

Update to Annual Information Statement (AIS)

State of New York

November 3, 2009

This quarterly update (the "AIS Update") is the second quarterly update to the Annual Information Statement of the State of New York, dated May 15, 2009 (the "AIS") and contains information only through November 3, 2009. This AIS Update should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. Extracts from the Mid-Year Update to the 2009-10 Financial Plan (the "Updated Financial Plan"), which the Division of the Budget ("DOB") issued on October 30, 2009. The Updated Financial Plan includes (a) a summary of recent events and changes to the Financial Plan made since the first quarterly update to the AIS dated July 30, 2009 (the "First Quarterly Update"), (b) revised Financial Plan projections for fiscal years 2009-10 through 2012-13, (c) operating results for the first half of fiscal year 2009-10, (d) an updated economic forecast, (e) the Generally Accepted Accounting Principles (GAAP)-basis Financial Plan projections for 2009-10, and (f) a summary on debt and capital management. The Updated Financial Plan is available on the DOB website, www.budget.state.ny.us.
2. A discussion of special considerations related to the State Financial Plan for fiscal year 2009-10.
3. A summary of GAAP-basis results for the 2008-09 fiscal year (the full statements are available on the State Comptroller's website, www.osc.state.ny.us).
4. Updated information regarding the State Retirement Systems.
5. The status of significant litigation that has the potential to adversely affect the State's finances.

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

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

The State may issue AIS supplements or other disclosure notices to this AIS Update as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS Update in Official Statements or related disclosure documents for State or State-supported debt issuance. The State has filed this AIS Update with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. Effective July 1, 2009, pursuant to Rule 15c2-12 promulgated by the

Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the MSRB is designated as the sole repository for the electronic filing of all primary and secondary market disclosure. An electronic copy of this AIS Update can be accessed through the EMMA at www.emma.msrb.org. An official copy of this AIS Update may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705..

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Update to the 2009-10 Financial Plan

Note: DOB issued the Updated Financial Plan on October 30, 2009, extracts of which are set forth below. The Updated Financial Plan includes updated estimates for 2009-10 and projections for 2010-11 through 2012-13. As such, it contains estimates and projections of future results that should not be construed as statements of fact. These estimates and projections are based upon various assumptions that may be affected by numerous factors, including future economic conditions in the State and nation and potential litigation. There can be no assurance that actual results will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan.

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

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

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

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

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2009-10 Updated Financial Plan Highlights

FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES (millions of dollars)					
	2008-09 Actual	2009-10			2010-11 Current Services
		First Quarterly Update	Change	Mid-Year Update ¹	
State Operating Funds Budget					
Size of Budget (Excluding MTA) ²	N/AP	\$78,848	(\$501)	\$78,347	N/AP
Annual Growth		0.9%	-0.7%	0.2%	
Size of Budget (Including MTA)	\$78,168	\$80,471	(\$501)	\$79,970	\$85,861
Annual Growth	1.5%	2.9%	-0.6%	2.3%	7.4%
Other Budget Measures (Annual Growth)					
General Fund (With transfers)	\$54,607	\$55,059	(\$449)	\$54,610	\$60,296
	2.3%	0.8%	-0.8%	0.0%	10.4%
State Funds (Includes Capital)	\$83,146	\$86,009	(\$504)	\$85,505	\$92,257
	2.2%	3.4%	-0.6%	2.8%	7.9%
Capital Budget (State and Federal Funds)	\$6,830	\$8,455	(\$402)	\$8,053	\$8,990
	11.4%	23.8%	-5.9%	17.9%	11.6%
Federal Operating	\$36,573	\$44,543	\$619	\$45,162	\$46,039
	11.1%	21.8%	1.7%	23.5%	1.9%
All Governmental Funds	\$121,571	\$133,469	(\$284)	\$133,185	\$140,890
	4.8%	9.8%	-0.2%	9.6%	5.8%
All Gov't Funds (Including "Off-Budget" Capital)	\$123,833	\$135,313	(\$37)	\$135,276	\$142,833
	5.2%	9.3%	-0.1%	9.2%	5.6%
Inflation (CPI) Growth	2.7%	-0.2%	0.2%	0.0%	1.8%
All Funds Receipts (Annual Growth)					
Taxes (Including MTA)	\$60,337	\$60,556	(\$1,173)	\$59,383	\$63,346
	-0.9%	0.4%	-2.0%	-1.6%	6.7%
Miscellaneous Receipts	\$20,064	\$21,435	(\$50)	\$21,385	\$21,366
	2.1%	6.8%	-0.2%	6.6%	-0.1%
Federal Grants	\$38,834	\$47,799	\$288	\$48,087	\$48,887
	11.2%	23.1%	0.7%	23.8%	1.7%
Total Receipts	\$119,235	\$129,790	(\$935)	\$128,855	\$133,599
	3.3%	8.9%	-0.8%	8.1%	3.7%
Base Tax Growth/(Decline) ³	-3.0%	-9.6%	-1.4%	-11.0%	5.5%
Combined General Fund/HCRA Gap Forecast (Before any DRP Actions)					
2009-10	N/A	(\$2,123)	(\$1,036)	(\$3,159)	N/A
2010-11	N/A	(\$4,623)	(\$2,173)	(\$6,796)	N/A
2011-12	N/A	(\$13,276)	(\$1,499)	(\$14,775)	N/A
2012-13	N/A	(\$18,163)	(\$1,357)	(\$19,520)	N/A
Cumulative Gaps	N/A	(\$38,185)	(\$6,065)	(\$44,250)	N/A
Total General Fund Reserves (Year-End)	\$1,948	\$1,378	(\$6)	\$1,372	\$1,420
State Workforce (Subject to Executive Control) ⁴	136,490	128,803	5,895	134,698	135,193
Debt					
Debt Service as % All Funds	4.3%	4.4%	0.0%	4.4%	4.8%
State-Related Debt Outstanding	\$51,768	\$54,327	\$891	\$55,218	\$58,360

¹ Revenue and spending estimates do not include \$2.3 billion in potential savings that are part of a Deficit Reduction Plan, described in more detail later in this AIS Update.

² Excludes the approximately \$1.6 billion in special revenue fund receipts and disbursements related to the new Metropolitan Commuter Transportation Mobility Tax, a tax which is collected by the State on behalf of, and transferred in its entirety to, the MTA.

³ Reflects estimated change in tax receipts excluding the impact of Tax Law changes since fiscal year 1986-87.

⁴ The change in the workforce estimate from the First Quarterly Update reflects (a) changes to the composition of the original workforce reduction plan to emphasize alternatives to layoffs, including the elimination of funded vacancies, severance offerings, and the use of voluntary reductions in work schedules and (b) additional hiring related to Federal stimulus money.

Updated Budget Gaps (Before Actions)

DOB now estimates that the General Fund has a budget gap of \$3.2 billion in the current fiscal year, an increase of \$1.0 billion from the First Quarterly Update to the Financial Plan.¹ The budget gap for 2010-11, which the Governor must address in his Executive Budget due in January 2010, is now projected at \$6.8 billion, an increase of \$2.2 billion from the First Quarterly Update. The budget gaps in future years are also estimated to be higher than in the First Quarterly Update, and are now projected at \$14.8 billion in 2011-12 (an increase of \$1.5 billion), and \$19.5 billion in 2012-13 (an increase of \$1.4 billion).

The growth in the current-year budget gap compared to the First Quarterly Update is mainly due to a reduction in estimated annual receipts from the personal income tax (“PIT”) and business taxes, based on actual collections experience through the first half of fiscal year 2009-10, and updated economic information. In 2010-11 and thereafter, the increase in the budget gaps reflects the recurring impact of the current-year receipts reductions, as collections grow off a lower tax base, and increases in projected disbursements, especially for activities that are sensitive to the economic downturn (e.g., community college enrollment, pensions and fringe benefits, and reimbursement-based programs affected by accelerated claims from localities). See “Revisions to the General Fund Financial Plan” herein. DOB expects to next revise its Financial Plan projections in January 2010 with the release of the 2010-11 Executive Budget.

Deficit Reduction Plan to Address Current-Year Gap

The Governor has proposed a Deficit Reduction Plan (“DRP”) to eliminate the \$3.2 billion budget gap in the current year. The Governor has called the Legislature into special session in November to act on the proposals in the DRP that require legislative approval. The following table summarizes the revisions to the General Fund budget gaps before and after the impact of the proposed DRP.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS SUMMARY OF CHANGES FROM FIRST QUARTERLY UPDATE (millions of dollars)				
	2009-10	2010-11	2011-12	2012-13
FIRST QUARTERLY ESTIMATE*	(2,123)	(4,623)	(13,276)	(18,163)
Forecast Revisions	(1,036)	(2,173)	(1,499)	(1,357)
Receipts	(930)	(1,518)	(766)	(723)
Disbursements	(106)	(655)	(733)	(628)
HCRA	0	0	0	(6)
MID-YEAR (CURRENT) ESTIMATE	(3,159)	(6,796)	(14,775)	(19,520)
Proposed Deficit Reduction Plan	3,159	434	459	459
Administrative Actions	833	434	459	459
Actions Requiring Legislative/Other Approval	2,326	TBD	TBD	TBD
PROJECTED GAPS AFTER DEFICIT REDUCTION PLAN **	0	(6,362)	(14,316)	(19,061)

* First Quarterly Update to the 2009-10 Enacted Budget Financial Plan dated July 30, 2009

** Assumes successful implementation of proposed Deficit Reduction Plan.

The proposed DRP consists of across-the-board reductions to most local aid programs (\$1.3 billion); across-the-board reductions to State agency operating budgets (\$500 million); enhanced audit and recovery activities in the areas of tax compliance and Medicaid fraud, including a tax amnesty program (\$400 million); the transfer of available resources from the Battery Park City Authority (\$300 million); a franchise payment for the video lottery terminal (“VLT”) development rights at Aqueduct Racetrack (\$200 million); transfers of certain available resources from other funds of the State and public authorities (\$175 million); and other actions (\$200 million). See “Deficit Reduction Plan” herein.

¹ The budget gap represents the difference between estimated disbursements and the resources expected to be available to pay for them. Unless specifically noted, the projections in this AIS Update are on a budgetary (cash) basis of accounting.

DOB estimates that approximately \$2.3 billion of the \$3.2 billion in DRP proposals (or approximately 75 percent) will require the approval of the Legislature or other levels of government, or both. These include the reductions to local aid programs, use of authority resources, authorization for the tax amnesty program, and approval of the VLT franchise payment. DOB expects that approximately \$800 million in DRP actions, including most of the reductions in State agency operations (with the exception of City University of New York (“CUNY”)), can be implemented administratively.

The four-year Financial Plan projections by agency and Financial Plan category set forth in the Updated Financial Plan reflect only the impact of DRP actions that DOB believes can be implemented administratively. Actions that require the approval of the Legislature or other parties, such as the proposed reductions in local assistance spending, are not reflected in the detailed projections, but only displayed as a potential benefit in closing the current-year deficit. DOB expects to reflect the multi-year impact of any DRP actions approved by the Legislature or other outside parties in the updated Financial Plan projections that will accompany the 2010-11 Executive Budget.

Recent Operating Results and Cash Position

The State’s cash position continues to be a significant concern. General Fund operating results through September 2009 appear better than projected in the First Quarterly Update, but this was due to management actions to maintain adequate operating margins and routine variances in the timing of disbursements that are not expected to affect annual spending levels. For example, the State now plans to make its contribution of approximately \$960 million to the State Retirement System on March 1, 2010, the statutory payment date, rather than in September 2009, as it had originally planned. Excluding the impact of cash management actions and routine timing variances, DOB estimates that the General Fund operating results through September 2009 would have been approximately \$700 million to \$800 million below planned levels. See “Year-to-Date Operating Results” herein.

The Enacted Budget provides authorization for the General Fund to borrow resources temporarily from other funds in the State’s Short-Term Investment Pool (“STIP”) for a period not to exceed four months or to the end of the fiscal year, whichever is shorter. Through the first six months of 2009-10, the General Fund used this authorization to meet certain payment obligations in May, June, and September 2009. In each case, the STIP loans were repaid by the end of the month. DOB expects that the General Fund will continue to rely on this borrowing authority at times during the remainder of the fiscal year. The current cashflow forecast projects that, if no action is taken by the Legislature on the DRP in November 2009, the General Fund will end November 2009 with a negative balance of approximately \$150 million, and December 2009 with a negative balance of approximately \$1.1 billion. DOB expects the General Fund will return to a positive month-end balance in January 2010, reflecting the timing of PIT receipts.

The amount of resources that can be borrowed by the General Fund is limited to the available balances in STIP, as determined by the State Comptroller (available balances include money in the State’s governmental funds, as well as certain other money). However, the available balances on hand in STIP have declined compared to recent years and DOB believes that during the period from Mid-December 2009 to early January 2010, available daily balances in STIP may not be sufficient to make currently scheduled payments. The current cashflow forecast projects that the governmental funds closing balance, absent action on the DRP, will approach zero at the end of December 2009. DOB estimates that this balance could improve by \$200 million to \$400 million if the Legislature enacted the DRP, as proposed, in Mid-November 2009.

DOB will continue to closely monitor and manage the General Fund cash flow during the remaining months of the current fiscal year and expects to continue to take cash-management actions, such as altering the timing of discretionary payments, in an effort to maintain adequate operating balances. In addition, the State is reserving money to make the debt service payments scheduled for November and

December 2009 that are financed with General Fund resources. DOB plans to again reserve money in January 2010 for payments due in the final quarter of the current fiscal year. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds, continues to be set aside as required by law and bond covenants.

The Structural Budget Gap

The incremental increases in the General Fund budget gaps identified in recent quarterly updates are largely due to reductions in projected receipts. However, sustained growth in spending commitments in major programs and activities over the four-year Financial Plan period is the principal contributor to the State's long-term structural budget gaps. The State-financed portion of the budget has grown faster than both personal income and inflation over the past ten years, and is projected to do so over the next four years, absent measures to control spending. From 2009-10 through 2012-13, General Fund disbursements are projected to increase at an average annual rate of approximately 8.0 percent; State Operating Funds disbursements, which capture activity in State special revenue funds and debt service funds, as well as the General Fund, are projected to increase at 6.3 percent annually². In comparison, State tax receipts over the plan period are projected to grow at 3.9 percent annually, consistent with DOB's economic forecast for the recession and recovery. Accordingly, it is expected that the 2010-11 Executive Budget will propose substantial reductions in State spending commitments.

Revisions to the General Fund Financial Plan

DOB has made a number of substantive revisions to the General Fund receipts and disbursements forecasts contained in the First Quarterly Update to the Financial Plan. The revisions are based on a comprehensive review of operating results to date, updated economic data, and program trends. The following table provides a list of the revisions and displays the impact on General Fund operating projections before and after the proposed DRP. It is followed by a discussion of the major revisions and a summary of the DRP.

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² Adjusted to exclude the impact of Federal stimulus funding. The unadjusted growth rates are approximately 11 percent in the General Fund and 8.4 percent in State Operating Funds.

GENERAL FUND FORECAST FOR 2009-10 THROUGH 2012-13				
SAVINGS/(COSTS)				
(millions of dollars)				
	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
FIRST QUARTERLY BUDGET SURPLUS/(GAP) ESTIMATE	(2,123)	(4,623)	(13,276)	(18,163)
Receipts Revisions	<u>(930)</u>	<u>(1,518)</u>	<u>(766)</u>	<u>(723)</u>
Tax Forecast Revisions	<u>(1,184)</u>	<u>(1,488)</u>	<u>(706)</u>	<u>(651)</u>
Personal Income Tax*	(1,075)	(1,375)	(600)	(600)
Sales/Use Taxes*	(25)	(43)	(48)	(35)
Business Taxes	(133)	(80)	(62)	(11)
Other Taxes*	49	10	4	(5)
Personal Income Tax -- STAR*	85	0	0	0
Miscellaneous Receipts/Other Transfers	169	(30)	(60)	(72)
Disbursement Revisions	<u>(106)</u>	<u>(655)</u>	<u>(733)</u>	<u>(628)</u>
Health Care (incl. Medicaid)	6	(177)	(238)	(230)
Higher Education	(23)	(131)	(139)	(194)
Criminal Justice	(84)	(82)	(82)	(84)
School Aid	0	(75)	(100)	(132)
Transportation	6	(27)	(42)	(70)
Mental Hygiene	8	11	(52)	(98)
Fringe Benefits/Fixed Costs	2	(121)	(3)	258
All Other	(21)	(53)	(77)	(78)
HCRA Revisions	0	0	0	(6)
REVISED SURPLUS/(GAP) ESTIMATE BEFORE ACTIONS	<u>(3,159)</u>	<u>(6,796)</u>	<u>(14,775)</u>	<u>(19,520)</u>
<i>Net Change From First Quarterly Update</i>	<i>(1,036)</i>	<i>(2,173)</i>	<i>(1,499)</i>	<i>(1,357)</i>
Deficit Reduction Plan Actions	<u>3,159</u>	<u>434</u>	<u>459</u>	<u>459</u>
Administrative Savings	<u>833</u>	<u>434</u>	<u>459</u>	<u>459</u>
Receipts	272	125	125	125
Disbursements	561	309	334	334
Actions Requiring Legislative/Other Approval	2,326	TBD	TBD	TBD
REVISED BUDGET SURPLUS/(GAP) ESTIMATE AFTER ACTIONS**	<u>0</u>	<u>(6,362)</u>	<u>(14,316)</u>	<u>(19,061)</u>
<i>(Increase)/Decrease From First Quarterly Update</i>	<i>2,123</i>	<i>(1,739)</i>	<i>(1,040)</i>	<i>(898)</i>

* Tax changes include transfers from other funds after the impact of revisions to debt service costs.

** Assumes successful implementation of proposed Deficit Reduction Plan.

General Fund Receipts Revisions

General Fund receipts, including transfers from other funds, are now estimated to total \$51.7 billion, a decrease of \$658 million from the amount projected in the First Quarterly Update. Tax receipts, excluding the impact of revisions to the School Tax Relief program (“STAR”) and debt service (which are unrelated to underlying collection experience), have been revised downward by \$1.2 billion. This is offset in part by higher miscellaneous receipts (\$169 million), lower estimated spending in STAR (\$85 million), and the expected implementation of administrative DRP actions affecting receipts (\$272 million).

Current Year Tax Receipts

The receipt estimates for the current fiscal year have been revised downward, as the New York State economy has deteriorated more quickly than anticipated during the first half of 2009. Estimated General Fund tax receipts in the current year have been lowered by \$1.2 billion since the First Quarterly Update, due almost entirely to a reduction in PIT collections. In addition, the anticipated increase in PIT collections due to the high income surcharge has not fully materialized as expected, although some of the shortfall may be due to timing. In the absence of the surcharge enacted in 2009-10 and other law

changes, it is estimated that PIT liability for 2009 would have fallen 14.5 percent. In the current year, the downward revisions to the PIT forecast are partly offset by a decline in the amount to be deposited into the STAR Fund.

Projected business tax collections for 2009-10 have been lowered by \$133 million compared to the First Quarterly Update, mainly due to overall economic weakness. Furthermore, sales tax collections were weaker than forecast as the historic decline in State wages estimated for the current year is having an even more adverse impact on State household spending than expected, particularly for automobiles and other large consumer items.

2010-11 Tax Receipts

General Fund tax receipts estimates for 2010-11 have been reduced by \$1.5 billion compared to the First Quarterly Update. The lower PIT base for the current fiscal year is estimated to account for most of this downward revision. All Funds net PIT receipts for 2010-11 are projected to increase by \$2.9 billion (8.4 percent) over the prior year to \$38.0 billion, with withholding growth of \$1.5 billion (5.2 percent), which primarily reflects a recovery in wage growth consistent with the expected pace of the State's economic recovery and application of higher withholding rates to first quarter 2010 bonus payments. Estimated tax payments of \$8.6 billion are projected for tax year 2010, or \$1.0 billion (13.2 percent) above the prior year. This increase reflects an expected acceleration in capital gains realizations as taxpayers are expected to react to the scheduled expiration of lower Federal capital gains tax rates at the end of 2010.

General Fund business tax receipts for 2010-11 are now projected to increase by \$296 million, or 5.6 percent, from the current year, to \$5.6 billion, representing a downward revision of \$80 million compared with the First Quarterly Update, due primarily to the weaker 2009-10 base.

General Fund user taxes and fees receipts, including transfers, are projected to total \$10.7 billion in 2010-11, an increase of \$430 million or 4.2 percent from 2009-10. This estimate is roughly \$30 million below the First Quarterly Update.

Miscellaneous Receipts

General Fund miscellaneous receipts and transfers from other funds have been revised upward by approximately \$400 million from the First Quarterly Update. Higher levels of indirect cost reimbursements, additional revenues from assessments on utility companies, revenue collected from legal settlements, additional workers' compensation surplus revenue remittance, and various changes to transfers account for the improvement.

General Fund Disbursements Revisions

General Fund disbursements, including transfers to other funds, are estimated to total \$54.6 billion in the current fiscal year, a decrease of approximately \$450 million from the First Quarterly Update. Revisions to the operating forecast, based on updated information, have increased estimated spending by approximately \$100 million, but these changes are more than offset by the expected implementation of the administrative spending reductions in the DRP (e.g., reductions in State agency operating spending, Medicaid fraud savings and debt management):

- Health Care (including Medicaid): Changes in this area comprise the most significant spending revisions across the plan period and include the following:
 - The State reimburses counties for services under the General Public Health Works ("GPHW") and Early Intervention ("EI") programs, on a formula basis. Based on a review of prior-year claims and recent service trends, cost estimates have increased for

these programs (\$35 million in 2009-10; \$105 million in 2010-11; \$125 million in 2011-12, and \$170 million in 2012-13).

- The Health Care Reform Act (“HCRA”) is expected to provide additional financing of State Medicaid costs that would otherwise have been paid for by the General Fund (\$37 million in 2009-10; \$3 million in 2010-11; \$18 million in 2011-12, and \$61 million in 2012-13) based on revised operating projections.
 - Securing Federal approval of a State Plan Amendment related to certain long-term care initiatives is now expected to occur too late to provide savings in the current year, but will provide savings next year, if approved (a cost of \$29 million in the current year and savings of \$29 million in 2010-11).
 - Other revisions to the health care forecast over the Plan period include: additional costs in the current year for the payment of prior-year liabilities under the human services cost-of-living adjustment (\$27 million); increased spending for the Family Health Plus (“FHP”) Employer Buy-In program to provide premium subsidy payments for child care workers (\$8 million in 2010-11; \$16 million in 2011-12; and \$14 million in 2012-13); annual reductions attributable to projected Medicaid costs for services provided through the mental hygiene system (\$70 million in 2009-10; \$57 million in 2010-11; and \$20 million annually thereafter); and elimination of budgeted savings from a proposed assessment on out-of-State insurers that was ultimately not approved by the Legislature (\$135 million annually starting in 2010-11).
- Higher Education: The impact of the current economic recession is evident in recent upward trends in student enrollment in the State University of New York (“SUNY”) and CUNY community colleges. This is expected to result in higher base aid provided by the State to these institutions (\$51 million in 2010-11; and \$62 million in both 2011-12 and 2012-13). Similarly, increased spending under the Tuition Assistance Program (“TAP”) grant award program is expected due to the increased enrollment in institutions of higher education (\$23 million in 2009-10; \$53 million in 2010-11; and \$6 million in both 2011-12 and 2012-13). In addition, SUNY and CUNY senior college operational costs in the outyears of the Financial Plan are projected to exceed the estimates in the First Quarterly Update primarily due to higher fringe benefit costs.
 - Criminal Justice: Projected spending for the Department of Correctional Services and Division of Parole has been revised across the plan period to reflect efforts to achieve savings through alternatives to proposed layoffs.
 - School Aid: The September 2009 update to the school aid database resulted in higher projected costs of \$75 million in 2010-11, based on additional claims filed since the May 2009 update, and updated wealth and demographic information reported by school districts. These additional costs are primarily driven by growth in foundation aid and special education aid, with supplemental claims from New York City representing nearly 70 percent of the increased fiscal year liability. Based on statute, additional school year obligations from 2009-10 and earlier years will be paid in State fiscal year 2010-11. As in prior years, the updated school district data and additional claims have resulted in a significant cost increase to the State’s multi-year Financial Plan, subsequent to the Enacted Budget agreements.
 - Transportation: The General Fund subsidy provided to the Dedicated Highway and Bridge Trust Fund (“DHBTF”) has been revised across the plan period as a result of changes in estimated spending levels for projects, debt service costs, available bond proceeds, and other receipts.

- **Mental Hygiene:** The 2009-10 and 2010-11 savings primarily reflect efforts to reduce non-personal service costs by 11 percent and reduce workforce costs from the ongoing hiring freeze and severance plan. Higher costs beginning in 2010-11 are expected as a result of a rise in fringe benefit and indirect costs.
- **General State Charges (“GSCs”):** In 2010-11, the State’s contribution to the New York State and Local Employees’ Retirement System and the New York State and Local Police and Fire Retirement System will increase approximately 55 percent above the current year level, with large increases projected for future years as well. Additional costs above the First Quarterly Update forecast have been included as a result of an increase in the 2010-11 employer contribution rates from the original forecast provided by the Office of the State Comptroller. In addition, the State now plans to make its pension contribution on March 1, 2010, rather than September 2009. The estimated cost of not pre-paying the contribution is approximately \$30 million. The State also plans to make its 2010-11 contribution in March 2011, rather than pre-paying it, which results in additional 2010-11 costs of approximately \$50 million.

Other changes to the GSC forecast of spending include additional costs for taxes on State-owned lands in 2009-10 as well as multi-year revisions to the forecast for health insurance costs for State employees and retirees, fixed costs and fringe benefit escrow receipts.

- **Other Spending Revisions:** Revisions based on recent program trends and operating results to date have been made in numerous programs and activities, including environmental protection, social services, disaster assistance, economic development, general government, and local government aid. The most noteworthy multi-year changes include lower than projected child welfare services spending; additional State spending to replace or compensate for reductions in available Federal Temporary Assistance for Needy Families moneys for ongoing welfare programs, including summer youth employment, supplemental homeless intervention, supportive housing for families, wage subsidy and wheels to work; higher than anticipated court security contract payments and fringe benefit costs for the Judiciary; and additional spending under the Back-to-School Assistance program, which was financed entirely through a private donation and Federal resources (reflected in miscellaneous receipts).

DEFICIT REDUCTION PLAN

DOB now estimates that the General Fund has a budget gap of \$3.2 billion in the current fiscal year, and increase of \$1.0 billion from the First Quarterly Update to the Financial Plan. Based on the revised estimate of the budget gap in the current year, the DRP has been updated to include new actions to eliminate the entire current-year budget gap of \$3.2 billion. The table below summarizes the DRP, followed by an explanation of the specific actions.

2009-10 DEFICIT REDUCTION PLAN (millions of dollars)	
	<u>2009-10</u>
Total Deficit Reduction Plan Actions	<u>3,159</u>
Administrative Actions	833
State Operations Across-the-Board Reductions	484
Medicaid Fraud Targets	150
Debt Management	100
18-A Utility Assessments	45
Workers' Compensation Surplus Recapture	49
Dormant Funds	5
Actions Requiring Legislative/Other Approval *	2,326
Local Assistance Across-the-Board Reductions	<u>1,300</u>
<i>School Aid (\$686 million school year reduction)</i>	480
<i>Health Care (Including Insurance)</i>	343
<i>Transportation</i>	125
<i>All Other</i>	352
Battery Park City Resources (Need NYC Approval)	300
Statewide Audit/Recovery Targets/Amnesty (Tax)	250
VLT Franchise Payment (Assumes Current Year Settlement)	200
Regional Greenhouse Gas Initiative Fund/EPF Fund Sweep	100
DASNY Fund Sweep	26
Other Actions	150

* Potential savings that are subject to approval by the Legislature or an outside entity are not included in estimates of revenue or spending.

For presentation purposes, the DRP is divided into two parts: actions that can generally be implemented administratively by the Executive and actions that require the approval of the Legislature or other outside parties. The administrative actions, which DOB estimates total approximately \$800 million, include the following:

- **Agency Operations Reductions:** The Governor has ordered an 11 percent reduction to agency operating budgets. The reductions are expected to save approximately \$450 million annually. These savings are reflected in the agency operating totals of the Updated Financial Plan. For the most part, the State agency reductions do not require legislative approval. The main exception is CUNY, which, because of the structure of its appropriations, requires the approval of the Legislature. However, to ensure treatment on parity with SUNY, the Financial Plan assumes that the CUNY reduction will be approved.

- **Medicaid Fraud:** The State Office of the Medicaid Inspector General will enhance activities to eliminate fraud, waste and abuse, with a goal of identifying an additional \$150 million in savings in the current year.
- **Debt Management:** The State is realizing savings compared to its debt service estimates from refundings, the use of Build America Bonds (“BABs”), and relatively low interest rates on its variable rate bonds.
- **18-A Assessment:** This reflects an upward reestimate in the amount of revenue generated from an increased assessment on utilities enacted in 2009-10.
- **Workers’ Compensation Surplus Recapture:** Certain insurers have indicated their intention to remit excess funds under legislation enacted as part of the 2009-10 Budget.
- **Dormant Funds:** Certain moneys held in dormant accounts will be made available to the General Fund.

Actions requiring approval of the Legislature or other outside parties are estimated to total approximately \$2.3 billion and include:

- **Local Assistance Reductions:** The DRP proposes a 10 percent reduction to all remaining, undisbursed local assistance spending in the current fiscal year for most programs. School aid would be limited to 4.5 percent reduction of remaining undisbursed scheduled payments for the current fiscal year (an annualized impact of 3 percent based on projected Enacted Budget 2009-10 full school year spending). This school aid reduction is achieved by a one-time Gap Elimination Adjustment (“GEA”), which results in a per-pupil reduction adjusted for school district wealth, student needs, and residential tax burden. The size of the GEA for high-needs districts is also limited to 1.4 percent of total General Fund expenditures. This will result in a reduction of \$686 million on a school year basis (\$480 million in the 2009-10 fiscal year) from current levels. In addition, reductions to the STAR program and to programs that would directly cause mandated cost shifts to New York City and counties were not recommended in the DRP.
- **Battery Park City Authority:** The State would receive \$300 million in excess revenues from the Authority. This is subject to agreement with New York City and the Authority.
- **Tax Audit/Amnesty:** An amnesty program would partially forgive accrued penalty and interest on long-outstanding State tax liabilities in order to encourage individuals to resolve unpaid claims. For assessments between three years and six years overdue, penalty and interest would be reduced by 50 percent. For assessments overdue more than six years, penalty and interest would be reduced by 80 percent.
- **VLT Franchise Payment:** The DRP assumes that the winning Aqueduct VLT bidder will make a franchise payment of at least \$200 million in the 2009-10 fiscal year. The Financial Plan had assumed that this payment will be made in 2010-11.
- **Regional Greenhouse Gas Initiative (“RGGI”):** This proposal would transfer \$90 million in RGGI proceeds and \$10 million from the Environmental Protection Fund (“EPF”) to the General Fund.
- **Dormitory Authority:** The State would receive \$26 million from the Authority.
- **Other Actions:** This includes a number of potential actions that may be implemented to achieve savings in the current year. Potential actions include the in-sourcing of information technology

activities pursuant to legislation to modernize civil service rules; further controls on specific agency activities; the use of funds currently earmarked for debt management purposes; and other initiatives. DOB believes that savings of approximately \$150 million from these or comparable actions, some of which require legislative approval, can be achieved in the current year.

Annual Spending growth

TOTAL DISBURSEMENTS*							
(millions of dollars)							
	2008-09 Actuals	2009-10			Annual \$ Change	Annual % Change	Adjusted % Change**
		First Quarterly Estimate	Change	Revised Estimate			
State Operating Funds	78,168	80,471	(501)	79,970	1,802	2.3%	0.2%
General Fund (excluding transfers)	48,436	49,422	(249)	49,173	737	1.5%	1.5%
Other State Funds	25,146	25,902	(156)	25,746	600	2.4%	-4.1%
Debt Service Funds	4,586	5,147	(96)	5,051	465	10.1%	10.1%
All Governmental Funds	121,571	133,469	(284)	133,185	11,614	9.6%	8.2%
State Operating Funds	78,168	80,471	(501)	79,970	1,802	2.3%	0.2%
Capital Projects Funds	6,830	8,455	(402)	8,053	1,223	17.9%	17.9%
Federal Operating Funds	36,573	44,543	619	45,162	8,589	23.5%	23.5%
General Fund, including Transfers	54,607	55,059	(449)	54,610	3	0.0%	0.0%

* Revenue and spending estimates do not include \$2.3 billion in potential savings that are subject to approval by the Legislature or an outside entity.

** Excludes approximately \$1.6 billion in special revenue fund disbursements related to the new Metropolitan Commuter Transportation Mobility Tax, a tax which is collected by the State on behalf of, and transferred in its entirety to, the MTA.

The annual growth in State Operating Funds and All Funds disbursements is significantly affected by the Mobility Tax, enacted in the first quarter of the fiscal year. This revenue source is collected by the State on behalf of, and disbursed in its entirety to, the Metropolitan Transportation Authority (“MTA”). Due to the requirements of the enabling legislation, the tax is reflected in the State’s operating funds, increasing both receipts and disbursements by \$1.6 billion. Excluding the new tax, State Operating Funds disbursements in 2009-10 are projected to grow by two-tenths of one percent compared to 2008-09.

General Fund disbursements, including transfers to other funds, are projected at \$54.6 billion in 2009-10, unchanged from 2008-09. State Operating Funds spending, which includes the General Fund, State-financed special revenue funds, and debt service, is projected to increase by \$1.8 billion (2.3 percent) and total \$80.0 billion in 2009-10 (with the new MTA tax). All Governmental Funds spending, the broadest measure of spending that includes State Operating Funds, capital spending, and Federal grants, is projected to total \$133.2 billion in 2009-10, an increase of \$11.6 billion. Three-quarters of the All Funds increase is attributable to growth in Federal aid.

2009-10 Projected Closing Balances

General Fund

DOB estimates that the General Fund will end the 2009-10 fiscal year with a balance of \$1.4 billion, essentially unchanged from the First Quarterly Update. The estimate assumes the successful implementation of the DRP to eliminate the current-year budget gap (now estimated at \$3.2 billion) without the use of existing reserves. Money currently identified for debt reduction may be used as part of the DRP, which would reduce the closing balance.

GENERAL FUND ESTIMATED CLOSING BALANCE			
(millions of dollars)			
	2009-10 First Quarterly Update	2009-10 Current Estimate	Change
Projected Fund Balance	1,378	1,372	(6)
Tax Stabilization Reserve Fund	1,031	1,031	0
Rainy Day Reserve Fund	175	175	0
Community Projects Fund	78	72	(6)
Reserved for Debt Reduction	73	73	0
Contingency Reserve Fund	21	21	0

The estimated closing balance, assuming successful actions to close the current-year gap, includes \$1.0 billion in the State's Tax Stabilization Reserve, which can be used to finance an unanticipated deficit at the end of the fiscal year, \$175 million in the Rainy Day Reserve, which can be used to respond to an economic downturn if certain criteria are met, \$72 million in the Community Projects Fund, which is reserved to finance existing "member item" initiatives, \$73 million for debt management purposes, and \$21 million in the Contingency Reserve Fund for litigation risks.

All Governmental Funds

DOB projects the State will end the 2009-10 fiscal year with \$3.0 billion in All Governmental Funds balances. This estimate is dependent on the successful implementation of actions to close the General Fund gap in the current year. The balance consists of \$1.4 billion in the General Fund, \$1.5 billion in balances in State Special Revenue Funds, \$366 million in Federal Special Revenue Funds, \$277 million in Debt Service Funds, and a negative balance of \$501 million in Capital Projects Funds.

ALL FUNDS ESTIMATED CLOSING BALANCE			
(millions of dollars)			
	2009-10 First Quarterly Update	2009-10 Current Estimate	Change
Projected Fund Balance	3,550	3,047	(503)
General Fund	1,378	1,372	(6)
State Special Revenue Funds	2,057	1,533	(524)
Miscellaneous Special Revenue	891	678	(213)
<i>Industry Assessments</i>	467	310	(157)
<i>Health and Social Welfare</i>	(4)	(10)	(6)
<i>General Government</i>	80	75	(5)
<i>All Other</i>	348	303	(45)
State University Income	805	547	(258)
Mass Transportation Operating Assistance	24	68	44
Health Care Resources Fund	0	0	0
Lottery Fund	14	33	19
All Other	323	207	(116)
Federal Operating Funds	293	366	73
Capital Projects Funds	(465)	(501)	(36)
Debt Service Funds	287	277	(10)

The balances held in State Special Revenue Funds include moneys designated to finance existing or potential future commitments, or funds that are restricted or dedicated for specified statutory purposes. The largest balances in the State Special Revenue Funds include moneys on hand to finance future costs for State University programs, operating assistance for transportation programs, and various programs financed from the industry assessments. The remaining fund balances are held in numerous funds, primarily the Miscellaneous Special Revenue Fund, and accounts that support a variety of programs including public health, general government, and public safety. The reduction in Special Revenue Fund balances from the First Quarterly Update is mainly attributable to technical adjustments to several funds and accounts based on updated analysis.

Balances in Federal Operating Funds are dedicated for the support of several programs including Medicaid, welfare and education, and reflect a difference in timing of disbursements and the related Federal reimbursement. The timing of spending on ongoing, multi-year capital projects in advance of reimbursement from bond proceeds accounts for routine loans (or negative balances) in Capital Funds. Balances in Debt Service Funds represent funds set aside to finance debt service costs pursuant to legal obligations set forth in bond resolutions.

General Fund Outyear Budget Projections

DOB projects budget gaps of \$6.4 billion in 2010-11, \$14.3 billion in 2011-12, and \$19.1 billion in 2012-13. The projected budget gaps reflect the recurring benefit of administrative actions expected to be taken as part of the 2009-10 DRP, but not any potential recurring savings from DRP actions that require the approval of the Legislature or other parties outside the Executive's control.

General Fund spending is projected to grow at an average annual rate of 11.1 percent from 2009-10 through 2012-13. Spending growth in the General Fund is projected to increase sharply in 2011-12, reflecting a return to a lower Federal matching rate for Medicaid expenditures on January 1, 2011, which will increase the share of Medicaid costs that must be financed by State resources, and the loss of temporary Federal aid for education. Excluding these stimulus-related effects, which temporarily suppress General Fund costs in 2009-10 and 2010-11, General Fund spending grows at approximately 8.0 percent on a compound annual basis. The spending growth is driven by, among other things, Medicaid, including the State-financed cap on local Medicaid spending; pensions; education; employee and retiree health benefits; and human services programs.

The receipts growth over the plan period is consistent with DOB's economic forecast for the recession and recovery. The temporary PIT increase, which covers calendar years 2009 through 2011, is expected to provide substantial additional receipts through fiscal year 2011-12.

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

GENERAL FUND MID-YEAR FORECAST ¹								
(millions of dollars)								
	2009-10	2010-11	Annual \$ Change	Annual % Change	2011-12	Annual % Change	2012-13	Annual % Change
Receipts								
Taxes	47,127	50,387	3,260	6.9%	51,901	3.0%	52,227	0.6%
Personal Income Tax*	30,472	32,954	2,482	8.1%	33,824	2.6%	32,935	-2.6%
User Taxes and Fees*	10,302	10,732	430	4.2%	11,280	5.1%	11,748	4.1%
Business Taxes	5,321	5,617	296	5.6%	5,594	-0.4%	6,207	11.0%
Other Taxes*	1,032	1,084	52	5.0%	1,203	11.0%	1,337	11.1%
Miscellaneous Receipts	3,114	2,687	(427)	-13.7%	2,583	-3.9%	2,584	0.0%
Federal Grants	68	60	(8)	-11.8%	60	0.0%	60	0.0%
Other Transfers	1,399	848	(551)	-39.4%	798	-5.9%	777	-2.6%
Total Receipts	51,708	53,982	2,274	4.4%	55,342	2.5%	55,648	0.6%
Disbursements								
Grants to Local Governments	36,818	40,600	3,782	10.3%	48,124	18.5%	51,869	7.8%
School Aid	18,019	19,103	1,084	6.0%	20,653	8.1%	22,651	9.7%
Total Medicaid (incl. admin)	<u>6,152</u>	<u>8,637</u>	<u>2,485</u>	<u>40.4%</u>	<u>13,589</u>	<u>57.3%</u>	<u>14,652</u>	<u>7.8%</u>
Medicaid (before local relief/FMAP)	8,379	10,150	1,771	21.1%	11,735	15.6%	12,304	4.8%
Enhanced FMAP (ARRA)	(3,155)	(2,883)	272	-8.6%	0	-100.0%	0	0.0%
Local Gov. Cap/FHP Takeover	928	1,370	442	47.6%	1,854	35.3%	2,348	26.6%
Higher Education	2,822	2,642	(180)	-6.4%	2,804	6.1%	2,893	3.2%
Mental Hygiene	2,167	2,283	116	5.4%	2,424	6.2%	2,551	5.2%
Children and Family Services	1,788	1,936	148	8.3%	2,159	11.5%	2,367	9.6%
Other Education Aid	1,634	1,689	55	3.4%	1,880	11.3%	1,964	4.5%
Temporary and Disability Assistance	1,310	1,506	196	15.0%	1,597	6.0%	1,725	8.0%
Local Government Assistance	1,117	1,125	8	0.7%	1,127	0.2%	1,136	0.8%
Public Health	708	825	117	16.5%	858	4.0%	939	9.4%
All Other	1,101	854	(247)	-22.4%	1,033	21.0%	991	-4.1%
State Operations:	8,486	8,948	462	5.4%	9,129	2.0%	9,257	1.4%
Personal Service	6,560	6,878	318	4.8%	6,961	1.2%	7,029	1.0%
Non-Personal Service	1,926	2,070	144	7.5%	2,168	4.7%	2,228	2.8%
General State Charges	3,869	4,386	517	13.4%	5,136	17.1%	5,872	14.3%
Pensions	1,179	1,653	474	40.2%	2,265	37.0%	2,953	30.4%
Health Insurance:								
Active Employees	1,747	1,928	181	10.4%	2,089	8.4%	2,263	8.3%
Retired Employees	1,130	1,250	120	10.6%	1,356	8.5%	1,472	8.6%
Fringe Benefit Escrow	(2,093)	(2,333)	(240)	11.5%	(2,588)	10.9%	(2,673)	3.3%
All Other	1,906	1,888	(18)	-0.9%	2,014	6.7%	1,857	-7.8%
Transfers to Other Funds	5,437	6,362	925	17.0%	7,317	15.0%	7,809	6.7%
Medicaid State Share	2,292	2,331	39	1.7%	2,867	23.0%	2,868	0.0%
Debt Service	1,695	1,774	79	4.7%	1,728	-2.6%	1,728	0.0%
Capital Projects	525	1,165	640	121.9%	1,335	14.6%	1,518	13.7%
Other Purposes	925	1,092	167	18.1%	1,387	27.0%	1,695	22.2%
Total Disbursements	54,610	60,296	5,686	10.4%	69,706	15.6%	74,807	7.3%
Change in Reserves								
Timing-Related Reserve	(163)	0			0		0	
Prior Year Reserves	(340)	0			0		0	
Community Projects Fund	(73)	48			(48)		(98)	
Deposit to/(Use of) Reserves	(576)	48			(48)		(98)	
Budget Surplus/(Gap) Estimate	(2,326)	(6,362)			(14,316)		(19,061)	
HCRA Operating Surplus/(Gap)	0	0			0		0	
Legislative Actions Needed to Close Gap	2,326	TBD			TBD		TBD	
General Fund/HCRA Revised Budget	0	(6,362)			(14,316)		(19,061)	

¹ Revenue and spending estimates do not include \$2.3 billion in potential savings that are subject to approval by the Legislature or an outside entity.

* Includes transfers after debt service.

In evaluating the State's 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 further into the planning period. Accordingly, in terms of the outyear projections, 2010-11 is the most relevant from a planning perspective, since any gap in that year must be closed with the next Executive Budget and the variability of the estimates is likely to be less than in later years. The State will provide quarterly revisions to its multi-year estimates.

General Fund Outyear Receipts Projections

General Fund receipts over the plan period are affected by the economic outlook, the expiration of the PIT surcharge at the end of calendar year 2011, and the changes in the level of non-tax resources available to finance General Fund disbursements. The economic forecast calls for a recession with employment losses continuing through the third quarter of 2010, a historic decline in State wages of 4.8 percent in 2009, and low wage growth of 2.1 percent for 2010. This lowers the economic base on which the outyear revenue forecast is built. Overall, receipts growth in the three fiscal years following 2010-11 is expected to grow consistent with projected growth in the U.S. and New York economies. For a full discussion of the State's multi-year receipts forecast, see "All Funds Receipts Projections" herein.

General Fund Outyear Disbursement Projections

DOB forecasts General Fund spending of \$60.3 billion in 2010-11, an increase of \$5.7 billion (10.4 percent) over estimated 2009-10 levels. Growth in 2011-12 is projected at \$9.4 billion (15.6 percent) and in 2012-13 at \$5.1 billion (7.3 percent). The growth levels are based on current services projections, as modified by the administrative DRP actions contained in the Mid-Year Financial Plan. They do not reflect the potential impact of DRP actions that require the approval of the Legislature or other parties.

Grants to Local Governments

Medicaid

The State share of Medicaid is financed with a combination of General Fund and HCRA resources. Also, the Federal government is financing an additional share of Medicaid costs through December 31, 2010, which temporarily lowers the State's costs for the program.

The General Fund growth trends over the plan period are affected by the availability of HCRA resources and the expiration of Federal aid. General Fund spending for Medicaid is expected to more than double over the next two years, growing by \$2.5 billion in 2010-11, \$5.0 billion in 2011-12, and another \$1.1 billion in 2012-13. These estimates reflect the loss of the enhanced FMAP provided through the Federal American Recovery and Reinvestment Act of 2009 ("ARRA") that is expected to reduce State share spending in 2009-10 and 2010-11 (through December 31, 2010).

MAJOR SOURCES OF ANNUAL CHANGE IN MEDICAID (millions of dollars)								
	2009-10	2010-11	Annual \$ Change	Annual % Change	2011-12	Annual % Change	2012-13	Annual % Change
State Funds Growth (Before FMAP)	13,833	15,603	1,770	12.8%	17,647	13.1%	18,906	7.1%
Enhanced FMAP -- State Share *	(3,155)	(2,883)	272	-8.6%	0	-100.0%	0	-
State Funds Base Growth (After FMAP)	10,678	12,720	2,042	19.1%	17,647	38.7%	18,906	7.1%
Other State Funds Support	(4,526)	(4,083)	443	-9.8%	(4,058)	-0.6%	(4,254)	4.8%
HCRA Financing	(2,583)	(2,233)	350	-13.6%	(2,208)	-1.1%	(2,404)	8.9%
Provider Assessment Revenue	(687)	(700)	(13)	1.9%	(700)	0.0%	(700)	0.0%
Indigent Care Revenue	(1,256)	(1,150)	106	-8.4%	(1,150)	0.0%	(1,150)	0.0%
Total General Fund	6,152	8,637	2,485	40.4%	13,589	57.3%	14,652	7.8%
Local Government Relief (incl. above)	928	1,370	442	47.6%	1,854	35.3%	2,348	26.6%

* Excludes enhanced FMAP for other state agencies.

Overall Medicaid growth results, in part, from the combination of projected increases in recipients, service utilization, and medical care cost inflation that affect nearly all categories of service (e.g., hospitals, nursing homes). The State cap on local Medicaid costs and takeover of local FHP costs are projected to increase spending by roughly \$484 million between 2010-11 and 2011-12 and roughly another \$497 million from 2011-12 to 2012-13. In 2011-12, an extra weekly payment to providers adds an estimated \$400 million in base spending across all categories of service. The remaining General Fund growth is primarily attributable to changes in the resources in other State Funds available to lower General Fund costs, primarily HCRA financing.

The number of Medicaid recipients is expected to grow to 4.81 million in 2010-11, an increase of 9.8 percent from the estimated 2009-10 caseload of 4.38 million.

School Aid

Projected school aid spending reflects expected increases in foundation aid, universal pre-kindergarten expansion, and expense-based aids such as building aid, transportation aid, and excess cost aids. On a school year basis, school aid is projected at \$22.5 billion in 2010-11, \$24.2 billion in 2011-12, and \$26.3 billion in 2012-13.

MULTI-YEAR SCHOOL AID PROJECTIONS - SCHOOL-YEAR BASIS								
(millions of dollars)								
	2009-10	2010-11	Annual \$ Change	Annual % Change	2011-12	Annual % Change	2012-13	Annual % Change
Foundation Aid/Academic Achievement Grant	14,893	14,893	0	0.0%	15,890	6.7%	17,390	9.4%
Other Operating Aids	217	217	0	0.0%	205	0.0%	205	0.0%
Universal Pre-kindergarten	414	414	0	0.0%	460	11.1%	520	13.0%
EXCEL Building Aid*	165	185	20	12.1%	192	3.8%	192	0.0%
Expense-Based Aids	5,638	6,129	491	8.7%	6,650	8.5%	7,220	8.6%
Other Aid Categories/Initiatives	628	685	57	9.1%	753	9.9%	813	8.0%
Total School Aid	21,955	22,523	568	2.6%	24,150	7.2%	26,340	9.1%

* Represents State debt service costs.

School aid has two principal State funding sources: the General Fund and the Lottery Fund. When lottery revenues decline during a fiscal year from the level projected at the Enacted Budget agreement, the General Fund is required by law to fund the difference (the "lottery aid guarantee"). This is the case in 2009-10, with core lottery revenue projections revised downward by \$131 million since budget enactment. In addition, ARRA funding is expected to be available to help finance spending in the 2009-10 and 2010-11 school years.

MULTI-YEAR SCHOOL AID PROJECTIONS - FISCAL YEAR BASIS								
(millions of dollars)								
	2009-10	2010-11	Annual \$ Change	Annual % Change	2011-12	Annual % Change	2012-13	Annual % Change
General Fund Local Aid	18,019	19,103	1,084	6.0%	20,653	8.1%	22,651	9.7%
Lottery Aid Guarantee	131	0	(131)	-100.0%	0	0.0%	0	0.0%
Core Lottery Aid	2,148	2,148	0	0.0%	2,180	1.5%	2,221	1.9%
VLT Lottery Aid	478	652	174	36.4%	690	5.8%	738	7.0%
Total State Funds	20,776	21,903	1,127	5.4%	23,523	7.4%	25,610	8.9%

Revenues from core lottery sales are projected to remain flat in 2010-11, followed by an increase of \$32 million in 2011-12, and \$41 million in 2012-13 (totaling \$2.2 billion in 2012-13). Revenues from VLTs are projected to increase by \$174 million in 2010-11, by \$38 million in 2011-12, and by \$48 million in 2012-13 (totaling \$738 million in 2012-13). The Financial Plan currently assumes a one-time franchise payment from the sale of VLT development rights at Aqueduct in 2010-11, where operations

are expected to begin in 2011. However, the DRP proposes that the VLT franchise payment be finalized in the current year, which would increase lottery resources in the current year and reduce them by a similar amount next year.

Mental Hygiene

Mental hygiene spending is projected to total \$2.3 billion in 2010-11, \$2.4 billion in 2011-12, and \$2.6 billion in 2012-13. Sources of growth include: increases in the projected State share of Medicaid costs; projected expansion of the various mental hygiene service systems, including increases primarily associated with the Office of Mental Retardation and Developmental Disabilities NYS-CARES program; the New York/New York III Supportive Housing agreement and community bed expansion in the Office of Mental Health pipeline that are currently under development; and several chemical dependence treatment and prevention initiatives in the Office of Alcoholism and Substance Abuse Services, including treatment costs associated with recent changes to the Rockefeller Drug Laws.

Social Services

Local assistance spending for children and family services is projected to grow by \$148 million from 2009-10 to 2010-11, and over \$200 million annually through 2012-13. This is primarily the result of growth in local claims-based programs and statutory cost of living adjustments.

Welfare spending is projected to total \$1.5 billion in 2010-11, growing to \$1.7 billion by 2012-13. The estimates assume growth in the State's public assistance caseloads, based on the latest economic forecast and updated program data.

Higher Education

Spending is projected to decrease in 2010-11 by \$180 million, followed by growth of \$162 million in 2011-12, and another \$89 million in 2012-13. The annual decline in 2010-11 is primarily attributable to the deferral of approximately \$300 million in CUNY spending from 2008-09 to 2009-10, which inflates the 2009-10 base relative to 2010-11.

State Operations

State Operations spending is expected to total \$8.9 billion in 2010-11, an annual increase of \$462 million (5.4 percent). In 2011-12, spending is projected to grow by another \$181 million (2.0 percent) to a total of \$9.1 billion, followed by another \$128 million (1.4 percent) for a total of \$9.3 billion in 2012-13. The personal service projections reflect both the impact of ratified labor contracts and potential spending for unions that have yet to reach agreements (with costs calculated assuming settlements comparable to those already reached); the workforce reduction initiatives; salary adjustments for performance advances, longevity payments and promotions; and adjustments to staffing levels. Inflationary increases for non-personal service costs are expected to result in higher spending in all years. Additional growth is driven by spending for ongoing initiatives, including the civil commitment program for sexual offenders.

General State Charges

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING GENERAL STATE CHARGES					
	Actual	Forecast			
	2008-09	2009-10	2010-11	2011-12	2012-13
General State Charges					
ERS Pension Contribution Rate as % of Salary	8.2%	7.3%	12.2%	17.9%	24.1%
PFRS Pension Contribution Rate as % of Salary	15.4%	15.3%	18.4%	25.9%	33.1%
Employee/Retiree Health Insurance Growth Rates	4.8%	4.6%	9.0%	9.0%	9.0%

GSCs are projected to total \$4.4 billion in 2010-11, \$5.1 billion in 2011-12 and \$5.9 billion in 2012-13. The annual increases are due mainly to anticipated cost increases in the State's pension contribution for State employees and retirees.

The State's 2009-10 ERS pension contribution rate as a percentage of salary is expected to grow from 7.3 percent in 2009-10 to 24.1 percent in 2012-13. The Police and Fire Retirement System pension contribution rate is expected to be 15.3 percent in 2009-10, growing to 33.1 percent by 2012-13. Pension costs in 2010-11 are projected to total \$1.7 billion, an increase of \$474 million over 2009-10. In 2011-12, costs are projected to increase an additional \$612 million to total \$2.3 billion. In 2012-13, they are expected to increase by \$688 million to total \$2.9 billion. Growth in all years is driven by anticipated increases in the employer contribution rate. The projections do not reflect the benefit of proposals to create a new tier of pension benefits or amortize a portion of future costs.

Spending for employee and retiree health care costs is expected to remain stable through 2012-13, with an average annual premium increase of approximately 9.0 percent.

FORECAST OF NEW YORK STATE EMPLOYEE HEALTH INSURANCE COSTS (millions of dollars)			
Health Insurance			
Year	Active Employees	Retirees	Total State
2007-08 (Actual)	1,390	1,182	2,572
2008-09 (Actual)	1,673	1,082	2,755
2009-10 (Projected)	1,747	1,130	2,877
2010-11 (Projected)	1,928	1,250	3,178
2011-12 (Projected)	2,089	1,356	3,445
2012-13 (Projected)	2,263	1,472	3,735

All numbers reflect the cost of health insurance for General State Charges (Executive and Legislative branches) and the Office of Court Administration.

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

Transfers to Other Funds

OUTYEAR DISBURSEMENT PROJECTIONS - TRANSFERS TO OTHER FUNDS (millions of dollars)							
	2009-10	2010-11	Annual Change	2011-12	Annual Change	2012-13	Annual Change
Transfers to Other Funds:	5,437	6,362	925	7,317	955	7,809	492
Debt Service	1,695	1,774	79	1,728	(46)	1,728	0
Capital Projects	525	1,165	640	1,335	170	1,518	183
Dedicated Highway and Bridge Trust Fund	362	766	404	859	93	949	90
All Other Capital	163	399	236	476	77	569	93
Medicaid State Share	2,292	2,331	39	2,867	536	2,868	1
All Other Transfers	925	1,092	167	1,387	295	1,695	308
Mental Hygiene	7	287	280	549	262	810	261
Medicaid Payments for State Facilities	231	193	(38)	193	0	193	0
Judiciary Funds	149	150	1	156	6	161	5
SUNY- Hospital Operations	135	134	(1)	167	33	167	0
Banking Services	66	66	0	66	0	66	0
Empire State Stem Cell Trust Fund	16	22	6	0	(22)	48	48
Statewide Financial System	0	35	35	50	15	60	10
Lottery Support for School Aid	131	0	(131)	0	0	0	0
All Other	190	205	15	206	1	190	(16)

General Fund transfers help finance certain capital activities, pay debt service for bonds that do not have dedicated revenues, and finance a range of other activities. Highlights include:

- **Debt Service:** Transfers pay for debt service for general obligation bonds, as well as certain lease-purchase and service contract bonds. As the State retires service contract bonds and issues more PIT revenue bonds, this transfer will go down over time.
- **Capital Projects:** The General Fund subsidizes the expenses of the DHBTF, as well as finances certain “hard dollar” capital spending. The DHBTF subsidy increases as the cumulative expenses of the fund (capital and operating expenses of the Department of Transportation and the Department of Motor Vehicles, debt service on DHBTF bonds and transfers for debt service on bonds that fund the Consolidated Highway Improvement Programs and local transportation programs) continue to exceed current and projected revenue deposits and bond proceeds. The General Fund subsidy is projected at \$766 million for 2010-11 and \$859 million for 2011-12, with additional growth thereafter.
- **Medicaid Share Transfer:** The benefit of increased FMAP reduces the State share of Medicaid spending at State-operated mental hygiene facilities through 2010-11. Beginning in 2011-12, these ARRA moneys are no longer expected to be available, increasing the General Fund transfer.
- **All Other Transfers:** These provide funding for specific purposes, including Mental Hygiene activities and the State’s financial management system. Additionally, the General Fund will make annual transfers to approximately a dozen other purposes, including, but not limited to: the Court Facilities Incentive Aid Fund, New York City County Clerks Fund, and Judiciary Data Processing Fund; the Department of Health and SUNY for payments related to patients residing in State-operated facilities; and subsidy payments for SUNY hospitals.

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Year-to-Date Operating Results

General Fund

General Fund operating results through September 2009 were \$710 million better than projected in the First Quarterly Update, but this was due primarily to management actions to maintain adequate operating margins and routine variances in the timing of disbursements that are not expected to affect annual spending levels. The most significant action was to change the State's planned contribution of approximately \$960 million to the State Retirement System to March 1, 2010, the statutory payment date, from September 2009, where it was originally planned. Excluding the impact of management actions and timing variances, DOB estimates that the General Fund operating results through September 2009 would have been approximately \$700 million to \$800 million below planned levels.

GENERAL FUND RESULTS: APRIL THROUGH SEPTEMBER 2009 (UNAUDITED)						
(millions of dollars)						
	Projections		Actual Reported Results	Favorable/ (Unfavorable) vs.		Increase/ (Decrease) from Prior Year
	Enacted Budget	First Quarterly Update		Enacted Budget	First Quarterly Update	
Opening Balance (April 1, 2009)	1,948	1,948	1,948	n/a	n/a	(806)
Receipts	27,444	25,822	25,200	(2,244)	(622)	(4,210)
Personal Income Tax*	17,079	15,652	14,885	(2,194)	(767)	(4,241)
User Taxes and Fees*	5,592	5,306	5,267	(325)	(39)	(377)
Business Taxes	2,335	2,434	2,393	58	(41)	(3)
Other Taxes*	517	493	577	60	84	(460)
Non-Tax Revenue	1,921	1,937	2,078	157	141	871
Disbursements	26,615	26,050	24,718	1,897	1,332	(1,773)
School Aid	7,167	7,070	7,158	9	(88)	524
Medicaid (including admin)	3,576	3,355	3,420	156	(65)	(1,103)
All Other Local	6,015	5,709	5,561	454	148	94
Personal Service	3,768	3,740	3,509	259	231	186
Non-Personal Service	1,117	1,162	1,058	59	104	(169)
General State Charges	2,190	2,328	1,403	787	925	(602)
Transfers To Other Funds	2,782	2,686	2,609	173	77	(703)
Change in Operations	829	(228)	482	(347)	710	(2,437)
Closing Balance (Sep 30, 2009)	2,777	1,720	2,430	(347)	710	(3,243)

* Includes transfers from other funds after debt service.

Through September 2009, General Fund tax receipts including transfers, were \$763 million below the projections included in the First Quarterly Update and \$2.4 billion below the initial projections. Lower personal income tax revenue represents nearly all of the variance from Plan. This decline was partly offset by higher non-tax revenue.

Spending results through September 2009 were below the forecast set forth in both the First Quarterly Update (\$1.3 billion) and the Enacted Budget (\$1.9 billion). The majority of the spending variances reflect management actions and routine changes in the expected timing of payments. The most significant variances include:

- The decision to hold the State's pension payment (\$846 million), as well as the Judiciary pension payment (\$113 million), until March 1, 2010.
- Payments related to the NYSCOPBA collective bargaining settlements (including retroactive payments) that were planned in September but did not occur until October (\$258 million).

- A public assistance payment (\$170 million) that was expected at the end of September, but not processed until October 1.

Additional information on operating results and explanations on variances are provided below.

Summary of General Fund Variances from Plan

Receipts Variance from Plan

The variance in PIT collections was comprised of lower than expected withholding (\$221 million); estimated payments (\$564 million) due to greater-than expected weakness in both the base and the temporary surcharge on high-income taxpayers; other payments (\$22 million); and higher than planned refunds (\$2 million). These negative variances were partially offset by a net positive variance of \$40 million resulting from the RBTF dedication and subsequent post debt-service transfer to the General Fund.

The user taxes and fees shortfall was due to the sales tax (\$75 million) as the result of a significant decline in consumer demand. This was partially offset by positive variances in cigarette, tobacco, and alcoholic beverage taxes and fees totaling \$21 million and a net positive variance of \$15 million resulting from the LGAC dedication and subsequent post debt-service transfer to the General Fund.

Business tax receipts were \$41 million below forecast as a result of lower gross receipts (\$171 million) driven by weaker than expected calendar filer estimated payments in September, particularly for both the corporate franchise tax and the bank tax. This variance is partly offset by favorable timing-related variances in audit collections and refunds totaling \$130 million. This is primarily due to collections from a financial services audit that was expected to be received later in the fiscal year.

The above declines were partly offset by higher collections for estate tax receipts (\$48 million), 18-A utility assessments (\$45 million); abandoned property (\$41 million); and various fees and reimbursements. These increases are partly offset by the delay of planned fund sweeps (\$80 million) and lower than-expected Bottle Bill receipts (\$29 million).

Spending Variances from Plan

Local Assistance spending through September 2009 totaled \$16.1 billion, consistent with the First Quarterly Update. Higher than planned spending for school aid, including the UPK program and BOCES (\$88 million), and Medicaid, due to higher-than-projected weekly cycle payments (\$65 million), was offset by the timing of a public assistance payment originally scheduled for September (\$170 million) which was delayed until October.

Personal Service spending was lower due to the processing of the NYSCOPBA collective bargaining settlement (\$258 million). Non-personal service spending was lower in the areas of Corrections (\$29 million), SUNY (\$21 million), and public health (\$18 million). GSC spending was lower due to the movement of the pension payment. Transfers to Other Funds were lower than planned due mostly to the timing of the State-share of Medicaid reimbursements for State-operated facilities and mental hygiene programs.

General Fund Annual Change

Through September 2009, receipts were \$4.2 billion, or 14.3 percent, below the same period in 2008. This annual decline is almost entirely attributable to the drop in personal income tax collections (\$4.2 billion), as well as lower sales tax collections.

As of September 2009, spending was \$1.8 billion, or 6.8 percent, lower than the prior year. This is due primarily to the timing of the pension payment; reductions in Medicaid spending resulting from the FMAP increase that lowers State spending; ongoing efforts to reduce agency operational spending; and reductions in transfers to other funds to support capital projects spending and State share Medicaid costs. These declines are partly offset by expected growth in school aid, higher education, and mental hygiene spending.

All Governmental Funds

All GOVERNMENTAL FUNDS ACTUAL RESULTS: APRIL THROUGH SEPTEMBER 2009 (millions of dollars)						
	Projections		Actual Reported Results	Favorable/ (Unfavorable) vs.		Increase/ (Decrease) from Prior Year
	Enacted Budget	First Quarterly Update		Enacted Budget	First Quarterly Update	
Receipts	62,227	61,085	58,673	(3,554)	(2,411)	660
Taxes	29,672	28,002	27,263	(2,409)	(738)	(5,142)
Miscellaneous Receipts	10,482	10,557	10,740	258	183	2,244
Federal Grants	22,073	22,526	20,670	(1,403)	(1,856)	3,558
Disbursements	63,100	62,246	59,638	3,462	2,608	2,720
State Operating Funds	<u>37,628</u>	<u>37,244</u>	<u>35,901</u>	<u>1,727</u>	<u>1,343</u>	<u>(883)</u>
General Fund*	23,833	23,364	22,109	1,724	1,255	(1,070)
Special Revenue Funds	11,639	11,771	11,810	(171)	(39)	210
Debt Service Funds	2,156	2,109	1,982	174	127	(23)
Capital Projects Funds	4,121	3,686	3,388	733	298	6
Federal Operating Funds	21,351	21,316	20,349	1,002	967	3,597

* Excludes Transfers.

All Funds receipts through September 2009 fell below the First Quarterly Update projections by \$2.4 billion due to the decline in tax receipts described above, as well as \$1.9 billion in lower Federal grants due to the timing of reimbursements.

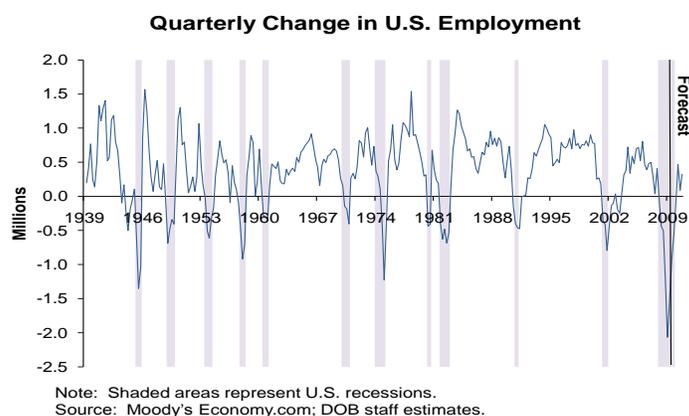
State Operating Funds spending was \$1.3 billion below the First Quarterly Update projections due almost entirely to the General Fund spending variances described above and lower debt service spending resulting from refundings and lower interest rates on variable rate bonds.

Capital Projects spending was below the First Quarterly Update projections due to delayed spending in the areas of Housing and Community Renewal, Environmental Conservation and Health and Social Welfare. The Federal Operating variance is largely attributable to slower-than-expected spending of Federal ARRA funds for education.

Economic Outlook

The National Economy

The longest and most severe recession since the 1930s appears to be coming to an end. Federal stimulus programs, combined with the reemergence of the world's large developing economies, are having a positive impact on residential housing investment, export growth, and consumer spending. The demand for autos and housing and related consumer expenditures engendered by these programs is likely to result in economic growth of over 3.0 percent for the third quarter of 2009, representing a substantial upward revision from the First Quarterly Update released in July. However, these data indicate that the U.S. economy is not likely to reach its long-term trend growth rate for some time. Although the pace of job losses has diminished, employment is still falling and the unemployment rate is expected to remain close to 10 percent throughout much of 2010. Therefore, it is unlikely that the labor market will be able to support a strong rebound in consumer demand, which accounts for two thirds of the economy, anytime soon. Real U.S. Gross Domestic Product ("GDP") is now projected to rise 2.3 percent for 2010, following a decline of 2.5 percent for 2009.



Although the outlook for 2010 GDP growth has improved since July, the same cannot be said for the labor market. Nonfarm employment is now projected to fall 3.8 percent for the current year, followed by a decline of 0.7 percent for 2010. The weak labor market is having a correspondingly negative impact on income growth. Wage growth for 2009 has been revised down to a decline of 4.5 percent, though the greater part of this modification is due to an unprecedentedly large revision by the U.S. BEA based on more complete wage data from the Quarterly Census of Employment and Wages. Wage growth for the first quarter of 2009 was revised down from a decline of 4.0 percent to a much greater decline of 13.6 percent, likely a reflection of the large decline in bonus payments in New York and other states. Total personal income, of which wages is the largest component, is now projected to rise 2.5 percent in 2010, following a decline of 2.2 percent in 2009. In addition to falling employment and income, households appear to be constraining their spending in order to save more and reduce their record debt levels. Consequently, the outlook for household spending has improved only marginally since July. Real consumption spending is now projected to rise 1.4 percent for 2010, following a decline of 0.7 percent for 2009.

With households unlikely to become the economy's growth engine until the labor market strengthens further, the momentum necessary to sustain the economy's nascent recovery is likely to come from other sources. Stronger than expected global growth and a weaker U.S. dollar have improved the outlook for export growth since July, with real U.S. exports now projected to grow 7.0 percent in 2010, following a more moderate decline of 10.7 percent for 2009. In addition, the Federal stimulus package appears to be having a stronger impact than anticipated earlier, and is likely to continue to do so. It is reported that of the \$792 billion authorized by Congress to be disbursed over a roughly two-year period, about 56 percent in combined spending and tax cuts remains available to be spent over the remainder of 2009 and 2010 and

will be a sustaining force over the near-term forecast horizon. In addition, what has already been the steepest inventory correction since the 1930s was made even steeper by the unexpectedly strong response to the "cash for clunkers" program. Recent industrial production data, as well as national and regional manufacturer survey results, indicate that businesses are responding to low inventory levels by ramping up production in autos and other sectors. These forces support DOB's outlook for a sustained if less than robust economic recovery for the remainder of 2009 and 2010.

The weakness of the labor market is a signal that businesses are engaged in an effort to reduce costs and bolster productivity growth. The result of this effort has become manifest in stronger growth in corporate profits than anticipated in July. U.S. corporate profits, including the capital consumption and inventory valuation adjustments, are now projected to grow 9.3 percent in 2010, following a more moderate decline of 8.6 percent in 2009. An improved outlook for corporate profits more generally has resulted in significantly stronger equity market growth. The S&P 500 is now projected to rise 17.3 percent in 2010, following a decline of 23.4 percent in 2009. Though the recent improvement in equity prices is due in part to market fundamentals pertaining to business costs and profits, the recent 60 percent increase in equity prices has no doubt also been fueled by speculation and is likely unsustainable over the near-term. Consequently, DOB's outlook for equity markets calls for much lower growth going forward.

U.S. ECONOMIC INDICATORS			
(Percent change from prior calendar year)			
	2008	2009	2010
	<u>Actual</u>	<u>Estimate</u>	<u>Forecast</u>
Real U.S. Gross Domestic Product	0.4	(2.5)	2.3
Consumer Price Index (CPI)	3.8	(0.5)	1.8
Personal Income	2.9	(2.2)	2.5
Nonagricultural Employment	(0.4)	(3.8)	(0.7)

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

DOB's outlook calls for a weak but sustained economic recovery that is likely just getting underway. However, with over seven million jobs lost since December 2007, and continued deleveraging among both households and businesses, there are many risks to the forecast. The health of the banking system remains fragile, particularly at the regional level where weakness in the commercial real estate sector has raised the risk of loan defaults. Consequently, consumer credit continues to remain weak, likely due to both tight lending conditions on the part of banks and higher desired savings rates among households. Although the absence of wage pressure continues to justify a benign inflation outlook, rising commodity prices remain a risk and could force the Federal Reserve to tighten earlier than expected. A historically large Federal deficit and weak U.S. dollar also contribute to both inflation risk and, therefore, interest rate risk, going forward. In addition to the weakness in the private labor market, there are risks within the public sector, normally a stabilizing force during economic downturns, as state and local governments confront their own budgetary deficits. On the other hand, a stronger response to the stimulus package, higher equity prices, or stronger global growth than anticipated could result in stronger economic growth than is reflected in the forecast.

The New York State Economy

Recent data indicate that the New York State economy deteriorated more quickly during the first half of 2009 than had been anticipated in July when the First Quarterly Update to the AIS was released. The declines in private sector employment and wages for the first quarter of 2009 were steeper than originally anticipated, and there are preliminary indications that the same is true for the second quarter as well. These developments reinforce the notion that though the State recession started fully eight months after the U.S. as a whole, it is both catching up quickly and likely to last longer. State employment is now projected to decline 0.5 percent for 2010, following a decline of 2.3 percent for 2009. Private sector

employment is projected to fall 0.6 percent for 2010, following a decline of 2.8 percent for 2009. Job declines continue to be led by the manufacturing, construction, and financial services sectors, all of which pay salaries that are higher than the statewide average. Declines in financial services employment appear to be having a large impact on household spending, as evidenced by the unprecedented large declines observed in taxable sales, particularly downstate.

The impact of the current downturn on State wages appears to be even greater than estimated in July. State wages fell 15.0 percent in the first quarter of 2009, about two percentage points greater than the July estimate and the largest quarterly decline in wages in the history of the Quarterly Census of Employment and Wages (“QCEW”) data. The unprecedented decline in State wages estimated for the first quarter of 2009 largely reflects the impact of securities industry losses on bonus compensation. DOB now projects a decline of 5.8 percent in total State wages for 2009, which would also be the largest annual decline in the history of QCEW data. Financial market weakness in early 2009, along with a steep decline in high-value real estate market transactions, has also resulted in a downward revision to the level of capital gains realizations estimated for the current year.

Going forward, the improvement in both equity markets and financial sector profits would seem to present some room for optimism for the 2009-10 bonus season. The industry's stellar profit performance in the second quarter is in large part due to the low borrowing costs engendered by the Federal Reserve's historically low interest rate target, as well as its quantitative easing programs. However, efforts by the Federal government to constrain executive compensation represent a countervailing force. Consequently, DOB still projects growth in total State wages of 2.1 percent for 2010, with finance and insurance bonuses now projected to fall 22.0 percent for the 2009-10 State fiscal year.

DOB's outlook for the State economy calls for the current recession ending by the second half of 2010. However, there exists significant downside risk to the projected timing and strength of the coming recovery, given the historically unprecedented decline in wages being witnessed during the current recession. The declines appear to be greatest among the State's high-wage economic sectors, heightening the risk to revenues. As always, all of the risks to the U.S. forecast apply to the State forecast as well, although financial market uncertainty poses a particularly large degree of risk for New York. A larger than anticipated correction to the recent equity market rally could result in a reversal in the recovery of Wall Street profits and a larger decline in 2009-10 bonuses.

Weak credit market conditions and rising debt default rates are expected to continue to put downward pressure on the State's income and tax base by continuing to depress household spending and real estate activity. Real estate market risks are particularly great in the commercial sector where high-value transactions contribute significantly to state and local government revenues, in part through taxable capital gains realizations. Declines in capital gains realizations tend to reduce taxable income among taxpayers paying the highest marginal rates and, as a result, have a disproportionately large impact on PIT receipts. These effects could ripple through the economy, further depressing both employment and wage growth. In contrast, should the national and world economies grow faster than expected, a stronger upturn in stock prices, along with other stronger financial market activity, could result in higher wage and bonus growth than projected.

NEW YORK STATE ECONOMIC INDICATORS			
(Percent change from prior calendar year)			
	2008	2009	2010
	<u>Actual</u>	<u>Estimate</u>	<u>Forecast</u>
Personal Income	3.3	(2.8)	2.1
Wages	2.0	(5.8)	2.1
Nonagricultural Employment	0.7	(2.3)	(0.5)

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

All Funds Receipts Projections

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

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

2009-10 All Funds Receipts Overview

TOTAL RECEIPTS (millions of dollars)				
	2008-09 Actual	2009-10 Mid-Year Update	Annual \$ Change	Annual % Change
General Fund	53,801	51,708	(2,093)	-3.9%
State Funds	80,265	80,608	343	0.4%
All Funds	119,235	128,855	9,620	8.1%

All Funds receipts are projected to total \$128.9 billion for 2009-10, comprising tax receipts (\$59.4 billion), Federal grants (\$48.1 billion) and miscellaneous receipts (\$21.4 billion). The following table summarizes the actual receipts for 2008-09 and the updated projections for 2009-10 and 2010-11.

TOTAL RECEIPTS (millions of dollars)							
	2008-09 Actual	2009-10 Estimated	Annual \$ Change	Annual % Change	2010-11 Projected	Annual \$ Change	Annual % Change
General Fund	53,801	51,708	(2,093)	-3.9%	53,982	2,274	4.4%
Taxes	38,301	37,272	(1,029)	-2.7%	40,101	2,829	7.6%
Miscellaneous Receipts	3,105	3,114	9	0.3%	2,687	(427)	-13.7%
Federal Grants	45	68	23	51.1%	60	(8)	-11.8%
Transfers	12,350	11,254	(1,096)	-8.9%	11,134	(120)	-1.1%
State Funds	80,265	80,608	343	0.4%	84,587	3,979	4.9%
Taxes	60,337	59,383	(954)	-1.6%	63,346	3,963	6.7%
Miscellaneous Receipts	19,883	21,156	1,273	6.4%	21,180	24	0.1%
Federal Grants	45	69	24	53.3%	61	(8)	-11.6%
All Funds	119,235	128,855	9,620	8.1%	133,599	4,744	3.7%
Taxes	60,337	59,383	(954)	-1.6%	63,346	3,963	6.7%
Miscellaneous Receipts	20,064	21,385	1,321	6.6%	21,366	(19)	-0.1%
Federal Grants	38,834	48,087	9,253	23.8%	48,887	800	1.7%

The receipts estimates for the current fiscal year have been revised downward significantly. Current year All Funds tax receipt estimates have been lowered by \$1.2 billion since the First Quarterly Update, due almost entirely to a reduction in PIT. The anticipated increase in PIT collections due to the recently enacted high-income surcharge has not fully materialized as expected, partially due to timing. In addition, the historic decline in State wages estimated for the current year is having an even more adverse impact on State household spending than expected, particularly for autos and other big-ticket items.

Business tax collections were weaker than anticipated in the First Quarterly Update, mainly due to the overall weakness of the economic environment.

The total All Funds receipts estimate of \$128.9 billion represents an increase of \$9.6 billion, or 8 percent, above 2008-09 results. This growth is comprised of decreases in taxes (\$954 million or 1.6 percent), and increases in miscellaneous receipts (\$1.3 billion or 6.6 percent), and Federal grants (\$9.3 billion or 23.8 percent).

Total State Funds receipts are estimated at \$80.6 billion, an expected increase of \$343 million, or 0.4 percent, from 2008-09 actual results. State Funds miscellaneous receipts are estimated to increase \$1.3 billion, or 6.4 percent.

Total General Fund receipts, including transfers, are estimated at \$51.7 billion, a decrease of \$2.1 billion, or 3.9 percent, from 2008-09 results. The decline in General Fund tax receipts is estimated at 2.7 percent. General Fund miscellaneous receipts are estimated to decrease by 0.3 percent.

CHANGE FROM FIRST QUARTERLY UPDATE (millions of dollars)								
	2009-10 First Quarterly Update	2009-10 Mid-Year Update	\$ Change	% Change	2010-11 First Quarter Update	2010-11 Mid-Year Update	\$ Change	% Change
General Fund*	41,106	40,454	(652)	-1.6%	43,978	42,848	(1,130)	-2.6%
Taxes	38,137	37,272	(865)	-2.3%	41,231	40,101	(1,130)	-2.7%
Miscellaneous Receipts	2,901	3,114	213	7.3%	2,687	2,687	0	0.0%
Federal Grants	68	68	0	N/A	60	60	0	N/A
State Funds	81,902	80,608	(1,294)	-1.6%	86,250	84,587	(1,663)	-1.9%
Taxes	60,556	59,383	(1,173)	-1.9%	64,889	63,346	(1,543)	-2.4%
Miscellaneous Receipts	21,277	21,156	(121)	-0.6%	21,300	21,180	(120)	-0.6%
Federal Grants	69	69	0	0.0%	61	61	0	0.0%
All Funds**	129,790	128,855	(935)	-0.7%	134,918	133,599	(1,319)	-1.0%
Taxes	60,556	59,383	(1,173)	-1.9%	64,889	63,346	(1,543)	-2.4%
Miscellaneous Receipts	21,435	21,385	(50)	-0.2%	21,453	21,366	(87)	-0.4%
Federal Grants	47,799	48,087	288	0.6%	48,576	48,887	311	0.6%

* Excludes Transfers.

** Includes MCTD payroll tax.

After controlling for the impact of Tax Law changes, base tax revenue is estimated to decline 11.0 percent for fiscal year 2009-10. It is estimated that PIT liability for 2009 could have fallen 14.5 percent in the absence of the enacted surcharge and other law changes.

Fiscal Year 2010-11 Overview

Total All Funds receipts are expected to reach nearly \$133.6 billion, an increase of \$4.7 billion, or 3.7 percent, from 2009-10 estimated receipts. All Funds tax receipts are projected to increase by nearly \$4.0 billion or 6.7 percent. All Funds Federal grants are expected to increase by \$800 million, or 1.7 percent. All Funds miscellaneous receipts are projected to decrease by \$19 million, or 0.1 percent.

Total State Funds receipts are projected to be \$84.6 billion, an increase of \$4.0 billion, or 4.9 percent from 2009-10 estimated receipts.

Total General Fund receipts (including transfers from other funds) are projected to be nearly \$54 billion, an increase of \$2.3 billion, or 4.4 percent from 2009-10 estimated receipts. General Fund tax receipts are projected to increase by 7.6 percent from 2009-10 estimates, and General Fund miscellaneous receipts are projected to decrease by 13.7 percent. The decline in General Fund miscellaneous receipts largely reflects the loss of anticipated receipts from New York City.

After controlling for the impact of policy changes, base tax revenue is expected to grow by 5.5 percent for fiscal year 2010-11.

Change from First Quarterly Update

All Funds receipts estimates have been revised downward significantly for fiscal year 2009-10. Tax receipts to date for fiscal year 2009-10, in many revenue categories, have fallen below expectations. As a result of these and other factors outlined below, All Funds tax estimates for the year have been revised downward by \$1.2 billion from the First Quarterly Update. Miscellaneous receipts have been revised downward by \$50 million, while Federal grants have been revised up by \$288 million.

The downward revision to General Fund receipts for fiscal year 2009-10 is \$652 million, reflecting a \$865 million decrease in taxes.

The downward revisions alluded to above are primarily due to:

- A weaker economic condition and changes in the timing of PIT collections related to the temporary rate increase.
- Weaker than expected to date business tax collections, due to the overall weak economic environment.

Multi-Year Receipts

Total Receipts (millions of dollars)							
	2010-11 Projected	2011-12 Projected	Annual \$ Change	Annual % Change	2012-13 Projected	Annual \$ Change	Annual % Change
General Fund	53,982	55,342	1,360	2.5%	55,648	306	0.6%
Taxes	40,101	41,359	1,258	3.1%	41,787	428	1.0%
State Funds	84,587	86,746	2,159	2.6%	87,372	626	0.7%
Taxes	63,346	65,485	2,139	3.4%	66,377	892	1.4%
All Funds	133,599	130,661	(2,938)	-2.2%	132,142	1,481	1.1%
Taxes	63,346	65,485	2,139	3.4%	66,377	892	1.4%

The economic forecast calls for a recession entailing employment losses through the first half of 2010, an historic decline in State wages of 5.8 percent in 2009, and low wage growth of 2.1 percent for 2010. This lowers the economic base on which the outyear revenue forecast is built. Overall, receipts growth in the three fiscal years following 2010-11 is expected to grow consistent with the projected slow growth in the U.S. and New York economies.

All Funds tax receipts in 2011-12 are projected to reach \$65.5 billion, an increase of \$2.1 billion, or 3.4 percent from 2010-11 estimates. All Funds tax receipts in 2012-13 are expected to increase by \$892 million (1.4 percent) over the prior year. General Fund tax receipts are projected to reach \$41.4 billion in 2011-12 and \$41.8 billion in 2012-13. (See "All Funds Receipts Projections" herein for a detailed explanation of All Funds receipts projections by source).

Revenue Risks

- A significant downside risk remains to the projected timing and strength of the State's economic recovery, given the historically unprecedented decline in wages witnessed during the current recession, particularly within the high-wage economic sectors.
- Real estate markets could remain depressed for longer than expected due to the continued credit crunch and Wall Street retrenchment, which could have a significant negative impact on capital gains realizations and real estate transfer tax collections.
- Actions taken by the Federal government to alleviate the faltering banking industry and credit markets could be less effective than intended, and take longer to achieve their desired objectives.
- Taxable sales could be driven down further by continued weakness in household spending.
- The temporary PIT rate increases on high-income taxpayers are estimated to raise an additional \$3.6 billion in receipts for the 2009 tax year. This estimate is about \$400 million below the original projection, but still represents a substantial portion of estimated tax receipts. Given the uncertainty surrounding taxpayer behavior following a law change and the extreme volatility in the sources of income among the State's high-income taxpayers, these estimates are subject to substantial future revisions.
- The real estate transfer tax forecast could continue to be negatively affected by tight credit market conditions. The decline in real estate prices in some areas of the State is likely to depress collections. The number of high value commercial property sales in New York City is expected to continue to decline from recent years.
- Over 50 percent of business tax audit and compliance receipts are expected during the second half of the fiscal year. This represents a risk to the Financial Plan during the October through March period.
- The relationship between economic activity and revenue collections varies over time, especially at business cycle turning points. Due to the payment lags that are built into many revenue statutes, tax collections can lag many years behind when the liability was incurred. Finally, the efforts to cap finance industry executive compensation adds an additional layer of risk to these estimates.

Updated All Funds Disbursements Projections

The 2009-10 spending forecasts for each of the State's major programs and activities have been updated since the First Quarterly Update as more information has become available. The changes include the General Fund revisions, explained in detail earlier in this Mid-Year Financial Plan.

Additional detailed information on annual spending changes for each of the State's major programs and activities may be found in the 2009-10 Enacted Budget Financial Plan available on-line at www.budget.state.ny.us.

TOTAL DISBURSEMENTS*							
(millions of dollars)							
	2008-09 Actuals	2009-10			Annual \$ Change	Annual % Change	Adjusted % Change**
		First Quarterly Estimate	Change	Revised Estimate			
State Operating Funds	78,168	80,471	(501)	79,970	1,802	2.3%	0.2%
General Fund (excluding transfers)	48,436	49,422	(249)	49,173	737	1.5%	1.5%
Other State Funds	25,146	25,902	(156)	25,746	600	2.4%	-4.1%
Debt Service Funds	4,586	5,147	(96)	5,051	465	10.1%	10.1%
All Governmental Funds	121,571	133,469	(284)	133,185	11,614	9.6%	8.2%
State Operating Funds	78,168	80,471	(501)	79,970	1,802	2.3%	0.2%
Capital Projects Funds	6,830	8,455	(402)	8,053	1,223	17.9%	17.9%
Federal Operating Funds	36,573	44,543	619	45,162	8,589	23.5%	23.5%
General Fund, including Transfers	54,607	55,059	(449)	54,610	3	0.0%	0.0%

* Revenue and spending estimates do not include \$2.3 billion in potential savings that are subject to approval by the Legislature or an outside entity.

** Excludes approximately \$1.6 billion in special revenue fund disbursements related to the new Metropolitan Commuter Transportation Mobility Tax, a tax which is collected by the State on behalf of, and transferred in its entirety to, the MTA.

All Funds spending is projected to total \$133.2 billion in 2009-10, a decline of \$284 million from the First Quarterly Update. Higher expected spending on an All Funds basis primarily for health care, welfare, mental hygiene, and criminal justice, is more than offset by expected administrative DRP actions. The following table provides a summary of revisions.

2009-10 SPENDING PROJECTIONS UPDATED FOR MID-YEAR UPDATE						
INCREASE/(DECREASE) IN SPENDING						
(millions of dollars)						
	General Fund*	Other State Funds**	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
First Quarterly Update	49,422	31,049	80,471	8,455	44,543	133,469
<i>Annual Percent Change at Enacted Budget</i>	2.0%	4.4%	2.9%	23.8%	21.8%	9.8%
Reestimates to the First Quarterly Update	202	(53)	149	(373)	628	404
Health Care (incl. Medicaid)	64	40	104	0	568	672
Higher Education	23	0	23	9	0	32
Criminal Justice	84	0	84	0	2	86
Transportation	0	(40)	(40)	(452)	8	(484)
Mental Hygiene	0	22	22	0	70	92
STAR	0	(85)	(85)	0	0	(85)
Federal HAVA Funding (Elections)	0	0	0	0	(97)	(97)
Back-to-School Initiative (Welfare)	35	0	35	0	140	175
All Other	(4)	10	6	70	(63)	13
Administrative DRP Savings	(451)	(199)	(650)	(29)	(9)	(688)
Net Spending Increase/(Decrease)	(249)	(252)	(501)	(402)	619	(284)
Mid-Year Update	49,173	30,797	79,970	8,053	45,162	133,185
<i>Annual Change at Mid-Year Update</i>	1.5%	3.6%	2.3%	17.9%	23.5%	9.6%

*Excludes Transfers

**Includes State Special Revenue and Debt Service Funds

State Operating Funds Budget

The changes to the State Operating Funds forecast primarily reflect the General Fund revisions and DRP actions described earlier, which are partially offset by reductions in Other State Funds spending, the largest being STAR. Other changes include revisions to public health and stem cell research based upon activity and spending trends to date.

Capital Budget

Capital spending is projected to total \$8.1 billion in 2009-10, a decrease of \$402 million from the First Quarterly Update. This reflects a timing reestimate regarding Federal spending on transportation projects supported by ARRA funds, as well as revised spending estimates in several New York State Economic Development programs.

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

Federal Operating Budget

DOB has increased the annual estimate for Federal Operating spending by over \$600 million compared to the First Quarterly Update. The changes are largely driven by an increase in Medicaid costs resulting from higher than projected utilization, and increased spending for the Back-to-School Assistance program supported by ARRA funds.

All Funds Annual Spending Change

The major sources of annual spending change from 2008-09 to 2009-10 are presented in the table below. The Enacted Budget provides detailed explanations of the sources of annual spending growth by major program and activity on an All Funds basis.

UPDATED FINANCIAL PLAN DISBURSEMENT PROJECTIONS MAJOR SOURCES OF ANNUAL CHANGE (millions of dollars)						
	General Fund *	Other State Funds	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
2008-09 Actuals	48,436	29,732	78,168	6,830	36,573	121,571
School Aid	263	(197)	66	0	1,426	1,492
Medicaid (including admin)	(1,989)	1,097	(892)	0	4,965	4,073
Transportation	(8)	1,272	1,264	264	1	1,529
Public Health	208	(563)	(355)	151	77	(127)
Economic Development	(17)	374	357	176	339	872
Mental Hygiene	103	(86)	17	56	319	392
STAR	0	(996)	(996)	0	0	(996)
Social Services	204	(5)	199	(3)	213	409
Higher Education	448	565	1,013	241	125	1,379
Environmental Conservation	(7)	0	(7)	257	26	276
Other Education Aid	7	(5)	2	49	563	614
General State Charges	785	(321)	464	0	75	539
All Other	740	(70)	670	32	460	1,162
2009-10 Mid-Year Estimate	49,173	30,797	79,970	8,053	45,162	133,185
<i>Annual Dollar Change</i>	<i>737</i>	<i>1,065</i>	<i>1,802</i>	<i>1,223</i>	<i>8,589</i>	<i>11,614</i>
<i>Annual Percent Change</i>	<i>1.5%</i>	<i>3.6%</i>	<i>2.3%</i>	<i>17.9%</i>	<i>23.5%</i>	<i>9.6%</i>

* Excludes transfers.

GAAP-Basis Financial Plans

The State Budget is required to be balanced on a cash basis, which is DOB's primary focus in preparing and implementing the State Financial Plan. State Finance Law also requires the Financial Plan to be presented for informational purposes on a Generally Accepted Accounting Principles ("GAAP") basis, in accordance with standards and regulations set forth by GASB. Thus, the GAAP projections provided herein are intended to supplement, for informational purposes, the cash-basis Financial Plan. The GAAP-basis plans model the accounting principles applied by OSC in preparation of the 2008-09 Financial Statements. Tables comparing the cash-basis and GAAP-basis General Fund Financial Plans are provided at the end of this Financial Plan.

In 2009-10, the General Fund GAAP Financial Plan shows total revenues of \$44.4 billion, total expenditures of \$55.4 billion, and net other financing sources of \$8.9 billion, resulting in an operating deficit of \$2.0 billion prior to proposed actions to close the cash gap and a projected accumulated deficit of \$5.0 billion. For the most part, these changes are due primarily to the use of a portion of prior year reserves to support 2009-10 operations and the impact of economic conditions on revenue accruals, primarily PIT.

GASB 45

The State used an independent actuarial consulting firm to calculate retiree health care liabilities. The analysis calculated the present value of the actuarial accrued total liability for benefits as of March 31, 2009 at \$55.4 billion (\$46.3 billion for the State and \$9.1 billion for SUNY), using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method.

This liability was disclosed in the 2008-09 basic GAAP financial statements issued by the State Comptroller in July 2009. Governmental Accounting Standards Board ("GASB") rules indicate the liability may be amortized over a 30-year period. Therefore, only the annual amortized liability above the current pay-as-you-go ("PAYGO") costs is recognized in the financial statements. The 2008-09 liability totaled \$4.2 billion (\$3.2 billion for the State and \$1 billion for SUNY), under the Frozen Entry Age actuarial cost method, as amortized based on a level percent of salary. This is \$3 billion (\$2.3 billion for the State and \$0.7 billion for SUNY), above the current retiree costs made on a PAYGO basis in the annual budget. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASB 45 reduced the State's currently positive net asset condition at the end of 2008-09 by \$3 billion.

GASB does not require the additional costs to be funded in the State's budget, and no funding is assumed for this purpose in the four-year Financial Plan. On a budgetary (cash) basis, the State continues to finance these costs, along with all other employee health care expenses, on a PAYGO basis. See "General Fund Outyear Projections" for a summary of projected spending for this purpose over the Plan period.

As noted, there is no provision in the current Financial Plan to pre-fund the GASB 45 liability. If such liability were pre-funded at this time, the additional cost above the PAYGO amounts would be lowered. The State's Health Insurance Council, which consists of GOER, Civil Service, and DOB, will continue to review this matter, and seek input from the State Comptroller, the legislative fiscal committees and other outside parties. However, it is not expected that the State will alter its planned funding practices in light of existing fiscal constraints.

Special Considerations

The Updated Financial Plan forecast is subject to many complex economic, social, and political risks and uncertainties, many of which are outside the ability of the State to control. These include, but are not limited to: the performance of the national and State economies; the impact of continuing write-downs and other costs affecting the profitability of the financial services sector, and the concomitant effect on bonus income and capital gains realizations; the impact of calendar year 2009 wage and bonus activity on State collections; increased demand in entitlement and claims-based programs such as Medicaid, public assistance and general public health; access to the capital markets in light of disruptions in the municipal bond market; litigation against the State, including, but not limited to, potential challenges to the constitutionality of certain tax actions authorized in the budget, the method of calculating the local share of FMAP, and a class action suit alleging discrimination in the administration of a civil service test between 1996 and 2006; and actions taken by the Federal government, including audits, disallowances, changes in aid levels, and changes to Medicaid rules.

The forecast contains specific transaction risks and other uncertainties including, but not limited to, approval and implementation of the DRP; the receipt of certain payments from public authorities; the receipt of miscellaneous revenues at the levels expected in the Financial Plan; and the achievement of cost-saving measures including, but not limited to, administrative savings in State agencies, including workforce management initiatives, and the transfer of certain available fund balances to the General Fund, at the levels currently projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Financial Plan in the current year and outyears.

An additional risk is the potential cost of collective bargaining agreements and salary increases for judges (and possibly other elected officials) in 2009-10 and beyond. DOB estimates that if all remaining unsettled unions were to agree to the same terms that have been ratified by settled unions, it would result in added costs of approximately \$250 million through 2010-11 (assuming a retroactive component for fiscal years prior to 2009-10), and \$140 million in both 2011-12 and 2012-13. DOB has included a spending reserve to finance the costs of a pattern settlement for all unsettled unions, the largest of which represents costs for fiscal years 2009-10 and 2010-11 for NYSCOPBA. There can be no assurance that actual settlements will not exceed the amounts included in the Plan. In addition, no reserve has been set aside for potential pay raises for judges.

There can be no assurance that the Legislature or other parties will approve actions (a) on the timetable assumed in the Updated Financial Plan, (b) at levels sufficient to close the estimated budget gap in the current year, or (c) that the administrative savings to close the gap, such as those described above relating to State agency operations, will be achieved at the level estimated in the Updated Financial Plan.

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

Current-Year Budget Gap

The Governor has proposed approximately \$3.2 billion in actions to eliminate the estimated current-year budget gap. Approximately three-quarters of the proposed actions require the approval of parties, including the State Legislature and officials at other levels of government that are outside the control of the executive.

There can be no assurance that the budget gaps in the current year or future years will not increase materially from current projections. If this were to occur, the State would be required to take additional gap-closing actions. These may include, but are not limited to, additional reductions in State agency operations; deferral of planned payments to the State retirement system, school districts, vendors, local governments, service providers, or other entities; suspension of capital maintenance and construction;

extraordinary financing of operating expenses; or other measures. In many cases, the ability of the State to implement these actions requires the approval of the Legislature or other entities outside of the control of the executive.

State Workforce Reduction Initiatives

The Financial Plan has been revised to reflect the agreement between Governor Paterson and the State's two largest public employee unions (CSEA and PEF) in order to achieve alternative savings through measures other than potential layoffs. The agreement assumed \$260 million in savings over the next two years through a severance payment program, the elimination of funded vacancies, and employee attrition. The DOB-approved agency plans would achieve those \$260 million in cost-reductions and they are therefore reflected in the Financial Plan. The State continues to work toward enactment of Tier V and the implementation of Voluntary Reduction in Work Schedule, which are the other components of the agreement. As such, they are not yet reflected in the Financial Plan.

Labor Settlements

The Enacted Budget Financial Plan included a spending reserve of approximately \$400 million in 2009-10 and \$275 million in both 2010-11 and 2011-12 to finance potential agreements with unsettled unions. The reserve was calculated on the assumption that the agreements would have terms and conditions comparable to the contracts that have been ratified by other unions, including CSEA and PEF. The recent binding arbitration awards for Corrections Officers and Supervisors and the settlement with investigators and senior investigators in the Division of State Police add costs above the pattern of settlements. The costs of the awards are accounted for in the Updated Financial Plan projections. However, it is possible that additional increases will be granted to these unions as part of ongoing negotiations (as well as the unions that cover graduate students and Park Police).

Federal Regulations

Federal regulations pose a risk to State finances, particularly in the area of health care. CMS has attempted to promulgate regulations that, among other actions, seek to limit reimbursement to public providers to actual costs. These regulations were under a Congressional moratorium until July 1, 2009. Although the moratorium on regulations governing public provider cost limits, graduate medical education and rehabilitation services was not extended, the Federal Stimulus bill contained a "Sense of the Congress" provision that the Secretary of Health and Human Services should not promulgate these three regulations in final form. However, Congress also required that an independent assessment of these regulations be conducted to better understand the impact nationwide. Lewin and Associates was retained by CMS to complete this review, and a draft report is expected to be released before the end of this calendar year. Based on data provided by New York State to Lewin and Associates, these regulations, if implemented, would result in a decrease in Federal aid to NYS of some \$2.4 billion -- \$1.7 billion associated with limiting public provider reimbursement to cost and \$700 million stemming from the graduate medical education regulation and the rehabilitation services regulation. These reductions would impact a myriad of State services and programs, including hospitals, clinics, nursing homes, mental hygiene services, EI Program and schools.

Debt Reform Cap

Based on the updated forecasts in the Updated Financial Plan, debt outstanding and debt service costs over the plan period are expected to remain below the limits imposed by the Debt Reform Act. However, the available room under the debt outstanding cap is expected to decline from \$6.8 billion in 2009-10 to \$52 million in 2012-13. The current projections represent a decline in projected debt capacity as compared to the First Quarterly Update, which estimated that about \$762 million in capacity would be available in 2012-13. The revisions primarily reflect the timing of bonding for CUNY and economic development purposes, as offset by a slightly improved forecast for State personal income in future years. The changes to the debt reform projections over the last few quarters demonstrate the sensitivity of the

cap calculations to volatility in State personal income levels and other economic factors. Measures to adjust capital spending and debt financing practices may be needed for the State to stay in compliance with the legal debt limit.

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GAAP-Basis Results for Prior Fiscal Years

The Comptroller prepares Basic Financial Statements and other Supplementary Information on a GAAP basis for governments as promulgated by GASB. The Basic Financial Statements, released in July each year, include the Statement of Net Assets and Activities, the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds, the Statements of Net Assets, Revenues, Expenses and Changes in Fund Net Assets and Cash Flows for the Enterprise Funds, the Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets for the Fiduciary Funds and the Combining Statements of Net Assets and Activities for Discretely Presented Component Units. These statements are audited by independent certified public accountants. The Comptroller also prepares and issues a Comprehensive Annual Financial Report, which includes a management discussion and analysis (MD&A), the Basic Financial Statements, required supplementary information, other supplementary information which includes individual fund combining statements, and a statistical section. For information regarding the State's accounting and financial reporting requirements, see the section in the AIS dated May 15, 2009 entitled "State Organization—Accounting, Financial Reporting and Budgeting."

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

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

<u>Fiscal Year Ended</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>All Governmental Funds</u>	<u>Accum. General Fund Surplus/(Deficit)</u>
March 31, 2009	(6,895)	(1,183)	35	44	(7,999)	(2,944)
March 31, 2008	1,567	(1,328)	(293)	(306)	(360)	3,951
March 31, 2007	202	(840)	92	501	(45)	2,384

Summary of Net Assets (millions of dollars)

<u>Fiscal Year Ended</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
March 31, 2009	30,894	3,031	33,925
March 31, 2008	43,510	4,217	47,727
March 31, 2007	45,327	3,599	48,926

State Organization

State Government

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

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

*Sworn in as Governor on March 17, 2008 following resignation of Governor Spitzer.

**Appointed by the Governor on July 8, 2009. The Governor's authority to appoint a Lieutenant Governor was challenged in court. See Dean G. Skelos, et al. v. David A. Paterson, et al. (Nassau Co. Sup. Ct. Index no. 13426-2009). On September 22, 2009, the State Court of Appeals upheld Governor Paterson's right to appoint Richard Ravitch as Lieutenant Governor.

***Elected by the State Legislature.

The Governor and Lieutenant Governor are elected jointly. David A. Paterson became Governor under provisions of the State Constitution following the resignation of former Governor Spitzer. The vacancy created in the office of Lieutenant Governor was filled on July 8, 2009 when the Governor appointed Richard Ravitch to serve as Lieutenant Governor. The Comptroller and Attorney General are chosen separately by the voters during the election of the Governor. The Governor appoints the heads of most State departments, including the Director of the Budget (the current Director is Robert L. Megna). DOB is responsible for preparing the Governor's Executive Budget, negotiating that budget with the State Legislature, and implementing the budget once it is adopted, which includes updating the State's fiscal projections quarterly. DOB is also responsible for coordinating the State's capital program and debt financing activities. The Comptroller is responsible for auditing the disbursements, receipts and accounts of the State, as well as for auditing State departments, agencies, public authorities and municipalities. The Comptroller is also charged with managing the State's general obligation debt and most of its investments. The Attorney General is the legal advisor to State departments, represents the State and certain public authorities in legal proceedings and opines upon the validity of all State general obligations.

The State Legislature is composed of a 62-member Senate and a 150-member Assembly, all elected from geographical districts for two-year terms, expiring December 31, 2010. 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 Pedro Espada Jr. (Democrat), and Sheldon Silver (Democrat), Speaker of the Assembly. The Temporary President of the Senate is Malcolm Smith (Democrat). The minority leaders are Dean Skelos (Republican) in the Senate and Brian Kolb (Republican) in the Assembly.

State Retirement Systems

General

The New York State and Local Retirement Systems (the "Systems") provide coverage for public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). The Systems comprise the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System (PFRS). The Comptroller is the administrative head of the Systems. State employees made up about 31 percent of the membership during the 2008-09 fiscal year. There were 3,025 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, 2009, 679,908 persons were members and 366,178 pensioners or beneficiaries were receiving benefits. The State Constitution considers membership in any State pension or retirement system to be a contractual relationship, the benefits of which shall not be diminished or impaired. Members cannot be required to begin making contributions or make increased contributions beyond what was required when membership began.

Recent market volatility and the recent decline in the market value of many equity investments have negatively impacted the assets held for the Systems. The current actuarial smoothing method spreads the impact over a 5-year period, and thus contribution rate increases are expected for fiscal year 2012 through 2015. The amount of such increases would depend, in part, on the value of the pension fund as of each April 1 as well as on the present value of the anticipated benefits to be paid by the pension fund as of each April 1. Final contribution rates for fiscal year 2011 were released in early September 2009. The average 2011 ERS rate increased from 7.4 percent of salary in fiscal year 2010 to 11.9 percent of salary in fiscal year 2011, while the average 2011 PFRS rate increased from 15.1 percent of salary in fiscal year 2010 to 18.2 percent of salary in fiscal year 2011.

Contributions

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

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

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

The State bill for the current fiscal year ending March 31, 2010 is \$979.1 million, assuming a payment on March 1, 2010.

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, 2009 were

\$110.9 billion (including \$2.9 billion in receivables), a decrease of \$44.9 billion or 28.8 percent from the 2007-08 level of \$155.8 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 \$170.5 billion on April 1, 2008 to \$176.6 billion (including \$69.0 billion for current retirees and beneficiaries) on April 1, 2009. 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, 2009 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 2009 fiscal year, 40 percent of the unexpected gain for the 2008 fiscal year, 60 percent of the unexpected gain for the 2007 fiscal year and 80 percent of the unexpected gain for the 2006 fiscal year. Actuarial assets decreased from \$151.8 billion on April 1, 2008 to \$149.0 billion on April 1, 2009. The funded ratio, as of April 1, 2009, using the entry age normal funding method, was 101 percent. The tables that follow show net assets, benefits paid and the actuarially determined contributions that have been made over the last ten years. See also "Contributions" above.

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

Fiscal Year Ended		Percent
March 31	Total Assets(2)	Increase/ (Decrease)
		From Prior Year
2000	128,889	14.3
2001	114,044	(11.5)
2002	112,725	(1.2)
2003	97,373	(13.6)
2004	120,799	24.1
2005	128,038	6.0
2006	142,620	11.4
2007	156,625	9.8
2008	155,846	(0.5)
2009	110,938	(28.8)

Sources: State and Local Retirement Systems.

(1) Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2009 includes approximately \$2.9 billion of receivables.

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

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

Fiscal Year Ended March 31	Contributions Recorded				Total Benefits Paid(2)
	All Participating Employers(1)	Local Employers(1)	State(1)	Employees	
2000	165	11	154	423	3,787
2001	215	112	103	319	4,267
2002	264	199	65	210	4,576
2003	652	378	274	219	5,030
2004	1,287	832	455	222	5,424
2005	2,965	1,877	1,088	227	5,691
2006	2,782	1,714	1,068	241	6,073
2007	2,718	1,730	988	250	6,432
2008	2,649	1,641	1,008	266	6,883
2009	2,456	1,567	889	273	7,265

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

(2) Includes payments from Group Life Insurance Plan.

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Authorities and Localities

Public Authorities

For the purposes of this disclosure, public authorities refer to certain of the State's 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, 2008, each of the 19 public authorities below had outstanding debt of \$100 million or more, and the aggregate outstanding debt, including refunding bonds, of these public authorities was approximately \$140 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, 2008
(millions of dollars)

Public Authority	State- Related Conduit (4)	Authority Revenue Bonding	Other Conduit Bonding	Total
Dormitory Authority (5)	17,109	0	20,983	38,092
Metropolitan Transportation Authority	2,194	15,827	0	18,021
Port Authority of NY & NJ	0	12,991	0	12,991
Thruway Authority	10,312	2,328	0	12,640
Housing Finance Agency	1,497	7,754	0	9,251
Triborough Bridge and Tunnel Authority	119	8,307	0	8,426
Environmental Facilities Corporation	830	7,070	267	8,167
Long Island Power Authority (6)	0	6,864	0	6,864
UDC/ESDC	6,348	307	0	6,655
Local Government Assistance Corporation	3,848	0	0	3,848
Energy Research and Development Authority (6)	2	0	3,630	3,632
Tobacco Settlement Financing Corporation	3,588	0	0	3,588
State of New York Mortgage Agency	0	3,237	0	3,237
Power Authority	0	2,096	0	2,096
Battery Park City Authority	0	1,023	0	1,023
Convention Center Development Corporation	0	700	0	700
Municipal Bond Bank Agency	442	39	0	481
Niagara Frontier Transportation Authority	0	185	0	185
United Nations Development Corporation	0	123	0	123
TOTAL OUTSTANDING	46,289	68,851	24,880	140,020

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

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

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

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

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

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

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

The 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.

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 2008, the State Legislature authorized 17 bond issuances to finance local government operating deficits. In addition, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within a locality. Currently, the City of Buffalo operates under a control board and the counties of Nassau and Erie as well as the cities of New York and Troy have boards in advisory status. The City of Yonkers no longer operates under an oversight board but must adhere to a separate fiscal agent act. 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 2009-10 fiscal year or thereafter.

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

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

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

Locality Fiscal Year Ending	Combined New York City Debt (2)(3)		Other Localities Debt(4)		Total Locality Debt(4)	
	Bonds	Notes	Bonds(5)	Notes(5)	Bonds(4)(5)	Notes(5)
1980	12,995	---	6,835	1,793	19,830	1,793
1990	20,027	---	10,253	3,082	30,280	3,082
1995	29,930	---	15,829	3,219	45,759	3,219
1996	31,623	---	16,414	3,590	48,037	3,590
1997	33,046	---	17,526	3,208	50,572	3,208
1998	34,690	---	17,100	3,203	51,790	3,203
1999	37,352	---	18,448	3,420	55,800	3,420
2000	39,244	515	19,082	4,005	58,326	4,520
2001	40,305	---	20,303	4,745	60,608	4,745
2002	42,721	2,200	21,721	5,184	64,442	7,384
2003	47,376	1,110	23,951	6,447	71,327	7,557
2004	50,265	---	26,679	5,120	76,944	5,120
2005	54,421	---	29,240	4,852	83,661	4,852
2006	55,381	---	30,745	4,766	86,126	4,766
2007	58,292	---	32,193	4,523	90,485	4,523

Source: Office of the State Comptroller.

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

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

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

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

(4) Outstanding bonded debt shown includes bonds issued by the localities and certain debt guaranteed by the localities and excludes capital lease obligations (for localities other than New York City), assets held in sinking funds and certain amounts available at the start of a fiscal year for redemption of debt. Starting in 2001, debt for other localities includes Installment Purchase Contracts.

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

Litigation

Tobacco Master Settlement Agreement

In *Freedom Holdings Inc. et al. v. Spitzer et ano.*, two cigarette importers brought an action in 2002 challenging portions of laws enacted by the State under the 1998 Tobacco Master Settlement Agreement (MSA) that New York and many other states entered into with the major tobacco manufacturers. The initial complaint alleged: (1) violations of the Commerce Clause of the United States Constitution; (2) the establishment of an “output cartel” in conflict with the Sherman Act; and (3) selective nonenforcement of the laws on Native American reservations in violation of the Equal Protection Clause of the United States Constitution. The United States District Court for the Southern District of New York granted defendants’ motion to dismiss the complaint for failure to state a cause of action. Plaintiffs appealed from this dismissal. In an opinion dated January 6, 2004, the United States Court of Appeals for the Second Circuit (1) affirmed the dismissal of the Commerce Clause claim; (2) reversed the dismissal of the Sherman Act claim; and (3) remanded the selective enforcement claim to the District Court for further proceedings. Plaintiffs have filed an amended complaint that also challenges the MSA itself (as well as other related State statutes) primarily on preemption grounds. On September 14, 2004, the District Court denied all aspects of plaintiffs’ motion for a preliminary injunction, except that portion of the motion relating to the ability of tobacco manufacturers to obtain the release of certain funds from escrow. Plaintiffs have appealed from the denial of the remainder of the motion to the United States Court of Appeals for the Second Circuit. In May 2005, the Second Circuit affirmed the denial of the preliminary injunction. In December 2006, the motions and cross-motions of the parties for summary judgment were fully submitted to the District Court. By order dated July 7, 2008, the District Court requested updated statistical information and other information needed to resolve certain material questions. Following an evidentiary hearing, by December 15, 2008 order summarizing a preliminary decision, the District Court dismissed all of plaintiff’s claims. On January 12, 2009, the Court issued its opinion and order granting judgment dismissing the complaint. Plaintiff has appealed; briefs are fully submitted and oral argument is scheduled for December 2, 2009.

In *Grand River Ent. v. King*, a cigarette importer raises the same claims as those brought by the plaintiffs in *Freedom Holdings*, in a suit against the attorneys general of thirty states, including New York. The parties are cross-moving for summary judgment in the United States District Court for the Southern District of New York; briefing is scheduled to be completed on November 4, 2009.

West Valley Litigation

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

As a result of mediation, the parties filed a proposed Consent Decree on October 27, 2009, resolving part of the litigation. The order will propose to settle the claims for CERCLA allocation of costs and the obligations of the United States under the West Valley Demonstration Project by allocating among the parties specific percentages of the cost of each potential remedy for the various structures and contaminated areas on the site. The claim for natural resource damages would be dismissed pursuant to a tolling agreement that would give the plaintiffs three years in which to file a new action or seek another

tolling period. The claim regarding the Federal government's obligation to pay fees for disposal of high level radioactive waste from the West Valley Demonstration Project under the Nuclear Waste Policy Act is neither settled nor dismissed and will remain in litigation.

The parties will ask the court to allow a thirty day period for the public to send comments to the State regarding the terms of the proposed Consent Decree. The State will review the comments and, if appropriate, move for entry of the Consent Decree.

Representative Payees

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

On September 26, 2008, the State moved to dismiss the claim on the grounds that (i) claimant failed to file a motion to certify the class in a timely manner and (ii) claimant's failure to identify the time and place in which each claim arose violates the provisions of Court of Claims Act §11(b). Claimant has opposed the motion and cross-moved, seeking certification of the class, pre-certification discovery, and partial summary judgment. The State submitted reply papers on April 1, 2009. The State has also opposed Claimant's cross-motions, and has submitted a motion for summary judgment. On July 7, 2009, Claimant moved to amend the complaint.

On October 14, 2009, claimant filed an amended complaint that, among other things, added a claimant, changed the class representative, revised the definition of the proposed class of claimants to include only inpatients treated at Office of Mental Health facilities, and dropped certain claims. The Court of Claims has directed the State to resubmit its motion to dismiss the class claims, which is scheduled to be argued December 16, 2009. After the court rules on the motion to dismiss, the State will file an answer with respect to the individual claims. After the answer is filed, the parties can move for summary judgment and, if necessary, move to certify the class.

Bottle Bill Litigation

In *International Bottled Water Association, et al. v. Paterson, et al.*, plaintiffs seek declaratory and injunctive relief declaring that certain amendments to the State's Bottle Bill enacted on April 7, 2009 as part of the 2009-2010 budget violate the due process clause, the equal protection clause and the commerce clause of the United States Constitution. On May 27, 2009, the United States District Court for the Southern District of New York issued a preliminary injunction staying the June 1, 2009 effective date of the amendments to the Bottle Bill and declared that the section of the amendments which requires that the plaintiffs and other beverage manufacturers and distributors place a unique New York-exclusive universal product code on all bottles covered by the law that are offered for sale in the State violates the commerce clause of the United States Constitution. By order entered May 29, 2009 that superseded the above-referenced May 27, 2009 preliminary injunction, the district court granted a preliminary injunction that (1) enjoined the State from implementing or enforcing the New-York exclusive universal product code provision of the Bottle Bill and (2) enjoined the State from implementing or enforcing any and all other amendments to the Bottle Bill signed into law on April 7, 2009, until April 1, 2010, to allow persons subject to the amendments sufficient time to comply with the law's requirements.

The State defendants moved to modify the preliminary injunction. On August 13, 2009 the Court modified the injunction so that its provisions applied only to water bottles, stating that the injunction would dissolve by October 22, 2009 unless the bottlers showed cause that due process required that the injunction should continue. On October 23, 2009, after reviewing the parties' submissions, the Court

lifted the injunction, allowing most parts of the state law requiring a five cent deposit on water bottles to take effect October 31, 2009. The Court's decision, however, permanently enjoined the State from implementing a provision that required water bottles to bear a New York-exclusive universal product code on each bottle.

Glossary of Acronyms

(AFSCME)	American Federation of State, County, and Municipal Employees
(AHC)	Affordable Housing Corporation
(AIG)	American International Group
(AIM)	Aid and Incentive for Municipalities
(ARRA)	American Recovery and Reinvestment Act of 2009
(ARS)	Auction Rate Securities
(ATC)	Addiction Treatment Center
(AWP)	Average Wholesale Price
(BANS)	Bond Anticipation Notes
(BIC)	Bond Issuance Change
(BMA)	Bond Market Association
(BOCES)	Board of Cooperative Education Services
(CAFR)	Comprehensive Annual Financial Report
(CAP)	Comprehensive Attendance Program
(CDT)	Continuing Day Treatment Clinic
(CFE)	Campaign for Fiscal Equity
(CFIA)	Court Facilities Incentive Aid
(CHCCDP)	Community Health Care Conversion Demonstration Project
(CHIPs)	Consolidated Highway Improvement Programs
(CHP)	Child Health Plus
(CMS)	Centers for Medicare and Medicaid Services
(CLCs)	21st Century Community Learning Centers
(CLRN)	Community Legal Resources Network
(COLA)	Cost-of-Living Adjustment
(COPS)	Community Optional Preventative Services
(CPFs)	Community Projects Funds
(CPI)	Consumer Price Index
(CQCAPD)	Commission on Quality Care and Advocacy for Persons with Disabilities
(CRF)	Contingency Reserve Fund
(CSEA)	Civil Service Employees Association
(CSTEP)	Collegiate Science and Technology Entry Program
(CW/CA)	Clean Water/Clean Air
(CWSRF)	Clean Water State Revolving Fund
(CEFAP)	Community Enhancement Facilities Assistance Program
(DBE)	Disadvantaged Business Enterprise
(DHBTf)	Dedicated Highway and Bridge Trust Fund
(DRRF)	Debt Reduction Reserve Fund
(DRP)	Deficit Reduction Plan
(DSFs)	Debt Service Funds
(DWSRF)	Drinking Water Revolving Fund
(EI)	Early Intervention
(EITC)	Earned Income Tax Credit
(EMSC)	Elementary, Middle, Secondary and Continuing Education
(EOCs)	Educational Opportunity Centers
(EOP)	Educational Opportunity Program
(EPF)	Environmental Protection Fund
(EPIC)	Elderly Pharmaceutical Insurance Coverage
(ERS)	Employees' Retirement System
(ESCO)	Energy Service Companies
(EXCEL)	Expanding our Children's Education and Learning

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

(OCA)	Office of Court Administration
(PACB)	Public Authorities Control Board
(PAYGO)	Pay-as-you-go
(PBT)	Petroleum Business Tax
(PEF)	Public Employees Federation
(PEP)	Professional Education Pool
(PFJ)	Power for Jobs
(PFM)	Public Financial Management
(PFRS)	Police and Fire Retirement System
(PIA)	Patient Income Account
(PILOT)	Payment in Lieu of Taxes
(PIT)	Personal Income Tax
(PPA)	Permanent Place of Abode
(PPI)	Petroleum Price Index
(PRAG)	Public Resources Advisory Group
(PSYCKES)	Psychiatric Services and Clinical Knowledge Enhancement System
(PYCs)	Prior Year Claims
(QPAI)	Qualified Production Activity Income
(QCEW)	Quarterly Census of Employment and Wages
(REIT)	Real Estate Investment Fund
(RESCUE)	Rebuilding Schools to Uphold Education
(RIC)	Regulated Investment Company
(RBTF)	Revenue Bond Tax Fund
(SAFETEA-LU)	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
(SBE)	Sound Basic Education
(SEIP)	Supplemental Education Improvement Program
(SFSF)	State Fiscal Stabilization Fund
(SHU)	Special Housing Unit
(SIP)	Strategic Investment Program
(SOMTA)	Sex Offender Management Treatment Act
(SPIF)	State Parks Infrastructure Fund
(SRFs)	Special Revenue Funds
(SSHS)	School Supportive Health Services
(SSI)	Supplemental Security Income
(STAR)	School Tax Relief
(STARC)	State Tax Asset Receivable Corporation
(STEP)	Science and Technology Entry Programs
(ST&I)	Science, Technology, and Innovation
(STIP)	Short-Term Investment Pool
(SWN)	Statewide Wireless Network
(TAG)	Technical Assistance Grant
(TANF)	Temporary Assistance for Needy Families
(TAP)	Tuition Assistance Program
(TARP)	Troubled Asset Relief Plan
(TAS)	Technical Advisory Service
(TFA)	Transitional Finance Authority
(TMT)	Truck Mileage Tax
(TRANs)	Tax and Revenue Anticipation Notes
(TSA)	Teacher Support Aid
(TSFC)	Tobacco Settlement Financing Corporation
(TSRF)	Tax Stabilization Reserve Fund
(UDC)	Urban Development Corporation

(UPK)	Universal Pre-Kindergarten
(UUP)	United University Professions
(VCI)	Voluntary Compliance Initiative
(VESID)	Vocational and Educational Services for Individuals with Disabilities
(VLT)	Video Lottery Terminal
(VRDBs)	Variable-Rate Demand Bonds
(VRWS)	Voluntary Reduction in Work Schedule
(WHTI)	Western Hemisphere Travel Initiative
(WMS)	Welfare Management System
(WRP)	Workforce Reduction Plan

NEW YORK STATE AGENCIES AND PUBLIC AUTHORITIES

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

CASH FINANCIAL PLAN¹
GENERAL FUND
2009-2010
(millions of dollars)

	<u>First Quarter</u>	<u>Change</u>	<u>Mid-Year</u>
Opening fund balance	<u>1,948</u>	<u>0</u>	<u>1,948</u>
Receipts:			
Taxes:			
Personal income tax	23,552	(721)	22,831
User taxes and fees	8,209	(15)	8,194
Business taxes	5,454	(133)	5,321
Other taxes	922	4	926
Miscellaneous receipts	2,901	213	3,114
Federal Grants	68	0	68
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,899	(258)	7,641
Sales tax in excess of LGAC debt service	2,113	(5)	2,108
Real estate taxes in excess of CW/CA debt service	58	48	106
All other	1,190	209	1,399
Total receipts	<u>52,366</u>	<u>(658)</u>	<u>51,708</u>
Disbursements:			
Grants to local governments	36,946	(128)	36,818
State operations:			
Personal Service	6,410	150	6,560
Non-Personal Service	2,223	(297)	1,926
General State charges	3,843	26	3,869
Transfers to other funds:			
Debt service	1,776	(81)	1,695
Capital projects	565	(40)	525
State Share Medicaid	2,362	(70)	2,292
Other purposes	934	(9)	925
Total disbursements	<u>55,059</u>	<u>(449)</u>	<u>54,610</u>
Change in fund balance	<u>(2,693)</u>	<u>(209)</u>	<u>(2,902)</u>
Legislative Actions Needed to Close Gap	<u>2,123</u>	<u>203</u>	<u>2,326</u>
Closing fund balance	<u>1,378</u>	<u>(6)</u>	<u>1,372</u>
Reserves			
Tax Stabilization Reserve Fund	1,031	0	1,031
Statutory Rainy Day Reserve Fund	175	0	175
Contingency Reserve Fund	21	0	21
Community Projects Fund	78	(6)	72
Debt Reduction Reserve Fund *	73	0	73

¹ The proposed Deficit Reduction Plan to eliminate the projected \$3.2 billion budget gap in 2009-10 includes roughly \$800 million from actions that DOB believes can be implemented administratively, which are included in the estimates of receipts and disbursements. The remaining \$2.3 billion in savings will require approval by the Legislature or other levels of government, or both, and are thus presented only as an elimination of the current year gap and not in the estimates of receipts and disbursements.

*Reserve Funds that are DOB-designated uses of the Refund Reserve Account.

Source: NYS DOB

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

	<u>First Quarter</u>	<u>Change</u>	<u>Mid-Year</u>
Receipts:			
Taxes:			
Personal income tax	26,027	(1,031)	24,996
User taxes and fees	8,583	(29)	8,554
Business taxes	5,697	(80)	5,617
Other taxes	924	10	934
Miscellaneous receipts	2,687	0	2,687
Federal Grants	60	0	60
Transfers from other funds:			
PT in excess of Revenue Bond debt service	8,346	(388)	7,958
Sales tax in excess of LGAC debt service	2,181	(3)	2,178
Real estate taxes in excess of CW/CA debt service	148	2	150
All other	720	128	848
Total receipts	<u>55,373</u>	<u>(1,391)</u>	<u>53,982</u>
Disbursements:			
Grants to local governments	40,247	353	40,600
State operations:			
Personal Service	6,730	148	6,878
Non-Personal Service	2,304	(234)	2,070
General State charges	4,262	124	4,386
Transfers to other funds:			
Debt service	1,762	12	1,774
Capital projects	1,167	(2)	1,165
State Share Medicaid	2,388	(57)	2,331
Other purposes	1,081	11	1,092
Total disbursements	<u>59,941</u>	<u>355</u>	<u>60,296</u>
Deposit to/(use of) Community Projects Fund	<u>55</u>	<u>(7)</u>	<u>48</u>
HCRA Operating Surplus	<u>0</u>	<u>0</u>	<u>0</u>
Margin	<u>(4,623)</u>	<u>(1,739)</u>	<u>(6,362)</u>

Source: NYS DOB

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

	<u>First Quarter</u>	<u>Change</u>	<u>Mid-Year</u>
Receipts:			
Taxes:			
Personal income tax	26,279	(449)	25,830
User taxes and fees	9,008	(32)	8,976
Business taxes	5,656	(62)	5,594
Other taxes	955	4	959
Miscellaneous receipts	2,583	0	2,583
Federal Grants	60	0	60
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,196	(202)	7,994
Sales tax in excess of LGAC debt service	2,319	(15)	2,304
Real estate taxes in excess of CW/CA debt service	244	0	244
All other	681	117	798
Total receipts	<u>55,981</u>	<u>(639)</u>	<u>55,342</u>
Disbursements:			
Grants to local governments	47,706	418	48,124
State operations:			
Personal Service	6,815	146	6,961
Non-Personal Service	2,374	(206)	2,168
General State charges	5,133	3	5,136
Transfers to other funds:			
Debt service	1,739	(11)	1,728
Capital projects	1,322	13	1,335
State Share Medicaid	2,886	(19)	2,867
Other purposes	1,323	64	1,387
Total disbursements	<u>69,298</u>	<u>408</u>	<u>69,706</u>
Deposit to/(use of) Community Projects Fund	<u>(41)</u>	<u>(7)</u>	<u>(48)</u>
HCRA Operating Surplus	<u>0</u>	<u>0</u>	<u>0</u>
Margin	<u>(13,276)</u>	<u>(1,040)</u>	<u>(14,316)</u>

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
2012-2013
(millions of dollars)

	<u>First Quarter</u>	<u>Change</u>	<u>Mid-Year</u>
Receipts:			
Taxes:			
Personal income tax	25,728	(450)	25,278
User taxes and fees	9,317	(22)	9,295
Business taxes	6,218	(11)	6,207
Other taxes	1,012	(5)	1,007
Miscellaneous receipts	2,583	1	2,584
Federal Grants	60	0	60
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,838	(181)	7,657
Sales tax in excess of LGAC debt service	2,465	(12)	2,453
Real estate taxes in excess of CW/CA debt service	330	0	330
All other	692	85	777
Total receipts	<u>56,243</u>	<u>(595)</u>	<u>55,648</u>
Disbursements:			
Grants to local governments	51,366	503	51,869
State operations:			
Personal Service	6,884	145	7,029
Non-Personal Service	2,442	(214)	2,228
General State charges	6,130	(258)	5,872
Transfers to other funds:			
Debt service	1,725	3	1,728
Capital projects	1,476	42	1,518
State Share Medicaid	2,888	(20)	2,868
Other purposes	1,593	102	1,695
Total disbursements	<u>74,504</u>	<u>303</u>	<u>74,807</u>
Deposit to/(use of) Community Projects Fund	<u>(92)</u>	<u>(6)</u>	<u>(98)</u>
HCRA Operating Surplus	<u>6</u>	<u>(6)</u>	<u>0</u>
Margin	<u>(18,163)</u>	<u>(898)</u>	<u>(19,061)</u>

Source: NYS DOB

CASH FINANCIAL PLAN¹
GENERAL FUND
2009-2010 through 2012-2013
(millions of dollars)

	<u>2009-2010 Projected</u>	<u>2010-2011 Projected</u>	<u>2011-2012 Projected</u>	<u>2012-2013 Projected</u>
Receipts:				
Taxes:				
Personal income tax	22,831	24,996	25,830	25,278
User taxes and fees	8,194	8,554	8,976	9,295
Business taxes	5,321	5,617	5,594	6,207
Other taxes	926	934	959	1,007
Miscellaneous receipts	3,114	2,687	2,583	2,584
Federal grants	68	60	60	60
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	7,641	7,958	7,994	7,657
Sales tax in excess of LGAC debt service	2,108	2,178	2,304	2,453
Real estate taxes in excess of CW/CA debt service	106	150	244	330
All other transfers	1,399	848	798	777
Total receipts	<u>51,708</u>	<u>53,982</u>	<u>55,342</u>	<u>55,648</u>
Disbursements:				
Grants to local governments	36,818	40,600	48,124	51,869
State operations:				
Personal Service	6,560	6,878	6,961	7,029
Non-Personal Service	1,926	2,070	2,168	2,228
General State charges	3,869	4,386	5,136	5,872
Transfers to other funds:				
Debt service	1,695	1,774	1,728	1,728
Capital projects	525	1,165	1,335	1,518
State Share Medicaid	2,292	2,331	2,867	2,868
Other purposes	925	1,092	1,387	1,695
Total disbursements	<u>54,610</u>	<u>60,296</u>	<u>69,706</u>	<u>74,807</u>
Deposit to/(use of) Community Projects Fund	<u>(73)</u>	<u>48</u>	<u>(48)</u>	<u>(98)</u>
Deposit to/(use of) Reserve for Timing Related Delays	<u>(163)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deposit to/(use of) Remaining Prior Year Reserves	<u>(340)</u>	<u>0</u>	<u>0</u>	<u>0</u>
General Fund Margin	<u>(2,326)</u>	<u>(6,362)</u>	<u>(14,316)</u>	<u>(19,061)</u>
HCRA Operating Surplus	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Legislative Actions Needed to Close Gap	<u>2,326</u>	<u>TBD</u>	<u>TBD</u>	<u>TBD</u>
General Fund Margin	<u>0</u>	<u>(6,362)</u>	<u>(14,316)</u>	<u>(19,061)</u>

¹ The proposed Deficit Reduction Plan to eliminate the projected \$3.2 billion budget gap in 2009-10 includes roughly \$800 million from actions that DOB believes can be implemented administratively, which are included in the estimates of receipts and disbursements. The remaining \$2.3 billion in savings will require approval by the Legislature or other levels of government, or both, and are thus presented only as an elimination of the current year gap and not in the estimates of receipts and disbursements.

Source: NYS DOB

CASH FINANCIAL PLAN¹
STATE OPERATING FUNDS BUDGET
2009-2010
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	<u>1,948</u>	<u>2,471</u>	<u>298</u>	<u>4,717</u>
Receipts:				
Taxes	37,272	8,597	11,468	57,337
Miscellaneous receipts	3,114	13,772	852	17,738
Federal grants	68	1	0	69
Total receipts	<u>40,454</u>	<u>22,370</u>	<u>12,320</u>	<u>75,144</u>
Disbursements:				
Grants to local governments	36,818	17,762	0	54,580
State operations:				
Personal Service	6,560	4,261	0	10,821
Non-Personal Service	1,926	2,734	74	4,734
General State charges	3,869	986	0	4,855
Debt service	0	0	4,977	4,977
Capital projects	0	3	0	3
Total disbursements	<u>49,173</u>	<u>25,746</u>	<u>5,051</u>	<u>79,970</u>
Other financing sources (uses):				
Transfers from other funds	11,254	3,908	6,485	21,647
Transfers to other funds	(5,437)	(1,470)	(13,775)	(20,682)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>5,817</u>	<u>2,438</u>	<u>(7,290)</u>	<u>965</u>
Deposit to/(use of) Community Projects Fund	<u>(73)</u>	<u>0</u>	<u>0</u>	<u>(73)</u>
Deposit to/(use of) Prior Year Reserves	<u>(503)</u>	<u>0</u>	<u>0</u>	<u>(503)</u>
Change in fund balance	<u>(2,326)</u>	<u>(938)</u>	<u>(21)</u>	<u>(3,285)</u>
Legislative Actions Needed to Close Gap	<u>2,326</u>	<u>0</u>	<u>0</u>	<u>2,326</u>
Closing fund balance	<u>1,372</u>	<u>1,533</u>	<u>277</u>	<u>3,182</u>

¹ The proposed Deficit Reduction Plan to eliminate the projected \$3.2 billion budget gap in 2009-10 includes roughly \$800 million from actions that DOB believes can be implemented administratively, which are included in the estimates of receipts and disbursements. The remaining \$2.3 billion in savings will require approval by the Legislature or other levels of government, or both, and are thus presented only as an elimination of the current year gap and not in the estimates of receipts and disbursements.

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>0</u>	<u>1,533</u>	<u>277</u>	<u>1,810</u>
Receipts:				
Taxes	40,101	8,843	12,319	61,263
Miscellaneous receipts	2,687	14,076	819	17,582
Federal grants	60	1	0	61
Total receipts	<u>42,848</u>	<u>22,920</u>	<u>13,138</u>	<u>78,906</u>
Disbursements:				
Grants to local governments	40,600	17,734	0	58,334
State operations:				
Personal Service	6,878	4,271	0	11,149
Non-Personal Service	2,070	2,934	71	5,075
General State charges	4,386	1,069	0	5,455
Debt service	0	0	5,846	5,846
Capital projects	0	2	0	2
Total disbursements	<u>53,934</u>	<u>26,010</u>	<u>5,917</u>	<u>85,861</u>
Other financing sources (uses):				
Transfers from other funds	11,134	3,846	6,874	21,854
Transfers to other funds	(6,362)	(1,190)	(14,113)	(21,665)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>4,772</u>	<u>2,656</u>	<u>(7,239)</u>	<u>189</u>
Deposit to/(use of) Community Projects Fund	<u>48</u>	<u>0</u>	<u>0</u>	<u>48</u>
Change in fund balance	<u>(6,362)</u>	<u>(434)</u>	<u>(18)</u>	<u>(6,814)</u>
Closing fund balance	<u>(6,362)</u>	<u>1,099</u>	<u>259</u>	<u>(5,004)</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>0</u>	<u>1,099</u>	<u>259</u>	<u>1,358</u>
Receipts:				
Taxes	41,359	9,138	12,889	63,386
Miscellaneous receipts	2,583	14,421	836	17,840
Federal grants	60	1	0	61
Total receipts	<u>44,002</u>	<u>23,560</u>	<u>13,725</u>	<u>81,287</u>
Disbursements:				
Grants to local governments	48,124	18,241	0	66,365
State operations:				
Personal Service	6,961	4,656	0	11,617
Non-Personal Service	2,168	2,980	71	5,219
General State charges	5,136	1,265	0	6,401
Debt service	0	0	6,251	6,251
Capital projects	0	2	0	2
Total disbursements	<u>62,389</u>	<u>27,144</u>	<u>6,322</u>	<u>95,855</u>
Other financing sources (uses):				
Transfers from other funds	11,340	4,541	6,421	22,302
Transfers to other funds	(7,317)	(1,253)	(13,823)	(22,393)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>4,023</u>	<u>3,288</u>	<u>(7,402)</u>	<u>(91)</u>
Deposit to/(use of) Community Projects Fund	<u>(48)</u>	<u>0</u>	<u>0</u>	<u>(48)</u>
Change in fund balance	<u>(14,316)</u>	<u>(296)</u>	<u>1</u>	<u>(14,611)</u>
Closing fund balance	<u>(14,316)</u>	<u>803</u>	<u>260</u>	<u>(13,253)</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>0</u>	<u>803</u>	<u>260</u>	<u>1,063</u>
Receipts:				
Taxes	41,787	9,476	12,993	64,256
Miscellaneous receipts	2,584	14,707	855	18,146
Federal grants	60	1	0	61
Total receipts	<u>44,431</u>	<u>24,184</u>	<u>13,848</u>	<u>82,463</u>
Disbursements:				
Grants to local governments	51,869	18,902	0	70,771
State operations:				
Personal Service	7,029	4,674	0	11,703
Non-Personal Service	2,228	3,142	71	5,441
General State charges	5,872	1,424	0	7,296
Debt service	0	0	6,584	6,584
Capital projects	0	2	0	2
Total disbursements	<u>66,998</u>	<u>28,144</u>	<u>6,655</u>	<u>101,797</u>
Other financing sources (uses):				
Transfers from other funds	11,217	4,758	6,502	22,477
Transfers to other funds	(7,809)	(1,049)	(13,711)	(22,569)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>3,408</u>	<u>3,709</u>	<u>(7,209)</u>	<u>(92)</u>
Deposit to/(use of) Community Projects Fund	<u>(98)</u>	<u>0</u>	<u>0</u>	<u>(98)</u>
Change in fund balance	<u>(19,061)</u>	<u>(251)</u>	<u>(16)</u>	<u>(19,328)</u>
Closing fund balance	<u>(19,061)</u>	<u>552</u>	<u>244</u>	<u>(18,265)</u>

Source: NYS DOB

CASH FINANCIAL PLAN¹
ALL GOVERNMENTAL FUNDS
2009-2010
(millions of dollars)

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	1,948	2,846	(506)	298	4,586
Receipts:					
Taxes	37,272	8,597	2,046	11,468	59,383
Miscellaneous receipts	3,114	14,001	3,418	852	21,385
Federal grants	68	45,475	2,544	0	48,087
Total receipts	<u>40,454</u>	<u>68,073</u>	<u>8,008</u>	<u>12,320</u>	<u>128,855</u>
Disbursements:					
Grants to local governments	36,818	57,600	928	0	95,346
State operations:					
Personal Service	6,560	6,861	0	0	13,421
Non-Personal Service	1,926	4,448	0	74	6,448
General State charges	3,869	1,996	0	0	5,865
Debt service	0	0	0	4,977	4,977
Capital projects	0	3	7,125	0	7,128
Total disbursements	<u>49,173</u>	<u>70,908</u>	<u>8,053</u>	<u>5,051</u>	<u>133,185</u>
Other financing sources (uses):					
Transfers from other funds	11,254	7,010	768	6,485	25,517
Transfers to other funds	(5,437)	(5,122)	(1,201)	(13,775)	(25,535)
Bond and note proceeds	0	0	483	0	483
Net other financing sources (uses)	<u>5,817</u>	<u>1,888</u>	<u>50</u>	<u>(7,290)</u>	<u>465</u>
Deposit to/(use of) Community Projects Fund	<u>(73)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(73)</u>
Deposit to/(use of) Prior Year Reserves	<u>(503)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(503)</u>
Change in fund balance	<u>(2,326)</u>	<u>(947)</u>	<u>5</u>	<u>(21)</u>	<u>(3,289)</u>
Legislative Actions Needed to Close Gap	<u>2,326</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,326</u>
Closing fund balance	<u>1,372</u>	<u>1,899</u>	<u>(501)</u>	<u>277</u>	<u>3,047</u>

¹ The proposed Deficit Reduction Plan to eliminate the projected \$3.2 billion budget gap in 2009-10 includes roughly \$800 million from actions that DOB believes can be implemented administratively, which are included in the estimates of receipts and disbursements. The remaining \$2.3 billion in savings will require approval by the Legislature or other levels of government, or both, and are thus presented only as an elimination of the current year gap and not in the estimates of receipts and disbursements.

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	<u>0</u>	<u>1,899</u>	<u>(501)</u>	<u>277</u>	<u>1,675</u>
Receipts:					
Taxes	40,101	8,843	2,083	12,319	63,346
Miscellaneous receipts	2,687	14,262	3,598	819	21,366
Federal grants	60	46,192	2,635	0	48,887
Total receipts	<u>42,848</u>	<u>69,297</u>	<u>8,316</u>	<u>13,138</u>	<u>133,599</u>
Disbursements:					
Grants to local governments	40,600	58,217	895	0	99,712
State operations:					
Personal Service	6,878	6,929	0	0	13,807
Non-Personal Service	2,070	4,689	0	71	6,830
General State charges	4,386	2,212	0	0	6,598
Debt service	0	0	0	5,846	5,846
Capital projects	0	2	8,095	0	8,097
Total disbursements	<u>53,934</u>	<u>72,049</u>	<u>8,990</u>	<u>5,917</u>	<u>140,890</u>
Other financing sources (uses):					
Transfers from other funds	11,134	7,102	1,542	6,874	26,652
Transfers to other funds	(6,362)	(4,786)	(1,420)	(14,113)	(26,681)
Bond and note proceeds	0	0	603	0	603
Net other financing sources (uses)	<u>4,772</u>	<u>2,316</u>	<u>725</u>	<u>(7,239)</u>	<u>574</u>
Deposit to/(use of) Community Projects Fund	<u>48</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>48</u>
Change in fund balance	<u>(6,362)</u>	<u>(436)</u>	<u>51</u>	<u>(18)</u>	<u>(6,765)</u>
Closing fund balance	<u>(6,362)</u>	<u>1,463</u>	<u>(450)</u>	<u>259</u>	<u>(5,090)</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>0</u>	<u>1,463</u>	<u>(450)</u>	<u>259</u>	<u>1,272</u>
Receipts:					
Taxes	41,359	9,138	2,099	12,889	65,485
Miscellaneous receipts	2,583	14,557	3,360	836	21,336
Federal grants	60	41,145	2,635	0	43,840
Total receipts	<u>44,002</u>	<u>64,840</u>	<u>8,094</u>	<u>13,725</u>	<u>130,661</u>
Disbursements:					
Grants to local governments	48,124	54,260	954	0	103,338
State operations:					
Personal Service	6,961	6,960	0	0	13,921
Non-Personal Service	2,168	4,605	0	71	6,844
General State charges	5,136	2,359	0	0	7,495
Debt service	0	0	0	6,251	6,251
Capital projects	0	2	7,910	0	7,912
Total disbursements	<u>62,389</u>	<u>68,186</u>	<u>8,864</u>	<u>6,322</u>	<u>145,761</u>
Other financing sources (uses):					
Transfers from other funds	11,340	7,390	1,775	6,421	26,926
Transfers to other funds	(7,317)	(4,336)	(1,478)	(13,823)	(26,954)
Bond and note proceeds	0	0	510	0	510
Net other financing sources (uses)	<u>4,023</u>	<u>3,054</u>	<u>807</u>	<u>(7,402)</u>	<u>482</u>
Deposit to/(use of) Community Projects Fund	<u>(48)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(48)</u>
Change in fund balance	<u>(14,316)</u>	<u>(292)</u>	<u>37</u>	<u>1</u>	<u>(14,570)</u>
Closing fund balance	<u>(14,316)</u>	<u>1,171</u>	<u>(413)</u>	<u>260</u>	<u>(13,298)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2012-2013
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	0	1,171	(413)	260	1,018
Receipts:					
Taxes	41,787	9,476	2,121	12,993	66,377
Miscellaneous receipts	2,584	14,843	2,788	855	21,070
Federal grants	60	41,902	2,733	0	44,695
Total receipts	<u>44,431</u>	<u>66,221</u>	<u>7,642</u>	<u>13,848</u>	<u>132,142</u>
Disbursements:					
Grants to local governments	51,869	55,666	922	0	108,457
State operations:					
Personal Service	7,029	6,989	0	0	14,018
Non-Personal Service	2,228	4,772	0	71	7,071
General State charges	5,872	2,607	0	0	8,479
Debt service	0	0	0	6,584	6,584
Capital projects	0	2	7,360	0	7,362
Total disbursements	<u>66,998</u>	<u>70,036</u>	<u>8,282</u>	<u>6,655</u>	<u>151,971</u>
Other financing sources (uses):					
Transfers from other funds	11,217	7,700	1,751	6,502	27,170
Transfers to other funds	(7,809)	(4,134)	(1,513)	(13,711)	(27,167)
Bond and note proceeds	0	0	428	0	428
Net other financing sources (uses)	<u>3,408</u>	<u>3,566</u>	<u>666</u>	<u>(7,209)</u>	<u>431</u>
Deposit to/(use of) Community Projects Fund	<u>(98)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(98)</u>
Change in fund balance	<u>(19,061)</u>	<u>(249)</u>	<u>26</u>	<u>(16)</u>	<u>(19,300)</u>
Closing fund balance	<u>(19,061)</u>	<u>922</u>	<u>(387)</u>	<u>244</u>	<u>(18,282)</u>

Source: NYS DOB

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

	2008-2009 Actuals	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT					
Agriculture and Markets, Department of	109,631	109,035	115,546	136,862	118,128
Alcoholic Beverage Control	17,022	17,401	18,323	18,807	19,725
Banking Department	78,971	85,231	88,500	87,846	89,682
Consumer Protection Board	3,840	3,026	3,196	3,161	3,251
Economic Development Capital Programs	21,176	12,300	2,500	2,500	2,500
Economic Development, Department of	104,306	79,853	99,492	104,520	119,520
Empire State Development Corporation	620,568	534,021	760,524	529,254	339,254
Energy Research and Development Authority	22,786	29,427	37,412	33,826	33,826
Housing and Community Renewal, Division of	320,605	920,926	448,000	309,668	310,222
Insurance Department	292,668	676,587	531,616	555,639	560,531
Olympic Regional Development Authority	9,503	9,078	7,283	7,493	7,493
Public Service, Department of	78,697	77,316	83,004	85,829	88,393
Science, Technology and Innovation, Foundation for	27,186	29,549	55,446	55,864	49,523
Strategic Investment	3,195	6,650	4,000	4,000	5,000
Functional Total	1,710,154	2,590,400	2,254,842	1,935,269	1,747,048
PARKS AND THE ENVIRONMENT					
Adirondack Park Agency	5,510	5,552	5,751	5,754	5,756
Environmental Conservation, Department of	878,910	1,153,120	1,163,051	914,212	905,661
Environmental Facilities Corporation	14,758	9,831	10,110	10,292	10,476
Hudson River Park Trust	14,290	21,392	10,000	0	0
Parks, Recreation and Historic Preservation, Office of	337,061	310,819	255,507	242,103	243,721
Functional Total	1,250,529	1,500,714	1,444,419	1,172,361	1,165,614
TRANSPORTATION					
Motor Vehicles, Department of	318,270	326,518	346,965	359,018	371,910
Thruway Authority	1,419	1,800	1,800	1,800	1,800
Metropolitan Transportation Authority	160,000	195,300	206,500	194,500	183,600
Transportation, Department of	6,498,414	7,985,396	8,800,422	9,093,371	9,289,464
Functional Total	6,978,103	8,509,014	9,355,687	9,648,689	9,846,774
HEALTH AND SOCIAL WELFARE					
Aging, Office for the	239,660	225,148	233,507	230,397	230,397
Children and Family Services, Office of	3,143,806	3,272,854	3,452,369	3,559,572	3,776,281
OCFS	3,097,973	3,202,017	3,336,883	3,422,817	3,635,521
OCFS - Medicaid	45,833	70,837	115,486	136,755	140,760
Health, Department of	38,097,712	42,050,613	44,993,830	48,133,691	50,399,566
Medical Assistance	32,427,350	36,485,669	39,044,125	42,007,445	44,393,013
Medicaid Administration	900,664	915,500	959,500	1,003,750	1,049,750
Public Health	4,769,698	4,649,444	4,990,205	5,122,496	4,956,803
Health - Medicaid Assistance	0	0	0	0	0
Human Rights, Division of	19,043	21,804	20,373	20,741	21,347
Labor, Department of	581,613	913,898	749,110	652,512	648,826
Medicaid Inspector General, Office of	61,224	79,245	81,743	85,160	85,160
Prevention of Domestic Violence, Office for	2,482	2,328	2,274	2,286	2,307
Stem Cell and Innovation	7,797	18,039	66,289	67,860	162,615

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

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
	Actuals	Projected	Projected	Projected	Projected
HEALTH AND SOCIAL WELFARE (Continued)					
Temporary and Disability Assistance, Office of	5,084,635	5,367,644	5,241,333	5,341,708	5,360,338
<i>Welfare Assistance</i>	3,339,685	3,918,369	3,773,305	3,891,183	3,891,847
<i>Welfare Administration</i>	361,065	56,433	55,041	55,041	55,041
<i>All Other</i>	1,383,885	1,392,842	1,412,987	1,395,484	1,413,450
Welfare Inspector General, Office of	1,180	1,403	1,432	1,456	1,472
Workers' Compensation Board	205,090	192,924	202,931	193,503	201,439
Functional Total	47,444,242	52,145,900	55,045,191	58,288,886	60,889,748
MENTAL HYGIENE					
Mental Health, Office of	3,084,590	3,300,847	3,591,364	3,814,538	3,977,361
<i>OMH</i>	1,423,983	1,510,713	1,654,224	1,797,399	1,860,239
<i>OMH - Medicaid</i>	1,660,607	1,790,134	1,937,140	2,017,139	2,117,122
Mental Hygiene, Department of	308,318	1,570	1,997	1,484	1,484
Mental Retardation and Developmental Disabilities, Office of	4,183,851	4,267,754	4,520,557	4,722,441	4,948,178
<i>OMRDD</i>	559,080	546,785	553,810	578,295	601,632
<i>OMRDD - Medicaid</i>	3,624,771	3,720,969	3,966,747	4,144,146	4,346,546
Alcoholism and Substance Abuse Services, Office of	584,954	644,947	687,416	763,545	800,853
<i>OASAS</i>	484,789	544,049	578,382	650,404	684,255
<i>OASAS - Medicaid</i>	100,165	100,898	109,034	113,141	116,598
Developmental Disabilities Planning Council	4,915	4,200	4,200	4,200	4,200
Quality of Care for the Mentally Disabled, Commission on	15,207	17,160	18,059	18,283	18,656
Functional Total	8,181,835	8,236,478	8,823,593	9,324,491	9,750,732
PUBLIC PROTECTION					
Capital Defenders Office	370	0	0	0	0
Correction, Commission of	2,687	2,582	2,948	2,987	3,039
Correctional Services, Department of	2,699,307	2,992,031	2,825,314	2,851,484	2,890,234
Crime Victims Board	65,521	70,049	65,767	65,949	66,304
Criminal Justice Services, Division of	295,559	268,843	266,243	250,602	231,941
Homeland Security	108,459	360,097	283,536	550,062	547,171
Investigation, Temporary State Commission of	3,554	0	0	0	0
Judicial Commissions	5,288	5,062	5,056	5,159	5,233
Military and Naval Affairs, Division of	234,686	219,693	220,406	186,510	187,521
Parole, Division of	196,590	189,995	188,011	191,965	195,958
Probation and Correctional Alternatives, Division of	79,273	69,143	70,964	77,158	78,696
State Police, Division of	653,750	796,788	764,878	761,500	737,576
Functional Total	4,345,044	4,974,283	4,693,123	4,943,376	4,943,673

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

	2008-2009 Actuals	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected
EDUCATION					
Arts, Council on the	45,842	48,983	48,487	48,700	48,756
City University of New York	1,071,277	1,692,892	1,479,434	1,573,927	1,666,524
Education, Department of	30,553,372	31,657,189	33,570,156	33,320,324	35,329,424
<i>School Aid</i>	23,164,174	24,722,363	26,418,987	26,330,875	28,156,780
<i>School Aid - Medicaid Assistance</i>	106,331	40,000	80,000	80,000	80,000
<i>STAR Property Tax Relief</i>	4,435,383	3,439,450	3,480,270	3,677,620	3,854,167
<i>Special Education Categorical Programs</i>	1,783,639	2,260,030	2,427,750	2,089,470	2,092,790
<i>All Other</i>	1,063,845	1,195,346	1,163,149	1,142,359	1,145,687
Higher Education Services Corporation	909,663	1,022,775	1,063,731	993,458	998,653
Higher Education Capital Grants	4,254	67,746	40,000	38,000	0
State University Construction Fund	16,482	19,277	21,052	21,635	22,819
State University of New York	6,484,894	7,168,483	7,658,442	7,777,211	7,857,283
Functional Total	39,085,784	41,677,345	43,881,302	43,773,255	45,923,459
GENERAL GOVERNMENT					
Audit and Control, Department of	258,126	263,980	265,052	268,762	273,321
Budget, Division of the	43,813	73,078	82,832	95,870	106,316
Civil Service, Department of	23,744	21,978	21,955	22,176	22,447
Elections, State Board of	97,117	63,724	97,928	6,977	7,119
Employee Relations, Office of	3,694	3,423	3,753	3,791	3,830
Executive Chamber	19,252	17,844	18,819	19,443	19,720
General Services, Office of	215,793	222,955	217,997	224,791	229,160
Inspector General, Office of	6,446	6,582	6,896	6,972	7,057
Law, Department of	231,205	236,839	240,144	247,122	251,646
Lieutenant Governor, Office of the	133	0	276	1,193	1,208
Lottery, Division of	200,951	169,174	174,975	175,561	177,151
Public Employment Relations Board	3,660	4,171	4,491	4,530	4,578
Public Integrity, Commission on	4,879	4,721	4,873	5,206	5,386
Racing and Wagering Board, State	24,307	23,301	24,400	24,791	25,754
Real Property Services, Office of	58,369	44,563	41,197	42,208	42,795
Regulatory Reform, Governor's Office of	3,438	2,215	2,445	2,445	2,445
State, Department of	181,137	215,351	203,610	156,575	159,111
Tax Appeals, Division of	3,422	2,971	2,968	2,968	2,968
Taxation and Finance, Department of	372,992	407,374	418,487	419,518	422,187
Technology, Office for	21,364	128,415	148,079	153,821	126,772
Lobbying, Temporary State Commission on	(77)	0	0	0	0
Veterans Affairs, Division of	15,720	16,976	17,911	17,513	17,675
Functional Total	1,789,485	1,929,635	1,999,088	1,902,233	1,908,646
ALL OTHER CATEGORIES					
Legislature	221,729	225,717	220,717	220,717	220,717
Judiciary (excluding fringe benefits)	2,425,844	2,555,026	2,725,941	2,919,326	2,946,710
World Trade Center	48,622	50,000	50,000	50,000	50,000
Local Government Assistance	1,037,389	1,116,926	1,125,404	1,126,745	1,136,543
Long-Term Debt Service	4,585,862	5,050,975	5,917,000	6,322,039	6,655,297
Capital Projects	0	0	0	0	0
General State Charges	2,443,102	3,173,169	3,678,059	4,402,653	5,133,843
Miscellaneous	23,880	(552,230)	(327,976)	(269,449)	(347,318)
Functional Total	10,786,428	11,619,583	13,389,145	14,772,031	15,795,792
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	121,571,604	133,183,352	140,886,390	145,760,591	151,971,486

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

Source: NYS DOB

CASHFLOW¹
GENERAL FUND
2009-2010
(dollars in millions)

	2009 April Actuals	May Actuals	June Actuals	July Actuals	August Actuals	September Actuals	October Projected	November Projected	December Projected	2010 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,948	2,789	37	1,027	1,013	713	2,430	1,190	(1,146)	(1,088)	3,932	2,180	1,948
RECBPTS:													
Personal Income Tax	2,867	744	2,058	1,630	1,478	2,352	1,508	1,248	503	5,406	1,189	1,848	22,831
User Taxes and Fees	614	594	804	613	618	860	640	642	795	694	564	756	8,194
Business Taxes	61	(16)	1,195	35	1,010	1,010	159	(4)	1,020	83	81	1,589	5,321
Other Taxes	51	96	65	83	63	139	66	72	76	71	71	73	926
Total Taxes	3,593	1,418	4,122	2,361	2,267	4,361	2,373	1,958	2,394	6,254	1,905	4,266	37,272
Licenses, Fees, etc.	28	64	44	42	57	79	44	38	35	27	32	110	600
Abandoned Property	9	0	29	0	28	83	16	16	27	53	107	40	525
Reimbursements	10	11	33	10	45	45	50	19	18	6	9	16	272
Investment Income	3	0	3	1	2	1	2	2	2	3	2	4	25
Other Transactions	31	125	144	(100)	60	783	34	38	82	37	2	428	1,692
Total Miscellaneous Receipts	81	200	253	(47)	192	991	146	204	164	126	113	691	3,114
Federal Grants	5	24	0	0	16	0	0	0	0	0	0	23	68
PTI in Excess of Revenue Bond Debt Service	954	165	928	542	213	953	471	116	985	1,189	213	912	7,641
Sales Tax in Excess of LGAC Debt Service	159	66	363	185	119	273	197	188	230	207	7	119	2,108
Real Estate Taxes in Excess of CW/CA Debt Service	20	12	10	(3)	16	17	2	5	6	7	7	7	106
All Other	16	183	91	37	25	8	96	13	13	13	13	881	1,399
Total Transfers from Other Funds	1,149	436	1,392	761	373	1,251	766	322	1,234	1,416	235	1,919	11,254
TOTAL RECEIPTS	4,828	2,078	5,767	3,075	2,848	6,603	3,285	2,484	3,792	7,796	2,253	6,899	51,708
DISBURSEMENTS:													
School Aid	588	2,730	1,892	85	514	1,349	439	1,083	1,586	286	765	6,702	18,019
Higher Education	31	15	783	58	262	75	175	327	229	65	299	502	2,821
All Other Education	50	103	148	94	60	157	79	71	107	74	548	143	1,634
Medicaid - DOH	889	614	(88)	705	739	349	675	349	436	436	422	83	6,152
Public Health	47	52	40	123	59	68	25	31	107	65	40	51	708
Mental Hygiene	13	22	371	28	371	512	150	119	371	119	138	398	2,166
Children and Families	20	157	83	148	82	231	167	92	281	65	381	1,788	1,788
Temporary & Disability Assistance	63	61	59	381	100	114	303	62	(16)	62	4	116	1,309
Transportation	0	13	5	0	22	0	0	25	21	0	0	12	100
All Other	53	1	445	39	51	229	0	93	507	44	0	629	2,121
Total Local Assistance Grants	1,754	3,768	3,738	1,661	1,921	3,297	2,482	2,564	3,542	1,216	1,858	9,017	36,818
Personal Service	748	460	515	608	563	616	628	476	521	507	391	527	6,560
Non-Personal Service	213	188	163	148	189	158	116	175	207	166	129	74	1,926
Total State Operations	961	648	678	756	752	774	744	651	728	673	520	601	8,486
General State Charges	387	4	219	268	310	214	300	268	215	371	1,354	(41)	3,869
Debt Service	488	92	31	14	36	258	554	0	0	223	0	(1)	1,695
Capital Projects	31	40	29	64	(73)	108	78	16	39	67	52	74	525
State Share Medicaid	238	208	52	293	165	181	240	258	187	187	147	136	2,292
Other Purposes	118	80	30	33	37	54	127	63	23	39	74	247	925
Total Transfers to Other Funds	875	420	142	404	165	601	999	337	249	516	273	456	5,437
TOTAL DISBURSEMENTS	3,977	4,840	4,777	3,089	3,148	4,886	4,525	3,820	4,734	2,776	4,005	10,033	54,610
Excess/(Deficiency) of Receipts over Disbursements	851	(2,762)	990	(14)	(300)	1,717	(1,240)	(1,336)	(942)	5,020	(1,752)	(3,134)	(2,902)
CLOSING BALANCE (BEFORE ACTIONS)	2,799	37	1,027	1,013	713	2,430	1,190	(146)	(1,088)	3,932	2,180	(954)	(954)
Legislative Actions Needed to Close Gap ²	0	0	0	0	0	0	0	40	395	70	360	1,461	2,326
CLOSING BALANCE (AFTER ACTIONS)	2,799	37	1,027	1,013	713	2,430	1,190	(106)	(653)	4,437	3,045	1,372	1,372

The proposed Deficit Reduction Plan to eliminate the projected \$3.2 billion budget gap in 2009-10 includes roughly \$800 million from actions that DOB believes can be implemented administratively, which are included in the estimates of receipts and disbursements. The remaining \$2.3 billion in savings will require approval by the Legislature or other levels of government, or both, and are thus presented only as an elimination of the current year gap and not in the estimates of receipts and disbursements.

The monthly flow of the proposed actions needed to close the gap assumes legislative action on the DRP, as proposed, occurs in mid-November. Certain transactions must be executed in December to achieve savings assumed in the cash flow, including local aid reductions to school aid, transit systems and other programs, as well as several fund sweeps.

Source: NYS DOB

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

	<u>2009-2010 Mid-Year</u>	<u>2010-2011 Projected</u>	<u>2011-2012 Projected</u>	<u>2012-13 Projected</u>
Revenues:				
Taxes:				
Personal income tax	23,979	24,610	25,223	24,936
User taxes and fees	8,097	8,570	9,003	9,324
Business taxes	5,314	5,626	5,591	6,214
Other taxes	931	951	992	1,047
Miscellaneous revenues	6,026	5,414	5,422	5,466
Federal grants	68	60	60	60
Total revenues	<u>44,415</u>	<u>45,231</u>	<u>46,291</u>	<u>47,047</u>
Expenditures:				
Grants to local governments	38,895	42,842	50,440	54,134
State operations	12,247	12,628	14,691	15,577
General State charges	4,219	4,650	4,018	4,884
Debt service	0	0	0	0
Capital projects	1	0	0	0
Total expenditures	<u>55,362</u>	<u>60,120</u>	<u>69,149</u>	<u>74,595</u>
Other financing sources (uses):				
Transfers from other funds	14,560	14,791	14,519	18,737
Transfers to other funds	(6,095)	(6,902)	(7,133)	(11,836)
Proceeds from financing arrangements/ advance refundings	450	355	360	359
Net other financing sources (uses)	<u>8,915</u>	<u>8,244</u>	<u>7,746</u>	<u>7,260</u>
Operating Surplus/(Deficit)	<u>(2,032)</u>	<u>(6,645)</u>	<u>(15,112)</u>	<u>(20,288)</u>

Source: NYS DOB

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

	<u>First Quarter</u>	<u>Change</u>	<u>Mid-Year</u>
Revenues:			
Taxes:			
Personal income tax	24,957	(978)	23,979
User taxes and fees	8,046	51	8,097
Business taxes	5,449	(135)	5,314
Other taxes	830	101	931
Miscellaneous revenues	5,933	93	6,026
Federal grants	68	0	68
Total revenues	<u>45,283</u>	<u>(868)</u>	<u>44,415</u>
Expenditures:			
Grants to local governments	38,970	(75)	38,895
State operations	12,386	(139)	12,247
General State charges	4,194	25	4,219
Debt service	0	0	0
Capital projects	1	0	1
Total expenditures	<u>55,551</u>	<u>(189)</u>	<u>55,362</u>
Other financing sources (uses):			
Transfers from other funds	14,621	(61)	14,560
Transfers to other funds	(6,326)	231	(6,095)
Proceeds from financing arrangements/ advance refundings	0 450	0	0 450
Net other financing sources (uses)	<u>8,745</u>	<u>170</u>	<u>8,915</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(1,523)</u>	<u>(509)</u>	<u>(2,032)</u>
Operating Surplus/(Deficit)	<u>(1,523)</u>	<u>(509)</u>	<u>(2,032)</u>

Source: NYS DOB