 provided for increases in amounts dedicated to the MTA through the Dedicated Mass Transportation Trust Fund by increasing the portion of the petroleum business tax and other transportation-related taxes and fees that would flow to that Fund between 2000-01 and 2004-05. In 2002, the MTA implemented an overall debt restructuring program that included the State-supported service contract bonds and the non-State-supported Dedicated Mass Transportation Trust Fund bonds. The restructuring simplified and restructured MTA credits, modernized resolutions and restructured existing debt to create new capital capacity and better match the bond maturities with the useful lives of the projects financed.

Education. The State finances the physical infrastructure of SUNY and CUNY and their respective community colleges and SED through direct State capital spending and through financing arrangements with the Dormitory Authority of the State of New York (DASNY), paying all capital costs of the senior colleges and sharing equally with local governments for the community colleges, except that SUNY dormitories are financed through dormitory fees. The Enacted Capital Plan also includes language amendments to the Higher Education Capital Matching Grants Program which will streamline the financing of capital projects at private colleges. Also included in the Enacted Capital Plan period is $1.8 billion in new bond issuances to support school construction projects for the Expanding our Children's Education and Learning (EXCEL) program.

The 34 SUNY senior colleges and 30 SUNY community college campuses comprise approximately 2,700 buildings, including classrooms, dormitories, libraries, athletic and student facilities and other buildings. Nearly 85 percent of these structures exceed 20 years of age. Together with the 30 SUNY community colleges, the SUNY system serves approximately 413,000 students. The CUNY system is comprised of 11 senior colleges and 6 community colleges that serve more than 223,000 students.

Mental Hygiene/Health. The State provides care for its citizens with mental illness, mental retardation and developmental disabilities, and for those with chemical dependencies, through the Office of Mental Health (OMH), the Office of Mental Retardation and Developmental Disabilities (OMRDD) and the Office of Alcoholism and Substance Abuse Services (OASAS) and their network of private service providers. Capital investments for State-operated programs are primarily supported by patient revenues through financing arrangements with DASNY. Historically, this care has been provided at large State institutions. Beginning in the 1980s, the State adopted policies to provide institutional care to only those most in need of this specialized setting and to expand care in community programs for the vast majority of those served.

OMH's capital program supports an institutional physical plant consisting of 21 campuses with over 450 actively used buildings as well as a State and non-profit operated community network of 28,500 beds. The overall policy direction of this program has limited institutional capital projects to those that are necessary to ensure the health and safety of clients and staff, retain program accreditation, and maintain the condition of existing facilities. In addition, the program supports the preservation of existing State and community beds and the development of new non-profit operated community beds.

OMRDD's capital program supports a State institutional infrastructure comprising 14 service districts with approximately 260 actively used buildings, and a State and non-profit operated community network of over 34,000 beds. The program continues the recent shift in emphasis from the development of new facilities (primarily in the community) to the improvement and maintenance of existing State and non-profit infrastructure.

As the need for institutional beds has declined over recent years, both OMH and OMRDD have consolidated, reconfigured or closed many of their campuses, permitting the planned development of alternate uses for the surplus facilities.

Various capital programs for DOH facilities have also been financed by DASNY using patient revenues and contractual-obligation financing arrangements.

Public Protection. The State prison system houses approximately 63,400 inmates in 70 institutions with 3,800 buildings. With the completion of the Five Points Correctional Facility in 2000 marking the end of the most recent capacity expansion effort, the capital program has shifted its focus to critical physical plant maintenance and rehabilitation projects.

Equipment Acquisitions. Subject to legislative authorization, the State may also participate in the issuance of certificates of participation (COPs) in a pool of leases entered into by OGS on behalf of several State departments and agencies to acquire equipment, or in certain cases, real property, to facilitate the delivery of services that achieve the mission of agencies. Legislation enacted in 1986 established restrictions upon the issuance of COPs and centralized State control of this equipment acquisition program. COPs represent the State's contractual obligation, subject to annual appropriation by the Legislature and availability of funds, to make installment or lease-purchase payments for the State's acquisition of such equipment or real property. The State has not issued COPs since 2001 and expects that State PIT Revenue Bonds will continue to be used to finance the acquisition of equipment under this program in 2007-08.

Other Programs. The State also uses lease-purchase and contractual-obligation financing arrangements for the institutional facilities of OCFS (formerly known as the Division for Youth), the State's housing programs, and various environmental, economic development, and State building programs.

Local Government Assistance Corporation (LGAC)

In 1990, as part of a State fiscal reform program, legislation was enacted creating LGAC, a public benefit corporation empowered to issue long-term obligations to fund certain payments to local governments that had been traditionally funded through the State's annual seasonal borrowing. The legislation also dedicated revenues equal to the first 1 percent of the State sales and use tax to pay debt service on these bonds. As of June 1995, LGAC had issued State-supported bonds and notes to provide net proceeds of $4.7 billion, completing the program. The issuance of these long-term obligations, which are to be amortized over no more than 30 years, was expected to eliminate the need for continued short-term seasonal borrowing.

The legislation also eliminated annual seasonal borrowing of the State except in cases where the Governor and the legislative leaders have certified the need for additional seasonal borrowing, based on emergency or extraordinary factors or factors unanticipated at the time of adoption of the budget, and provided a schedule for eliminating it over time. Any seasonal borrowing is required by law to be eliminated by the fourth fiscal year after the limit was first exceeded (i.e., no TRANs seasonal borrowing in the fifth year). This provision limiting the State’s seasonal borrowing practices was included as a covenant with LGAC's bondholders in the General Bond Resolution and General Subordinate Lien Bond Resolution authorizing such bonds. No restrictions were placed upon the State’s ability to issue deficit notes.

The impact of the LGAC reforms, as well as other changes in revenue and spending patterns, is that the State has been able to meet its cash flow needs throughout the fiscal year without relying on short-term seasonal borrowings.

Legislation enacted in 2003 currently requires LGAC to certify, in addition to its own cash needs, $170 million annually to provide an incentive for the State to seek an annual appropriation to provide local assistance payments to New York City or its assignee. In May 2004, LGAC amended its General Bond Resolution and General Subordinate Lien Bond Resolution to make clear that any failure to certify or make payments to the City or its assignee has no impact on LGAC's own bondholders; and that if any such act or omission were to occur with respect to any possible bonds issued by The City of New York or its assignee, that act or omission would not constitute an Event of Default with respect to LGAC bonds. The 2007-08 Enacted Budget includes a local assistance appropriation of $170 million from the Local Government Assistance Tax Fund to the City.

State Personal Income Tax Revenue Bond Financing

Legislation enacted in 2001 provided for the issuance of State PIT Revenue Bonds by the Urban Development Corporation (UDC), Housing Finance Agency (HFA), the New York State Thruway Authority (Thruway Authority), DASNY, and the New York State Environmental Facilities Corporation (EFC) (collectively, the "Authorized Issuers").

The legislation provides that 25 percent of State PIT receipts, excluding refunds owed to taxpayers, be deposited to the Revenue Bond Tax Fund (RBTF) for purposes of making debt service payments on these bonds, with excess amounts returned to the General Fund. Legislation enacted in 2007 increased the amount of PIT receipts to be deposited into the RBTF by removing an exclusion for PIT amounts deposited to the STAR Fund. In the event that (i) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue Bonds or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on the State PIT Revenue Bonds, the legislation requires that PIT receipts continue to be deposited to the RBTF until amounts on deposit in the Fund equal the greater of (i) 25 percent of annual PIT receipts or (ii) $6 billion.

The first State PIT Revenue Bonds were issued on May 9, 2002, and since that time, all of the Authorized Issuers have issued State PIT Revenue Bonds. To date, State PIT Revenue Bonds have been issued to support programs related to five general purposes: Education, Economic Development and Housing, Environment, State Facilities and Equipment and Transportation. The Enacted Capital Plan anticipates that State PIT Revenue Bonds will be issued for a sixth general purpose – Health Care, to support the Health Care Efficiency and Affordability Law for New Yorkers (Heal NY) Capital Grant Program. State PIT Revenue Bonds are expected to continue to be the primary financing vehicle for a broad range of existing or new State-supported debt programs authorized to be secured by service contract or lease-purchase payments. The following table shows the amount of State PIT Revenue Bonds outstanding by general purpose. As of March 31, 2007, approximately $8.4 billion of State PIT Revenue Bonds were outstanding. Those outstanding State PIT Revenue Bonds are also included in the respective capital programs in the Outstanding State-related debt table shown below. The 2007-08 Enacted Budget projects that $4.9 billion of State PIT Revenue Bonds will be issued in 2007-08 (see "2007-08 State Borrowing Plan" below).

Outstanding State Personal Income Tax Revenue Bonds
(millions of dollars)

	As of 3/31/05	As of 3/31/06	As of 3/31/07
State Personal Income Tax Revenue Bonds			
Education	784	1,842	3,400
Economic Development & Housing	1,299	1,520	1,416
Environment	317	460	536
State Facilities & Equipment	1,159	1,400	1,674
Transportation	902	1,101	1,389
Total State Personal Income Tax Revenue Bonds	4,461	6,323	8,415

Source: NYS Division of the Budget

Contingent Contractual-Obligation Financing

The State may also enter into statutorily authorized contingent contractual-obligation financings under which the State may enter into service contracts obligating it to pay debt service on bonds, subject to annual appropriation, in the event there are shortfalls in revenues from other non-State resources pledged or otherwise available, to pay the debt service on the bonds. The State has never been required to make any payments, and does not expect to make payments, under this financing arrangement in the 2007-08 fiscal year.

Secured Hospital Program

Pursuant to legislation enacted in 1985, the State entered into service contracts establishing a contingent contractual-obligation under financings related to the Secured Hospital Program for the purpose of enabling certain financially distressed not-for-profit hospitals to gain access to the capital markets. The State service contracts obligate the State to pay debt service, subject to annual appropriations, on bonds issued by the New York State Medical Care Facilities Finance Agency (MCFFA) and by DASNY (all now included as debt of DASNY), in the event there are shortfalls of revenues from other sources, which include hospital payments made under loan agreements between DASNY and the hospitals, and certain reserve funds held by the applicable trustees for the bonds. As of March 31, 2007, there were ten secured hospital borrowers and a total of $774.9 million in bonds outstanding with annual debt service payments of $62.7 million due during State fiscal year 2007-08. The State has never been required to make any payments pursuant to this financing arrangement.

The statutory authorization to issue bonds under the Secured Hospital Program expired on March 1, 1998. However, legislation enacted in 2002 and 2006 allowed certain eligible secured hospital borrowers with outstanding secured hospital debt to refinance and extend the maturity of their debt. Chapter 590 of the Laws of 2002, which expired on December 31, 2004, allowed two eligible hospitals, North General Hospital and Catskill Regional Medical Center, to refinance their outstanding debt. Chapter 387 of the Laws of 2006 enabled three hospital borrowers, Bronx-Lebanon Hospital Center ($97.1 million), Interfaith Medical Center ($122.5 million) and The Jamaica Hospital ($50.7 million), to refinance their debt. Chapter 387 expired on March 31, 2007.

The State anticipates that the annual debt service payments due during the State's 2007-08 fiscal year on all outstanding Secured Hospital Program bonds will be paid pursuant to the loan agreements between the hospitals and DASNY or from other sources, other than payments by the State service contracts. Thus, the State does not anticipate being required to make any payments under the Secured Hospital Program during the 2007-08 fiscal year.

Tobacco Settlement Financing Corporation

Legislation enacted in 2003 authorized the State to securitize all of its tobacco settlement payments to the Tobacco Settlement Financing Corporation (TSFC, a corporation created under the legislation that is a subsidiary of the Municipal Bond Bank Agency) through an asset-backed securitization transaction. To lower costs, the legislation authorized the State to enter into contingency contracts obligating the State to pay debt service, subject to annual appropriations, on the TSFC bonds in the event that tobacco receipts and bond reserves are insufficient. To ensure that State contractual payments will not be required and that tobacco receipts and bond reserves are sufficient to pay debt service, the TSFC bonds were structured to meet or exceed all rating agency tobacco bonds stress tests. The $4.2 billion of upfront payments received by the State from the securitization were used to help restore State budget balance in 2003-04 ($3.8 billion) and 2004-05 ($400 million). As of March 31, 2007, approximately $4.084 billion in TSFC bonds were outstanding.

The bonds carry a final nominal maturity of 20 years and an expected final maturity of 13 years, based on optional redemptions. The expected final maturity may deviate due to the optional nature of the redemptions and adjustments to tobacco settlement payments due from participating manufacturers.

Various manufacturers, including the original participating manufacturers, have adjusted payments downward or indicated that they plan on adjusting subsequent payments downward to states and territories, or otherwise have deposited or will deposit payments into a special disputed payments account awaiting determination of entitlement to adjustments.

Moral Obligation Financings

Moral obligation financing generally involves the issuance of debt by a public authority to finance a revenue-producing project or other activity. The debt is secured by project revenues and includes statutory provisions requiring the State, subject to appropriation by the Legislature, to make up any deficiencies which may occur in the issuer's debt service reserve fund. There has never been a payment default on any moral obligation debt of any public authority. The State does not intend to increase statutory authorizations for moral obligation bond programs. From 1976 through 1987, the State was called upon to appropriate and make payments totaling $162.8 million to make up deficiencies in the debt service reserve funds of HFA pursuant to moral obligation provisions. In the same period, the State also expended additional funds to assist the Project Finance Agency, UDC and other public authorities which had moral obligation debt outstanding. The State has not been called upon to make any payments pursuant to any moral obligations since the 1986-87 fiscal year and no such requirements are anticipated during the 2007-08 fiscal year.

State-Guaranteed Financings

Pursuant to specific constitutional authorization, the State may also directly guarantee certain public authority obligations. Payments of debt service on State-guaranteed bonds and notes are legally enforceable obligations of the State. The only current authorization provides for the State guarantee of the repayment of certain borrowings for designated projects of the New York State Job Development Authority (JDA). The State has never been called upon to make any direct payments pursuant to any such guarantees.

Due to concerns regarding the economic viability of its programs, JDA's loan and loan guarantee activities were suspended in 1995. JDA resumed its lending activities in 1997 under a revised set of lending programs and underwriting guidelines. In April 2004, JDA issued approximately $42.4 million of State-guaranteed bonds to refinance certain of its outstanding bonds and notes in order to restructure and improve JDA's capital finances. As of March 31, 2007, JDA had approximately $42.4 million of bonds outstanding. The State does not anticipate that it will be called upon to make any payments pursuant to the State guarantee in the 2007-08 fiscal year.

Other State Financings

Other State financings relate to the issuance of debt by a public authority on behalf of a municipality which receives proceeds of the sale. To ensure that debt service payments are made, the municipality assigns specified State and local assistance payments it receives to the issuer or the bond trustee. The State has no legal obligation to make any debt service payments or to continue to appropriate local assistance payments that are subject to the assignment.

State-Related Debt

State Bond Caps and Debt Outstanding by Program

The following table shows the total amount of State-related debt outstanding as of March 31, 2007 by each bond authorization. Also included in the table are the amount of bonds authorized and bonds authorized but unissued. The bond authorization amounts and related unissued amounts have been updated through April 1, 2007, to include all legislative actions taken in the 2007-08 Enacted Budget. The table includes bond information for general obligation, LGAC, lease-purchase and contractual-obligation bonds. The information provided in the table for lease-purchase and contractual-obligation debt includes outstanding State PIT Revenue Bonds that have been issued to finance many of the capital programs included therein (see "State Personal Income Tax Revenue Bond Financing"). Debt authorizations for capital programs are either approved or enacted all at one time and are expected to be fully issued over time, or are enacted annually by the Legislature and are usually consistent with bondable capital projects appropriations. Authorization does not, however, indicate intent to sell bonds for the entire amount of those authorizations, because capital appropriations often include projects that do not materialize or are financed from other sources. In general, the amount of bonds authorized may be increased or decreased from time to time by the Legislature. In the case of general obligation debt only, increases in the authorization must be approved by the voters.

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State Related Debt
2007-08 Enacted Bond Caps and Debt Outstanding
($ millions) (1)

Type of Cap (Gross or Net)	Program	2007-08 Enacted Bond Caps	Authorized But Unissued (2)	Debt Outstanding (3) As of 3/31/07
Education:				
Gross	SUNY Educational Facilities (4)	7,461	3,295	4,769
Net	SUNY Dormitory Facilities (5)	800	360	752
Net	SUNY Upstate Community Colleges (5)	301	134	570
Gross	CUNY Educational Facilities (6)	5,904	2,209	3,452
Net	State Ed Department Facilities (7)	0	0	62
Gross	Library for the Blind	16	0	6
Net	SUNY Athletic Facilities	22	0	22
Net	RESCUE	195	0	139
Net	University Facilities (Jobs 2000)	48	0	35
Net	School District Capital Outlay Grants	140	40	57
Net	Judicial Training Institute	16	0	13
Net	Transportation Transition Grants	80	12	43
Net	Public Broadcasting Facilities	15	0	14
Net	Higher Education Capital Matching Grants	150	150	0
Net	EXCEL	2,600	1,810	757
Net	Library Facilities	28	14	13
Net	Cultural Education Storage Facilities	60	60	0
Environment:				
Net	Environmental Infrastructure Projects (8)	493	92	356
Net	Hazardous Waste Remediation (SFUND)	1,200	998	188
Net	Riverbank State Park	78	18	53
Net	Water Pollution Control (SRF)	541	97	120
Net	State Park Infrastructure	30	0	7
Net	Fuel Tanks	23	0	0
Net	Pipeline for Jobs (Jobs 2000)	29	3	19
Net	Western New York Nuclear Service Center	104	0	9
Net	Long Island Pine Barrens	15	0	10
Net	Pilgrim Sewage Plant	11	0	7
State Building/Equipment/Public Protection:				
Net	Empire State Plaza	133	13	28
Net	State Capital Projects (Attica)	200	0	195
Net	Division of State Police Facilities	102	91	10
Net	Division of Military & Naval Affairs	15	9	6
Net	Alfred E. Smith Building	89	0	75
Net	Sheridan Ave. (Elk St.) Parking Garage	25	0	24
Net	State Office Buildings and Other Facilities	83	22	56
Net	Judiciary Improvements	38	0	32
Net	OSC State Buildings	52	0	36
Net	Albany Parking Garage (East)	41	0	35
Net	OGS State Buildings and Other Facilities (9)	140	140	137
Net	Equipment Acquisition (COPs) (10)	293	97	158
Net	Food Laboratory	40	40	0
Net	OFT Facilities	100	100	0
Net	Courthouse Improvements	78	78	0
Gross	Prison Facilities	5,185	288	4,181
Net	Homeland Security	25	1	21
Gross	Youth Facilities	329	85	182
Net	E-911 Program	100	25	60
Economic Development:				
Gross	Housing Capital Programs	2,042	314	1,334
Gross	Javits Convention Center (Original)	375	0	184
Net	Community Enhancement Facilities (CEFAP) (11)	425	109	80
Net	University Technology Centers (incl. HEAT)	248	13	119
Gross	Onondaga Convention Center	40	0	33
Net	Sports Facilities	145	0	114
Net	Child Care Facilities	30	1	25
Net	Bio-Tech Facilities	10	10	0
Net	Strategic Investment Program	225	71	28
Net	Regional Economic Development (Fund 002) (12)	1,200	341	645
Net	NYS Economic Development (2004) (13)	350	184	155
Net	Regional Economic Development (2004) (14)	250	250	0
Net	High Technology and Development	250	250	0
Net	Regional Economic Development/SPUR	90	54	34
Net	Buffalo Inner Harbor	50	50	0
Net	Jobs Now	14	1	3
Net	Economic Development 2006 (Various) (15)	2,318	2,318	0
Net	Javits Convention Center (Expansion '06)	350	350	0
Net	Queens Stadium (Mets)	75	51	23
Net	Bronx Stadium (Yankees)	75	75	0
Net	NYS Ec Dev Stadium Parking ('06)	75	75	0
Net	State Modernization Projects (RIOC Tram, etc.)	50	50	0

State Related Debt
2007-08 Enacted Bond Caps and Debt Outstanding
($ millions) (1)

Type of Cap (Gross or Net)		Program	2007-08 Enacted Bond Caps	Authorized But Unissued (2)	Debt Outstanding (3) As of 3/31/07
Health/Mental Hygiene:					
	Net	Department of Health Facilities (inc. Axelrod)	495	3	407
	Gross	Mental Health Facilities (16)	5,857	846	3,721
	Net	HEAL NY Capital Program	750	750	0
Transportation:					
	Gross	Consolidated Highway Improvement Program (CHIPS)	5,745	1,381	3,255
	Net	Dedicated Highway & Bridge Trust	16,500	7,559	5,983
	Net	High Speed Rail	22	0	0
	Net	Albany County Airport	40	1	30
	N/A	MTA Transit and Commuter projects	Note (17)	Note (17)	2,266
LGAC	Net	Local Government Assistance Corporation	4,700	0	4,204
GO	Gross	General Obligation	17,435	3,394	3,302
		Total State-Supported Debt			**42,654**
		Other State Financings:			
		Tobacco Settlement Financing Corporation Bonds			**4,084**
		MBBA Special Purpose School Aid Bonds			**484**
		Capital Lease and Mortgage Loan Commitments			**294**
		Other (18)			**873**
		Total State-related Debt			**48,389**

(1) Includes only authorized programs that are active at March 31, 2007 or have outstanding program balances or both.

(2) Amounts issued may exceed the stated amount authorized by premiums, by providing for the cost of issuance, reserve fund requirements and, in certain circumstances, refunding bonds. In some cases, Authorized but Unissued bond cap amounts have been reduced by the higher of (i) net bond proceeds available to fund program, or (ii) par amount of bonds issued.

(3) Amounts outstanding reflect original par amounts or original gross proceeds in the case of capital appreciation bonds.

(4) Authorization also includes any amount necessary to refund outstanding Housing Finance Agency (HFA) State University Construction Bonds, all of which have been refunded.

(5) Authorization applies to bonds issued after March 31, 2002, prior to that date there was no limit.

(6) The amount outstanding includes the State's portion of CUNY Community Colleges debt service. New York City pays 50 percent of the debt service on most on CUNY CC bonds. The total amount authorized for CUNY Senior Colleges was unlimited for resolutions adopted prior to 7/1/85 and limited to $5.632 billion for both CUNY Senior and CUNY Community Colleges for resolutions adopted after 7/1/85.

(7) Legislation enacted in May 2002 prohibits further issuance of bonds for this purpose, except for refunding purposes.

(8) Includes bonds issued for West Valley, DEC Environmental Infrastructure Projects, Environmental Protection Fund, Onondaga Lake, Office of Parks and Recreation and Historic Preservation.

(9) Includes debt outstanding for Office of General Services Buildings: 44 Holland Ave., 50 Wolf Rd., 625 Broadway Ave., Hampton Ave., Hanson Ave. and DOT Region 1.

(10)Authorized amounts includes Certificates of Participation, which have been issued as bonds after March 31, 2003.

(11) Amounts authorized but unissued are reduced by $28.2 million, reflecting the use of $28.2 in Debt Reduction Reserve Fund (DRRF) moneys to pay-as-you-go finance of a portion of the total $425 million CEFAP program.

(12) Includes bonds issued for Community Capital Assistance Program (CCAP), Rebuilding the Empire State Through Opportunities in Regional Economies Program (RESTORE), Empire Opportunity Fund (EOF), Generating Employment Through New York Science Program (Gen*NY*sis), Multi-Modal Transportation Program, and Center of Excellence Program. (Laws of 2002).

(13) Includes bonds issued for the EOF, RESTORE and CCAP (Laws of 2004).

(14) Includes bonds to be issued for economic development projects outside cities of 1 million or more in population (Laws of 2004).

(15) Includes bonds to be issued for economic development and environmental projects.

(16) Authorization also includes any amount necessary to refund outstanding HFA Mental Hygiene bonds, all of which have been refunded.

(17) Authorization is limited to $165 million in annual debt service maturing no later than July 1, 2031.

(18) Includes bonds issued for Secured Hospital Program, Housing Finance Agency, MCFFA-Hospitals and Nursing Homes and the Job Development Authority.

State-Related Debt Long-Term Trends

The following table provides an overview of State-related debt trends during the last ten years and an estimate for the current year. The table compares (1) the growth in State-related debt with the growth in personal income in the State and (2) the growth in State-related debt with the number of State residents. Total outstanding State-related debt increased from $37.2 billion at the end of the 1997-98 fiscal year to $48.4 billion at the end of the 2006-07 fiscal year, an average annual increase of 2.97 percent. During the first five years of this ten-year period, State-related debt outstanding increased by an annual average rate of 1.09 percent and over the remaining five years of the period the annual average growth in State-related debt outstanding has increased to 4.50 percent. During the ten-year period, annual personal income in the State rose from $557.0 billion to $818.4 billion, an average annual increase of 4.37 percent. Thus, State-related obligations grew at a slower rate than personal income. Expressed in other terms, the total amount of State-related debt outstanding declined from 6.67 percent to 5.91 percent of personal income for the same period. State-related debt is expected to increase slightly in 2007-08 to 6.05 percent of personal income.

State-Related Debt Compared with Personal Income and Population
As of March 31, 2007

Fiscal Year	NYS Personal Income ($billions)(1)	Total State Population ($millions)(1)	State-Related Debt Outstanding ($millions)(2)	State-Related Debt As % of Personal Income	State-Related Debt/Capita (In Dollars)
1997-98	557,024	18.7	37,177	6.7%	1,991
1998-99	591,847	18.8	37,928	6.4%	2,020
1999-2000	619,659	18.9	38,782	6.3%	2,052
2000-01	663,005	19.0	38,871	5.9%	2,045
2001-02	679,886	19.1	38,821	5.7%	2,032
2002-03	677,605	19.2	40,759	6.0%	2,125
2003-04	693,533	19.2	47,011	6.8%	2,443
2004-05	742,209	19.3	46,989	6.3%	2,435
2005-06	771,990	19.3	47,220	6.1%	2,445
2006-07	818,426	19.3	48,389	5.9%	2,505
2007-08 estimated	864,655	19.3	52,269	6.0%	2,703

Source: NYS Division of the Budget. Debt outstanding data based on: (i) NYS Comprehensive Annual Financial Report (CAFR), specifically DOB's cash estimate and presentation of the GAAP numbers and elements contained therein (on Table 5 and Note 10 of the 2005-06 CAFR) for fiscal years 1997-98 through 2005-06 and (ii) DOB estimates for fiscal years 2006-07 and 2007-08. State-Related debt outstanding includes amounts for DASNY/MCFFA-Secured Hospital Loan Program, Moral Obligation Financing and State-Guaranteed Debt. These amounts are reported as a contingent liability to the State in the CAFR and not counted as debt outstanding.

(1) For calendar year ending in State's fiscal year. Based on US Department of Commerce, Bureau of Economic Analysis (BEA) data through March, 2007. Personal income for 2006-07 estimated by the BEA and 2007-08 estimated by the Division of the Budget.

(2) Starting in 2003-04, debt outstanding includes the issuance of tobacco bonds, which are secured by the assignment of future revenues under the 1998 Master Settlement Agreement with participating cigarette manufacturers, and secondarily secured by a State contingent-contractual obligation.

Debt Service Requirements on State-Related Debt
As of March 31, 2007

Fiscal Year	Total State-Related Debt Service ($ in millions)		Total Governmental Funds Receipts ($ in millions)	State-Related Debt Service as a % of Total Governmental Funds Receipts (includes DRRF)	State-Related Debt Service as a % of Total Governmental Funds Receipts (excludes DRRF)
1997-98	3,737		66,246	5.64%	5.64%
1998-99	3,738		72,551	5.15%	5.15%
1999-2000	3,887		76,804	5.06%	5.06%
2000-01	4,368	(1)	83,527	5.23%	4.72%
2001-02	4,437	(2)	84,312	5.26%	4.67%
2002-03	3,358		88,274	3.80%	3.80%
2003-04	3,847		99,698	3.86%	3.86%
2004-05	4,412		101,381	4.35%	4.35%
2005-06	4,264		107,027	3.98%	3.98%
2006-07	5,004	(3)	113,134	4.42%	4.19%
2007-08 estimated	4,746		119,847	3.96%	3.96%

Source: NYS Division of the Budget

(1) Reflects the disbursement of $422 million in Debt Reduction Reserve Fund (DRRF) moneys used to defease high-cost debt.

(2) Reflects the disbursement of $500 million in Debt Reduction Reserve Fund (DRRF) moneys used to defease or provide for the payment of high-cost debt.

(3) Reflects the disbursement of $250 million in Debt Reduction Reserve Fund (DRRF) moneys used to defease high-cost debt.

State-Related Debt Service Requirements

The following table presents the current and future debt service (principal and interest) requirements on State-Related debt outstanding as of March 31, 2007. For debt service information in Fiscal Year 2007-08 and beyond, the requirements of LGAC and other financing obligations of public authorities are based on the gross amounts due from the authorities to bondholders within the fiscal year when such authorities make the payments. The amounts shown do not reflect other associated costs or revenues anticipated to be available, such as interest earnings, capitalized interest or debt service reserve fund releases. Thus, the requirements shown are generally in excess of the amounts expected to be actually paid by the State during its fiscal year.

Estimated Debt Service Requirements on State-Related Debt (1)
As of March 31, 2007
(millions of dollars)

Fiscal Years Ending March 31	General Obligation	Local Government Assistance Corporation	State Personal Income Tax Financing Obligations	Other State-Supported Financing Obligations	Tobacco (2)	All Other State Related	Total
2008	489	355	864	2,572	444	129	4,853
2009	460	367	783	2,464	503	135	4,712
2010	431	369	777	2,517	511	147	4,752
2011	403	369	727	2,422	517	150	4,588
2012	369	369	728	2,713	524	150	4,854
2013 through 2017	1,275	1,852	3,020	11,950	2,664	673	21,435
2018 through 2022	478	1,828	2,509	8,454	0	454	13,722
2023 through 2027	211	359	1,930	4,331	0	186	7,017
2028 through 2032	102	0	1,478	1,856	0	11	3,447
2033 through 2037	42	0	801	175	0	0	1,017
Total	**4,259**	**5,868**	**13,617**	**39,455**	**5,163**	**2,035**	**70,397**

Source: NYS Division of the Budget

(1) Reflects debt issued as of March 31, 2007. Estimated debt service requirements are calculated based on swap rates in effect at March 31, 2007 for all bonds that were synthetically fixed under an interest rate exchange agreement. Debt service requirements for variable rate bonds for which there are no related interest rate exchange agreements were calculated at rates ranging from 3.50 percent to 5.38 percent.

(2) Estimated debt service numbers are based on available information as of March 31, 2007. In 2006 and 2007, certain monies expected to flow to the State under the Master Settlement Agreement have been witheld and placed in an escrow account. Pending the outcome of a resolution between participating cigarette manufacturers and the states, the debt service numbers will be adjusted accordingly.

Debt Reduction Reserve Fund

The Debt Reduction Reserve Fund (DRRF) was created in 1998 to set aside resources that could be used to reduce State-supported indebtedness either through the use of DRRF as a pay-as-you-go financing source, reduce debt service costs, or defease outstanding debt. Since 1998-99, over $1.3 billion has been deposited to the DRRF and used to (i) pay cash for projects that would have otherwise been bond financed, (ii) defease existing high cost debt or (iii) provide resources to redeem existing high-cost State-supported debt. In 2007-08, the State plans to make additional deposits of $250 million to the DRRF to reduce the State's debt burden.

Limitations on State-Supported Debt

Debt Reform Act of 2000

Chapter 59 of the Laws of 2000 enacted the Debt Reform Act, which is intended to improve the State's borrowing practices and applies to all new State-supported debt issued on and after April 1, 2000. The Debt Reform Act imposes phased-in caps on new debt outstanding and new debt service costs, limits the use of debt to capital works and purposes only, and establishes a maximum term of 30 years on such debt.

The cap on new State-supported debt outstanding began at 0.75 percent of personal income in 2000-01 and will gradually increase until it is fully phased-in at 4 percent of personal income in 2010-11. Similarly, the cap on new State-supported debt service costs began at 0.75 percent of total governmental funds receipts in 2000-01 and will gradually increase until it is fully phased in at 5 percent in 2013-14.

The Debt Reform Act requires that the limitations on the issuance of State-supported debt and debt service costs be calculated by October 31 of each year and reported in the quarterly Financial Plan Update most proximate to such date. If the calculations for new State-supported debt outstanding and debt service costs are less than the State-supported debt outstanding and debt service costs permitted under the Debt Reform Act, new State-supported debt may continue to be issued. However, if either the debt outstanding or the debt service cap is met or exceeded, the State would be precluded from contracting new State-supported debt until the next annual cap calculation is made and State-supported debt is found to be within the appropriate limitations. The prohibition on issuing new State-supported debt if the caps are met or exceeded provides a significant incentive to treat the debt caps as absolute limits that should not be reached, and therefore DOB intends to manage subsequent capital plans and issuance schedules under these limits.

Pursuant to the provisions of the Debt Reform Act, the most recent annual calculation of the limitations imposed by the Debt Reform Act was reported in the Financial Plan Update most proximate to October 31, 2006. On October 30, 2006, the State reported that it was in compliance with both debt caps, with debt issued after March 31, 2000 and outstanding at March 31, 2006 at 1.93 percent of personal income and debt service on such debt at 1.16 percent of total governmental receipts, compared to the caps of 2.65 percent for each. DOB projects that debt outstanding and debt service costs for 2007-08 and the entire five-year forecast period through 2011-12 will also be within the statutory caps, although with declining debt capacity.

Interest Rate Exchange Agreements and Net Variable Rate Obligations

Chapter 81 of the Laws of 2002 authorized issuers of State-supported debt to issue a limited amount of variable rate debt instruments and to enter into a limited amount of interest rate exchange agreements. The 2007-08 Enacted Budget increased the limit on debt instruments which result in a net variable rate exposure (e.g., both variable rate debt and interest rate exchange agreements) to no more than 20 percent of total outstanding State-supported debt, from 15 percent. It also limits the limit on interest rate exchange agreements to a total notional amount of no more than 20 percent of total outstanding State-supported debt, from 15 percent. As of March 31, 2007, State-supported debt in the amount of $42.7 billion was outstanding, resulting in a variable rate exposure cap and an interest rate exchange agreement cap of about $8.5 billion each. As discussed below, as of March 31, 2007, both the amount of outstanding variable rate debt instruments and interest rate exchange agreements are less than the authorized totals of 20 percent of total outstanding State-supported debt, and are projected to be below the caps for the entire forecast period through 2011-12 (see "Net Variable Rate Obligations", later in this section, for further discussion on the cap).

Interest Rate Exchange Agreements

As of March 31, 2007 five issuers, DASNY, UDC, HFA, LGAC and the Thruway Authority have entered into a notional amount of $5.97 billion of interest rate exchange agreements that are subject to the interest rate exchange agreement cap, or 14.0 percent of total debt outstanding.

The interest rate exchange agreements outstanding at March 31, 2007 involve nine different counterparties. All of the interest rate exchange agreements were part of refunding transactions that resulted in fixed rates (i.e., synthetic fixed rate interest rate exchange agreements) that range between 2.86 percent and 3.66 percent – rates that were significantly lower than the fixed bond rates at the time the refunding bonds were issued. In these transactions, the State issued variable rate bonds and entered into swaps in which it receives a variable rate payment expected to approximate the costs of the variable rate bonds, and pays a fixed rate. As of March 31, 2007, the net mark-to-market value of all the outstanding swaps (the aggregate termination amount) was approximately $41 million – the total amount the State would receive from the collective authorized issuers for payments from the counterparties should all the swaps be terminated. The mark-to-market value of the outstanding interest rate exchange agreements fluctuates with interest rates and other market conditions. Generally, as interest rates rise from levels that existed in March 2007, it is expected that the counterparties would owe the State higher termination payments. The State plans to continue to monitor and manage counterparty risk on a monthly basis.

The State has also entered into approximately $917 million in swaps to create synthetic variable rate exposure, including $224 million of synthetic variable rate obligations and $693 million of forward starting synthetic variable rate obligations. In these transactions, the State issued fixed rate bonds and entered into swaps in which it receives a fixed rate comparable to the rate it pays on the bonds, and pays the Bond Market Association (BMA) variable rate, resulting in the State paying net variable rates. The net variable rate costs the State incurred with the synthetic variable rate bonds are lower than the net costs of issuing traditional variable rate bonds because they do not require additional support costs (liquidity, insurance, broker-dealer fees, and remarketing fees). Thus, this approach can be a less costly way to achieve additional variable rate exposure. The synthetic variable rate debt also provides the benefit of reducing the State's counterparty exposure under the synthetic fixed rate bonds discussed above (as determined by an independent financial advisor) and, since entered into prior to April 1, 2007, are considered "excluded agreements" under the legislation, and not counted under the swaps cap. As of March 31, 2007, the net mark-to-market value of the State's synthetic variable rate swaps is $5.4 million -- the total amount the State would receive from the collective authorized issuers should all swaps be terminated. They do, however, count towards the variable rate debt instruments cap.

The interest rate exchange agreements authorized by the legislation are subject to various statutory restrictions, including minimum counterparty ratings that are in at least the two highest investment grade categories from a national rating agency, monthly reporting requirements, the adoption of guidelines by the governing boards of the Authorized Issuers, collateral requirements, an independent finding that swaps reflect a fair market value, and the use of standardized International Swaps and Derivatives Association (ISDA) documents. All of the payments made to counterparties on outstanding State-supported interest rate exchange agreements described above are subordinated to bondholder debt service payments, and the State expects that all such payments on any interest rate exchange agreements the Authorized Issuers may enter into in the future will be similarly subordinated to bondholder debt service payments.

Net Variable Rate Obligations

As of March 31, 2007 the State had about $2.0 billion of outstanding variable rate debt instruments that are subject to the net variable rate exposure cap or 4.6 percent of total debt outstanding. That amount includes $1.7 billion of unhedged variable rate obligations and $224 million of synthetic variable rate obligations described above (see "Interest Rate Exchange Agreements").

The State's current policy is to count 35 percent of the notional amount of outstanding 65 percent of LIBOR fixed rate swaps in its variable rate exposure. This policy reserve accounts for the potential that tax policy or market conditions could result in significant differences between payments owed on the underlying variable rate bonds and the amount received by the State under their 65 percent of LIBOR swaps, and that the factors affecting such payments can be consistent with variable rate exposure. Variable rate bonds that are related to swaps pursuant to which the State pays a fixed rate of interest are excluded from the calculation of variable rate debt instruments outstanding.

VARIABLE RATE OBLIGATIONS	As of March 31, 2007 ($ millions)
Variable Rate Exposure Cap	$6,399
Current Unhedged Variable Rate Obligations	$1,735
Synthetic Variable Rate Swaps	$224
Total Net Variable Rate Exposure	**$1,958**
Percent of Net Variable Rate Exposure to Debt Outstanding	**4.6%**
Policy Reserve for LIBOR Swaps	$2,088
Total Variable Rate Exposure (with Policy Reserve)	**$4,046**
Percent of Variable Rate Exposure to Debt Outstanding	**9.5%**

In addition to the variable rate obligations described above, as of March 31, 2007, about $2.4 billion in State-supported convertible rate bonds are currently outstanding. These bonds bear a fixed rate until future mandatory tender dates in 2009, 2011, 2012 and 2013 at which time they can convert to either a fixed or variable rate. Similar to these convertible bonds, the $693 million in forward starting synthetic variable rate obligations described above (see "Interest Rate Exchange Agreements") result in the State paying a fixed rate through 2014, and a variable rate between 2014 and 2030. Legislation enacted in 2005 amended the State Finance Law to clarify that convertible bonds, synthetic variable obligations and similar obligations that were issued on or before July 1, 2005 and which result in the State paying a fixed rate in a fiscal year do not count under the variable rate cap until the fiscal year in which the State may pay a variable rate.

2007-08 State Borrowing Plan

The Enacted Plan reflects the expectation that State PIT Revenue Bonds will continue to be issued to finance certain new programs and programs previously authorized to be secured by service contract or lease-purchase payments. (See "State Personal Income Tax Revenue Bond Financing" above).

The State's borrowing plan projects new issuance of $358 million in general obligation bonds in 2007-08 including $275 million of Rebuild and Renew New York Transportation bonds which was approved by the voters in November 2005; $703 million in Dedicated Highway and Bridge Trust Fund Bonds issued by the Thruway Authority to finance capital projects for transportation; $373 million in Mental Health Facilities Improvement Revenue Bonds issued by DASNY to finance capital projects at mental health facilities; $102 million in SUNY Dormitory Facilities Revenue Bonds to finance capital projects related to student dormitories; and $4.9 billion in State PIT Revenue Bonds to finance various capital programs, as described below.

State PIT Revenue Bond borrowings include issuances by: (i) DASNY for school construction (EXCEL), university facilities (Jobs 2000), SUNY higher education facilities and community colleges, CUNY senior and community colleges, Higher Education Capital Matching Grants for private colleges, health care grants under the Health Care Efficiency and Affordability Law for New Yorkers (Heal NY) Capital Grant Program, cultural education storage facilities, courthouse improvements and training facilities, library facilities, and for local public safety answering point equipment and technology upgrades associated with wireless E-911 service; (ii) the Thruway Authority for CHIPs; (iii) UDC (doing business as the Empire State Development Corporation) for correctional and youth facilities, sports facilities, State facilities and equipment acquisitions; (iv) EFC for State Environmental Infrastructure Projects, including Water Pollution Control and Pipeline for Jobs (Jobs 2000) and Hazardous Waste Remediation; and (v) HFA for housing programs. State PIT Revenue Bonds for 2007-08 also include the Community Enhancement Facilities Assistance Program (CEFAP) for economic development purposes which may be issued by the Thruway Authority, DASNY, UDC and HFA; the Strategic Investment Program (SIP) for environmental, historic preservation, economic development, arts, and cultural purposes, which may be issued by DASNY, UDC and EFC; and Regional Economic Development Program, Higher Technology and Development Program, Economic Development Initiatives, and the Regional Economic Growth Program which includes EOF, Gen*NY*sis, CCAP, RESTORE, Multi-Modal Transportation Program and the Center of Excellence Program, which may be issued by DASNY and UDC and the Jacob Javits Center Expansion and Extension that will be issued by ESDC. For detailed information on the State's projected bond issuances, please refer to the State's 2007-08 Enacted Budget Capital Program and Financing Plan, which can be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 473-8705, or at www.budget.state.ny.us.

The projections of State borrowings for the 2007-08 fiscal year are subject to change as market conditions, interest rates and other factors vary throughout the fiscal year.

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.

Name	Office	Party Affiliation	First Elected
Eliot Spitzer	Governor	Democrat	2006
David A. Paterson	Lieutenant Governor	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 (see "Fiscal Controls" and "Investment of State Moneys" below). 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 Financial Procedures

The State Budget Process

The requirements of the State budget process are set forth in Article VII of the State Constitution and the State Finance Law. The process begins with the Governor's submission of the Executive Budget to the Legislature each January, in preparation for the start of the fiscal year on April 1. (The submission date is February 1 in years following a gubernatorial election.) The Executive Budget must contain a complete plan of estimated available receipts and projected disbursements for the ensuing fiscal year ("State Financial Plan"). The proposed State Financial Plan must be balanced on a cash basis and must be accompanied by bills that: (i) set forth all proposed appropriations and reappropriations, (ii) provide for any new or modified revenue measures, and (iii) make any other changes to existing law necessary to implement the budget recommended by the Governor.

In acting on the bills submitted by the Governor, the Legislature has certain powers to alter the recommended appropriations and proposed changes to existing law. The Legislature may strike out or reduce an item of appropriation recommended by the Governor. The Legislature may add items of appropriation, provided such additions are stated separately. These additional items are then subject to line-item veto by the Governor. If the Governor vetoes an appropriation or a bill (or a portion thereof) related to the budget, these items can be reconsidered in accordance with the rules of each house of the Legislature. If approved by two-thirds of the members of each house, such items will become law notwithstanding the Governor's veto.

Once the appropriation bills and other bills become law, DOB revises the State Financial Plan to reflect the Legislature's actions, and begins the process of implementing the budget. Throughout the fiscal year, DOB monitors actual receipts and disbursements, and may adjust the estimates in the State Financial Plan. Adjustments may also be made to the State Financial Plan to reflect changes in the economy, as well as new actions taken by the Governor or the Legislature. As required by the State Finance Law, the Governor updates the State Financial Plan within 30 days of the close of each quarter of the fiscal year, generally issuing reports by July 30, October 30, and in January as part of the Executive Budget. The Governor is required to submit these updates to the Legislature and explain any changes from the previous State Financial Plan.

Subject to approval by the Governor, the Legislature may enact additional appropriation bills or revenue measures (including tax reductions) during any regular session or, if called into session for that purpose, any special session. In the event additional appropriation bills or revenue measures are disapproved by the Governor, the Legislature has authority to override the Governor's veto upon the vote of two-thirds of the members of each house of the Legislature. The Governor may present deficiency appropriations to the Legislature near the end of any fiscal year to supplement inadequate appropriations or to provide new appropriations for purposes not covered by the regular and supplemental appropriations.

Recent budget process reforms passed by the Legislature accelerate consensus revenue forecasting, direct the State Comptroller to issue binding revenue forecasts when the Executive and the Legislature cannot agree, require the use of budget conference committees, and require the adoption of a balanced budget by the Legislature. Beginning with the 2007-08 Executive Budget, the amount of financial information made available to the public was expanded and, consistent with recent budget reform legislation, the Governor submitted amendments to the 2007-08 Executive Budget twenty-one days after the Executive Budget and nine days in advance of the constitutional deadline.

Fiscal Controls

The State Constitution requires the Comptroller to audit the accrual and collection of State receipts. In addition, the Comptroller is required to audit all official State accounts and all claims against the State before payment. No such payment may be made unless the Comptroller has approved it.

Disbursements from State funds are limited to the level of authorized appropriations. Disbursements from Federal funds must be appropriated in accordance with appropriate legal authority, are limited to the amounts anticipated from Federal programs and may not be made in the absence of appropriate certifications from the Director of the Budget. Contracts for disbursements in excess of $50,000 require the Comptroller's approval (except for OGS expenditure contracts, for which the threshold for Comptroller's approval is $85,000, and for small business and MWBE contracts, for which the threshold is $100,000) and depend in most cases upon the existence of an appropriation and the issuance of a certificate of availability by the Director of the Budget. The Budget Director must review all applications for State participation in continuing grant- or contract-supported programs, with specified exceptions. Certain legislative leaders have the opportunity to make recommendations on the applications.

No appropriation may be increased or decreased by transfer or otherwise, except by (i) the interchange within a fund, among items of a particular program or purpose, of moneys appropriated for such program or purpose in such fund, with limited exceptions, or (ii) the enactment of certain emergency appropriations. Moneys or other financial resources from one fund may also be loaned to another fund, but only if such loan is repaid in full prior to the end of the month in which the loan was made, except as provided by law.

In addition, the Governor has traditionally exercised substantial authority in administering the State Financial Plan by limiting disbursements after the Legislature has enacted appropriation bills and revenue measures. The Governor may, primarily through DOB, limit spending by State departments, or delay construction projects to control disbursements. An important limitation of the Governor's ability to restrict disbursements is that local assistance payments, which typically make up close to 70 percent of General Fund disbursements (including operating transfers to other funds), are generally mandated by statute. The State Court of Appeals has held that, even in an effort to maintain a balanced Financial Plan, neither the Governor nor the Director of the Budget has the authority to refuse to make a local assistance disbursement mandated by law.

In May 2000, the State enacted several statutory provisions designed to restrict the amount of new debt that can be issued in the future. These debt reform provisions are discussed in the section entitled "Debt and Other Financing Activities" in this AIS.

Investment of State Moneys

The Comptroller is responsible for the investment of substantially all State moneys. By law, such moneys may be invested only in obligations issued or guaranteed by the Federal government or the State, obligations of certain Federal agencies that are not guaranteed by the Federal government, certain general obligations of other states, direct obligations of the State's municipalities and obligations of certain public authorities, certain short-term corporate obligations, certain bankers' acceptances, and certificates of deposit secured by legally qualified governmental securities. All securities in which the State invests moneys held by funds administered within the State Treasury must mature within twelve years of the date they are purchased. Money impounded by the Comptroller for payment of TRANs may only be invested, subject to the provisions of the State Finance Law, in (i) obligations of the Federal government, (ii) certificates of deposit secured by such obligations, or (iii) obligations of or obligations guaranteed by agencies of the Federal government as to which the payment of principal and interest is guaranteed by the Federal government.

The Comptroller invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments through 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. The interest earnings accrued are allocated and deposited to the credit of those funds with positive balances that contribute to the overall invested STIP pool.

The Comptroller is authorized to make temporary 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).

The State Comptroller repays loans from the first cash receipts into the borrowing fund or account. Fund balances outside the General Fund are presented on a net basis, i.e., they are reduced by the amount of outstanding temporary loans from STIP. The primary sources of this outstanding loan balance include timing-related delays in the receipt from Federal Funds and the sale of bonds used to finance capital projects, a delinquent SUNY hospital loan, and unreimbursed costs related to the Office for Technology Internal Service funds. The total outstanding loan balance at March 31, 2007 was $1.391 billion, a decrease of $2 million from the outstanding loan balance of $1.393 billion at March 31, 2006.

The 2004-05 Enacted Budget included legislation that permitted the Comptroller to temporarily loan balances in other funds to the General Fund within any month. The State relied on this authorization several times in 2003-04 and 2004-05 to support intra-month cash flow needs. This authorization was extended permanently in the 2005-06 Enacted Budget.

Accounting, Financial Reporting and Budgeting

Historically, the State has accounted for, reported and budgeted its operations on a cash basis. Under this form of accounting, receipts are recorded only at the time money or checks are deposited in the State Treasury, and disbursements are recorded only at the time a check is drawn. As a result, actions and circumstances, including discretionary decisions by certain governmental officials, can affect the timing of payments and deposits and therefore can significantly affect the cash amounts reported in a fiscal year. Under cash-basis accounting, all estimates and projections of State receipts and disbursements relating to a particular fiscal year are of amounts to be deposited in or disbursed from the State Treasury during that fiscal year, regardless of the fiscal period to which particular receipts or disbursements may otherwise be attributable.

The State also has an accounting and financial reporting system based on GAAP and currently formulates a GAAP financial plan. GAAP for governmental entities requires use of the accrual basis of accounting for the government-wide financial statements which includes governmental and business-type activities and component units. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are prepared using the modified accrual basis of accounting. Under modified accrual procedures, revenues are recorded when they become both measurable and available within 12 months of the end of the current fiscal period to finance expenditures; expenditures are recorded in the accounting period the liability is incurred to the extent it is expected to be paid within the next 12 months with the exception of expenditures such as debt service, compensated absences, and claims and judgments. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Nonexchange grants and subsidies such as local assistance grants and public benefit corporation subsidies are recognized as expenditures when all requirements of the grant and or subsidy have been satisfied.

State Government Employment

As of March 31, 2007, the State had approximately 195,526 full-time equivalent annual salaried employees funded from all funds including some part-time and temporary employees but excluding seasonal, legislative and judicial employees. The workforce is now 15 percent smaller than it was seventeen years ago, when it peaked at 230,600 positions. The State expects to end the 2007-08 fiscal year with a total 198,413 filled positions.

The State Public Employment Relations Board defines negotiating units for State employees. The Governor's Office of Employee Relations conducts collective bargaining negotiations with the State's unions, with the exception of employees of the Judiciary, public authorities and the Legislature. Such negotiations include terms and conditions of employment, except pension benefits. The State is commencing new collective bargaining negotiations with most of its unions including the Civil Service Employees Association, the United University Professions, the Public Employees Federation, District Council 37, the Graduate Student Employees Union, the New York State Correctional Officers and Police Benevolent Association, the State Troopers Police Benevolent Association and certain employee unions which cover most of the employees in the Judiciary. The settlements that are expected to result from negotiations will likely govern employee compensation and benefit policies through either early 2010 or 2011. The State is currently involved in negotiations for the remaining two years (2005-06 and 2006-07) of the previous term with the two units represented by Council 82 -- the Security Supervisors and Agency Law Enforcement Services units.

While approximately 93 percent of the State workforce is unionized, the remainder of the workforce (about 12,750) is designated as "managerial" or "confidential" and is excluded from collective bargaining. In practice, however, the results of collective bargaining negotiations are generally applied to all State employees within the Executive Branch. Under the State's Taylor Law, the general statute governing public employee-employer relations in the State, employees are prohibited from striking. A strike against the State last occurred in 1979 by employees of the Department of Correctional Services.

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: All Participating Employers(1)	Local Employers(1)	State(1)	Employees	Total Benefits Paid(2)
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.

Authorities and Localities

Public Authorities

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

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

Public Authority	State-Related Conduit (4)	Authority Revenue Bonding	Other Conduit Bonding	Total
Dormitory Authority (5)	15,319	0	18,421	**33,740**
Metropolitan Transportation Authority	2,289	14,343	0	**16,632**
Port Authority of NY & NJ	0	12,330	0	**12,330**
Thruway Authority	8,942	1,861	0	**10,803**
Housing Finance Agency	1,365	6,485	0	**7,850**
Environmental Facilities Corporation	689	6,647	250	**7,586**
Triborough Bridge and Tunnel Authority	181	7,026	0	**7,207**
Long Island Power Authority (6)	0	7,117	0	**7,117**
UDC/ESDC	5,771	480	0	**6,251**
Local Government Assistance Corporation	4,204	0	0	**4,204**
Tobacco Settlement Financing Corporation	4,084	0	0	**4,084**
Energy Research and Development Authority (6)	9	0	3,655	**3,664**
State of New York Mortgage Agency	0	2,902	0	**2,902**
Power Authority	0	2,142	0	**2,142**
Battery Park City Authority	0	1,041	0	**1,041**
Convention Center Development Corporation	0	700	0	**700**
Municipal Bond Bank Agency	484	50	0	**534**
Niagara Frontier Transportation Authority	0	185	0	**185**
United Nations Development Corporation	0	128	0	**128**
TOTAL OUTSTANDING	43,337	63,437	22,326	**129,100**

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

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

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

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

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

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

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

The State has numerous public authorities with various responsibilities, including those which finance, construct and/or operate revenue-producing public facilities. Public authorities generally pay their operating expenses and debt service costs from revenues generated by the projects they finance or operate, such as tolls charged for the use of highways, bridges or tunnels, charges for public power, electric and gas utility services, rentals charged for housing units, and charges for occupancy at medical care facilities. In addition, State legislation authorizes several financing techniques for public authorities that are described under the section entitled "Debt and Other Financing Activities" above.

Also, there are statutory arrangements providing for State local assistance payments otherwise payable to localities to be made under certain circumstances to public authorities. Although the State has no obligation to provide additional assistance to localities whose local assistance payments have been paid to public authorities under these arrangements, the affected localities may seek additional State assistance if local assistance payments are diverted. Some authorities also receive moneys from State appropriations to pay for the operating costs of certain of their programs.

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The City of New York

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

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

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

Source: Office of the State Comptroller.

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

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

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

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

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

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

Other Localities

Certain localities outside New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing has become more common in recent years. Between 2004 and 2006, the State Legislature authorized 11 bond issuances to finance local government operating deficits. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's 2007-08 fiscal year or thereafter.

To help resolve persistent fiscal difficulties in the City of Buffalo, the State enacted legislation in July 2003 that created the Buffalo Fiscal Stability Authority (BFSA). To address a deteriorating fiscal situation in Erie County, legislation was enacted in July 2005 that created the Erie County Fiscal Stability Authority (ECFSA). Under these statutes, the City and the County are required to take annual budgetary actions necessary to address increasing percentages of their projected budget gaps and the BFSA as well as the ECFSA are authorized to finance remaining budget gaps through the issuance of deficit bonds and through restructuring or refinancing of outstanding debt. Tax revenues generated by the City and the Buffalo City School District as well as State aid payments are pledged to support any bonds issued by the BFSA. Similarly, the County's sales tax revenues and certain statutorily defined State aid payments are pledged as revenue to support any bonds issued by ECFSA.

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control. Such changes may adversely affect the financial condition of certain local governments. For example, the Federal government may reduce (or in some cases eliminate) Federal funding of some local programs or disallow certain claims which, in turn, may require local governments to fund these expenditures from their own resources. It is also possible that localities or any of their respective public authorities may suffer serious financial difficulties that could jeopardize local access to the public credit markets, which may adversely affect the marketability of notes and bonds issued by localities within the State. Localities may also face unanticipated problems resulting from certain pending litigation, judicial decisions and long-range economic trends. Other large-scale potential problems, such as declining urban populations, increasing expenditures, and the loss of skilled manufacturing jobs, may also adversely affect localities and necessitate State assistance.

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

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

Locality Fiscal Year Ending	Combined New York City Debt (2)(3)		Other Localities Debt(4)		Total Locality Debt(4)	
	Bonds	Notes	Bonds(5)	Notes(5)	Bonds(4)(5)	Notes(5)
1980	12,995	---	6,835	1,793	19,830	1,793
1990	20,027	---	10,253	3,082	30,280	3,082
1995	29,930	---	15,829	3,219	45,759	3,219
1996	31,623	---	16,414	3,590	48,037	3,590
1997	33,046	---	17,526	3,208	50,572	3,208
1998	34,690	---	17,100	3,203	51,790	3,203
1999	37,352	---	18,448	3,420	55,800	3,420
2000	39,244	515	19,082	4,005	58,326	4,520
2001	40,305	---	20,221	4,279	60,526	4,279
2002	42,721	2,200	21,719	4,745	64,440	6,945
2003	47,376	1,110	23,907	5,972	71,283	7,082
2004	50,265	---	26,631	4,656	76,896	4,656
2005	54,421	---	29,129	4,325	83,550	4,325

N/A: Not Available

Source: Office of the State Comptroller.

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

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

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

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

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

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

Litigation

General

The legal proceedings listed below involve State finances and programs and miscellaneous civil rights, real property, contract and other tort claims in which the State is a defendant and the potential monetary claims against the State are deemed to be material, generally in excess of $100 million. As explained below, these proceedings could adversely affect the State's finances in the 2007-08 fiscal year or thereafter. The State intends to describe newly initiated proceedings which the State deems to be material, as well as any material and adverse developments in the listed proceedings, in quarterly updates and/or supplements to this AIS.

For the purpose of this Litigation section of the AIS, the State defines "material and adverse developments" as rulings or decisions on or directly affecting the merits of a proceeding that have a significant adverse impact upon the State's ultimate legal position, and reversals of rulings or decisions on or directly affecting the merits of a proceeding in a significant manner, whether in favor of or adverse to the State's ultimate legal position. The State intends to discontinue disclosure with respect to any individual case after a final determination on the merits or upon a determination by the State that the case does not meet the materiality threshold described above.

As of the date of this AIS, except as described below, there is no current material litigation involving the State's constitutional or statutory authority to contract indebtedness, issue its obligations, or pay such indebtedness when due, or affects the State's power or ability, as a matter of law, to impose or collect significant amounts of taxes and revenues.

The State is party to other claims and litigation, which either its legal counsel has advised that it is not probable that the State will suffer adverse court decisions or the State has determined do not meet the materiality threshold described in the first paragraph of this section. Although the amounts of potential losses, if any, resulting from this litigation are not presently determinable, it is the State's opinion that its ultimate liability in any of these cases is not expected to have a material and adverse effect on the State's financial position in the 2007-08 fiscal year or thereafter. The Basic Financial Statements for fiscal year 2006-07, which OSC expects to issue in July 2007, will report possible and probable awarded and anticipated unfavorable judgments against the State.

Adverse developments in the proceedings described below, other proceedings for which there are unanticipated, unfavorable and material judgments, or the initiation of new proceedings could affect the ability of the State to maintain a balanced 2007-08 Financial Plan. The State believes that the 2007-08 Enacted Budget Financial Plan includes sufficient reserves to offset the costs associated with the payment of judgments that may be required during the 2007-08 fiscal year. These reserves include (but are not limited to) amounts appropriated for Court of Claims payments and projected fund balances in the General Fund. In addition, any amounts ultimately required to be paid by the State may be subject to settlement or may be paid over a multi-year period. There can be no assurance, however, that adverse decisions in legal proceedings against the State would not exceed the amount of all potential 2007-08 Enacted Budget Financial Plan resources available for the payment of judgments, and could therefore adversely affect the ability of the State to maintain a balanced 2007-08 Enacted Budget Financial Plan.

Real Property Claims

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

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

Further efforts at settlement of this action failed to reach a successful outcome. While such discussions were underway, two significant decisions were rendered by the Supreme Court and the Second Circuit Court of Appeals which changed the legal landscape pertaining to ancient land claims: *City of Sherrill v. Oneida Indian Nation of New York,* 544 U.S. 197 (2005), and *Cayuga Indian Nation of New York v. Pataki*, 413 F.3d 266 (2d Cir. 2005), *cert. denied*, 126 S.Ct. 2021, 2022 (2006). Taken together, these cases have made clear that the equitable doctrines of laches, acquiescence, and impossibility can bar ancient land claims. These decisions prompted the District Court to reassess its 2002 decision, which in part had struck such defenses, and to permit the filing of a motion for summary judgment predicated on the *Sherrill* and *Cayuga* holdings. On August 11, 2006, the defendants moved for summary judgment dismissing the action, based on the defenses of laches, acquiescence, and impossibility.

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

In the *Canadian St. Regis Band of Mohawk Indians* case, plaintiffs seek ejectment and monetary damages with respect to their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. By decision dated July 28, 2003, the District Court granted, in most respects, a motion by plaintiffs to strike defenses and dismiss counterclaims contained in defendants' answers. By decision dated October 20, 2003, the District Court denied the State's motion for reconsideration of that portion of the July 28, 2003 decision which struck a counterclaim against the United States for contribution. On February 10, 2006, after renewed efforts at settlement failed to resolve this action, and recognizing the potential significance of the *Sherrill* and *Cayuga* appeals, the District Court stayed all further proceedings in this case until 45 days after the United States Supreme Court issued a final decision in the *Cayuga Indian Nation of New York* Case. On

November 6, 2006, after certiorari was denied in *Cayuga*, the defendants moved for judgment on the pleadings.

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

Tobacco Master Settlement Agreement

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

State Programs

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.

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Exhibit A to Annual Information Statement
Glossary of Financial Terms

The following glossary, which is an integral part of this AIS, includes certain terms that are used herein and are intended for use only in connection with the entire AIS.

Appropriation: An appropriation is a statutory authorization against which liabilities may be incurred during a specific year, and from which disbursements may be made, up to a stated amount, for the purposes designated. Appropriations generally are authorizations, rather than mandates, to spend, and disbursements from an appropriation need not, and generally do not, equal the amount of the appropriation. An appropriation represents maximum spending authority. Appropriations may be adopted at any time during the fiscal year.

Bond Anticipation Note or BANs: A bond anticipation note is a short-term obligation, the principal of which is paid from the proceeds of the bonds in anticipation of which such note is issued.

Business-type Activities: Business-type activities describes those operations that are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds and include the Lottery, Unemployment Insurance Benefit, SUNY and CUNY - senior colleges.

Capital Projects Funds: Capital Projects Funds, one of the four GAAP-defined governmental fund types, account for financial resources of the State to be used for the acquisition or construction of major capital facilities (other than those financed by SRFs, Proprietary Funds and Fiduciary Funds).

Cash Basis Accounting: Accounting, budgeting and reporting of financial activity on a cash basis results in the recording of receipts at the time money or checks are deposited in the State Treasury and the recording of disbursements at the time a check is drawn, regardless of the fiscal period to which the receipts or disbursements relate.

Community Projects Fund: The State created this fund within the General Fund in 1996 to finance certain community projects for the Legislature and the Governor. The State transfers moneys from other General Fund accounts into the Community Projects Fund, as provided by law. Spending out of the Community Projects Fund is governed by specific appropriations for each account in the Fund, but cannot exceed the cash balance for that account.

Contingency Reserve Fund or CRF: This fund was established in 1993 to assist the State in financing the costs of any extraordinary known or anticipated litigation. Deposits to this fund are made from the General Fund.

Contractual-Obligation Financing: Contractual-obligation financing is an arrangement pursuant to which the State makes periodic payments to a public benefit corporation under a contract having a term not less than the amortization period of debt obligations issued by the public benefit corporation in connection with such contract. Payments made by the State are used to pay debt service on such obligations and are subject to annual appropriation by the Legislature and the availability of moneys to the State for the purposes of making contractual payments.

Debt Reduction Reserve Fund or DRRF: The State created DRRF in 1998 to accumulate surplus revenues to pay debt service costs on State-supported bonds, retire or defease such bonds, and to finance capital projects. Use of DRRF funds requires an appropriation.

Debt Service: Debt service refers to the payment of principal and interest on bonds, and interest on bond anticipation notes and TRANs, in accordance with the respective terms thereof.

Debt Service Funds: DSFs, one of the four GAAP-defined governmental fund types, account for the accumulation of resources (including receipts from certain taxes, transfers from other funds and miscellaneous revenues, such as dormitory room rental fees, which are dedicated by statute for payment of lease-purchase rentals) for the payment of general long-term debt service and related costs and payments under lease-purchase and contractual-obligation financing arrangements.

Disbursement: A disbursement is a cash outlay and in the General Fund includes transfers to other funds.

Executive Budget: The Executive Budget is the Governor's constitutionally mandated annual submission to the Legislature which contains his recommended program for the forthcoming fiscal year. The Executive Budget is an overall plan of recommended appropriations. It projects disbursements and expenditures needed to carry out the Governor's recommended program and receipts and revenues expected to be available for such purpose. The recommendations contained in the Executive Budget serve as the basis for the State Financial Plan (defined below) which is adjusted after the Legislature acts on the Governor's submission. Under the State Constitution, the Governor is required each year to propose an Executive Budget that is balanced on a cash basis.

Expenditure: An expenditure, in GAAP terminology, is a decrease in net financial resources as measured under the modified accrual basis of accounting. In contexts other than GAAP, the State uses the term expenditure to refer to a cash outlay or disbursement.

Expenses: Expenses, in GAAP terminology, are a decrease in net financial resources as measured in the government-wide financial statements under the accrual basis of accounting.

Fiduciary Funds: Fiduciary Funds refers to a GAAP-defined fund type which accounts for assets held by the State in a trustee capacity or as agent for individuals, private organizations and other governmental units and/or other funds. These funds are custodial in nature and do not involve the measurement of operations. Although the Executive Budget for a fiscal year generally contains operating plans for Fiduciary Funds, and their results are included in the Comptroller's GAAP-based financial statements, they are not included in the State Financial Plan.

Financial Plan: see State Financial Plan.

Fiscal Year: The State's fiscal year commences on April 1 and ends on March 31. The term fiscal year refers to the fiscal year of the State unless the context clearly indicates otherwise.

Fund Accounting: The accounts of the State are presented on the basis of GAAP funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise the fund's assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GAAP: GAAP refers to generally accepted accounting principles for state and local governments, which are the uniform minimum standards of and guidelines for financial accounting and reporting prescribed by GASB. GAAP requires that the government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the Enterprise Funds, Component Units and the Fiduciary Funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance expenditures. Expenditures and related liabilities are recognized in the accounting period they are incurred to the extent they are expected to be paid within the next 12 months, under the modified accrual basis of accounting.

General Fund: The General Fund, one of the four GAAP-defined governmental fund types, is the major operating fund of the State and receives all receipts that are not required by law to be deposited in another fund, including most State tax receipts and certain fees, transfers from other funds and miscellaneous receipts from other sources.

General obligation bonds: Long-term obligations of the State, used to finance capital projects. These obligations must be authorized by the voters in a general election, are issued by the Comptroller, and are backed by the full faith and credit of the State. Under current provisions of the Constitution, only one bond issue may be put before the voters at each general election, and it must be for a single work or purpose. Debt service must be paid from the first available taxes whether or not the Legislature has enacted the required appropriations for such payments.

General State Charges: Costs mandated by statute or court decree or by agreements negotiated with employee unions for which the State is liable, including: pensions; health, dental and optical benefits; payments on behalf of State employees for Social Security; unemployment insurance benefits; employee benefit programs; court judgments and settlements; assessments for local improvements; and taxes on public lands.

Governmental Activities: Governmental activities describes those operations that are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues and are reported in the governmental funds.

Governmental Funds: Governmental funds refers to a category of GAAP-defined funds which account for most governmental functions and which, for the State, include four GAAP-defined governmental fund types: the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The State's projections of receipts and disbursements in the governmental funds comprise the State Financial Plan.

Interfund Transfers: Under GAAP fund accounting principles, each fund is treated as a separate fiscal and accounting unit with limitations on the kinds of disbursements to be made. To comply with these limitations, moneys are moved from one fund to another to make them available for use in the proper fund, and are accounted for as "interfund transfers."

Lease-Purchase Financing: Lease-purchase financing is an arrangement pursuant to which the State leases facilities from a public benefit corporation or municipality for a term not less than the amortization period of the debt obligations issued by the public benefit corporation or municipality to finance acquisition and construction, and pays rent which is used to pay debt service on the obligations. At the expiration of the lease, title to the facility vests in the State in most cases. Generally, the State's rental payments are expressly subject to annual appropriation by the Legislature and availability of moneys to the State for the purposes thereof.

Local Assistance: Disbursements of State grants to counties, cities, towns, villages, school districts and other local entities, certain contractual payments to localities, and financial assistance to, or on behalf of, individuals and not-for-profit organizations.

Moral obligation debt: Long-term bonds issued by certain State public benefit corporations which are essentially supported by their own revenues. Moral obligation debt is not incurred pursuant to a referendum, is not State-supported debt, and is not backed by the full faith and credit of the State. However, the authorities selling such obligations have been allowed to establish procedures where, under certain conditions, the State may be requested to meet deficiencies in debt service reserve funds supporting such bonds. An appropriation must be enacted by the Legislature to meet any such request.

Official Statement: A disclosure document prepared to accompany an issuance of bonds, notes and certificates of participation offered for sale by the State or its public authorities. Its primary purpose is to provide prospective bond or note purchasers sufficient information to make informed investment decisions. It describes, among other things, the issuer, the project or program being financed and the security behind the bond issue.

Pay-as-you-go financing: The use of current State resources (as opposed to bonds) to finance capital projects. Also referred to as "hard dollar" financing.

Rainy Day Reserve Fund: This fund was created in 2007 to enhance the State's fiscal reserves. The fund, which may have a maximum balance equal to 3 percent of General Fund spending, may be used to respond to an economic downturn or catastrophic event, as defined by the enabling statute.

Receipts: Receipts consist of cash actually received during the fiscal year and in the General Fund include transfers from other funds.

Revenue Accumulation Fund: This fund holds certain tax receipts temporarily before their deposit into other funds.

Revenues: Revenues, in GAAP terminology, are an increase in net financial resources, as measured for the government-wide financial statements under the accrual basis of accounting and for the governmental funds under the modified accrual basis of accounting. In contexts other than GAAP, the State uses the term revenues to refer to income or receipts.

Short-Term Investment Pool or STIP: The combination of available cash balances in funds within the State Treasury on a daily basis for investment purposes.

Special Revenue Funds: SRFs, one of the four GAAP-defined governmental fund types, account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects), such as Federal grants, that are legally restricted to specified purposes.

State Financial Plan: The State Financial Plan sets forth projections of State receipts and disbursements in the governmental fund types for each fiscal year and is prepared by the Director of the Division of Budget, based initially upon the recommendations contained in the Executive Budget. After the budget is enacted, the State Financial Plan is adjusted to reflect revenue measures, appropriation bills and certain related bills enacted by the Legislature. It serves as the basis for the administration of the State's finances by the Director of the Budget, and is updated quarterly, or more frequently as necessary, during the fiscal year.

State Funds: State funds refers to a category of funds which includes the General Fund and all other State-controlled moneys, excluding Federal grants. This category captures all governmental disbursements except spending financed with Federal grants.

State-guaranteed debt: Debt authorized by the voters to be sold by three public authorities: the Job Development Authority, the New York State Thruway Authority, and the Port Authority of New York and New Jersey. State-guaranteed bonds issued for the Thruway Authority and the Port Authority were fully retired on July 1, 1995 and December 31, 1996, respectively. Such debt is backed by the full faith and credit of the State.

State Operations: Operating costs of State departments and agencies, the Legislature and the Judiciary, including salaries and other compensation for most State employees.

State-related debt: This broad category combines all forms of debt for which the State is liable, either directly or on a contingent basis, including all State-supported debt and State-guaranteed and moral obligation debt.

State-supported debt: This category includes all obligations for which the State appropriates money that is used to pay debt service, including general obligation debt, PIT revenue bonds, lease-purchase and contractual-obligation debt, and certificates of participation. While tax supported debt (obligations supported by State taxes) represents the majority of obligations in this category, obligations supported by other State revenues (such as dormitory fees or patient revenues) are also included.

Tax and Revenue Anticipation Notes or TRANs: Notes issued in anticipation of the receipt of taxes and revenues, direct or indirect, for the purposes and within the amounts of appropriations theretofore made.

Tax Refund Reserve Account: The tax refund reserve account is used to hold moneys available to pay tax refunds. During a given fiscal year, the deposit of moneys in the account reduces receipts and the withdrawal of moneys from the account increases receipts. There is no requirement that moneys withdrawn from this account be replaced.

Tax Stabilization Reserve Fund: This fund was created to hold surplus revenue that can be used in the event of any unanticipated General Fund deficit. Amounts within this fund can be borrowed to cover any year-end deficit and must be repaid within six years in no less than three equal annual installments. The fund balance cannot exceed two percent of General Fund disbursements for the fiscal year; contributions are limited to two-tenths of one percent of General Fund disbursements in that year.

Exhibit B to Annual Information Statement

Principal State Taxes and Fees

Personal income taxes are imposed on the New York source income of individuals, estates and trusts. Personal income taxes are projected to account for roughly 60 percent of estimated All Government Funds tax receipts during the State's 2007-08 fiscal year. The State tax adheres closely to the definitions of adjusted gross income and itemized deductions used for Federal personal income tax purposes, with certain modifications. Receipts from this tax are sensitive to changes in economic conditions in the State. New York allows a standard deduction of $15,000 for married couples filing jointly, with lower deductions for the other types of filers. New York also allows a $1,000 exemption for dependents. The tax rate schedule has five tax brackets which, for married couples filing jointly, start at 4 percent for taxable income below $16,000 and increase to 6.85 percent on taxable income over $40,000. There are comparable tax rate schedules for heads of households, single individuals, and married couples filing separately. New York also allows several other credits against the tax. The most significant are the: Empire State Child Credit (generally equal to one-third of the Federal child tax credit), household credit, credit for taxes paid to other states, the investment tax credit, various Empire Zone credits, child and dependent care credit, real property tax circuit breaker credit, earned income tax credit, long-term care insurance credit, and college tuition credit.

In 2001, legislation was enacted to provide for the issuance of State PIT Revenue Bonds, which has become the primary financing vehicle for a broad range of existing State-supported debt programs previously secured by service contract or lease-purchase payments. The first bonds were issued in May 2002. The legislation provided that 25 percent of PIT receipts (excluding refunds owed to taxpayers and deposits to the STAR Fund) be deposited to the RBTF for purposes of making debt service payments on the bonds, with excess amounts transferred to the General Fund. Legislation enacted with the 2007-08 budget provides that the RBTF will be calculated based on 25 percent of PIT receipts (excluding refunds owed to taxpayers, but before deposits to the STAR fund).

In the event that (i) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue Bonds or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on the bonds, the legislation requires that PIT receipts continue to be deposited to the RBTF until amounts on deposit in the Fund equal the greater of 25 percent of annual PIT receipts or $6 billion.

User taxes and fees consist of several taxes on consumption, the largest of which is the State sales and compensating use tax. The following discussion describes these taxes and summarizes significant revenue actions taken since 2000. The *sales and use tax* is imposed, in general, on the receipts from the sale of all tangible personal property unless exempted, and all services are exempt unless specifically enumerated. Certain charges for meals, admissions, hotel and motel occupancy and dues are also subject to the tax. The current State sales tax rate is 4.0 percent, of which 3.0 percent is deposited in the General Fund and 1.0 percent is deposited in the Local Government Assistance Tax Fund to meet debt service obligations. Receipts in excess of debt service requirements are transferred to the General Fund. Although there are numerous exemptions, the most significant are: food; clothing and footwear costing less than $110; drugs; medicine and medical supplies; residential energy; capital improvements and installation charges; machinery and equipment used in manufacturing; trade-in allowances; and goods sold to Federal, state or local governments. Legislation enacted in 2000 totally or partially exempted receipts from most purchases made by qualifying businesses located in Empire Zones. Legislation enacted in 2003 increased the sales tax rate from 4 percent to 4.25 percent beginning on June 1, 2003, and expiring on May 31, 2005. In addition, the legislation limited the exemption for clothing and footwear costing less than $110 to two one-week periods in the State's 2003-04 and 2004-05 fiscal years. In 2005, legislation was enacted to continue the two one-week exemptions for clothing and footwear costing less than $110 per item until March 31, 2007. Effective April 1, 2006, clothing and footwear costing less than $110 were fully exempted from the State sales tax. The 2006-07 Enacted budget increased the vendor credit. Effective June 1, 2006, the sales tax on motor fuel was capped at 8 cents per gallon.

The State imposes a *tax on cigarettes* at the rate of $1.50 per package of 20 cigarettes and imposes a *tax on other tobacco products* equal to 37 percent of the wholesale price. The tax rate on cigarettes was raised from 39 cents to 56 cents, and the tax rate on tobacco products other than cigarettes was increased from 15 percent to 20 percent in 1993 and from 20 percent to 37 percent on July 3, 2002. The tax on cigarettes was raised from 56 cents to $1.11 per pack on March 1, 2000 and to $1.50 per pack on April 3, 2002. The revenue derived from the tax is split, with 38.78 percent of receipts deposited in the General Fund and the balance deposited in the Tobacco Control and Insurance Initiatives Pool established by HCRA of 2000.

Motor fuel and *diesel motor fuel taxes* are levied at 8 cents per gallon upon the sale, generally for highway use, of gasoline and diesel fuel. The diesel fuel tax was reduced from 10 cents per gallon to 8 cents per gallon on January 1, 1996. The 2000-01 Enacted Budget contained legislation which provided that all motor fuel taxes be deposited in the dedicated transportation funds effective April 1, 2001.

Motor vehicle fees are derived from a variety of sources, including motor vehicle registration fees and driver licensing fees, which together account for most motor vehicle fee revenue. Legislation enacted in 1997 provided for five-year licenses instead of four-year licenses, and for the retention of refunds. Legislation enacted in 1998 reduced motor vehicle registration fees by 25 percent and re-instituted the prior refund policy and increased the percent of such fees earmarked to the Dedicated Highway and Bridge Trust Fund to 28 percent on April 1, 1998, 34 percent on July 1, 1998, and to 45.5 percent on February 1, 1999. Legislation enacted with the 2000-01 Budget directs the remaining 54.5 percent of registration fees to the dedicated transportation funds pool, of which 63 percent goes to the Dedicated Highway and Bridge Trust Fund. Legislation enacted in 2001 directed the deposit of $169 million in non-registration fees to the Trust Fund in State fiscal year 2001-02. Legislation enacted in 2002 redirected $171.6 million in non-registration fees to the Trust Fund in State fiscal year 2002-03 and $152.7 million in State fiscal year 2003-04. Legislation enacted in 2003 directed $59.9 million in existing non-registration motor vehicle fee revenues, to the Trust Fund effective April 1, 2004. Legislation enacted in 2005 directed all remaining General Fund receipts be moved to the dedicated funds pool.

The State imposes *alcoholic beverage excise taxes* at various rates on liquor, beer, wine and specialty beverages. Legislation enacted in 1999 reduced the excise tax on beer from 13.5 cents per gallon to 12.5 cents per gallon, and expanded an exemption for small brewers. Legislation enacted with the 2000-01 Budget reduced the tax on a gallon of beer from 12.5 cents to 11 cents on September 1, 2003, and accelerated the current exemption for small brewers to January 1, 2000. In addition, separate *licensing fees* are imposed on those who sell alcoholic beverages in New York. The fees vary depending on the type and location of the establishment or premises operated by the licensee, as well as the class of beverage for which the license is issued.

Legislation enacted in 2002, raised fees on the majority of licenses by 28 percent. Legislation was adopted in 2003, which allowed for the option to sell liquor or wine on Sundays provided the establishment closed on one other day. In 2004, legislation was enacted to allow seven day liquor sales.

The *highway use tax* revenue is derived from three sources: the truck mileage tax, related highway use permit fees and the fuel use tax. The truck mileage tax is levied on commercial vehicles, at rates graduated by vehicle weight, based on miles traveled on State highways. Highway use permits are issued triennially at $15 for an initial permit and $4 for a permit renewal. The fuel use tax is an equitable complement to the State's motor fuel tax and sales tax paid by those who purchase fuel outside but consumed in New York. It is levied on commercial vehicles having three or more axles or a gross vehicle weight of more than 26,000 pounds. Currently all collections from the highway use tax are deposited in the Dedicated Highway and Bridge Trust Fund. Legislation enacted with the 2000-01 Budget reduced the supplemental truck mileage tax from 50 percent of the base tax to 40 percent of the base tax and increased the flow of motor vehicle fee receipts to the Dedicated Highway and Bridge Trust Fund to compensate for the revenue loss. Legislation enacted in 2007 replaced the current highway use permit system with a registration system.

The State imposes a 5 percent *auto rental tax* on charges for any rental of passenger cars rented or used in the State, subject to certain exceptions including leases covering a period of one year or more. Legislation enacted in 2002 provided that effective April 1, 2002, all auto rental tax receipts be deposited in the dedicated transportation funds.

Business taxes include a general business corporation franchise tax as well as specialized franchise taxes on banks, insurance companies, certain transportation and transmission companies, and a cents-per-gallon-based levy on businesses engaged in the sale or importation for sale of various petroleum products. The franchise tax on utilities was eliminated as of January 1, 2000. Utilities now are taxed under the general business tax.

The *corporation franchise tax* is the largest of the business taxes, and the State's third largest source of revenue. It is imposed on all domestic general business corporations and foreign general business corporations which do business or conduct certain other activities in the State. The tax is imposed, generally, at a rate of 7.1 percent of taxable income allocated to New York. Taxable income is defined as Federal taxable income with certain modifications.

Legislation enacted in 1998 reduced the general business tax rate from 9 percent to 7.5 percent in three steps beginning in 1999; reduced the corporate alternative minimum tax rate from 3.5 percent to 3 percent in two steps beginning in 1998; reduced the fixed-dollar minimum corporate tax for most small businesses from $325 to $100 beginning in 1998; reduced the tax rate applied to subchapter S-corporations by 40 percent or more beginning in 1998; and adopted an investment tax credit for investment in securities trading infrastructure and instituted tax benefits for investments and employment in emerging technology companies. Significant statutory changes enacted in 1999 included: reforms to the subsidiary capital tax; a further reduction on the alternative minimum tax rate from 3 percent to 2.5 percent; doubling the Empire Zone and zone equivalent area wage tax credits; and reforms to the apportionment of income for the airline industry. In 2000, legislation was enacted to: shift the taxation of public utilities from taxation under a gross earnings tax to taxation as general business corporations; reduce taxes for small businesses; change the allocation formula for financial services companies; add new credits for "green buildings," low-income housing, alternative fuel vehicles, and certain transportation projects; and eliminate energy taxes paid by industrial and manufacturing businesses. Empire

Zones were created which provide various credits and exemptions to qualified companies meeting certain employment criteria. In 2002, legislation was enacted authorizing six new Empire Zones, and increasing the mandatory first installment of estimated business tax payments from 25 percent to 30 percent for businesses. In 2003, legislation was enacted that decoupled New York from the Federal bonus depreciation provisions. This applies to property placed in service on or after June 1, 2003, except for qualified Resurgence Zone and New York Liberty Zone property. The legislation also required the addback of certain expenses and payments related to intangible holding companies. In 2004, legislation was enacted that temporarily created two new fixed dollar minimum tax amounts under the corporate franchise tax; increased the Statewide annual aggregate limit for the low-income housing credit from $4 million to $6 million; extended the Qualified Emerging Technology Company (QETC) credit to biotechnology; and extended the Empire Zones program to March 31, 2005. Legislation enacted in 2005: extended the Empire Zones program until June 30, 2011 and expanded the program to include 12 new zones; adopted a single sales factor formula for corporate franchise taxpayers and banks that provide certain services; adopted tax shelter provisions; reduced the small business tax rate; increased the low income housing tax credit from $6 million to $8 million; expanded and extended the green buildings tax credit program; increased the capital base cap under the corporate franchise tax; and created new tax credits for emerging technology companies. Legislation enacted in 2006 eliminated the S-corporation differential; extended and increased the Empire State Film Production Credit and authorized a new Empire State Commercial Production Credit and a new credit for the production of alternative bio-fuels; accelerated the authorization of six of the remaining nine Empire Zones initially authorized in 2005, and provided zone benefits to enterprises that make substantial investments in regionally significant projects; and increased the low income housing credit from $8 million to $12 million. Legislation enacted in 2007 provided that taxpayers operating on a unitary basis file a combined report if substantial inter-corporate transactions occur amongst affiliates; lowered the rate on Entire Net Income (ENI) to 7.1 percent for general businesses and to 6.5 percent for manufacturers; lowered the alternative minimum tax rate to 1.5 percent; increased the low income housing credit from $12 million to $16 million; and closed the real estate investment trust loophole.

Receipts from the *corporation* and *utilities taxes* are primarily attributable to taxes imposed on transportation and transmission companies, utility services and telecommunication services.

Legislation enacted in 1996 provided that as of January 1, 1997 the franchise tax rate imposed on truckers and railroads was reduced from 0.75 percent to 0.6 percent of gross earnings. As of January 1, 1998 truckers and railroads were allowed to choose between taxation under this tax or taxation under the general business corporation tax.

Legislation enacted in 1997 reduced the 3.5 percent gross receipts tax imposed upon gas, electric, and telephone service to 3.25 percent on October 1, 1998, and then to 2.5 percent on January 1, 2000. Local telephone companies and other franchise taxpayers realized an additional rate cut of 0.375 percent in their franchise tax on July 1, 2000. Also, the franchise tax on trucking and railroads was reduced on July 1, 2000, from 0.6 percent to 0.375 percent. Additional 1997 legislation established the Power for Jobs program which made 400 megawatts of low-cost power available for job creation and expansion with the utilities recouping their losses through a tax credit. Legislation enacted in 1998 expanded the low-cost power available to 450 megawatts and accelerated the phase-in of the Power for Jobs program.

In 2000, legislation was enacted which altered the way traditional gas and electric utilities are taxed. The changes included: the shift from a franchise tax imposed on gross earnings to taxation based on net income or the alternative bases under Article 9-A of the Tax Law, phase out of the gas import tax, phase out of the gross receipts tax on gas and electricity for business consumers, and overall reductions in remaining gross receipts taxes. The legislation also provided for an expansion of the Power for Jobs program which allows credits against the gross receipts taxes paid by utilities furnishing low-cost power. In 2002, legislation was enacted increasing the mandatory first installment of estimated business tax payments from 25 percent to 30 percent. In 2003, legislation was enacted that dedicated the remaining 20 percent of section 183 and section 184 revenues to the Dedicated Highway and Bridge Trust Fund. In 2004 and 2005, legislation was enacted that extended and modified the Power for Jobs Program under Article 9.

Insurance taxes are imposed on insurance corporations, brokers and certain insurers at a basic rate of 7.1 percent (as of January 1, 2007) of entire net income allocable to New York, based on the level of activity of an insurance company in the State during the taxable year. In addition, there is a franchise tax on net premiums written or received by insurance corporations on risks resident or located within the State, at rates between 0.8 percent and 1.3 percent, depending on policy type, as well as certain taxes imposed under the Insurance Law. Legislation enacted in 1997 provided that on or after January 1, 1998 the overall limit on the combined taxes of 2.6 percent of premiums for life insurance companies is reduced to 2.0 percent and the gross premiums tax on such components is decreased from 0.8 percent to 0.7 percent. Also, the legislation provides preferential premium tax rates to captive insurance companies that insure the primary risks of their parent and affiliated companies. In addition, provisions enacted in 1999 reduced the limitation on tax liability for non-life insurers over a three-year period. Legislation enacted in 2000 extended the investment tax credit for equipment used in the trading of securities by insurance companies and expanded the existing certified capital company program. In 2002, legislation was enacted increasing the mandatory first installment payment from 25 percent to 30 percent. Legislation enacted in 2003 amended the insurance tax to place property and casualty insurance companies solely on a premiums tax base and imposed a minimum tax for life insurance companies. In 2004, legislation was enacted that established a fourth certified capital company program. In 2005, legislation was enacted that established a fifth certified capital company program. Legislation enacted in 2006 amended the method in which life insurance companies calculate their taxes when more than 95 percent of their total premiums consist of annuity premiums. Legislation enacted in 2007 lowered the rate on ENI to 7.1 percent for life insurers.

The State imposes a *franchise tax on banking corporations* at a basic tax rate of 7.1 percent (as of January 1, 2007) of entire net income with certain exclusions, and subject to special rates for institutions with low net worth. The 7.1 percent rate represents a gradual reduction from the rate of 12 percent that was in effect until 1985, when the bank tax was restructured. The 1985 changes were extended through taxable years beginning before January 1, 2001. This was extended in 2001 for two more years. Legislation enacted in 1997 allowed banks a net operating loss deduction which can be carried forward against the bank franchise tax. This applied to net operating losses sustained on or after January 1, 2001. The legislation also allowed banks to form subchapter S-corporations which will exempt them from taxation under the bank tax and allow the same tax treatment as other subchapter S-subsidiaries. Legislation enacted in 1998 authorized an investment tax credit for the purchase of tangible personal property used in a bank's normal course of business as a broker or dealer in connection with the purchase or sale of stocks or bonds. In 2002, legislation was enacted increasing the mandatory first installment payment from 25 percent to 30 percent. In 2003, legislation was enacted extending the bank tax provisions concerning the taxation of commercial banks for two years, until December 31, 2004. In 2004, legislation was enacted that extended the bank tax and the Federal Gramm-Leach-Bliley Act transition provisions until 2006. Legislation enacted in 2007 closed the real estate investment trust loophole for banks with assets of more than $8 billion; required certain grandfathered Article 9-A subsidiaries to be taxed under Artlicle 32; lowered the ENI rate to 7.1 percent; and extended certain 1985 provisions and Gramm-Leach-Bliley Act conforming provisions for two years.

The State imposes a *petroleum business tax* on the privilege of operating a petroleum business in the State. This tax is measured by the quantity of various petroleum products imported into the State for sale or use. The tax is imposed at various cents-per-gallon rates depending on the type of petroleum product. The cents-per-gallon tax rates are indexed to reflect petroleum price changes but are limited to changes of no more than 5 percent of the tax rate in any one year. Legislation enacted in 1996, which was fully phased in on April 1, 1999, provided for reductions in the petroleum business taxes on residual petroleum, non-automotive diesel and diesel fuel used by motor vehicles and railroads, utilities, and commercial enterprises, and the elimination of the petroleum business taxes imposed on fuel used in manufacturing. In addition, the legislation also provided reimbursements of the tax paid for aviation gasoline when the fuel is consumed outside New York. Legislation enacted in 1999 cut the tax rate on fuel used for commercial heating, eliminated the tax on fuel used for mining and adjusted the proportions of the tax going to dedicated funds to save-harmless the revenue flowing to those funds. Legislation enacted in 2000 reduced the tax rate on commercial heating by 33 percent. Legislation enacted in 2004 eliminated the tax on fuels used for aircraft overflight and landing.

Other tax revenues include taxes on pari-mutuel wagering, the estate tax, taxes on real estate transfers, certain other minor taxes, and residual receipts following the repeal of the real property gains tax and the gift tax.

The State imposes an *estate tax* on the estates of deceased New York residents, and on that part of a nonresident's net estate made up of real and tangible personal property located within New York State. Estate tax liability is computed on the basis of the Federal definition of "gross estate" and is set equal to the Federal credit for Federal estate tax liability allowable for State estate taxes paid as it existed on July 22, 1998. Reflecting the composition of many decedents' estates in New York, collections of this tax are heavily influenced by fluctuations in the value of common stock. New York has not conformed to the most recent changes in Federal law and thus the base of the tax is, in general, unaffected by such changes.

The *real estate transfer tax* applies to each real property conveyance, subject to certain exceptions, at a rate of $2 for each $500 of consideration or fraction thereof. Pursuant to statute, beginning in State fiscal year 2007-08, $212 million of real estate transfer tax receipts are deposited in the EPF and the remaining receipts are deposited in the CW/CA Debt Service Fund. Receipts in excess of the debt service requirements are transferred back to the General Fund.

The *real property gains tax* had been levied at the rate of 10 percent on gains derived from certain real property transactions where the consideration is $1 million or more. Legislation adopted in 1996 repealed the real property gains tax on transfers occurring on or after June 15, 1996; however, some receipts continue to flow to the General Fund based on transactions occurring prior to such date.

The State levies *pari-mutuel taxes* on wagering activity conducted at horse racetracks, simulcast theaters and off-track betting parlors throughout the State. In previous years the State temporarily reduced its tax rates and expanded simulcast opportunities and increased purses. Legislation enacted in 1999 and 2000 reduced taxes on races run at non-profit racing association tracks and dedicated the reduction to increasing purses at those tracks and operating the Breeders Cup races. Legislation enacted in 2003 provided for unlimited simulcasting, imposed a regulatory fee of 0.39 percent, allowed racetracks to set the takeout rate, and eliminated minimum balances on telephone betting accounts. Legislation enacted in 2005 revised the fee to 0.5 percent. These actions are expected to increase revenue to the General Fund and to fund the expenses of regulating the industry. Legislation enacted in 2006 reduced tax rates on wagers placed on certain thoroughbred races. Legislation enacted in 2007 provided a one-year extension for pari-mutuel tax rates on simulcasting that were scheduled to expire during the 2007-08 fiscal year. This reduction is expected to provide additional revenue for Off-Track Betting Corporations and to the thoroughbred breeders' fund during the 2006-07 fiscal year. In addition to pari-mutuel taxes, a 4 percent tax is levied on the charge for admissions to racetracks and simulcast theaters, and a 3 percent tax is levied on gross receipts from boxing and wrestling exhibitions, including receipts from broadcast and motion picture rights.

Miscellaneous receipts and other revenues include various fees, fines, tuition, license revenues, lottery revenues, investment income, assessments on various businesses (including healthcare providers), and abandoned property. Miscellaneous receipts also include minor amounts received from the Federal government and deposited directly in the General Fund. Legislation enacted in 1997 provided for a phase-out of most of the assessments on health care providers by April 1, 2001. Legislation enacted in 1998 and 1999 accelerated the phase-out of the health care provider assessments; they were eliminated in January 2000. Legislation enacted in 2001, authorized the Division of the Lottery to license eligible racetracks to operate VLTs. The first license began operations in January 2003 and currently there are eight racetracks operating VLTs. Legislation enacted in 2002 re-imposed assessments on nursing home care providers and imposed a surcharge on State wireless communication services and increased bond issuance charges. Legislation enacted in 2003 reduced the time period for collecting abandoned property related to the demutualization or similar reorganization of an insurance company from five years to two years. In 2004, $4.2 billion in proceeds from the sale of the State's tobacco payments under the national Master Settlement Agreement was collected. Legislation enacted in 2005 increased the photo image fee and authorized New York Power Authority pilot payments. Legislation enacted in 2006 increased certain banking fines and penalties, accelerated the dormancy period on uncashed checks and securities, and created the internet point insurance reduction program.