

Update to Annual Information Statement (AIS)

State of New York

November 9, 2010

This quarterly update (the "AIS Update") updates the Annual Information Statement of the State of New York that was dated September 7, 2010 (the "AIS") and contains information only through November 9, 2010. 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 2010-11 Financial Plan (the "Updated Financial Plan"), which the Division of the Budget ("DOB") issued on November 1, 2010. The Updated Financial Plan includes (a) a summary of recent events and changes to the Financial Plan made since the AIS was released, (b) revised Financial Plan projections for fiscal years 2010-11 through 2013-14, (c) operating results for the first half of fiscal year 2010-11, (d) an updated economic forecast, (e) pro forma Generally Accepted Accounting Principles (GAAP)-basis Financial Plan projections for 2010-11 and information on other post-employment benefits, and (f) a summary on debt 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 2010-11.
3. 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 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 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) 474-7705.

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Update to the 2010-11 Financial Plan ---

Note: *DOB issued the Updated Financial Plan on November 1, 2010, extracts of which are set forth herein. The Updated Financial Plan includes updated estimates for 2010-11 and projections for 2011-12 through 2013-14. 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 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.*

State law 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 accounts for all of its receipts and disbursements 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 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 debt 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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2010-11 Updated Financial Plan Highlights

The following table provides indicators and measures of the 2010-11 Updated Financial Plan relative to the prior year and relative to the Enacted Budget agreement.

FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES (millions of dollars)				
	2009-10 Adjusted ^{1,2}	2010-11		
		Enacted Budget ¹	Change	Mid-Year Update ¹
State Operating Funds Budget				
Size of Budget	\$78,934	\$78,998	\$203	\$79,201
Annual Growth	1.0%	0.1%	0.2%	0.3%
Other Budget Measures (Annual Change)				
General Fund (with transfers)	\$54,262	\$53,533	\$153	\$53,686
	-0.6%	-1.3%	0.2%	-1.1%
State Funds (Including Capital)	\$84,094	\$85,073	\$258	\$85,331
	1.1%	1.2%	0.3%	1.5%
Capital Budget (Federal and State)	\$7,112	\$8,454	\$54	\$8,508
	4.1%	18.9%	0.7%	19.6%
Federal Operating	\$44,891	\$46,375	\$1,253	\$47,628
	22.7%	3.3%	2.8%	6.1%
All Funds	\$130,937	\$133,827	\$1,510	\$135,337
	7.7%	2.2%	1.2%	3.4%
All Funds (Including "Off-Budget" Capital)	\$132,614	\$135,478	\$1,640	\$137,118
	7.1%	2.2%	1.2%	3.4%
Inflation (CPI) (Annual Change)	0.3%	1.1%	0.2%	1.3%
Personal Income (Annual Change)	0.2%	4.3%	-0.3%	4.0%
All Funds Receipts (Annual Change)				
Taxes	\$57,668	\$61,796	(\$343)	\$61,453
	-4.4%	7.2%	-0.6%	6.6%
Miscellaneous Receipts	\$23,557	\$23,014	\$204	\$23,218
	17.4%	-2.3%	0.9%	-1.4%
Federal Grants	\$47,523	\$49,486	\$1,079	\$50,565
	22.4%	4.1%	2.3%	6.4%
Total Receipts	\$128,748	\$134,296	\$940	\$135,236
	8.0%	4.3%	0.7%	5.0%
Base Tax Growth/(Decline) ³	-12.3%	2.2%	0.1%	2.3%
General Fund/H CRA Budget Gap Forecast				
2010-11 ⁴	N/A	\$0	(\$315)	(\$315)
2011-12	N/A	(\$8,177)	(\$849)	(\$9,026)
2012-13	N/A	(\$13,461)	(\$1,183)	(\$14,644)
2013-14	N/A	(\$15,563)	(\$1,669)	(\$17,232)
Total General Fund Reserves				
Rainy Day Reserves	\$1,206	\$1,206	\$0	\$1,206
Reserved for Deferred Payments ⁵	\$906	\$0	\$0	\$0
All Other Reserves	\$190	\$179	\$0	\$179
State Workforce (Subject to Direct Executive Control) ⁶	131,741	128,165	(1,672)	126,493
Debt				
State Related Debt Service as % of All Funds Receipts	4.4%	4.5%	-0.1%	4.4%
State Related Debt Outstanding	\$54,694	\$56,877	(\$247)	\$56,630

¹ Spending is adjusted to exclude the impact of paying the end-of-year school aid payment (\$2.06 billion) scheduled for the last quarter of 2009-10 in the first quarter of 2010-11, as authorized by statute. This was done to carry forward the 2009-10 budget shortfall into 2010-11. The adjustment affects spending totals in 2009-10 and 2010-11, and growth rates in 2009-10 and 2010-11. See Financial Plan tables at the end of this Update for 2009-10 actual results and 2010-11 unadjusted estimates.

² 2009-10 Federal and All Funds disbursements and receipts have been adjusted to include \$2.0 billion in Federal aid that passes through the State's All Funds Financial Plan under ARRA. This "pass-through" money, which provides no gap-closing benefit and is subject to a range of factors that make the timing of disbursements highly uncertain, was expected to total approximately \$4.4 billion in 2009-10. Actual disbursements, however, totaled only \$2.4 billion. Thus, 2009-10 results have been adjusted for the difference. This adjustment affects growth rates in 2009-10 and 2010-11. See Financial Plan tables at the end of this Update for 2009-10 actual results.

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

⁴ Before proposed spending reductions to eliminate the projected budget gap.

⁵ The State deferred more payments than were needed to carry forward the 2009-10 budget shortfall. This created a temporary increase in the year-end balance in 2009-10. The balance was used when the deferred payments were made in the first quarter.

⁶ See workforce discussion under the "Special Considerations" section later in this Update.

Summary

The State completed action on the 2010-11 budget on August 3, 2010. In accordance with State law, DOB issued the Enacted Budget Financial Plan on August 20, 2010, which reflected the impact of the 2010-11 budget on the multi-year operating forecast. Overall, the slowdown in economic growth has been more pronounced than expected and has contributed to lower than expected tax collections and higher than expected Medicaid costs to date. Through September 30, 2010, General Fund tax receipts were approximately \$510 million below planned levels.¹ Medicaid spending over the same period exceeded estimates by over \$110 million. In addition, litigation against the State has constrained the State's ability to collect certain taxes on Native American reservations at the levels budgeted in the Enacted Budget Financial Plan. (See "Year-to-Date Operating Results" later in this Update.)

In light of results to date and updated program information, DOB has lowered the annual estimate for General Fund tax receipts by approximately \$278 million in 2010-11,² which is less than the year-to-date variance due to changes in the timing of when certain receipts are expected to be received. At the same time, DOB has increased estimated Medicaid spending by \$368 million for 2010-11, and by an average of approximately \$800 million annually thereafter. Lower than anticipated spending in other areas of the budget, including child welfare services and labor settlements, and the availability of resources that have materialized since the time of budget enactment, are expected to offset, in part, the tax receipts shortfall and Medicaid overruns in 2010-11.

The Enacted Budget Financial Plan included \$500 million in savings from across-the-board reductions to State agency operations. In the current year, savings are expected to fall approximately \$150 million below planned levels, due to implementation constraints, but to exceed budgeted savings in 2011-12 by an equivalent amount, as the full annual benefit of measures is realized.

Due to these and other revisions, which are summarized in more detail below, DOB now estimates that the General Fund has a budget gap of \$315 million in the current fiscal year. The projected budget gaps for 2011-12 and beyond have also grown compared to the Enacted Budget Financial Plan forecast summarized in the AIS. The Updated Financial Plan projects a budget gap for 2011-12, which a new gubernatorial administration must address in the Executive Budget that is due on February 1, 2011, of \$9.0 billion, an increase of \$850 million from the Enacted Budget Financial Plan forecast.

The Updated Financial Plan projects gaps in future years, which will be materially affected by the level of recurring actions ultimately approved to balance the 2011-12 fiscal year, of \$14.6 billion in 2012-13 (an increase of \$1.2 billion from the Enacted Budget Financial Plan forecast) and \$17.2 billion in 2013-14 (an increase of \$1.7 billion). The following table summarizes the revisions to the receipts and disbursements forecasts and the impact on General Fund operating projections reflected in the Updated Financial Plan.

^{1,2} Excludes the impact of debt service revisions that affect the transfer of tax receipts to the General Fund.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS				
SUMMARY OF MAJOR CHANGES FROM ENACTED BUDGET				
(millions of dollars)				
	2010-11	2011-12	2012-13	2013-14
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE	0	(8,177)	(13,461)	(15,563)
Total Revisions	(315)	(849)	(1,183)	(1,669)
Tax Receipts	(278)	(105)	(339)	(405)
Medicaid/HCRA	(368)	(725)	(859)	(827)
Allocation of Agency Operational Savings	(154)	151	288	290
Timing of Outstanding Labor Agreements	204	(204)	0	0
Other	281	34	(273)	(727)
MID-YEAR BUDGET SURPLUS/(GAP)	(315)	(9,026)	(14,644)	(17,232)
Proposed Across-the-Board Reductions (Requires Leg. Approval)	375			
Funding for Initiatives	(60)			
PROPOSED BUDGET SURPLUS/(GAP)	0	(9,026)	(14,644)	(17,232)

To address the estimated budget gap in the current year, Governor Paterson is expected to ask the Legislature to address the shortfall in a fashion similar in scope to that approved as part of the FMAP contingency plan authorized in the Enacted Budget Financial Plan. Governor Paterson is expected to ask the Legislature to approve reductions beyond the level needed to eliminate the current-year budget gap, and to agree that any excess be used to fund priority initiatives, including legislation passed by the Legislature and vetoed by Governor Paterson for fiscal reasons in 2010. Based on preliminary calculations, DOB estimates that spending for State programs would need to be reduced in the range of 1.5 to 2 percent over the remainder of the fiscal year to achieve a General Fund savings target of approximately \$375 million. The actual percentage reduction would depend on the scope of programs affected and the estimated cash disbursements for the remainder of the year.

There can be no assurance that the Legislature will approve any proposed reductions in planned State spending. Accordingly, the potential reductions are not included in the four-year Financial Plan projections by agency and Financial Plan category set forth in Updated Financial Plan. DOB expects to allocate the multi-year impact of any reductions approved by the Legislature in the Financial Plan projections that will accompany the Executive Budget for 2011-12.

Revisions to the 2010-11 Financial Plan

DOB has made a number of substantial revisions to the General Fund receipts and disbursements forecasts since the release of the AIS on September 7, 2010. The revisions are based on a comprehensive review of operating results to date, updated economic data, and other information. The following table summarizes the Updated Financial Plan revisions and displays the impact on General Fund operating projections over the forecast period. It is followed by a discussion of the major revisions.

GENERAL FUND FORECAST FOR 2010-11 THROUGH 2013-14				
SAVINGS/(COSTS)¹				
(millions of dollars)				
	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE	0	(8,177)	(13,461)	(15,563)
Total Receipts Revisions	(162)	(750)	(983)	(1,069)
Forecast Revisions:	(88)	60	(86)	(157)
Tax Forecast Revisions	<u>(278)</u>	<u>(105)</u>	<u>(339)</u>	<u>(405)</u>
Personal Income Tax ²	(300)	(302)	(322)	(323)
Sales/Use Taxes*	(94)	80	(1)	0
Business Taxes	69	117	(16)	(82)
Other Taxes*	47	0	0	0
18-A Assessment	(40)	(28)	(28)	(28)
Mental Hygiene	73	139	226	240
Workers Compensation Assessment Surplus	65	0	0	0
Debt Management	43	0	0	0
Allocation of Agency Operational Savings	33	62	52	44
All Other	16	(8)	3	(8)
Other Adjustments (No Net Financial Plan Impact)	<u>(74)</u>	<u>(810)</u>	<u>(897)</u>	<u>(912)</u>
Mental Hygiene Accounting Reclassifications	(168)	(810)	(897)	(912)
Allocation of FMAP Contingency Savings	94	0	0	0
Total Disbursement Revisions	(153)	(99)	(200)	(600)
Forecast Revisions	(227)	(909)	(1,097)	(1,512)
Medicaid/HCRA	<u>(368)</u>	<u>(725)</u>	<u>(859)</u>	<u>(827)</u>
Program Costs/Caseload Increases	(732)	(800)	(841)	(887)
HCRA/Other Medicaid	(125)	(135)	21	(89)
Medicare Part D Clawback	223	38	0	0
FMAP Reestimate/State/Local Share Reconciliation	300	208	0	0
Federal Health Care Reform	(34)	(36)	(39)	149
Human Services	156	151	149	146
School Aid	12	(109)	(156)	(354)
Lottery Aid	(83)	(11)	(63)	(68)
Higher Education	2	(100)	(166)	(169)
Transportation/Motor Vehicles	74	64	94	115
Public Safety/Criminal Justice	(10)	(25)	(33)	(71)
Judiciary	0	132	13	(129)
Fringe Benefits	<u>8</u>	<u>(12)</u>	<u>(65)</u>	<u>(53)</u>
Health Insurance	(40)	(75)	(125)	(125)
Pension	(1)	22	45	57
All Other Fringe Benefits	49	41	15	15
Mental Hygiene	(84)	(118)	(229)	(309)
Allocation of Agency Operational Savings	(187)	89	236	246
Timing of Outstanding Labor Agreements	204	(204)	0	0
All Other	49	(41)	(18)	(39)
Other Adjustments (No Net Financial Plan Impact)	<u>74</u>	<u>810</u>	<u>897</u>	<u>912</u>
Mental Hygiene Accounting Reclassifications	168	810	897	912
Allocation of FMAP Contingency Savings	(94)	0	0	0
REVISED BUDGET SURPLUS/(GAP) ESTIMATE	(315)	(9,026)	(14,644)	(17,232)
<i>(Increase)/Decrease From Enacted Budget</i>	<i>(315)</i>	<i>(849)</i>	<i>(1,183)</i>	<i>(1,669)</i>
Proposed Across-the-Board Reductions (Requires Leg. Approval)	375	0	0	0
Funding for Initiatives	(60)	0	0	0
PROPOSED BUDGET SURPLUS/(GAP) ESTIMATE	0	(9,026)	(14,644)	(17,232)
<p>1. Certain revisions displayed in the table above are reclassifications of receipts and disbursements projections that have no net Financial Plan impact (e.g., Mental Hygiene). In other cases, revisions may affect both receipts and disbursements and need to be considered together to understand the Financial Plan impact. For instance, revisions related to reductions in State agency operations included in the Enacted Budget Financial Plan and allocated to agency budgets for the first time in this Updated Financial Plan affect both receipts and disbursements. (For example, a reduction to State agency operations funded by a special revenue fund is displayed as a transfer of resources from the special revenue fund, thereby increasing General Fund receipts.)</p> <p>2. Tax changes include transfers from other funds before the impact of revisions to debt service costs.</p>				

Receipts Revisions

General Fund receipts, including transfers from other funds, are estimated to total \$54.5 billion in 2010-11, a decrease of \$162 million compared to the Enacted Budget Financial Plan. Lower estimated tax receipts are expected to be offset in part by higher receipts from other sources, including miscellaneous receipts and nontax transfers from other funds.

- **Tax Receipts:** Projected tax receipts have been reduced in each year of the Financial Plan, based on updated economic information and actual tax collection results through September 2010. Excluding the impact of debt service changes affecting the transfer of tax receipts to the General Fund, tax receipts in 2010-11 have been reduced by \$278 million compared to the Enacted Budget forecast. The annual estimate for tax receipts has been reduced by less than the year-to-date variance due to a change in the timing of receipts from business tax audits, which DOB had originally expected to be settled before September 2010 but now anticipates will occur later in the fiscal year.

Personal income tax receipts have been revised downward by approximately \$300 million annually, reflecting weakness in quarterly estimated payments. Receipts from user taxes have been reduced in the current year based on consumer spending data and actual collections, but are expected to rebound in 2011-12 as the economy continues to slowly improve. Cigarette tax receipts have been reduced due to the litigation over on the State's ability to collect certain taxes on Native American reservations, affecting receipts in both the General Fund and HCRA. Projected receipts from business taxes and other taxes have been increased modestly in both 2010-11 and 2011-12, reflecting unanticipated strength in estimated payments from banks and the performance of the real estate sector.

- **Other Receipts:** The reduction in estimated annual tax receipts in 2010-11 is offset in part by higher than expected receipts from other sources. These unplanned receipts include legal recoveries, surplus workers compensation funds, and transfers related to reductions in statewide agency operations financed by special revenue funds (see discussion below). In addition, the State realized a one-time benefit of \$43 million from the termination of its existing synthetic variable rate swaps in September 2010.
- **Accounting Reclassifications:** The Updated Financial Plan includes accounting reclassifications related to the transfer of money to and from the General Fund. The reclassifications have no impact on the net operating forecast (e.g., a reduction in planned transfers from other funds is offset by a commensurate reduction in planned transfers to other funds). The most sizeable reclassification is related to the adjustment of spending for mental hygiene services between the General Fund and State special revenue funds, which has the effect of reducing transfers to and from the General Fund by an equal amount.

Disbursement Revisions

General Fund disbursements, including transfers to other funds, are estimated at \$55.7 billion in 2010-11, an increase of \$153 million from the Enacted Budget Financial Plan. Likewise, spending has been increased in subsequent years. The most significant revisions are summarized below.

- **Medicaid:** Gross State-share spending for Medicaid has been increased by approximately \$800 million annually, due in part to actual and anticipated growth in the number of people enrolled in the program. Based on the updated estimates, more than 200,000 new enrollees are expected to enter Medicaid in the current fiscal year, bringing total enrollment to 4.9 million. In addition, higher State costs are driven by the Federal government increasing its share of rebates from drug

manufacturers pursuant to Federal Health Care Reform; reconciliation of 2008 payments for the reimbursable portion of nursing home revenue assessments; and the impact of revisions to the HCRA operating forecast.

In 2010-11, the gross increase in State-share Medicaid spending is offset in part by certain non-recurring resources. Reconciliation of SFY 2009-10 local Medicaid obligations under the Medicaid Cap forms the basis for final enhanced FMAP shares under ARRA. The Updated Financial Plan is adjusted for \$300 million in State funding previously reserved for this reconciliation (\$208 million in SFY 2010-11). Furthermore, the local reconciliation also informs the lower distribution of the ARRA enhancement on the State's "clawback" payments for certain dually eligible (Medicare and Medicaid) recipients' drug benefit under Medicare Part D. This reduction decreases the State's expenditures by \$223 million in SFY 2010-11 (\$38 million in SFY 2011-12). The combination of all 2010-11 Medicaid revisions results in a net increase in costs of \$368 million.

- **Social Services:** Spending projections for child welfare services have been reduced by approximately \$120 million annually based on updated claiming data from social service districts. In addition, projected spending for other programs, and the reconciliation of human services COLA based on statutorily defined inflationary increases, has been lowered.
- **School Aid:** The September 2010 update to the school aid database resulted in higher than projected costs beginning in the 2011-12 school year. The costs reflect additional claims filed since the Enacted Budget Financial Plan, and updated wealth and demographic information reported by school districts. The Updated Financial Plan projections also reflect the impact of a revised estimate of demographic and enrollment factors within the Foundation Aid formula. Based on statute, additional school year obligations from 2010-11 are to be paid in State fiscal year 2011-12. As in prior years, updated school district data and additional claims have resulted in a cost increase to the State's multi-year Financial Plan, subsequent to the Enacted Budget agreements.
- **Lottery/VLT Aid for Education:** Receipts from statewide lottery games continue to fall below expectations, reflecting in part the impact of the economic downturn. DOB has lowered the estimate of lottery receipts expected to be available for School Aid across the Financial Plan forecast period.
- **Higher Education:** Current economic conditions, in particular high unemployment rates, have contributed in part to the recent upward trend in student enrollment in SUNY and CUNY community colleges. Similarly, increased spending under the TAP grant award program is expected due to the increased enrollment in institutions of higher education.
- **Transportation/Motor Vehicles:** The General Fund subsidy provided to the DHBTF has been revised across the plan period as a result of changes in estimated spending levels for capital projects, debt service costs, and other receipts.
- **Public Safety/Criminal Justice:** General Fund spending projections have been increased to reflect additional disaster relief aid, and a downward revision to expected revenues from the Motor Vehicle Law Enforcement fee that is used to support State Police costs.

- Fringe Benefits:** Reflects multi-year upward revisions for health insurance costs for State employees and retirees mainly due to three factors: delays in the State's progress in self-insuring parts of NYSHIP; reduced savings from the implementation of the Medicare Part B premium sharing legislation enacted as part of the 2010-11 budget; and projected increases due to Federal Health Care Reform and premium rate changes. Reductions in the State's salary base are expected to reduce pension and social security costs, compared to the Enacted Budget Financial Plan forecast.
- Mental Hygiene:** The revisions reflect two-year net savings of \$10 million for 2010-11 and 2011-12, excluding the impact of the workforce reduction plan. The major changes include reduced projected spending of approximately \$40 million for the human service COLA based on the current statutory formula (a decrease from an annual increase of 3.5 percent to 1.2 percent in 2011-12). This is partially offset by higher estimated costs for a recent Federal District Court decision mandating additional supported housing and support services, such that costs are now projected to be \$4 million in 2010-11 and \$45 million in 2011-12, or \$8 million more than projected previously, as well as \$12 million in additional costs based on the latest projected civil confinement caseload for the SOMTA program.
- Timing of Outstanding Labor Settlements:** The Enacted Budget Financial Plan included estimated spending in 2010-11 to finance potential agreements with labor unions that have not yet reached settlements for the period from 2007-08 through 2010-11. Based on the status of negotiations and the timetable for ratification, it no longer appears likely that any spending for potential agreements will occur in the current year.
- Allocation of Statewide Agency Operational Savings:** The Enacted Budget Financial Plan included \$500 million in planned savings from statewide reductions in agency spending. The estimated spending for each agency has been revised to reflect its share of the reductions. Savings were anticipated from, among other things, workforce reductions that include the early retirement incentive plan, hiring freezes, layoffs, eliminating positions through attrition, delaying planned hiring of staff, encouraging participation in the voluntary reduction in work schedule program, eliminating funded vacancies and temporary positions, and enhancing controls for reducing overtime costs. Operational efficiencies that reduce costs in contractual services, supplies and materials, equipment purchases and travel expenses are also expected. Total savings at a level comparable to the Enacted Budget Financial Plan projections are expected by the end of fiscal year 2011-12, with lower than expected savings in 2010-11 and higher savings in 2011-12.
- Allocation of FMAP Contingency Reductions:** The Enacted Budget Financial Plan mandated uniform reductions to most local assistance payments to cover the difference between the \$1.1 billion in savings counted on in the proposed 2010-11 Financial Plan from enhanced FMAP and the actual amount ultimately approved by the Federal government. DOB calculated this difference at \$281 million. The payment reductions to local assistance spending began taking effect in mid-September 2010, as provided by law, and have been allocated to agency budgets in the Updated Financial Plan.

Adjusted Annual Spending growth

The projections for annual spending growth are affected by both the management of payments at the end of 2009-10 and, in the case of Federal Funds and All Funds spending, by the uncertainties concerning the timing of Federal pass-through aid. The latter consists of ARRA stimulus money for a wide range of purposes that provides no gap-closing benefit, but by law must pass through the State's Financial Plan before it reaches its beneficiary. To avoid the distorting effect of these factors, DOB has adjusted

spending to (a) exclude the impact of the deferral of the \$2.06 billion end-of-year school aid payment from 2009-10 into 2010-11 and (b) include \$2.0 billion in Federal ARRA pass-through spending that was expected in 2009-10. **See the Financial Plan tables herein for 2009-10 actual results and 2010-11 unadjusted estimates.** The following table provides a summary of revisions and adjusted annual spending totals.

TOTAL DISBURSEMENTS - ADJUSTED FOR PAYMENT DEFERRALS AND ARRA PASS-THROUGH						
(millions of dollars)						
	2009-10 Adjusted	2010-11 Adjusted		Revised Estimate	Annual \$ Change	Annual % Change
		Enacted Budget	Change			
State Operating Funds	78,934	78,998	203	79,201	267	0.3%
General Fund (excluding transfers)	48,475	47,601	344	47,945	(530)	-1.1%
Other State Funds	25,447	25,789	(96)	25,693	246	1.0%
Debt Service Funds	5,012	5,608	(45)	5,563	551	11.0%
All Governmental Funds	130,937	133,827	1,510	135,337	4,400	3.4%
State Operating Funds	78,934	78,998	203	79,201	267	0.3%
Capital Projects Funds	7,112	8,454	54	8,508	1,396	19.6%
Federal Operating Funds	44,891	46,375	1,253	47,628	2,737	6.1%
General Fund, including Transfers	54,262	53,533	153	53,686	(576)	-1.1%
State Funds	84,094	85,073	258	85,331	1,237	1.5%

All Funds spending in 2010-11 is now projected to total \$135.3 billion, an increase of \$1.5 billion from the Enacted Budget Financial Plan. Higher General Fund spending, primarily for Medicaid, contributes nearly \$350 million to the increase. The remaining increase since the Enacted Budget Financial Plan is mainly due to an updated estimate of Federal aid, particularly in the areas of health care, welfare, and school aid, including the new Federal Education Jobs Fund and Race to the Top program.

The annual spending growth in State Operating Funds is affected by the rapid annual increase in debt service and fringe benefits, which are difficult to control in the short-term due to existing constitutional, statutory, and contractual obligations. Together, these costs are projected to increase by over \$1.0 billion in 2010-11.

CAUSES OF ADJUSTED STATE OPERATING FUNDS SPENDING CHANGE ¹				
(millions of dollars)				
	2009-10	2010-11	Annual \$ Change	Annual % Change
Total	78,934	79,201	267	0.3%
Debt Service	4,961	5,471	510	10.3%
Fringe Benefits	4,276	4,811	535	12.5%
Non-Personal Service/Fixed Costs	4,885	4,950	65	1.3%
Personal Service	10,874	10,270	(604)	-5.6%
Local Assistance	53,938	53,699	(239)	-0.4%

¹ Adjusted to exclude the impact of paying the \$2.06 billion end-of-year school aid payment, scheduled for the last quarter of 2009-10, in the first quarter of 2010-11, as authorized in statute.

Debt service on State-supported debt is projected to increase by \$510 million (10.3 percent) in 2010-11, with approximately 35 percent of the growth due to the restructuring of certain transportation-related debt in 2005 that deferred substantial debt service costs until 2010-11. Overall spending from debt service funds, which includes certain non-personal service spending appropriated in the debt service budget, increases by roughly \$550 million.

Spending on fringe benefits is projected to increase by \$535 million, an increase of 12.5 percent. Growth in fringe benefits is due principally to increases in the State's annual contribution to the New York State and Local Retirement System and the cost of providing health insurance for active and retired State employees. Pension costs are expected to increase by \$313 million (27.1 percent) in 2010-11. The growth assumes that \$242 million in State pension costs will be amortized in 2010-11, as authorized in the 2010-11 Enacted Budget.

2010-11 Projected Closing Balances

General Fund

The General Fund is estimated to end the 2010-11 fiscal year with a balance of \$1.4 billion, unchanged from the Enacted Budget Financial Plan. The closing balance depends on successful implementation of actions to eliminate the estimated budget gap of \$315 million without the use of existing reserves. The estimate for spending from the Community Projects Fund is based on historical patterns and may be lower in 2010-11 as a result of the Governor's vetoes of member-item reappropriations.

2010-11 GENERAL FUND ESTIMATED CLOSING BALANCE			
(millions of dollars)			
	Enacted Budget	Change	Revised Estimate
Projected Fund Balance	1,385	0	1,385
Tax Stabilization Reserve Fund	1,031	0	1,031
Rainy Day Reserve Fund	175	0	175
Community Projects Fund	85	0	85
Reserved for Debt Reduction	73	0	73
Contingency Reserve Fund	21	0	21

The estimated closing balance 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 if certain economic criteria are met, \$85 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 for litigation risks.

All Governmental Funds

DOB projects the State will end the 2010-11 fiscal year with a balance of \$3.5 billion in All Governmental Funds. The balance consists of \$1.4 billion in the General Fund, \$1.7 billion in State Special Revenue Funds, \$422 million in Federal Operating Funds, \$364 million in Debt Service Funds and a negative balance of \$275 million in Capital Projects Funds. The year-end balance depends on successful implementation of actions to eliminate the current-year gap.

2010-11 ALL FUNDS ESTIMATED CLOSING BALANCE			
(millions of dollars)			
	Enacted Budget	Change	Mid-Year Estimate
Projected Fund Balance	3,827	(251)	3,576
General Fund	1,385	0	1,385
State Special Revenue Funds	1,816	(136)	1,680
Miscellaneous Special Revenue	<u>676</u>	<u>(44)</u>	<u>632</u>
<i>Industry Assessments</i>	321	(17)	304
<i>Health and Social Welfare</i>	166	(15)	151
<i>General Government</i>	168	2	170
<i>All Other</i>	21	(14)	7
State University Income	949	(155)	794
Mass Transportation Operating Assistance	3	39	42
Dedicated Mass Transportation Trust Fund	71	9	80
MTA Financial Assistance Fund	61	0	61
Health Care Resources Fund	0	0	0
Lottery Fund	18	3	21
All Other	38	12	50
Federal Operating Funds	522	(100)	422
Capital Projects Funds	(284)	9	(275)
Debt Service Funds	388	(24)	364

The balances held in State Special Revenue Funds include moneys designated to finance existing or potential 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 assessments associated with the State's regulation of various industries. 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 Enacted Budget Financial Plan is mainly attributable to additional SUNY hospital spending and for adjustments to several funds and accounts based on updated results.

Balances in Federal Operating Funds reflect timing differences between disbursements and 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

This section presents the State's multi-year projections for receipts and disbursements based on the Updated Financial Plan. State law requires the Governor to submit, and the Legislature to enact, a balanced plan of receipts and disbursements on a cash-basis for the General Fund. However, approximately 40 percent of total State spending for operating purposes is accounted for outside of the General Fund and is primarily concentrated in the areas of health care, school aid, higher education, transportation and mental hygiene. Thus, the multi-year projections and growth rates are presented on both a General Fund and State Operating Funds basis.

The multi-year forecast reflects revisions to the Enacted Budget Financial Plan based on updated assumptions concerning economic performance, revenue collections, spending patterns, and projections for the current-services costs of program activities.

In evaluating the State's outyear operating forecast, it should be noted that the reliability of the estimates as a predictor of the State's future financial position is likely to diminish as one moves further from the current year and budget year estimates. Accordingly, in terms of the outyear projections, 2011-12 is the most relevant from a planning perspective, since any gap in that year must be closed with the next budget and the variability of the estimates is likely to be less than in later years. DOB will provide quarterly revisions to its multi-year estimates, as required pursuant to State Finance Law.

Budget Gaps

In the General Fund, the projected budget gaps total approximately \$9.0 billion in 2011-12, \$14.6 billion in 2012-13, and \$17.2 billion in 2013-14. The net operating deficits in State Operating Funds are projected at \$9.1 billion in 2011-12, \$14.2 billion in 2012-13, and \$16.9 billion in 2013-14.

The imbalances projected for the General Fund and State Operating Funds in future years tend to be very similar. This is because the General Fund is typically the financing source of last resort for many State programs, and any imbalance in other funds that cannot be rectified by the use of existing balances is typically paid by the General Fund.

The growth in the gaps between 2010-11 and 2011-12 is caused in large part by the expiration of Federal stimulus funding for Medicaid and education, which is expected to result in approximately \$5.4 billion in costs reverting to the General Fund, starting in 2011-12. The annual growth in the gap is also affected by the sunset, at the end of calendar year 2011, of the temporary PIT increase enacted in 2009-10, which is expected to reduce 2011-12 receipts by more than \$1 billion from 2010-11 levels.

Spending

General Fund spending is projected to grow at an average annual rate of 12.8 percent from 2010-11 through 2013-14.³ Spending growth in the General Fund is projected to increase sharply in 2011-12, reflecting an expected return to a lower Federal matching rate for Medicaid expenditures after June 30, 2011, which will increase the share of Medicaid costs that must be financed by State resources, and the expected loss of temporary Federal aid for education. Excluding these stimulus-related effects, which temporarily suppress General Fund costs in 2010-11 and the first quarter of 2011-12, General Fund spending grows at approximately 8.7 percent on a compound annual basis.

³ The 2010-11 estimate is adjusted to exclude \$2.1 billion in school aid payments that were budgeted in 2009-10 but paid in 2010-11.

State Operating Funds spending is projected to grow at an average annual rate of 9.8 percent through 2013-14³. For both the General Fund and State Operating Funds, spending growth is driven by Medicaid, education, pension costs, employee and retiree health benefits, and social services programs.

The spending projections do not incorporate any estimate of potential new actions to control spending in the current year or future years; any potential continuation of Federal stimulus aid beyond the first quarter of 2011-12; and any costs for future collective bargaining agreements beyond the April 1, 2011 expiration of the current four-year contracts for most unions. For the first time, the forecast includes an initial estimate of the effect of national health care reform on State health care costs.

Receipts

State tax receipts are projected to grow at an average annual rate of 4.3 percent from 2010-11 through 2013-14. This is consistent with a projected return to modest economic growth in the New York economy in the second half of 2010. Receipts growth is affected by the tax changes approved in the Enacted Budget, as well as in prior fiscal years, and by tax compliance and anti-fraud efforts. These factors are expected to continue to enhance expected receipt growth through 2013-14. (See “2010-11 All Funds Receipts Projections” herein for a complete summary.)

Total disbursements for 2010-11 have been restated to exclude the \$2.1 billion in school aid that was planned for March 2010 but paid in June 2010. The “payment of School Aid Deferral” line is displayed to account for the net operating impact.

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General Fund Projections

OUTYEAR GENERAL FUND PROJECTIONS (ADJUSTED)								
(millions of dollars)								
	2010-11	2011-12	Annual \$ Change	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change
Receipts								
Taxes (After Debt Service)	50,102	53,384	3,282	6.6%	53,700	0.6%	56,557	5.3%
Personal Income Tax	31,919	34,191	2,272	7.1%	33,855	-1.0%	35,762	5.6%
User Taxes and Fees	11,034	11,398	364	3.3%	11,694	2.6%	12,277	5.0%
Business Taxes	5,783	6,452	669	11.6%	6,658	3.2%	6,895	3.6%
Other Taxes	1,366	1,343	(23)	-1.7%	1,493	11.2%	1,623	8.7%
Miscellaneous Receipts/Federal Grants	2,921	2,881	(40)	-1.4%	2,846	-1.2%	2,794	-1.8%
Other Transfers	1,491	792	(699)	-46.9%	520	-34.3%	520	0.0%
Total Receipts	54,514	57,057	2,543	4.7%	57,066	0.0%	59,871	4.9%
Disbursements								
Grants to Local Governments (Adjusted)	35,688	46,012	10,324	28.9%	50,697	10.2%	54,896	8.3%
School Aid (Adjusted)	16,706	19,958	3,252	19.5%	22,405	12.3%	24,859	11.0%
Medicaid (incl. administration)	7,425	13,164	5,739	77.3%	14,664	11.4%	15,875	8.3%
Higher Education	2,449	2,820	371	15.1%	2,992	6.1%	3,082	3.0%
Mental Hygiene	2,218	2,015	(203)	-9.2%	2,156	7.0%	2,339	8.5%
Children and Family Services	1,697	1,893	196	11.5%	2,098	10.8%	2,324	10.8%
Other Education Aid	1,488	1,826	338	22.7%	1,909	4.5%	1,998	4.7%
Temporary and Disability Assistance	1,152	1,528	376	32.6%	1,658	8.5%	1,711	3.2%
All Other	2,553	2,808	255	10.0%	2,815	0.2%	2,708	-3.8%
State Operations	8,138	8,749	611	7.5%	8,798	0.6%	9,026	2.6%
Personal Service	6,189	6,659	470	7.6%	6,556	-1.5%	6,663	1.6%
Non-Personal Service	1,949	2,090	141	7.2%	2,242	7.3%	2,363	5.4%
General State Charges	4,119	4,583	464	11.3%	4,989	8.9%	5,437	9.0%
Pensions	1,470	1,664	194	13.2%	1,904	14.4%	2,126	11.7%
Health Insurance (Active Employees)	1,838	2,034	196	10.7%	2,244	10.3%	2,470	10.1%
Health Insurance (Retired Employees)	1,223	1,355	132	10.8%	1,493	10.2%	1,643	10.0%
Fringe Benefit Escrow	(2,309)	(2,385)	(76)	3.3%	(2,565)	7.5%	(2,739)	6.8%
All Other	1,897	1,915	18	0.9%	1,913	-0.1%	1,937	1.3%
Transfers to Other Funds:	5,741	6,787	1,046	18.2%	7,297	7.5%	7,769	6.5%
State Share Medicaid	2,435	3,013	578	23.7%	3,110	3.2%	3,073	-1.2%
Debt Service	1,650	1,766	116	7.0%	1,757	-0.5%	1,686	-4.0%
Capital Projects	878	1,197	319	36.3%	1,310	9.4%	1,462	11.6%
All Other	778	811	33	4.2%	1,120	38.1%	1,548	38.2%
Total Disbursements (Adjusted)	53,686	66,131	12,445	23.2%	71,781	8.5%	77,128	7.4%
Payment of School Aid Deferral	2,060		(2,060)					
Total Disbursements (Unadjusted)	55,746	66,131	10,385	18.6%	71,781	8.5%	77,128	7.4%
Change in Reserves¹	(917)	(48)			(71)		(25)	
Budget Surplus/(Gap) Estimate Before Actions	(315)	(9,026)			(14,644)		(17,232)	

¹ The State deferred more payments than were needed to carry forward the 2009-10 budget shortfall. This created a temporary increase in the year-end balance in 2009-10. The balance was used when the deferred payments were made in the first quarter of 2010-11.

State Operating Funds Projections

STATE OPERATING FUNDS PROJECTIONS (ADJUSTED)								
(millions of dollars)								
	2010-11	2011-12	Annual \$ Change	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change
Receipts:								
Taxes	60,124	64,163	4,039	6.7%	64,989	1.3%	68,288	5.1%
Personal Income Tax	36,568	39,277	2,709	7.4%	39,287	0.0%	41,504	5.6%
User Taxes and Fees	13,505	14,047	542	4.0%	14,370	2.3%	14,950	4.0%
Business Taxes	7,205	7,945	740	10.3%	8,208	3.3%	8,501	3.6%
Other Taxes	2,846	2,894	48	1.7%	3,124	7.9%	3,333	6.7%
Miscellaneous Receipts/Federal Grants	18,757	18,618	(139)	-0.7%	19,058	2.4%	19,299	1.3%
Total Receipts	78,881	82,781	3,900	4.9%	84,047	1.5%	87,587	4.2%
Disbursements:								
Grants to Local Governments (Adjusted)	53,699	64,475	10,776	20.1%	70,185	8.9%	74,984	6.8%
School Aid (Adjusted)	19,798	22,695	2,897	14.6%	25,300	11.5%	27,823	10.0%
Medicaid (incl. administration)	11,906	17,604	5,698	47.9%	19,553	11.1%	20,882	6.8%
STAR	3,270	3,418	148	4.5%	3,584	4.9%	3,772	5.2%
Higher Education	2,471	2,836	365	14.8%	2,992	5.5%	3,082	3.0%
Other Education Aid	1,506	1,842	336	22.3%	1,923	4.4%	2,011	4.6%
Mental Hygiene	3,454	3,709	255	7.4%	3,968	7.0%	4,274	7.7%
Public Health/Aging/Insurance	2,270	2,418	148	6.5%	2,523	4.3%	2,558	1.4%
Social Services	2,851	3,423	572	20.1%	3,757	9.8%	4,037	7.5%
Local Government Assistance	781	1,070	289	37.0%	1,070	0.0%	1,062	-0.7%
All Other	5,392	5,460	68	1.3%	5,515	1.0%	5,483	-0.6%
State Operations	14,883	16,050	1,167	7.8%	16,012	-0.2%	16,348	2.1%
Personal Service	10,270	11,260	990	9.6%	11,123	-1.2%	11,273	1.3%
Non-Personal Service	4,613	4,790	177	3.8%	4,889	2.1%	5,075	3.8%
General State Charges	5,146	5,749	603	11.7%	6,321	9.9%	6,860	8.5%
Pensions	1,470	1,664	194	13.2%	1,904	14.4%	2,126	11.7%
Health Insurance (Active Employees)	1,838	2,034	196	10.7%	2,244	10.3%	2,470	10.1%
Health Insurance (Retired Employees)	1,223	1,355	132	10.8%	1,493	10.2%	1,643	10.0%
All Other	615	696	81	13.2%	680	-2.3%	621	-8.7%
Debt Service	5,471	6,039	568	10.4%	6,354	5.2%	6,515	2.5%
Capital Projects	2	2	0	0.0%	2	0.0%	2	0.0%
Total Disbursements (Adjusted)	79,201	92,315	13,114	16.6%	98,874	7.1%	104,709	5.9%
Payment of School Aid Deferral	2,060		(2,060)					
Total Disbursements (Unadjusted)	81,261	92,315	11,054	13.6%	98,874	7.1%	104,709	5.9%
Net Other Financing Sources/(Uses)	825	442			710		501	
Net Operating Surplus/(Deficit)¹	(1,555)	(9,092)			(14,117)		(16,621)	

¹ Financed in part with the use of existing fund balances in 2010-11. See Financial Plan Tables.

The annual spending changes are affected by the expiration of Federal stimulus funding for Medicaid, school aid, and other purposes, which is expected to result in approximately \$5.4 billion in costs reverting to the State starting in 2011-12. The following table displays the impact of the direct Federal aid as it applies to major programs (by adjusting the State spending to show the annual spending change excluding the benefit of ARRA), which temporarily lowered State costs. Reported State Operating Funds are increasing by nearly 17 percent in 2011-12. When adjusted to exclude Federal ARRA direct State aid, the annual growth is approximately 9 percent. All amounts are shown on a State fiscal year basis.

STATE OPERATING FUNDS SPENDING PROJECTIONS				
MAJOR PROGRAM AREAS ADJUSTED FOR IMPACT OF ARRA DIRECT FEDERAL AID				
(millions of dollars)				
	<u>2010-11</u>	<u>2011-12</u>	<u>Annual \$ Change</u>	<u>Annual % Change</u>
State Operating Funds (Adjusted):	<u>85,607</u>	<u>93,276</u>	<u>7,669</u>	<u>9.0%</u>
Reported State Operating Funds	79,201	92,315	13,114	16.6%
Federal ARRA	6,406	961	(5,445)	-85.0%
School Aid (Adjusted)	<u>21,129</u>	<u>23,204</u>	<u>2,075</u>	<u>9.8%</u>
Reported School Aid	19,798	22,695	2,897	14.6%
Federal ARRA (State Fiscal Stabilization)	1,331	509	(822)	-61.8%
DOH Medicaid (Adjusted)	<u>15,854</u>	<u>17,957</u>	<u>2,103</u>	<u>13.3%</u>
Reported Medicaid	11,906	17,604	5,698	47.9%
Federal ARRA (Enhanced FMAP)	3,948	353	(3,595)	-91.1%
Higher Education (Adjusted)	<u>2,637</u>	<u>2,836</u>	<u>199</u>	<u>7.5%</u>
Reported Higher Education	2,471	2,836	365	14.8%
Federal ARRA (State Fiscal Stabilization)	166	0	(166)	-100.0%
Other Education Aid (Adjusted)	<u>1,838</u>	<u>1,845</u>	<u>7</u>	<u>0.4%</u>
Reported Other Education Aid	1,506	1,842	336	22.3%
Federal ARRA (State Fiscal Stabilization)	332	3	(329)	-99.1%
Personal Service (Adjusted)	<u>10,899</u>	<u>11,356</u>	<u>457</u>	<u>4.2%</u>
Reported Personal Service	10,270	11,260	990	9.6%
Federal ARRA (Enhanced FMAP - Mental Hygiene)	629	96	(533)	-84.7%

Grants to Local Governments

Medicaid (Department of Health)

The State's share of Medicaid is financed with a combination of General Fund and HCRA resources. Local governments are also required to share in the costs of the program. The Federal government is financing an additional share of Medicaid costs for October 2008 through June 30, 2011, which temporarily lowers the State's costs for the program.

MAJOR SOURCES OF ANNUAL CHANGE IN MEDICAID (DOH ONLY)								
(millions of dollars)								
	<u>2010-11</u>	<u>2011-12</u>	<u>Annual \$ Change</u>	<u>Annual % Change</u>	<u>2012-13</u>	<u>Annual % Change</u>	<u>2013-14</u>	<u>Annual % Change</u>
State Operating Funds (Before FMAP)	<u>15,854</u>	<u>17,957</u>	<u>2,103</u>	<u>13.3%</u>	<u>19,299</u>	<u>7.5%</u>	<u>20,882</u>	<u>8.2%</u>
Enhanced FMAP -- State Share¹	<u>(3,948)</u>	<u>(353)</u>	<u>3,595</u>	<u>-91.1%</u>	<u>254</u>	<u>-172.0%</u>	<u>0</u>	<u>0.0%</u>
State Operating Funds (After FMAP)	<u>11,906</u>	<u>17,604</u>	<u>5,698</u>	<u>47.9%</u>	<u>19,553</u>	<u>11.1%</u>	<u>20,882</u>	<u>6.8%</u>
Other State Funds Support	<u>(4,481)</u>	<u>(4,439)</u>	<u>42</u>	<u>-0.9%</u>	<u>(4,890)</u>	<u>10.2%</u>	<u>(5,006)</u>	<u>2.4%</u>
HCRA Financing	(2,866)	(2,897)	(31)	1.1%	(3,348)	15.6%	(3,464)	3.5%
Provider Assessment Revenue	(745)	(750)	(5)	0.7%	(750)	0.0%	(750)	0.0%
Indigent Care Revenue	(870)	(792)	78	-9.0%	(792)	0.0%	(792)	0.0%
Total General Fund	<u>7,425</u>	<u>13,165</u>	<u>5,740</u>	<u>77.3%</u>	<u>14,663</u>	<u>11.4%</u>	<u>15,876</u>	<u>8.3%</u>

¹ Excludes benefits in other State agencies. Costs in 2012-13 reflect the reconciliation of the local share benefit for 2011-12 that will occur in Fall 2012.

Medicaid growth over the plan period is affected by estimates of increasing Medicaid enrollment, rising costs of provider health care services (particularly in managed care), and higher levels of utilization, as well as the expiration of the temporarily enhanced levels of Federal aid. The number of Medicaid recipients is expected to total 4.9 million at the end of 2010-11, an increase of 5.9 percent from the 2009-10 caseload of 4.5 million.

The expiration of the enhanced FMAP share substantially increases State-funded spending for Medicaid in 2011-12. However, even after adjusting for the impact of enhanced FMAP, State spending for Medicaid is expected to grow significantly over the multi-year Financial Plan, increasing at an average annual rate of 9.6 percent, from \$15.9 billion in 2010-11 to \$20.9 billion in 2013-14. Overall Medicaid growth results, in part, from the takeover of local Medicaid costs under the cap, the combination of projected increases in service utilization, and medical care cost inflation that affects nearly all categories of service (e.g., hospitals, nursing homes), as well as rising enrollment levels.

In addition, the payment of an extra weekly cycle to providers adds an estimated \$400 million in 2011-12.

School Aid

School aid spending includes foundation aid; UPK; and expense-based aids such as building aid, transportation aid, and special education aids. School aid spending is supported by the General Fund, as well as lottery revenues (including VLTs). On a school year basis, school aid is projected to grow at an average annual rate of 10.5 percent, from \$21.2 billion in 2010-11 to \$28.6 billion in 2013-14.

FOUR YEAR SCHOOL AID PROJECTION - SCHOOL YEAR BASIS								
(millions of dollars)								
	2010-11	2011-12	Annual \$ Change	Annual % Change	2012-13	Annual \$ Change	2013-14	Annual \$ Change
Foundation Aid/Academic Achievement Grant	\$14,894	\$16,063	\$1,169	7.8%	\$17,649	\$1,586	\$19,679	\$2,030
Universal Prekindergarten	\$378	\$462	\$84	22.2%	\$564	\$102	\$630	\$66
Expense-Based Aids (Building, Transportation, High Cost and Private Special Education, BOCES)	\$5,914	\$6,340	\$426	7.2%	\$6,800	\$460	\$7,300	\$500
Other Aid Categories/Initiatives	\$807	\$845	\$38	4.7%	\$907	\$62	\$971	\$64
Gap Elimination Adjustment	(\$1,412)	\$0	\$1,412	-100.0%	\$0	\$0	\$0	\$0
Federal Education Jobs Fund	\$607	\$0	(\$607)	-100.0%	\$0	\$0	\$0	\$0
Total School Aid	\$21,188	\$23,710	\$2,522	11.9%	\$25,920	\$2,210	\$28,580	\$2,660

Growth in 2011-12 is primarily due to the elimination of the one-time gap elimination adjustment, increases in expense-based aids and the phase-in of foundation aid over a seven-year period. Growth in 2012-13 and beyond is primarily due to increases in foundation aid and UPK increases in expense-based aids such as building aid and transportation aid.

On a State fiscal-year basis, school aid spending is projected to grow on average \$2.7 billion annually from 2011-12 to 2013-14.

MULTI-YEAR SCHOOL AID FINANCING PROJECTIONS - FISCAL YEAR BASIS (ADJUSTED)								
(millions of dollars)								
	2010-11 ¹	2011-12	Annual \$ Change	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change
General Fund Local Assistance	16,705	19,958	3,253	19.5%	22,405	12.3%	24,859	11.0%
General Fund Lottery Aid Guarantee	83	0	(83)	-100.0%	n/a	n/a	n/a	n/a
Core Lottery Aid	2,085	2,095	10	0.5%	2,102	0.3%	2,109	0.3%
VLT Lottery Aid	925	642	(283)	-30.6%	793	23.5%	855	7.8%
Total State Funds	19,798	22,695	2,897	14.6%	25,300	11.5%	27,823	10.0%

¹Adjusted to exclude the end of 2009-10 fiscal year payment (\$2.06 billion) which was deferred to 2010-11.

Over the multi-year Financial Plan period, revenues available to finance school aid from core lottery sales are expected to increase nominally. Revenues from VLTs in 2010-11 reflect the \$380 million one-time franchise payment received by the State in September 2010 from the sale of VLT development rights at Aqueduct. Revenues from VLTs are expected to grow in future years, augmented by the anticipated opening of a VLT facility at Aqueduct racetrack by October 2011.

Mental Hygiene

Mental hygiene spending (excluding capital and debt service) is projected to grow by approximately \$270 million annually (7 percent), reaching a total of \$4.3 billion in 2013-14. Sources of operating 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 OPWDD NYS-CARES program; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline, as well as additional funds for supported housing beds and associated support services pursuant to a Federal district court decision; and several chemical dependence treatment and prevention initiatives in OASAS, including treatment costs associated with recent reforms to the Rockefeller drug laws.

Social Services

The State share of OCFS spending is expected to grow by approximately \$200 million annually through 2013-14 primarily driven by growth in local claims-based programs. OTADA spending is projected to increase by \$559 million from \$1.2 billion in 2010-11 to \$1.7 billion by 2013-14, due to the anticipated loss of TANF Emergency Contingency Fund grants that were used to support public assistance costs that would otherwise have been paid for with State resources.

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State Operations

STATE OPERATING FUNDS - STATE OPERATIONS (millions of dollars)							
	2010-11	2011-12	Annual \$ Change	2012-13	Annual \$ Change	2013-14	Annual \$ Change
Personal Service	10,270	11,260	990	11,123	(137)	11,273	150
State University	3,148	3,235	87	3,141	(94)	3,167	26
Correctional Services	1,898	1,940	42	1,961	21	1,984	23
Judiciary	1,537	1,651	114	1,694	43	1,750	56
Mental Hygiene	542	989	447	1,062	73	1,078	16
State Police	586	590	4	593	3	596	3
Tax and Finance	331	314	(17)	314	0	317	3
Public Health	251	258	7	264	6	270	6
Children and Family Services	175	170	(5)	174	4	169	(5)
Environmental Conservation	189	168	(21)	169	1	169	0
Legislature	165	168	3	172	4	175	3
Timing of Outstanding Labor Agreements	12	346	334	142	(204)	142	0
All Other	1,436	1,431	(5)	1,437	6	1,456	19
Non-Personal Service	4,613	4,790	177	4,889	99	5,075	186
State University	1,764	1,821	57	1,742	(79)	1,798	56
Correctional Services	515	528	13	560	32	602	42
Judiciary	364	390	26	413	23	439	26
Public Health	237	240	3	246	6	256	10
Mental Hygiene	211	224	13	271	47	279	8
Lottery	144	148	4	147	(1)	150	3
Children and Family Services	102	109	7	113	4	117	4
Tax and Finance	95	94	(1)	94	0	96	2
Debt Service	92	92	0	92	0	92	0
Insurance	72	77	5	78	1	79	1
All Other	1,017	1,067	50	1,133	66	1,167	34

Growth in State Operations spending over the multi-year Updated Financial Plan is concentrated in agencies that operate large facilities, such as SUNY, Corrections, and the mental hygiene agencies, as well as the Judiciary. The main causes of growth include expiration of the enhanced FMAP that lowers State costs for portions of mental hygiene spending, the timing of outstanding labor agreements, inflationary increases in operating costs, and ongoing initiatives, including the civil commitment program for sexual offenders, and medical and pharmacy costs in the areas of mental hygiene and corrections.

Personal Service

Personal service spending includes wages and compensation for overtime, holiday and temporary services. It does not include fringe benefits, which are accounted for under General State Charges. Personal service spending increases reflect the impact of settled labor contracts, salary adjustments for performance advances, longevity payments and promotions. Growth in personal service is affected by the expiration of enhanced FMAP, which temporarily reduced the State-share costs of operating the mental hygiene system; increased spending in SUNY hospitals due to SUNY Downstate Medical Center's acquisition of Long Island College Hospital; the costs of improved care and treatment for inmates with mental illness; and anticipated needs for Office of Court Administration.

Non-Personal Service

Non-personal service spending represents the costs of operations other than employee wages and benefits. It includes utilities, rent, equipment, supplies and materials, telecommunications, information technology, travel, training, medical supplies, prescription drugs, and certain contractual obligations. Spending is expected to grow by an average of 3 percent annually through 2013-14, and is concentrated in agencies that operate large facilities.

Significant cost increases are expected for food, prescription drugs, and energy costs in State facilities (including prisons, youth facilities, and mental hygiene facilities); increased spending in SUNY hospitals due to SUNY Downstate Medical Center's acquisition of Long Island College Hospital; costs for developing the new Statewide Financial System; and targeted initiatives including increasing staff-to-youth ratios and improving mental health services for youth residing in State-operated juvenile justice facilities.

General State Charges

GSCs account for the costs of fringe benefits provided to State employees and retirees of the Executive, Legislative and Judicial branches, as well as for certain fixed costs. GSCs are projected to grow at an average annual rate of 10.1 percent from 2010-11 through 2013-14. The growth is mainly due to anticipated cost increases in pensions and health insurance for active and retired State employees.

The State's 2010-11 ERS pension contribution rate as a percentage of salary is expected to grow from 12.1 percent in 2010-11 to 23.5 percent in 2013-14. The PFRS pension contribution rate is expected to be 18.3 percent in 2010-11, and is projected to grow to 31.4 percent by 2013-14.

The Enacted Budget Financial Plan permits local governments and the State to amortize a portion of their pension costs beginning in 2010-11. Specifically, pension contribution costs in excess of the amortization thresholds, which are 9.5 percent for ERS and 17.5 percent for PFRS in 2010-11, may be amortized. The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization threshold, which may increase or decrease by no more than one percentage point for each year. Repayment of the amortized amounts will be made over a ten-year period at an interest rate to be determined by the State Comptroller. For 2010-11 amortizations, the Comptroller has set the interest rate at 5 percent. For planning purposes, the Financial Plan assumes that the State will amortize pension costs, consistent with the provisions of the authorizing legislation. The amounts assumed to be amortized over the Financial Plan period total \$242 million in 2010-11, \$552 million in 2011-12, \$755 million in 2012-13, and \$1.0 billion in 2013-14.

Beginning in 2011-12, pension costs also include the State's payment for the retirement incentives approved in the fall 2010. The Financial Plan currently assumes an annual State payment of \$70 million, beginning in 2011-12.

Spending for employee and retiree health insurance costs is expected to grow at a consistently high rate through 2013-14, with annual growth reflecting an annual premium increase of approximately 7 percent. See discussion of the GASB Statement 45 later in this AIS Update for the valuation of future State health insurance costs for State employees.

Transfers to Other Funds (General Fund Basis)

General Fund transfers help finance certain capital activities, the State's share of Medicaid costs for State-operated mental hygiene facilities, debt service for bonds that do not have dedicated revenues, and a range of other activities.

A significant portion of the capital and operating expenses of DMV are funded from DHBTF. The Fund receives dedicated tax and fee revenue from the Petroleum Business Tax, the Motor Fuel Tax, the Auto Rental Tax, highway use taxes, transmission taxes and motor vehicle fees administered by DMV. The Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the fund – capital and operating expenses of DOT and DMV, debt service on DHBTF bonds and transfers for debt service on bonds that fund CHIPs and local transportation programs – exceed current and projected revenue deposits and bond proceeds.

OUTYEAR DISBURSEMENT PROJECTIONS - GENERAL FUND TRANSFERS TO OTHER FUNDS							
(millions of dollars)							
	2010-11	2011-12	Annual \$ Change	2012-13	Annual \$ Change	2013-14	Annual \$ Change
Transfers to Other Funds:	5,741	6,787	1,046	7,297	510	7,769	472
Medicaid State Share	2,435	3,013	578	3,110	97	3,073	(37)
Debt Service	1,650	1,766	116	1,757	(9)	1,686	(71)
Capital Projects	878	1,197	319	1,310	113	1,462	152
Dedicated Highway and Bridge Trust Fund	578	637	59	710	73	779	69
All Other Capital	300	560	260	600	40	683	83
All Other Transfers	778	811	33	1,120	309	1,548	428
Mental Hygiene	0	102	102	394	292	810	416
Medicaid Payments for State Facility Patients	216	216	0	216	0	216	0
Education - Lottery	83	0	(83)	0	0	0	0
Judiciary Funds	153	156	3	157	1	163	6
Banking Services	66	66	0	66	0	66	0
Indigent Legal Services	40	40	0	40	0	40	0
SUNY- Hospital Operations	33	0	(33)	0	0	0	0
Department of Transportation (MTA Tax)	24	25	1	25	0	25	0
Alcoholic Beverage Control	18	18	0	19	1	21	2
Mass Transportation Operating Assistance	19	19	0	19	0	19	0
Public Trans Systems	19	19	0	19	0	19	0
Correctional Industries	14	14	0	14	0	14	0
DCJS - Crimes Against Revenues Account	10	16	6	16	0	16	0
Statewide Financial System	9	45	36	55	10	60	5
All Other	74	75	1	80	5	78	(2)

Transfers to other funds are expected to total \$6.8 billion in 2011-12, an annual increase of over \$1 billion, or 18.2 percent. This increase is mainly due to higher costs related to the State share of Medicaid costs for mental hygiene services, capital projects and debt service.

Support for capital projects is expected to increase by over 35 percent in 2011-12 mainly for economic development projects, statewide technology initiatives, and capital project activity for SUNY, CUNY and Corrections.

Increases in all other transfers reflect the need to supplement resources available for the mental hygiene system and to fund the development of the State's new financial management system.

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Debt Service

The following tables summarize State debt levels and debt service spending. The changes since the AIS in debt outstanding, debt issuances, and debt service costs detailed below include accelerated bonding in 2010-11 for AMD, the Aqueduct VLT facility, mental health facilities, and SUNY Dormitories, as offset by reductions in bonding for transportation purposes, as well as other education and economic development activities.

Also reflected in the estimates below is \$143 million in 2010-11 debt service savings, of which \$112 million has been achieved. This primarily results from bond refinancings, the use of Build America Bonds (BABs, as authorized by the Federal Government under ARRA), the termination of excluded agreement swaps, and other reestimates.

Projected Debt Outstanding (millions of dollars)					
	2010-11	2011-12	2012-13	2013-14	2014-15
Enacted Budget State-Related Debt Outstanding	56,877	58,413	58,751	58,487	58,102
Global Foundries	128	(4)	(5)	(5)	(6)
Aqueduct VLT Facility	128	(10)	(11)	(12)	(13)
Mental Health Facilities	40	(53)	(52)	(51)	(51)
SUNY Dorms	51	52	52	28	(50)
Education	(242)	(209)	(168)	(101)	(74)
Economic Development & Housing	(144)	(171)	(98)	(103)	(110)
Transportation	(103)	(83)	(57)	(33)	(10)
All Other	(105)	(81)	(76)	(74)	(71)
Subtotal	(248)	(558)	(415)	(351)	(384)
Mid-Year Update State-Related Debt Outstanding	56,629	57,855	58,336	58,136	57,719

Projected Debt Issuances (millions of dollars)					
	2010-11	2011-12	2012-13	2013-14	2014-15
Enacted Budget State-Related Debt Issuances	5,365	5,368	4,372	3,899	3,794
Global Foundries	128	(128)	0	0	0
Aqueduct VLT Facility	128	(128)	0	0	0
Mental Health Facilities	42	(92)	0	0	0
SUNY Dorms	51	0	0	(22)	(77)
Education	(209)	20	26	41	31
Economic Development & Housing	(131)	(26)	73	0	0
Transportation	(103)	20	23	21	21
All Other	(57)	12	(6)	(12)	(15)
Subtotal	(152)	(321)	115	28	(40)
Mid-Year Update State-Related Debt Issuances	5,213	5,048	4,487	3,927	3,754

Projected Debt Service (millions of dollars)					
	2010-11	2011-12	2012-13	2013-14	2014-15
Enacted Budget State-Related Debt Service	6,051	6,627	6,949	7,095	7,093
Global Foundries	0	11	(2)	(1)	(1)
Aqueduct VLT Facility	2	14	(1)	(1)	(1)
Mental Health Facilities	2	(1)	(5)	(5)	(5)
SUNY Dorms	(2)	(4)	(0)	3	0
Education	(50)	(20)	(18)	(13)	(11)
Economic Development & Housing	17	(14)	(13)	(2)	(0)
Transportation	(9)	(8)	(6)	(4)	(2)
All Other	(4)	26	41	34	30
Subtotal	(45)	4	(3)	11	10
Mid-Year Update State-Related Debt Service	6,006	6,631	6,946	7,106	7,103

Statutory Debt Limitations

Debt Reform Act

The Debt Reform Act of 2000 imposed statutory limitations which restricted the issuance of State-supported debt to capital purposes and established a maximum term of 30 years for such debt. The statute also imposed phased-in caps that will ultimately limit the amount of new State-supported debt to 4 percent of State personal income, and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued on and after April 1, 2000. The cap on debt outstanding is fully phased-in during 2010-11, while the cap on debt service costs is expected to be fully phased-in during 2013-14.

The statute requires that the limitations on the amount of State-supported debt and debt service costs be calculated by October 31 of each year and reported in the October Update to the State's Financial Plan and are set forth below. If the actual amount of new State-supported debt outstanding and debt service costs for the prior fiscal year (2009-10) are below the caps at this time, State-supported debt may continue to be issued. However, if either the debt outstanding or the debt service cap is met or exceeded, the State would be precluded from issuing new State-supported debt until the next annual cap calculation is made and debt is found to be within the applicable limitations.

For the 2009-10 fiscal year, the cumulative debt outstanding and debt service caps are 3.98 percent each. As shown in the table below, the actual levels of debt outstanding and debt service costs continue to remain below the statutory caps. From April 1, 2000 through March 31, 2010 the State issued new debt resulting in \$29.9 billion of debt outstanding applicable to the debt reform cap. This is approximately \$6.3 billion below the statutory debt outstanding limitation. In addition, the debt service costs on this new debt totaled \$2.4 billion in 2009-10 – or roughly \$2.7 billion below the statutory debt service limitation.

Debt Outstanding Cap (millions of dollars)	
New Debt Outstanding	\$29,883
Personal Income (Current Year 2009)	\$907,886
Debt Outstanding (Percent of Per. Income)	3.29%
Cap Imposed by Debt Reform Act	3.98%

Debt Service Cap (millions of dollars)	
New Debt Service	\$2,359
Governmental Funds Receipts	\$126,748
Debt Service (Percent of Gov't'l Fund Receipts)	1.86%
Cap Imposed by Debt Reform Act	3.98%

Current projections estimate that debt outstanding and debt service costs will continue to remain below the limits imposed by the Act throughout the next several years. However, the State is continuing through a period of declining debt capacity. In part, declines in debt capacity are a product of reduced forecasts for personal income levels resulting from ongoing recessionary factors. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from \$4.2 billion in 2010-11 to only \$1.8 billion in 2012-13. Measures to further adjust capital spending and debt financing practices are expected to be taken as needed to stay within the statutory limitations.

Debt Outstanding Cap (millions of dollars)					
Year	Personal Income	Cap %	Actual/ Recommended %	\$ (Above)/Below	% (Above)/Below
2009-10 (Actual)	907,886	3.98%	3.29%	6,281	0.69%
2010-11 (Projected)	947,668	4.00%	3.56%	4,211	0.44%
2011-12 (Projected)	978,786	4.00%	3.77%	2,216	0.23%
2012-13 (Projected)	1,032,088	4.00%	3.82%	1,828	0.18%
2013-14 (Projected)	1,086,571	4.00%	3.80%	2,158	0.20%
2014-15 (Projected)	1,144,585	4.00%	3.75%	2,826	0.25%

Debt Service Cap (millions of dollars)					
Year	All Funds Receipts	Cap %	Actual/ Recommended %	\$ (Above)/Below	% (Above)/Below
2009-10 (Actual)	126,748	3.98%	1.86%	2,689	2.12%
2010-11 (Projected)	135,235	4.32%	2.31%	2,707	2.00%
2011-12 (Projected)	134,666	4.65%	2.64%	2,710	2.01%
2012-13 (Projected)	133,390	4.98%	2.94%	2,723	2.04%
2013-14 (Projected)	139,792	5.00%	3.02%	2,767	1.98%
2014-15 (Projected)	142,873	5.00%	3.06%	2,768	1.94%

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Year-to-Date Operating Results

General Fund

Through September 30, 2010, General Fund receipts, including transfers from other funds, totaled \$25.5 billion, \$485 million below the estimate in the Enacted Budget Financial Plan. General Fund disbursements, including transfers to other funds, totaled \$25.4 billion, \$390 million below the Enacted Budget Financial Plan. The General Fund ended September 2010 with a closing balance of \$2.4 billion, \$95 million lower than planned. Based in part on the operating results to date, DOB has revised the annual estimates for receipts and disbursements in this Updated Financial Plan. The following table compares planned and actual results through September 30, 2010.

GENERAL FUND RESULTS: APRIL to SEPTEMBER 2010 (millions of dollars)				
	<u>Enacted Budget</u>	<u>Results</u>	<u>Favorable/ (Unfavorable) vs. Plan</u>	<u>Increase/ (Decrease) from Prior Year</u>
Opening Balance (April 1, 2010)	2,302	2,302	0	354
<u>Receipts</u>	26,004	25,519	(485)	319
Personal Income Tax*	15,685	15,555	(130)	670
User Taxes and Fees*	5,747	5,543	(204)	277
Business Taxes	2,312	2,069	(243)	(324)
Other Taxes*	762	829	67	252
Non-Tax Revenue	1,498	1,523	25	(556)
<u>Disbursements</u>	25,830	25,440	390	724
School Aid	8,725	8,609	116	1,451
Medicaid (including admin)	3,768	3,881	(113)	461
Children and Family Services	756	452	304	(267)
All Other Education	586	684	(98)	73
All Other Local	3,642	3,513	129	(718)
Personal Service	3,394	3,355	39	(154)
Non-Personal Service	941	928	13	(130)
General State Charges	1,372	1,395	(23)	(6)
Transfers To Other Funds	2,646	2,623	23	14
Change in Operations	174	79	(95)	(405)
Closing Balance (September 30, 2010)	2,476	2,381	(95)	(51)

* Includes transfers from other funds after debt service.

Through September 2010, General Fund tax receipts, including transfers after debt service, were \$510 million below the Enacted Budget Financial Plan estimate. Collections for all three major tax categories, personal income taxes, user taxes, and business taxes, fell below expectations. The personal income tax and user tax results are expected to result in lower annual collections. Collections for business taxes to date have been adversely affected by the timing of audits. Business tax collections are expected to recover over the remaining months of the fiscal year. Receipts from non-tax sources, including legal recoveries, exceeded planned levels.

Actual disbursements were \$390 million below planned levels through September 2010. The variance to date reflects, in part, slower than anticipated processing of payments following enactment of the budget for 2010-11 and implementation of the FMAP contingency plan. The annual estimate for disbursements has been revised upward based on trends in Medicaid and State Operations.

- Medicaid spending continues to exceed planned levels in nearly all categories of service, and enrollment in the program is growing even faster than expected. DOB has increased the annual estimate for Medicaid spending based in part on operating results to date.
- All other education spending to date has been affected by the processing of special education claims by SED. Claims for the year are still expected to remain within budgeted levels.
- Children and Families spending has been lower to date due to a combination of processing delays and claiming patterns. The annual spending estimate has been lowered.
- Lower school aid spending reflects, in part, the impact of FMAP contingency reductions on disbursements.
- State Operations spending is exceeding planned levels through the second quarter. Constraints affecting implementation of statewide agency reductions are expected to result in higher personal service costs in 2010-11 than previously anticipated.
- Other spending has been affected by the FMAP contingency reductions, payment processing, and other factors that are not expected to materially affect annual estimates.

General Fund Annual Change (Through September)

Receipts through September 2010 were \$319 million, or 1.3 percent, higher than the same period in 2009 largely due to the increased collections in the personal income tax (\$670 million), user taxes and fees (\$277 million), and other taxes (\$252 million). Business tax collections fell \$324 million, largely the result of 2009 legislation which increased the March 2010 prepayment from 30 percent to 40 percent of liability; non-tax receipts are down \$556 million primarily due to the timing of 18-A assessment payments.

Disbursements through September 2010 were \$724 million, or 3.0 percent higher than for the same period in 2009. Growth is primarily due to the payment of the \$2.06 billion end-of-school year payment in June 2010 instead of March 2010. Other sources of annual growth were driven by an additional Medicaid cycle through September 2010 compared to the same period in the prior year, and the timing of Medicaid offsets from HCRA during this period (\$252 million). These increases are partially offset by lower spending in most areas of the budget.

All Governmental Funds Operating Results

SPENDING RESULTS: APRIL to SEPTEMBER 2010 (millions of dollars)				
	Enacted Budget	Results	Favorable/ (Unfavorable) vs. Plan	Increase/ (Decrease) from Prior Year
State Operating Funds	36,929	36,721	208	820
General Fund (excl. transfers)	23,184	22,817	367	710
Other State Funds	11,491	11,676	(185)	(136)
Debt Service Funds	2,254	2,228	26	246
All Governmental Funds	63,544	63,424	120	3,790
State Operating Funds	36,929	36,721	208	820
Capital Projects Funds	3,651	3,611	40	225
Federal Operating Funds	22,964	23,091	(127)	2,742

State Operating Funds disbursements were \$208 million below the Enacted Budget Financial Plan forecast and include the General Fund variances described above. The higher spending in other State funds is largely driven by earlier than expected payments related to industry assessments (\$166 million).

Capital Projects spending was below the Enacted Budget Financial Plan estimates primarily due to slower than anticipated spending on economic development projects (\$69 million), Higher Education (\$60 million), and Transportation (\$25 million).

Federal Operating Funds spending exceeded projections due to timing-related variances in social service, mental hygiene and education.

Economic Outlook

The National Economy

The slowdown anticipated in DOB's Enacted Budget Financial Plan forecast appears to be extending well into the fourth quarter of 2010. With a labor market recovery just getting underway, a shock emanating from euro-zone sovereign debt markets caused the nation's already fragile credit markets to tighten further, all against a backdrop of ongoing household deleveraging. Equity market prices, as represented by the S&P 500, fell 16 percent between late April and early July and virtually stagnated for the remainder of the summer. Whether acting as a bellwether for the condition of the real economy or operating via a negative wealth effect, the equity market decline coincided with a deceleration in both household spending and labor market growth. Real U.S. GDP growth fell from 3.7 percent in the first quarter of 2010 to 1.7 percent in the second quarter, and is estimated to remain there for the entire second half of the year. The national economy, as measured by real U.S. GDP, is now projected to grow 2.6 percent in 2010, followed by downwardly revised growth of 2.6 percent for 2011.

As distance from the expiration of the Federal homebuyers' credit increases, the residential housing market's intrinsic weakness has become increasingly apparent. DOB now expects a double-digit decline in residential fixed investment for the third quarter and a further decline in the fourth quarter, rather than the modest growth anticipated in August. Moreover, after a brief rally in the spring before the expiration of the credit, home prices have weakened again, though they remain slightly above their year-ago levels. Consequently, DOB has lowered its projection for private residential fixed investment to a decline of 2.4 percent for 2010, followed by growth of 4.1 percent for 2011.

The housing market's persistent weakness represents yet another temporary setback for the nation's labor market, depressing not only the demand for construction workers and building supplies, but also the demand for home appliances and other consumer durables. The softening of aggregate demand during the late spring and summer as the housing market cooled and equity markets languished coincided with a downshift in net private sector job growth, which averaged only 77,000 over the five months from May through September; this was down from an average of 200,000 for the prior two months.

An examination of the recent data provides little indication that a substantial ramp-up in hiring is imminent. Weekly initial claims for unemployment insurance benefits have remained stubbornly near or above 450,000 since the beginning of the year, although Census worker layoffs and the Federal extended benefits program may be distorting this series' value as a leading signal. Additional indicators such as growth in average workweek length and the hiring of temporary workers produce very little evidence of accelerating job growth. Therefore, DOB has revised down its near-term labor market outlook, with monthly job gains not expected to return to 200,000 until the middle of 2011, coinciding with a strengthening of domestic demand. An employment decline of 0.6 percent on an annual average basis is now projected for 2010, followed by growth of 1.1 percent for 2011. The unemployment rate projection for 2011 has been revised up to 9.4 percent, but remains unchanged at 9.7 percent for 2010.



Note: Shaded areas represent U.S. recessions.
Source: Moody's Economy.com; DOB staff estimates.

U.S. corporate profits experienced strong quarterly growth in 2009 and the first quarter of 2010, led largely by financial corporations. Though financial sector profits fell substantially in the second quarter, and likely fell again in the third, corporate profits overall were stronger than anticipated in the second quarter, led by nonfinancial corporations. Although domestic demand has been generally weak, U.S. nonfinancial firms exporting to emerging markets, particularly in Asia and Latin America, have experienced strong earnings growth, which combined with weak hiring domestically, has buttressed profits. U.S. corporate profits, including the inventory valuation and capital consumption adjustments are now projected to rise a strong 27.9 percent in 2010, followed by 5.8 percent growth for 2011. After a strong September and October, equity markets are expected to resume a slow but steady recovery from the spring's tumult. The resulting boost to both household financial wealth and the confidence that the recovery is back on track should help buttress household spending going forward.

The weaker outlook for employment, combined with downward revisions to wages and some of the other components of personal income, have resulted in a weaker outlook for income growth. U.S. personal income growth of 3.1 percent is now projected for 2010, followed by growth of 3.3 percent for 2011. With the weak pace of the recovery continuing to keep price growth outside of the volatile food and energy sectors at bay, the Federal Reserve is almost certain to embark upon a further round of quantitative easing following the early November meeting of Federal Open Market Committee. This action is expected to keep long-term interest rates low for the near-term. Although record low mortgage rates have failed to spur home sales, they do appear to have generated a strong wave of refinancings as homeowners strive to reduce their debt loads. That relief is also expected to support stronger consumption growth going forward, with real quarterly consumption growth expected to exceed 3 percent for most of 2011. The central bank's interest rate policy target is like to remain between zero and 0.25 percent until the third quarter of 2011.

While the current outlook calls for continued weak growth for the remainder of 2010, support from continued low interest rates, a gradually rising stock market, and continued global growth should bolster consumer spending going into 2011. Healthy corporate earnings, particularly for export oriented firms are expected to return equity markets to a modestly upward path, accompanied by slow but steady employment and income growth. However, there are significant risks to this forecast. Although credit markets have improved substantially since a year ago, households and small businesses continue to have difficulty borrowing and credit continues to contract. The banking system remains fragile and vulnerable to negative shocks. If the labor market recovery should stumble further, household spending growth could be even lower than projected. Although the recent weakening of the U.S. dollar should support continued growth in U.S. exports, threats of currency wars add to global instability. A portion of Federal stimulus spending remains in the pipeline and has supported some job creation in the nonresidential construction sector. But if Federal support for the economy should cease before the private sector has gathered sufficient strength, already struggling state and local governments would have to tighten their belts yet more.

U.S. ECONOMIC INDICATORS			
(Percent change from prior calendar year)			
	2009	2010	2011
	<u>(Actual)</u>	<u>(Forecast)</u>	<u>(Forecast)</u>
Real U.S. Gross Domestic Product	(2.6)	2.6	2.6
Consumer Price Index (CPI)	(0.3)	1.6	1.5
Personal Income	(1.7)	3.1	3.3
Nonagricultural Employment	(4.3)	(0.6)	1.1

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

New York State Economy

The New York State economy appears to have emerged from recession during the first quarter of 2010, and like the nation, experienced a solid first quarter. Strong finance and insurance sector profits for 2009 resulted in a pick-up in securities industry bonuses in the first quarter, with some spillover into the second quarter as well. However, as anticipated in the Enacted Budget forecast, the State was not immune from the loss of momentum that plagued the nation during the spring and summer. The State Labor Department estimates that private sector employment fell during three of the five months from May through September 2010. Since these losses were in line with expectations, DOB's forecast for a decline in State employment of 0.3 percent for 2010 remains virtually unchanged. Growth for 2011 has been revised down slightly to 0.8 percent. Private sector jobs are projected to fall 0.4 percent for 2010 and grow 1.2 percent in 2011, again virtually unchanged from the Enacted Budget forecast. With financial markets taking longer to recover from the spring and summer's volatility than anticipated, DOB has revised down its forecast for State wage growth to 4.5 percent for 2010 and 2.9 percent for 2011.

Under current law, the Federal income tax cuts implemented in 2001 and 2003 are scheduled to expire on December 31, 2010, at which point ordinary income tax rates and the rate on capital gains realizations are slated to rise, and dividend income is to return to being taxed as ordinary income. DOB's forecast is predicated on the assumption that high-income taxpayers will behave strategically and shift bonus, dividend, and capital gains realizations income into 2010 to take advantage of the lower rates. That behavior is estimated to result in a significant increase in taxable income for the current tax year.

Consequently, the possibility that the Congress may decide to extend the lower rates represents a risk to the forecast. For example, if marginal tax rates on ordinary income remain constant, and no shifting of bonus income occurs, then New York State wages are projected to rise only 3.6 percent in 2010 and 4.8 percent in 2011.

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, credit and equity market volatility pose a particularly large degree of uncertainty for New York. The impact of the Federal financial reform package on the profitability of the State's finance industry is as yet unknown and consequently represents a major risk to DOB's forecast for bonuses and income going forward. Lower bonuses than projected reduce a major segment of income subject to tax as well as cut the level of economic activity generated by the spending of those wages. Similarly, should equity markets fail to grow as anticipated, both financial sector income and taxable capital gains realizations could be negatively affected. These effects would ripple through the State economy, depressing both employment and wage growth. An even weaker labor market than projected could also result in lower wages, which in turn could result in weaker household consumption. In contrast, stronger national and world economic growth, or a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities, could result in higher wage and bonuses growth than projected.

NEW YORK STATE ECONOMIC INDICATORS (Percent change from prior calendar year)			
	2009 (Actual)	2010 (Forecast)	2011 (Forecast)
Personal Income	(3.1)	4.4	3.3
Wages	(7.2)	4.5	2.9
Nonagricultural Employment	(2.9)	(0.3)	0.8

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

All Funds Receipts Projections

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

2010-11 All Funds Receipts Overview

TOTAL RECEIPTS (millions of dollars)				
	2009-10 Actual	2010-11 Mid-Year Update	Annual \$ Change	Annual % Change
General Fund	52,556	54,513	1,957	3.7%
State Funds	81,141	84,609	3,468	4.3%
All Funds	126,748	135,236	8,488	6.7%

All Funds receipts are projected to total \$135.2 billion for 2010-11, comprising tax receipts (\$61.4 billion), Federal grants (\$50.6 billion) and miscellaneous receipts (\$23.2 billion). The following table summarizes the actual receipts for 2009-10 and the updated projections for 2010-11 and 2011-12.

TOTAL RECEIPTS (millions of dollars)							
	2009-10	2010-11	Annual \$	Annual %	2011-12	Annual \$	Annual %
	Actual	Estimated	Change	Change	Projected	Change	Change
General Fund	52,556	54,513	1,957	3.7%	57,056	2,543	4.7%
Taxes	36,997	39,699	2,702	7.3%	42,515	2,816	7.1%
Miscellaneous Receipts	3,888	2,861	(1,027)	-26.4%	2,821	(40)	-1.4%
Federal Grants	71	60	(11)	-15.5%	60	0	0.0%
Transfers	11,600	11,893	293	2.5%	11,660	(233)	-2.0%
State Funds	81,141	84,609	3,468	4.3%	88,387	3,778	4.5%
Taxes	57,668	61,453	3,785	6.6%	65,516	4,063	6.6%
Miscellaneous Receipts	23,389	23,031	(358)	-1.5%	22,734	(297)	-1.3%
Federal Grants	84	125	41	48.8%	137	12	9.6%
All Funds	126,748	135,236	8,488	6.7%	134,667	(569)	-0.4%
Taxes	57,668	61,453	3,785	6.6%	65,516	4,063	6.6%
Miscellaneous Receipts	23,557	23,218	(339)	-1.4%	22,871	(347)	-1.5%
Federal Grants	45,523	50,565	5,042	11.1%	46,280	(4,285)	-8.5%

The total All Funds receipts estimate of \$135.2 billion represents an increase of nearly \$8.5 billion (6.7 percent) above 2009-10 results. This growth is comprised of increases in Federal grants of \$5.0 billion (11.1 percent) and taxes of nearly \$3.8 billion (6.6 percent), which is slightly offset by decreases in miscellaneous receipts of \$339 million (1.4 percent).

Total State Funds receipts are estimated at \$84.6 billion, an expected increase of \$3.5 billion (4.3 percent) from 2009-10 actual results. State Funds taxes are estimated to increase by nearly \$3.8 billion (6.6 percent).

Total General Fund receipts, including transfers, are estimated at nearly \$54.5 billion, an increase of nearly \$2.0 billion (3.7 percent) from 2009-10 results. The annual increase in General Fund tax receipts is estimated at 7.3 percent. General Fund miscellaneous receipts are estimated to decrease by 26.4 percent from 2009-10 results, primarily due to the loss of one-time revenues such as payments from the Power Authority of the State of New York ("PASNY"), and the timing of payments from public utility companies made pursuant to § 18a of the Public Service Law.

After controlling for the impact of Tax Law changes, base tax revenue is estimated to increase by 2.3 percent for fiscal year 2010-11.

Fiscal Year 2011-12 Overview

Total All Funds receipts are expected to reach nearly \$134.7 billion, a decrease of \$569 million (0.4 percent) from 2010-11 estimated receipts. All Funds tax receipts are projected to increase by nearly \$4.1 billion (6.6 percent). All Funds Federal grants are expected to decrease by nearly \$4.3 billion (8.5 percent). All Funds miscellaneous receipts are projected to decrease by \$347 million (1.5 percent) over the prior year.

Total State Funds receipts are projected to be nearly \$88.4 billion, an increase of close to \$3.8 billion (4.5 percent) from 2010-11 estimated receipts.

Total General Fund receipts (including transfers from other funds) are projected to be nearly \$57.1 billion, an increase of over \$2.5 billion (4.7 percent) from 2010-11 estimated receipts. General Fund tax receipts are projected to increase by 7.1 percent from 2010-11 estimates, and General Fund miscellaneous receipts are projected to decrease by 1.4 percent.

After controlling for the impact of policy changes, base tax revenue is expected to grow by 8.1 percent for fiscal year 2011-12.

Change from Enacted Budget Financial Plan

CHANGE FROM ENACTED BUDGET FORECAST (millions of dollars)								
	2010-11				2011-12			
	Enacted Budget	Mid-Year Update	\$ Change	% Change	Enacted Budget	Mid-Year Update	\$ Change	% Change
General Fund¹	42,887	42,620	(267)	-0.6%	45,483	45,396	(87)	-0.2%
Taxes	39,931	39,699	(232)	-0.6%	42,564	42,515	(49)	-0.1%
Miscellaneous Receipts	2,896	2,861	(35)	-1.2%	2,859	2,821	(38)	-1.3%
Federal Grants	60	60	0	0.0%	60	60	0	0.0%
State Funds	84,783	84,609	(174)	-0.2%	88,784	88,387	(397)	-0.4%
Taxes	61,796	61,453	(343)	-0.6%	65,573	65,516	(57)	-0.1%
Miscellaneous Receipts	22,870	23,031	161	0.7%	23,091	22,734	(357)	-1.5%
Federal Grants	117	125	8	6.8%	120	137	17	14.2%
All Funds	134,296	135,236	940	0.7%	133,706	134,667	961	0.7%
Taxes	61,796	61,453	(343)	-0.6%	65,573	65,516	(57)	-0.1%
Miscellaneous Receipts	23,014	23,218	204	0.9%	23,229	22,871	(358)	-1.5%
Federal Grants	49,486	50,565	1,079	2.2%	44,904	46,280	1,376	3.1%

¹ Excludes Transfers

All Funds receipts estimates for the current fiscal year have been revised upward slightly from the Enacted Budget Financial Plan. Current year All Funds tax receipt estimates have been lowered by \$343 million since the Enacted Budget Financial Plan due to reductions in personal income and user taxes partially offset by increases in business and other taxes. The decrease in personal income and user taxes represent lower expected estimated payments and consumer spending, respectively, than previously anticipated. The increase in business and other taxes is the result of better than expected estimated payments from banks, and real estate sector performance, respectively. Miscellaneous receipts have been revised upward by \$204 million, while Federal grants have been revised up by nearly \$1.1 billion.

General Fund receipts for fiscal year 2010-11 have been revised down by \$267 million from the Enacted Budget Financial Plan, reflecting a \$232 million reduction in taxes and a \$35 million reduction in miscellaneous receipts.

Multi-Year Receipts

TOTAL RECEIPTS (millions of dollars)							
	2010-11 Estimated	2011-12 Projected	Annual \$ Change	2012-13 Projected	Annual \$ Change	2013-14 Projected	Annual \$ Change
General Fund	54,513	57,056	2,543	57,066	10	59,871	2,805
Taxes	39,699	42,515	2,816	42,823	308	45,022	2,199
State Funds	84,609	88,387	3,778	89,023	636	92,451	3,428
Taxes	61,453	65,516	4,063	66,354	838	69,654	3,300
All Funds	135,236	134,667	(569)	133,391	(1,276)	139,790	6,399
Taxes	61,453	65,516	4,063	66,354	838	69,654	3,300

The economic forecast calls for a gradual acceleration of the recovery in employment and wages that commenced earlier in the current fiscal year. This increases the economic base on which the outyear revenue forecast is built. Overall, receipts growth in the three fiscal years following 2011-12 is expected to grow consistently with the projected moderate growth in both the U.S. and New York economies.

All Funds tax receipts in 2012-13 are projected to reach nearly \$66.4 billion, an increase of \$838 million (1.3 percent) from 2011-12. All Funds tax receipts in 2013-14 are expected to increase by \$3.3 billion (5.0 percent) over the prior year. General Fund tax receipts are projected to reach \$42.8 billion in 2012-13 and \$45.0 billion in 2013-14.

Revenue Risks

- DOB's forecast calls for the continuation of New York's economic recovery. Should the speed or magnitude of this recovery be inconsistent with the current forecast, revenue collections could be affected.
- Although real estate transfer tax receipts outperformed the year-to-date Enacted Budget Financial Plan estimate, recent disclosures concerning foreclosure practices by certain banks and stricter lending policies provide risk to the estimate.
- Personal income tax estimated payments grew 9.2 percent during the first half of 2010-11 from the same period one year ago, but fell \$100 million short of the Enacted Budget Financial Plan for this period. This represents a risk for the remainder of the fiscal year as a significant portion of estimated payments is due during December and January.
- Personal income tax receipts will be affected by how employers and high-income taxpayers respond to the scheduled expiration of lower Federal tax rates on high incomes, capital gains, and dividends at the end of tax year 2010.
- New York's statute to enforce the cigarette tax on Native American sales to non-tribal members is now in litigation in Federal court, preventing the State from collecting the tax. Absent a favorable decision, \$130 million in annual outyear collections are at risk.
- A disproportionately large share of audit and compliance receipts is expected during the second half of the current fiscal year. This represents a risk to the Updated Financial Plan during this period.

GAAP-Basis Financial Plans/GASB Statement 45

The State Budget is required to be balanced on a cash basis, which is DOB's primary focus in preparing and implementing the State Financial Plan. State Finance Law also requires the Financial Plan be presented for informational purposes on a GAAP basis. The pro forma GAAP-basis plans model, to the extent practicable, the accounting principles applied by OSC in preparation of the annual Financial Statements. Tables comparing the cash basis and GAAP basis General Fund Financial Plans are provided later in this AIS Update.

In 2010-11, the General Fund GAAP Financial Plan shows total revenues of \$46.2 billion, total expenditures of \$55.8 billion, and net other financing sources of \$9.5 billion, resulting in an operating deficit of \$80 million, which increases the projected accumulated deficit to \$3.6 billion. These results reflect the net impact of the Enacted Budget Financial Plan gap-closing actions, and the carry-forward of the cash shortfall into 2010-11.

Other Post-Employment Benefits

Substantially all of the State's employees may become eligible for post retirement benefits if they reach retirement while working for the State. In accordance with GASB Statement 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in note 13 of the Basic Financial Statements for fiscal year 2009-10, the annual required contribution ("ARC") represents the annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded liabilities of the plan over a period not to exceed thirty years. Amounts required but not actually set aside to pay for these benefits are accumulated with interest as part of the net OPEB obligation, after adjusting for amounts previously required.

As reported in the State's Basic Financial Statements for 2009-10, an actuarial valuation of OPEB liabilities was performed as of April 1, 2008 with results projected to April 1, 2009 for the fiscal year ended March 31, 2010. The valuation calculated the present value of the actuarial accrued total liability for benefits as of March 31, 2010 at \$55.9 billion (\$46.3 billion for the State and \$9.6 billion for SUNY), determined using the Frozen Entry Age actuarial cost method, and is amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

The net OPEB liability for 2009-10 totaled \$3.3 billion (\$2.7 billion for the State and \$0.6 billion for SUNY) under the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. This was \$2.1 billion (\$1.7 billion for the State and \$0.4 billion for SUNY) above the payments for retiree costs made by the State in 2009-10. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASBS 45 reduced the State's currently positive net asset condition at the end of 2009-10 by \$2.1 billion.

The State's actuarial consultant has provided an updated calculation of the ARC and annual OPEB costs. The updated calculation will ultimately be reflected in the financial statements for the State and SUNY for fiscal year 2010-11. The updated calculation shows the present value of the actuarial accrued total liability for benefits at \$60.2 billion (\$50.1 billion for the State and \$10.1 billion for SUNY).

GASB does not require the additional costs to be funded on the State's budgetary basis, and no funding is assumed for this purpose in the Updated 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. The following table summarizes the actual and budgeted payments for health insurance in the Updated Financial Plan.

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)	1,639	1,068	2,707
2009-10 (Actual)	1,609	1,072	2,681
2010-11 (Projected)	1,838	1,223	3,061
2011-12 (Projected)	2,034	1,355	3,389
2012-13 (Projected)	2,244	1,493	3,737
2013-14 (Projected)	2,470	1,643	4,113

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

DOB's detailed GAAP Financial Plans for 2010-11 through 2013-14 are provided in the Financial Plan tables at the end of this Update.

As noted, there is no provision in the Updated 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 conditions.

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Special Considerations

The Updated Financial Plan forecast is subject to many complex economic, social, financial, and political risks and uncertainties, many of which are outside the ability of the State to control. DOB believes that the projections of receipts and disbursements in the Financial Plan are based on reasonable assumptions, but there can be no assurance that actual results will not differ materially and adversely from the Updated Financial Plan projections. In recent fiscal years, actual receipts collections have fallen substantially below the levels forecast in the Financial Plan. In response, the State has, among other things, made substantial reductions in planned spending. In 2009-10, the Enacted Budget Financial Plan authorized over \$6 billion in reductions from planned spending. In 2010-11, the Enacted Budget Financial Plan includes over \$6.3 billion in reductions from planned spending. In addition, the State has imposed substantial reductions in planned spending by State agencies during each of the last three fiscal years. However, large budget gaps are still projected for future years.

The Updated Financial Plan is based on numerous assumptions, including the performance of the national and State economies and the concomitant receipt of economically sensitive tax revenues in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecast include the impact of Federal statutory and regulatory changes concerning financial sector activities; the impact of Federal tax law changes; the impact of behavioral changes concerning financial sector bonus payouts, as well as any future legislation governing the structure of compensation; the impact of an anticipated shift in monetary policy actions on interest rates and the financial markets; the impact of financial and real estate market developments on bonus income and capital gains realizations; and the impact of household deleveraging on consumer spending and the impact of that activity on State tax collections.

Other risks include increased demand in entitlement-based and claims-based programs such as Medicaid, public assistance and general public health, above the levels anticipated in the Updated Financial Plan; potential disruptions in the municipal bond market that could affect the timing of State bond sales; and litigation against the State, including, but not limited to, potential challenges to the constitutionality of actions authorized in the budget and the outcome of a class action suit alleging discrimination in the administration of a civil service test between 1996 and 2006.

The Updated Financial Plan may be adversely affected by actions taken by the Federal government, including audits, disallowances, changes in aid levels, and changes to Medicaid rules. For example, all Medicaid claims are subject to audit and review by the Federal government. Most recently, the Federal CMS requested additional information pertaining to claims for services provided to individuals in developmental centers operated by OPWDD. Among other information, CMS requested that the State provide a detailed description of how these daily rates are developed as well as the current upper payment limit demonstration. Although no official audit has commenced and the rates paid for these services are established in accordance with the methodology set forth in the approved State Plan, adverse action by CMS relative to these claims could jeopardize a significant amount of Federal financial participation in the Medicaid program.

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 beyond those described in this update. These may include, but are not limited to, additional reductions in State agency operations; suspension of capital maintenance and construction; extraordinary financing of operating expenses; or other measures. In nearly all 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.

The Updated Financial Plan forecast contains specific transaction risks and other uncertainties including, but not limited to, the receipt of certain payments from public authorities; the receipt of miscellaneous revenues at the levels expected in the Updated 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 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 Updated Financial Plan in the current year.

An additional risk is the cost of potential collective bargaining agreements and salary increases for judges (and possibly other elected officials) that may occur in 2010-11 and beyond, for the period covering 2007-08 through 2010-11. The current round of collective bargaining agreements expire at the end of 2010-11. The Updated Financial Plan does not include any costs for potential wage increases beyond that point.

For the first time, the Updated Financial Plan includes an initial estimate of potential effects resulting from Federal Health Care Reform Legislation enacted in 2010. Starting in 2010-11 and annually thereafter, these include the loss of State pharmacy rebate revenues resulting from a Federal increase in its share of rebates on drug manufactures. In 2013-14, the State estimates a net benefit associated with expanded Medicaid benefits to newly eligible populations and an enhanced Federal matching rate for certain existing populations beginning January 2014.

Recent Operating Results and Cash Position

The State's cash position continues to be a substantial concern. General Fund operating results through September 2010 were marginally unfavorable compared to the Enacted Budget Financial Plan projections, and DOB now estimates a potential budget gap of \$315 million in the current fiscal year. (See "Year-to-Date Operating Results" herein.)

The 2009-10 Enacted Budget provided permanent authorization for the General Fund to borrow resources temporarily from other funds in the State's 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 2010-11, the General Fund used this authorization to meet payment obligations at times in May, June, July, and September 2010, and ended the month of June 2010 with a negative \$87 million balance. During certain months of the fiscal year, there may be substantial swings in the level of the General Fund's daily balance due to the timing of when the State's General Fund realizes receipts, and when the State's payment obligations are required to be met. For example, while the State ended the month of June with a temporary STIP loan balance of \$87 million, the State's General Fund had temporarily borrowed \$1.1 billion from STIP at its lowest point during that month. Similarly, while the State ended the month of September with a positive General Fund balance of \$2.4 billion, the State's General Fund temporarily borrowed \$1.5 billion from STIP at its lowest point during September.

DOB expects that the General Fund will continue to rely on this temporary borrowing authority at times during the remainder of the fiscal year, with low balances expected during November and December 2010. However, the current cashflow forecast projects that the General Fund will end each month with a positive balance.

ACTUAL/PROJECTED MONTHLY CASH FLOW BALANCES			
FISCAL YEAR 2010-11			
(millions of dollars)			
	General Fund	Other Funds	All Funds
April	4,274	3,048	7,322
May	1,648	3,767	5,415
June	(87)	3,719	3,632
July	590	4,354	4,944
August	528	4,462	4,990
September	2,381	2,649	5,030
October (prelim.)	2,071	3,700	5,771
November (est.)	803	3,318	4,121
December (est.)	864	1,575	2,439
January (est.)	5,545	2,424	7,969
February (est.)	5,794	2,350	8,144
March (est.)	1,385	2,191	3,576

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). The available balances on hand in STIP have declined compared to recent years.

DOB will continue to closely monitor and manage the State's liquidity position during the fiscal year, which may include temporarily reducing planned payments, and will continue to reserve money in advance of the upcoming quarter of debt service payments that are financed with General Fund resources. 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.

Debt Reform Cap

Based on the revised 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 outstanding debt cap is expected to decline from \$4.2 billion in 2010-11 to \$1.8 billion in 2012-13. The current projections represent a decline in projected debt capacity as compared to the Enacted Budget Financial Plan, which estimated that about \$2.3 billion in capacity would be available in 2012-13. In part, declines in debt capacity are a product of reduced forecasts for personal income levels. The changes to the debt reform projections over the past two years demonstrate the sensitivity of the cap calculations to volatility in State personal income levels and other economic factors. Measures to further adjust capital spending and debt financing practices are expected to be taken as needed to stay within the statutory limitations.

Secured Hospital Program

The financial position of certain hospitals that are part of the State's Secured Hospitals Revenue Bond Program has continued to deteriorate. Currently, there are nine hospitals in the program with a total of \$628 million in bonds outstanding as of October 31, 2010 and required debt service of \$56.7 million due during the balance of State fiscal year 2010-11. In this program, the State is responsible for making debt

service payments to bondholders if there are insufficient monies available therefor. The secured hospitals are contractually obligated to fund these payments in the first instance under their loan agreements with the Dormitory Authority. However, three hospitals are delinquent on their payment obligations, including one hospital (North General Hospital) that closed in July 2010 and is not expected to make further payments under its loan agreement to meet its debt service payments on \$117 million of debt outstanding. Funds held by the Dormitory Authority in a fund not pledged to bondholders have been used to fund shortfalls to date by those hospitals that have failed to make the necessary debt service payments under their respective loan agreements. However, the resources in this fund are expected to be depleted by fiscal year 2011-12. Therefore, based upon existing circumstances, it may be necessary to use pledged reserve funds and, ultimately, for the State to make payments in the future under a contingent contractual appropriation. The annual debt service payment for the North General Hospital is \$12 million annually until fiscal year 2025. Any debt service costs not covered by these delinquent hospitals, will be incorporated into the 2011-12 Executive Budget.

Future Budget Gaps

The incremental increases in the General Fund budget gaps identified in recent quarterly updates are largely due to deviations in projected receipts from forecast. The profitability of the financial services sector has traditionally represented a significant driver of General Fund tax receipts for the State. Accordingly, uncertainties surrounding the performance of the financial services sector represent an ongoing risk to the State's Financial Plan.

However, sustained growth in spending commitments in major programs and activities over the four-year Financial Plan period is a principal contributor to the State's long-term 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. The following table summarizes the growth in State spending for 1999-00 through 2009-10.

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TEN-YEAR DRIVERS OF SPENDING GROWTH (ADJUSTED)			
(millions of dollars)			
	10-Year Growth		Compound Annual Growth
	1999-00	2009-10 ^{1,2}	
Local Assistance	30,775	53,938	5.8%
School Aid	<u>11,962</u>	<u>20,373</u>	<u>5.5%</u>
School Aid Without ARRA Funding	11,962	20,919	5.7%
ARRA Funding	n/ap	(546)	n/ap
Medicaid (incl. administration):	<u>6,740</u>	<u>11,458</u>	<u>5.4%</u>
Medicaid Without ARRA Funding	6,740	14,498	8.0%
ARRA Funding	n/ap	(3,040)	n/ap
Transportation	1,628	3,823	8.9%
School Tax Relief Program	1,195	3,414	11.1%
Mental Hygiene	1,448	3,199	8.2%
Higher Education	1,649	2,817	5.5%
Public Health/Aging/Insurance	893	2,431	10.5%
Special/Other Education	1,201	1,534	2.5%
Local Government Assistance	906	1,080	1.8%
All Other	3,153	3,809	1.9%
State Operations	12,678	20,035	4.7%
Wages/Fringe Benefits	8,987	15,150	5.4%
Personal Service	6,716	10,874	4.9%
Executive Agencies	3,740	4,875	2.7%
SUNY	1,806	3,243	6.0%
Judiciary	894	1,537	5.6%
Legislature	140	178	2.4%
Department of Law	72	124	5.6%
Audit & Control	64	115	6.0%
ARRA Funding (Mental Hygiene Agencies)	0	532	n/ap
Retro Settlements (All Agencies) ³	0	270	n/ap
Fringe Benefits	2,271	4,276	6.5%
Pensions	215	1,155	18.3%
Health Insurance	<u>1,243</u>	<u>2,681</u>	<u>8.0%</u>
Health Insurance (Active Employees)	777	1,609	7.6%
Health Insurance (Retired Employees)	466	1,072	8.7%
Fringe Benefit Escrow	(430)	(2,236)	17.9%
All Other Fringe Benefits	1,243	2,676	8.0%
Non-Personal Service/Fixed Costs	3,691	4,885	2.8%
Debt Service	3,577	4,961	3.3%
Total State Operating Funds Spending	47,030	78,934	5.3%
Capital Projects (State Funded)	2,811	5,160	6.3%
Total State Funds Spending	49,841	84,094	5.4%
Federal Aid (Including Capital Grants)	23,472	46,843	7.2%
Total All Governmental Funds Spending	73,313	130,937	6.0%
		Personal Income Growth (10-Year)	3.7%
		Inflation (CPI) Growth (10-Year)	2.5%

1 Spending is adjusted to exclude the impact of paying the end-of-year school aid payment (\$2.06 billion) scheduled for the last quarter of 2009-10 in the first quarter of 2010-11, as authorized in statute. This was done to carry forward the 2009-10 budget shortfall into 2010-11. See Financial Plan tables for 2009-10 actual results.

2 2009-10 Federal and All Funds disbursements and receipts have been adjusted to include \$2.0 billion in Federal aid that passes through the State's All Funds Financial Plan under the ARRA. This "pass-through" money, which provides no gap-closing benefit and is subject to a range of factors that make the timing of disbursements highly uncertain, was expected to total approximately \$4.4 billion in 2009-10. Actual disbursements, however, totaled only \$2.4 billion. Thus, 2009-10 results have been adjusted for the difference. See Financial Plan tables for 2009-10 actual results.

3 Reflects payment of retroactive salary increases pursuant to collective bargaining settlements with unions (for NYSOPBA, PBA and BCI) that have been excluded from agency totals above.

From 2010-11 through 2013-14, General Fund disbursements are projected to increase at an average annual rate of approximately 8.7 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 6.9 percent annually.⁴ In comparison, State tax receipts over the plan period are projected to grow at 4.3 percent annually, consistent with DOB's economic forecast for the recession and recovery. Accordingly, it is expected that the 2011-12 Executive Budget will propose substantial reductions in State spending commitments. (See "Outyear Financial Plan Projections" herein.)

State Workforce

The State workforce directly subject to Executive control is expected to total 126,493 at the end of 2010-11, a decline of 5,248 from 2009-10 levels. This projected decline mainly reflects the continuation of statewide hiring controls, a Retirement Incentive Program, and layoffs.

In 2011-12, the workforce is expected to increase to 127,032 by year-end and is primarily due to actions impacting institutional programs. Specifically, increasing census for the SOMTA program, which results in more individuals being civilly confined in OMH-operated facilities, is expected to add 224 positions; the multi-year closure plan to convert all of the State's OPWDD Developmental Centers to community-based settings by 2014 will add 215 positions; and the planned opening of a second Residential Mental Health Unit in July 2011, expanding mental health programs associated with a private settlement agreement and staffing the new central pharmacy located in Oneida county, will add 100 positions for DOCS.

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⁴ Adjusted to exclude the impact of Federal stimulus funding that provides direct State aid. The unadjusted growth rates are approximately 12.8 percent in the General Fund and 9.8 percent in State Operating Funds.

Litigation and Arbitration

Real Property Claims

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

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

Further efforts at settlement of this action failed to reach a successful outcome. While such discussions were underway, two significant decisions were rendered by the Supreme Court and the Second Circuit Court of Appeals which changed the legal landscape pertaining to ancient land claims: *City of Sherrill v. Oneida Indian Nation of New York*, 544 U.S. 197 (2005), and *Cayuga Indian Nation of New York v. Pataki*, 413 F.3d 266 (2d Cir. 2005), *cert. denied*, 126 S.Ct. 2021, 2022 (2006). Taken together, these cases have made clear that the equitable doctrines of laches, acquiescence, and impossibility can bar ancient land claims. These decisions prompted the District Court to reassess its 2002 decision, which in part had struck such defenses, and to permit the filing of a motion for summary judgment predicated on the *Sherrill* and *Cayuga* holdings. On August 11, 2006, the defendants moved for summary judgment dismissing the action, based on the defenses of laches, acquiescence, and impossibility. By order dated May 21, 2007, the District Court dismissed plaintiffs' claims to the extent that they asserted a possessory interest, but permitted plaintiffs to pursue a claim seeking the difference between the amount paid and the fair market value of the lands at the time of the transaction. The District Court certified the May 21, 2007 order for interlocutory appeal and, on July 13, 2007, the Second Circuit granted motions by both sides seeking leave to pursue interlocutory appeals of that order. On August 9, 2010, the Circuit Court rendered a decision which affirmed the summary judgment order insofar as it dismissed the *Oneida* land claim and reversed it insofar as it would have allowed plaintiffs to pursue a fair compensation claim against the State. *Oneida Indian Nation et al v. County of Oneida et al*, 617 F.3d 114 (2d Cir. 2010). This decision mandates dismissal of the *Oneida* land claim. The U.S. and the Oneidas filed an application for *en banc* review before the Second Circuit on October 21, 2010, which awaits a decision at this time.

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

In the *Canadian St. Regis Band of Mohawk Indians* case, plaintiffs seek ejectment and monetary damages with respect to their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. By decision dated July 28, 2003, the District Court granted, in most respects, a motion by plaintiffs to strike defenses and dismiss counterclaims contained in defendants' answers. By decision dated October 20, 2003, the District Court denied the State's motion for reconsideration of that portion of the July 28, 2003 decision which struck a counterclaim against the United States for contribution. On February 10, 2006, after renewed efforts at settlement failed to resolve this action, and recognizing the potential significance of the *Sherrill* and *Cayuga* appeals, the District Court stayed all further proceedings in this case until 45 days after the United States Supreme Court issued a final decision in the *Cayuga Indian Nation of New York* Case. On November 6, 2006, after certiorari was denied in *Cayuga*, the defendants moved for judgment on the pleadings. Although the motion is fully briefed and awaiting decision, on April 16, 2008, the District Court issued an order staying the case until a decision is rendered with respect to the appeal in the *Oneida* case. The court has requested that the parties consult and seek agreement by November 2010 on the issue of lifting the stay and supplemental briefing schedules.

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

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

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

This case was closed but recently became active when the Cayuga plaintiffs filed a FRCP 60(b)(6) motion to have the judgment vacated. Along with this motion a letter was sent to Judge McCurn's chamber seeking a stay of the 60 (b)(6) motion until after the Second Circuit decides the appeal in the *Oneida* Land Claim case. The motion is premised on Judge Kahn's ruling in *Oneida*, discussed above, that in spite of the Second Circuit decision in *Cayuga*, the tribe may proceed to prove a non-possessory claim for unjust compensation against the State defendant. By stipulation of the parties, so-ordered by Judge McCurn, further briefing on the Cayugas' motion for relief from judgment was suspended, pending the outcome of the *Oneida* appeal. That stay was recently lifted in light of the August 9, 2010 *Oneida* decision, and further briefing regarding the pending Rule 60(b) motion was filed on September 10, 2010.

Metropolitan Transportation Authority

In *Hampton Transportation Ventures, Inc. et al. v. Silver et al.* (Sup. Ct. Suffolk Co.), and other similar cases, including *William Floyd Union Free School District v. State* (Sup. Ct., Suffolk Co.), *Town of Brookhaven v. Silver, et al* (Sup. Ct., Suffolk Co.), *Town of Southampton and Town of Southold v. Silver* (Sup. Ct. Suffolk Co.), *Town of Huntington v. Silver* (Sup. Ct. Suffolk Co.), *Town of Smithtown v. Silver* (Sup. Ct. Suffolk Co.), *Mangano v. Silver* (Sup. Ct. Nassau Co) and *Vanderhoef v. Silver* (now in Sup. Ct. Albany Co), plaintiffs challenge the constitutionality of 2009 Laws of New York chapter 25, which imposed certain taxes and fees, including a regional payroll tax, in the Metropolitan Commuter Transportation District, the revenue from which is directed to the Metropolitan Transportation Authority. Plaintiffs seek a judgment declaring that enactment of chapter 25 violated State constitutional provisions relating to the need for a home rule message, supermajority requirements for enactment of special or local laws, single purpose appropriation bills, and liability for the debts of public authorities. Plaintiffs also seek a judgment declaring that enactment of chapter 25 violated provisions of the Public Authority Law § 1266 requiring that the Metropolitan Transportation Authority be self-sustaining.

With the consent of the plaintiff (the County Executive of Rockland County), the Vanderhoef case was transferred to Albany County from Rockland County and the defendants intend to move for judgment in their favor. Defendants in each of the other cases have moved to change the venue of their respective cases to Albany County or New York County. A number of additional towns and a village in various counties, Suffolk County and the Orange County Chamber of Commerce have joined the Mangano case as plaintiffs.

School Aid

In *Becker et al. v. Paterson et al.* (Sup. Ct. Albany Co.), plaintiffs seek a judgment declaring that the governor's determination to delay payment of school aid due by statute on December 15, 2009, violated State constitutional provisions related to, among other things, the separation of powers doctrine. Since the commencement of the suit, the moneys at issue have been released. Following a February 3, 2010 conference with the court to discuss the status of the case, plaintiffs amended their complaint to reflect late payment of the moneys at issue. Pursuant to a Court-direct schedule, following defendants' answer, plaintiffs moved for summary judgment on March 5, 2010. Defendants cross-moved for summary judgment on April 15, 2010. The plaintiffs replied on May 7, 2010 and defendants filed their sur-reply on May 21, 2010. The motions were argued on June 24, 2010 and the parties await decision.

In a second case involving the parties (*Becker et al. v. Paterson* [Sup. Ct., Albany Co.]), plaintiffs seek a judgment declaring that the governor's determination to delay payment of school aid from March 31, 2010 to June 1, 2010, also violated State constitutional provisions related to, among other things, the separation of powers doctrine. Since the commencement of the suit, the moneys at issue have also been released. The defendants answered, claiming that the statute in question, Education Law §3609-a, permitted payment on June 1, 2010, and that March 31, 2010 was merely an authorized pre-payment date.

Plaintiffs moved for summary judgment on July 21, 2010 and defendants responded and cross-moved for summary judgment on September 16, 2010. The plaintiffs waived their right to reply on their motion and submitted no opposition to the cross-motion. The parties waived oral argument and await decision.

In *Hussein v. State of New York*, plaintiffs seek a judgment declaring that the State's system of financing public education violates section 1 of article 11 of the State Constitution, on the ground that it fails to provide a sound basic education. In a decision and order dated July 21, 2009, Supreme Court, Albany County, denied the State's motion to dismiss the action. The State has appealed this denial to the Appellate Division, Third Department. The appeal will be argued in November, 2010.

Representative Payees

In *Weaver et ano. v. State of New York*, filed in the New York State Court of Claims on July 17, 2008 and subsequently amended, two claimants allege that the executive directors of the Office of Mental Health facilities in which the claimants were hospitalized, acting as representative payees under the Federal Social Security Act, improperly received benefits due them and improperly applied those benefits to the cost of their in-patient care and maintenance and, in the case of one of the claimants, also to the cost of her care and maintenance in a state-operated community residence.

The first named claimant initially sought benefits on her own behalf as well as certification of a class of claimants. However, the class claims were dismissed by the Court of Claims on February 10, 2010 for failure to comply with Court of Claims Act § 11(b), which provides that a claim must state when and where the claim arose, the nature of the claim, the items of damage, and the total sum claimed. On March 18, 2010, claimants filed a notice of appeal.

On June 4, 2010, the State moved for summary judgment against the individual claims on various grounds. The State's summary judgment motion is *sub judice*. By decision and order dated September 27, 2010, the Court of Claims (Ruderman, J.), granted the State's motion for summary judgment and dismissed the individual claims. The Court held that the state statutes relied on by claimants do not apply to Social Security benefits and that executive directors of OMH facilities are acting properly in accordance with the Social Security Act and applicable federal regulations. The time in which claimants may appeal from this decision and order has not yet expired.

Sales Tax

In *Seneca Nation of Indians v. Paterson et al. (USDC WDNY)*, *St. Regis Mohawk Tribe v. Paterson, et al. (USDC WDNY)*, *Unkechaug Indian Nation v Paterson, et al. (USDC WDNY)*, and *Oneida Indian Nation of New York v Paterson, et al. (USDC NDNY)*, plaintiffs seek judgments declaring that Chapters 134 and 136 of the Laws of 2010, which enacted amendments to the Tax Law regarding collection of excise taxes on reservation cigarette sales to non-tribal members, violate their rights under Federal law, and enjoining the State from enforcing those laws. On August 26, 2010, in *Seneca*, the District Court granted a motion to intervene brought by the Cayuga Indian Nation of New York. In *Seneca*, in an order dated August 31, 2010, the District Court ordered that defendants are temporarily restrained from implementing, administering and enforcing the challenged provisions of the Tax Law and the implementing regulations as applied to the Seneca Nation of Indians and the Cayuga Indian Nation of New York pending further order of the Court. On October 15, 2010 the District Court granted a similar temporary restraining order in the *St. Regis* and *Unkechaug* cases.

On October 14, 2010, the District Court in *Seneca* denied plaintiffs' motion for a preliminary injunction but granted a stay of enforcement of the Tax Law amendments pending plaintiffs' appeal. The Cayuga Indian Nation moved in the District Court for reconsideration of the denial of the preliminary injunction and to refer the case to mediation. On October 14, 2010, the District Court in *Oneida* granted plaintiff's motion for a preliminary injunction and also referred the case to mediation. Defendants appealed to the Second Circuit from the stay pending appeal in *Seneca* and the preliminary injunction in *Oneida*, and the Seneca Nation of Indians appealed from the denial of the preliminary injunction in *Seneca*. Defendants moved in the Second Circuit in *Seneca* and in *Oneida* to vacate pending appeal the orders that defendants appealed in those cases. Those motions have been referred to a motions panel of the Second Circuit which is scheduled to consider them on November 9, 2010.

On October 26, 2010, the District Court heard argument on the plaintiffs' motions for a preliminary injunction in *St. Regis* and *Unkechaug*. It also extended the temporary restraining order in those cases until November 12, 2010.

In *Day Wholesale Inc., et al. v. State, et al. (Sup. Ct., Erie Co.)*, plaintiffs also seek to enjoin the collection of taxes on cigarettes sold to or by reservation retailers. On August 31, 2010, the Supreme Court, Erie County issued an order vacating two earlier preliminary injunctions of that court barring the collection of such taxes until defendants had taken certain steps to comply with prior law. The Court also denied plaintiffs' motion for a preliminary injunction enjoining enforcement of the provisions of Chapters 134 and 186 of the Laws of 2010.

The plaintiffs in *Day Wholesale* appealed. On September 14, 2010 the Appellate Division, Fourth Department denied plaintiffs' motion for a preliminary injunction pending appeal.

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.

On March 22, 2010, the Court endorsed stipulated final judgments making final the permanent injunction on the New York-exclusive UPC provisions and lifting the preliminary injunctions in the August 13, 2009 and October 23, 2009 orders. On March 23, 2010, the Court endorsed plaintiffs' voluntary dismissal of all remaining claims, including their challenge to the Sugar Water Exemption. An interlocutory appeal by a non-party to the Second Circuit challenging a September 14, 2009 clarification order that the August 13, 2009 order lifting the preliminary injunction as to all non-bottled water products was not intended to be retroactive remains pending. Negotiations over plaintiffs' attorney fees have been completed.

Public Finance

In *Bordeleau et al. v. State of New York, et al.*, a group of 50 individuals filed a complaint in the Supreme Court, Albany County, asking the court to enjoin certain expenditures of State funds and declare them to be illegal under the New York State Constitution. In particular, the plaintiffs claim that the State budget appropriates funds for grants to private corporations, allegedly in violation of Article VII, § 8, paragraph 1 of the Constitution, which provides that “money of the state shall not be given or loaned to or in aid of any private corporation or association, or private undertaking,” except for certain specified exceptions. The plaintiffs also claim that because the State budget provides, in part, that some appropriated funds will be used “in accordance with a memorandum of understanding entered into between the governor, majority leader of the senate and the speaker of the assembly, or their designees,” the Senate and Assembly have “improperly delegated their legislative powers” in violation of Article VII, § 7, which provides that every law making an appropriation “shall distinctly specify the sum appropriated, and the object or purpose to which it is to be applied.”

In addition to the State defendants, the complaint names as defendants certain public authorities and private corporations that are claimed to be recipients of the allegedly illegal appropriations. The State defendants and several other defendants moved to dismiss the complaint for failure to state a cause of action, for failure to join certain necessary parties, and for lack of a justiciable controversy. In a decision and order dated February 27, 2009, Supreme Court, Albany County, granted the motion to dismiss the complaint, finding no violation of either Article VII, § 7, or Article VII, § 8. The court concluded that the challenged appropriations were valid expenditures for public purposes and not “gifts” prohibited under Article VII, § 8. The court also rejected the appellant’s challenge to the reference in the budget to a memorandum of understanding, relying on that Court’s holding in *Saxton v. Carey*, 44 N.Y.2d 545 (1978), that the degree of itemization required under Article VII, § 7 is to be determined by the Legislature, not the courts.

Plaintiffs appealed from the dismissal of their complaint. The appeal was argued in the Appellate Division, Third Department, on April 26, 2010. On June 24, 2010, the Appellate Division reversed the dismissal of the case and remanded the matter back to the lower court. The Appellate Division order directed the defendants to answer the complaint thirty days after the date of the decision. On September 13, 2010, the Appellate Division granted the defendants' motion for leave to appeal to the Court of Appeals.

Eminent Domain

In *Gyrodine v. State of New York* (Court of Claims), claimant seeks compensation under the Eminent Domain Procedures Law in connection with the appropriation by the State of 245 acres of land in connection with the expansion of SUNY Stony Brook. By decision dated June 21, 2010, the Court of Claims awarded claimant \$125 million as compensation for the appropriation. On September 13, 2010, the State appealed from the decision.

Insurance Department Assessments

In *New York Insurance Association, Inc. v. State (Sup. Ct., Albany Co.)*, several insurance companies and an association of insurance companies seek a declaration that certain assessments issued against the plaintiff insurance companies by the Insurance Department pursuant to Insurance Law § 332 violate the Insurance Law and the State and Federal Constitutions to the extent that the assessments include amounts for items that are not direct expenses of the Insurance Department. The State filed its answer on May 4, 2010.

On June 9, 2010, the State filed a motion for summary judgment. Plaintiffs have filed a motion for permission to conduct discovery prior to responding to the State's motion for summary judgment. Plaintiffs' motion is returnable on December 13, 2010, but plaintiffs have indicated that they intend to file an amended complaint prior to that time.

Tobacco Master Settlement Agreement (MSA)

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 and the appeal is pending before the Second Circuit.

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 have cross-moved for summary judgment in the United States District Court for the Southern District of New York; oral argument was held on April 27, 2010 and the parties are awaiting the decision from Judge Keenan.

MSA Arbitration

Each year in perpetuity, under the MSA between tobacco manufacturers who are party to the MSA ("PMs") and 46 settling states, plus some territories and the District of Columbia, (collectively the "Settling States") the PMs pay the Settling States a base payment to compensate for financial harm to the Settling States for smoking-related illness. New York's allocable share of the total payment is approximately 12.8% of the total, or approximately \$800 million annually. In order to keep the base payment under the MSA, each Settling State must pass and diligently enforce a statute that requires tobacco manufacturers who are not party to the MSA ("NPMs") to deposit in escrow an amount roughly equal to the amount that the PMs pay per pack sold. The PMs have brought a nationwide arbitration against the Settling States (minus Montana) asserting that those States failed to diligently enforce their respective escrow statutes in 2003. Any such claim for the years prior to 2003 were settled in 2003. The PMs are making the same claim for years 2004-2006, but none of those years are yet in arbitration. The full panel of arbitrators, all of whom are retired Art. III federal judges, has been selected. An Administrative Conference was held on July 20, 2010; the Initial Conference took place in Chicago on October 5, 2010; the next hearing on several preliminary legal issues will be held in Chicago on December 6-7, 2010.

Glossary of Acronyms

(ADAP)	Aids Drug Assistance Program
(AFSCME)	American Federation of State, County, and Municipal Employees
(AHC)	Affordable Housing Corporation
(AIG)	American International Group
(AIM)	Aid and Incentive for Municipalities
(AP/DV)	Adult Protective/Domestic Violence
(ARC)	Annual Required Contribution
(ARRA)	American Recovery and Reinvestment Act of 2009
(ARS)	Auction Rate Securities
(ATC)	Addiction Treatment Center
(AWP)	Average Wholesale Price
(BABs)	Build America Bonds
(BANS)	Bond Anticipation Notes
(BCI)	Bureau of Criminal Investigation
(BIC)	Bond Issuance Change
(BMA)	Bond Market Association
(BOCES)	Board of Cooperative Education Services
(BPCA)	Battery Park City Authority
(CAFR)	Comprehensive Annual Financial Report
(CAP)	Comprehensive Attendance Program
(CDT)	Continuing Day Treatment Clinic
(CEFAP)	Community Enhancement Facilities Assistance Program
(CFE)	Campaign for Fiscal Equity
(CFIA)	Court Facilities Incentive Aid
(CHCCDP)	Community Health Care Conversion Demonstration Project
(CHIPs)	Consolidated Highway Improvement Programs
(CHIPRA)	Children's Health Insurance Program Reauthorization Act
(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
(CPSE)	Committee on Preschool Special Education
(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
(CUNY)	City University of New York
(CVB)	Crime Victims Board
(CW/CA)	Clean Water/Clean Air

(CWSRF)	Clean Water State Revolving Fund
(CEFAP)	Community Enhancement Facilities Assistance Program
(DANY)	Doctors Across New York
(DASNY)	Dormitory Authority of the State of New York
(DBE)	Disadvantaged Business Enterprise
(DCJS).....	Division of Criminal Justice Services
(DDPC)	Developmental Disabilities Planning Council
(DEC)	Department of Environmental Conservation
(DHBTF).....	Dedicated Highway and Bridge Trust Fund
(DHCR).....	Division of Housing and Community Renewal
(DMNA).....	Department of Military and Naval Affairs
(DMV).....	Department of Motor Vehicles
(DOB)	Division of the Budget
(DOCS)	Department of Correctional Services
(DOH)	Department of Health
(DOS)	Department of State
(DOT).....	Department of Transportation
(DPCA)	Division of Probation and Correctional Alternatives
(DRRF)	Debt Reduction Reserve Fund
(DRP)	Deficit Reduction Plan
(DSFs).....	Debt Service Funds
(DSH).....	Disproportionate Share Hospital
(DSP).....	Division of State Police
(DTF)	Department of Tax and Finance
(DWSRF)	Drinking Water Revolving Fund
(EFC).....	Environmental Facilities Corporation
(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
(ERDA).....	Energy Research and Development Authority
(ERS).....	Employees' Retirement System
(ESDC).....	Empire State Development Corporation
(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 45)	Governmental Accounting Standards Board Statement 45

(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
(HCA-EIA)	Home Care Association Efficiency and Improvement Act
(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
(HESC)	Higher Education Services Corporation
(HFA)	Housing Finance Agency
(HHC)	Health and Hospital 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
(IGT/DSH)	Intergovernmental Disproportionate Share
(IME)	Indirect Medical Expense
(IPO)	Initial Public Offering
(IT)	Information Technology
(ITC)	Investment Tax Credit
(JDA)	Job Development Authority
(LGAC)	Local Government Assistance Corporation
(LIBOR)	London Inter Bank Offered Rates
(LIPA)	Long Island Power Authority
(LLC)	Limited Liability Company
(MAC)	Municipal Assistance Corporation
(MCFFA)	Medical Care Facilities Finance Agency
(MCTD)	Metropolitan Commuter Transportation District
(MMTOA)	Metropolitan Mass Transportation Operating Assistance Fund
(MOU)	Memorandum of Understanding
(MSC)	Medicaid Service Coordination
(MTA)	Metropolitan Transportation Authority
(MTASP)	Metropolitan Transport Authority Support Program
(MTOA)	Mass Transportation Operating Assistance Fund
(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
(NYHELPS)	New York Higher Education Loan Program
(NYRA)	New York Racing Authority
(NYSCOPBA)	New York State Correctional Officers and Police Benevolent Association
(NYSHIP)	New York State Health Insurance Plan
(NYSTAR)	Office of Science, Technology and Academic Research
(NYS-OPTS)	New York State Options for People Through Services
(OASAS)	Office of Alcoholism and Substance Abuse Services
(OCA)	Office of Court Administration
(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
(OHS)	Office of Homeland Security
(OMH)	Office of Mental Health
(OMIG)	Office of the Medicaid Inspector General
(OPDV)	Office for the Prevention of Domestic Violence
(OPEB)	Other Post-Employment Benefits
(OPWDD)	Office for People with Developmental Disabilities
(ORPS)	Office of Real Property Services
(OSC)	Office of the State Comptroller
(OTDA)	Office of Temporary and Disability Assistance
(PACB)	Public Authorities Control Board
(PAID)	Penalty and Interest Discount Program
(PASNY)	Power Authority of the State of New York
(PAYGO)	Pay-as-you-go
(PBA)	Police Benevolent Association
(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

(QCEW)	Quarterly Census of Employment and Wages
(QPAI)	Qualified Production Activity Income
(RBTF)	Revenue Bond Tax Fund
(REIT)	Real Estate Investment Fund
(RESCUE)	Rebuilding Schools to Uphold Education
(RGGI)	Regional Greenhouse Gas Initiative
(RIC)	Regulated Investment Company
(SAFETEA-LU)	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
(SBE)	Sound Basic Education
(SED)	State Education Department
(SEIP)	Supplemental Education Improvement Program
(SEMO)	State Emergency Management Office
(SFSF)	State Fiscal Stabilization Fund
(SFY)	State Fiscal Year
(SHU)	Special Housing Unit
(SIP)	Strategic Investment Program
(SOMTA)	Sex Offenders 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
(SONYMA)	State of New York Mortgage Agency
(SUNY)	State University of New York
(TA)	Thruway Authority
(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
(VOIRA) Voluntary-Operated Individualized Residential Alternative
(VRDBs) Variable-Rate Demand Bonds
(VRWS) Voluntary Reduction in Work Schedule
(WHTI) Western Hemisphere Travel Initiative
(WMS) Welfare Management System
(WRP) Workforce Reduction Plan

**CASH FINANCIAL PLAN
GENERAL FUND
2009-2010 and 2010-2011
(millions of dollars)**

	<u>2009-2010 Actuals</u>	<u>2010-2011 Projected</u>	<u>Annual \$ Change</u>	<u>Annual % Change</u>
Opening fund balance	<u>1,948</u>	<u>2,302</u>	<u>354</u>	<u>18.2%</u>
Receipts:				
Taxes:				
Personal income tax	22,655	24,148	1,493	6.6%
User taxes and fees	8,086	8,736	650	8.0%
Business taxes	5,371	5,783	412	7.7%
Other taxes	885	1,034	149	16.8%
Miscellaneous receipts	3,888	2,861	(1,027)	-26.4%
Federal grants	71	60	(11)	-15.5%
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	7,641	7,771	130	1.7%
Sales tax in excess of LGAC debt service	2,123	2,298	175	8.2%
Real estate taxes in excess of CW/CA debt service	182	332	150	82.4%
All other transfers	1,654	1,491	(163)	-9.9%
Total receipts	<u>52,556</u>	<u>54,514</u>	<u>1,958</u>	<u>3.7%</u>
Disbursements:				
Grants to local governments	34,234	37,748	3,514	10.3%
State operations:				
Personal service	6,610	6,189	(421)	-6.4%
Non-personal service	1,977	1,949	(28)	-1.4%
General State charges	3,594	4,119	525	14.6%
Transfers to other funds:				
Debt service	1,844	1,650	(194)	-10.5%
Capital projects	565	878	313	55.4%
State Share Medicaid	2,401	2,435	34	1.4%
Other purposes	977	778	(199)	-20.4%
Total disbursements	<u>52,202</u>	<u>55,746</u>	<u>3,544</u>	<u>6.8%</u>
Change in fund balance	<u>354</u>	<u>(1,232)</u>	<u>(1,586)</u>	<u>-448.0%</u>
Closing fund balance	<u>2,302</u>	<u>1,070</u>	<u>(1,232)</u>	<u>-53.5%</u>
Net Proposed Reductions		<u>315</u>		
Proposed Closing fund balance	<u>2,302</u>	<u>1,385</u>	<u>(917)</u>	<u>-39.8%</u>
Reserves				
Tax Stabilization Reserve Fund	1,031	1,031	0	
Rainy Day Reserve Fund	175	175	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	96	85	(11)	
Reserved for Debt Reduction	73	73	0	
Reserve for Fiscal Uncertainties	906	0	(906)	

Source: NYS DOB

**CASH FINANCIAL PLAN
GENERAL FUND
2010-2011 through 2013-2014
(millions of dollars)**

	<u>2010-2011</u> <u>Projected</u>	<u>2011-2012</u> <u>Projected</u>	<u>2012-2013</u> <u>Projected</u>	<u>2013-2014</u> <u>Projected</u>
Receipts:				
Taxes:				
Personal income tax	24,148	26,040	25,881	27,356
User taxes and fees	8,736	9,035	9,255	9,687
Business taxes	5,783	6,452	6,658	6,895
Other taxes	1,034	989	1,029	1,084
Miscellaneous receipts	2,861	2,821	2,786	2,734
Federal grants	60	60	60	60
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	7,771	8,151	7,974	8,406
Sales tax in excess of LGAC debt service	2,298	2,363	2,439	2,590
Real estate taxes in excess of CW/CA debt service	332	354	464	539
All other transfers	1,491	792	520	520
Total receipts	<u>54,514</u>	<u>57,057</u>	<u>57,066</u>	<u>59,871</u>
Disbursements:				
Grants to local governments	37,748	46,012	50,697	54,896
State operations:				
Personal service	6,189	6,659	6,556	6,663
Non-personal service	1,949	2,090	2,242	2,363
General State charges	4,119	4,583	4,989	5,437
Transfers to other funds:				
Debt service	1,650	1,766	1,757	1,686
Capital projects	878	1,197	1,310	1,462
State Share Medicaid	2,435	3,013	3,110	3,073
Other purposes	778	811	1,120	1,548
Total disbursements	<u>55,746</u>	<u>66,131</u>	<u>71,781</u>	<u>77,128</u>
Deposit to/(use of) Community Projects Fund	<u>(11)</u>	<u>(48)</u>	<u>(71)</u>	<u>(25)</u>
Reserves	<u>(906)</u>	<u>0</u>	<u>0</u>	<u>0</u>
HCRA Operating Surplus/(Gap)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Surplus/(Gap)	<u>(315)</u>	<u>(9,026)</u>	<u>(14,644)</u>	<u>(17,232)</u>
Net Proposed Reductions	<u>315</u>			
Proposed Cash Surplus/(Gap)	<u>0</u>			

Source: NYS DOB

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
2010-2011 THROUGH 2013-2014
(millions of dollars)

	<u>2010-2011</u> <u>Projected</u>	<u>2011-2012</u> <u>Projected</u>	<u>2012-2013</u> <u>Projected</u>	<u>2013-2014</u> <u>Projected</u>
Taxes:				
Withholdings	31,301	32,302	32,756	34,835
Estimated Payments	10,351	11,225	11,178	11,510
Final Payments	1,973	2,303	2,106	2,154
Other Payments	1,161	1,199	1,239	1,316
Gross Collections	<u>44,786</u>	<u>47,029</u>	<u>47,279</u>	<u>49,815</u>
State/City Offset	(297)	(298)	(298)	(298)
Refunds	(7,891)	(7,454)	(7,694)	(8,012)
Reported Tax Collections	<u>36,598</u>	<u>39,277</u>	<u>39,287</u>	<u>41,505</u>
STAR (dedicated deposits)	(3,300)	(3,418)	(3,584)	(3,772)
RBTF (dedicated transfers)	(9,150)	(9,819)	(9,822)	(10,377)
Personal income tax	<u>24,148</u>	<u>26,040</u>	<u>25,881</u>	<u>27,356</u>
Sales and use tax	10,696	11,040	11,336	11,916
Cigarette and tobacco taxes	485	522	515	508
Motor fuel tax	0	0	0	0
Alcoholic beverage control license fees	228	233	238	242
Highway Use tax	0	0	0	0
Auto rental tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and fees	<u>11,409</u>	<u>11,795</u>	<u>12,089</u>	<u>12,666</u>
LGAC Sales Tax (dedicated transfers)	(2,673)	(2,760)	(2,834)	(2,979)
User Taxes and fees	<u>8,736</u>	<u>9,035</u>	<u>9,255</u>	<u>9,687</u>
Corporation franchise tax	2,886	3,234	3,293	3,381
Corporation and utilities tax	665	743	766	790
Insurance taxes	1,278	1,335	1,393	1,454
Bank tax	954	1,140	1,206	1,270
Petroleum business tax	0	0	0	0
Business taxes	<u>5,783</u>	<u>6,452</u>	<u>6,658</u>	<u>6,895</u>
Estate tax	1,015	970	1,010	1,065
Real estate transfer tax	566	581	686	754
Gift tax	0	0	0	0
Real property gains tax	0	0	0	0
Pari-mutuel taxes	18	18	18	18
Other taxes	1	1	1	1
Gross Other taxes	<u>1,600</u>	<u>1,570</u>	<u>1,715</u>	<u>1,838</u>
Real estate transfer tax (dedicated)	(566)	(581)	(686)	(754)
Other taxes	<u>1,034</u>	<u>989</u>	<u>1,029</u>	<u>1,084</u>
Payroll tax	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Taxes	<u>39,701</u>	<u>42,516</u>	<u>42,823</u>	<u>45,022</u>
Licenses, fees, etc.	667	587	583	569
Abandoned property	650	645	610	600
Motor vehicle fees	42	54	31	(42)
ABC License Fee	46	49	51	50
Reimbursements	222	222	222	222
Investment income	10	10	30	50
Other transactions	1,224	1,254	1,259	1,285
Miscellaneous receipts	<u>2,861</u>	<u>2,821</u>	<u>2,786</u>	<u>2,734</u>
Federal grants	<u>60</u>	<u>60</u>	<u>60</u>	<u>60</u>
Total	<u>42,622</u>	<u>45,397</u>	<u>45,669</u>	<u>47,816</u>

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>2,302</u>	<u>1,957</u>	<u>410</u>	<u>4,669</u>
Receipts:				
Taxes	39,701	8,151	12,272	60,124
Miscellaneous receipts	2,861	14,987	790	18,638
Federal grants	60	1	58	119
Total receipts	<u>42,622</u>	<u>23,139</u>	<u>13,120</u>	<u>78,881</u>
Disbursements:				
Grants to local governments	37,748	18,011	0	55,759
State operations:				
Personal service	6,189	4,081	0	10,270
Non-personal service	1,949	2,572	92	4,613
General State charges	4,119	1,027	0	5,146
Debt service	0	0	5,471	5,471
Capital projects	0	2	0	2
Total disbursements	<u>50,005</u>	<u>25,693</u>	<u>5,563</u>	<u>81,261</u>
Other financing sources (uses):				
Transfers from other funds	11,892	3,968	7,024	22,884
Transfers to other funds	(5,741)	(1,691)	(14,627)	(22,059)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>6,151</u>	<u>2,277</u>	<u>(7,603)</u>	<u>825</u>
Change in fund balance	<u>(1,232)</u>	<u>(277)</u>	<u>(46)</u>	<u>(1,555)</u>
Closing fund balance	<u>1,070</u>	<u>1,680</u>	<u>364</u>	<u>3,114</u>
Net Proposed Reductions	<u>315</u>			<u>315</u>
Proposed Closing fund balance	<u>1,385</u>	<u>1,680</u>	<u>364</u>	<u>3,429</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	n/ap	1,680	364	2,044
Receipts:				
Taxes	42,516	8,606	13,041	64,163
Miscellaneous receipts	2,821	14,856	809	18,486
Federal grants	60	1	71	132
Total receipts	<u>45,397</u>	<u>23,463</u>	<u>13,921</u>	<u>82,781</u>
Disbursements:				
Grants to local governments	46,012	18,463	0	64,475
State operations:				
Personal service	6,659	4,601	0	11,260
Non-personal service	2,090	2,608	92	4,790
General State charges	4,583	1,166	0	5,749
Debt service	0	0	6,039	6,039
Capital projects	0	2	0	2
Total disbursements	<u>59,344</u>	<u>26,840</u>	<u>6,131</u>	<u>92,315</u>
Other financing sources (uses):				
Transfers from other funds	11,660	4,505	6,717	22,882
Transfers to other funds	(6,787)	(1,183)	(14,518)	(22,488)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>4,873</u>	<u>3,322</u>	<u>(7,801)</u>	<u>394</u>
Deposit to/(use of) Reserves	<u>(48)</u>	<u>0</u>	<u>0</u>	<u>(48)</u>
Change in fund balance	<u>(9,026)</u>	<u>(55)</u>	<u>(11)</u>	<u>(9,092)</u>
Closing fund balance	<u>(9,026)</u>	<u>1,625</u>	<u>353</u>	<u>(7,048)</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	n/ap	1,625	353	1,978
Receipts:				
Taxes	42,823	8,943	13,223	64,989
Miscellaneous receipts	2,786	15,307	833	18,926
Federal grants	60	1	71	132
Total receipts	<u>45,669</u>	<u>24,251</u>	<u>14,127</u>	<u>84,047</u>
Disbursements:				
Grants to local governments	50,697	19,488	0	70,185
State operations:				
Personal service	6,556	4,567	0	11,123
Non-personal service	2,242	2,555	92	4,889
General State charges	4,989	1,332	0	6,321
Debt service	0	0	6,354	6,354
Capital projects	0	2	0	2
Total disbursements	<u>64,484</u>	<u>27,944</u>	<u>6,446</u>	<u>98,874</u>
Other financing sources (uses):				
Transfers from other funds	11,397	4,881	6,692	22,970
Transfers to other funds	(7,297)	(620)	(14,414)	(22,331)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>4,100</u>	<u>4,261</u>	<u>(7,722)</u>	<u>639</u>
Deposit to/(use of) Reserves	<u>(71)</u>	<u>0</u>	<u>0</u>	<u>(71)</u>
Change in fund balance	<u>(14,644)</u>	<u>568</u>	<u>(41)</u>	<u>(14,117)</u>
Closing fund balance	<u>(14,644)</u>	<u>2,193</u>	<u>312</u>	<u>(12,139)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2013-2014
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	n/ap	2,193	312	2,505
Receipts:				
Taxes	45,022	9,276	13,990	68,288
Miscellaneous receipts	2,734	15,578	855	19,167
Federal grants	60	1	71	132
Total receipts	<u>47,816</u>	<u>24,855</u>	<u>14,916</u>	<u>87,587</u>
Disbursements:				
Grants to local governments	54,896	20,088	0	74,984
State operations:				
Personal service	6,663	4,610	0	11,273
Non-personal service	2,363	2,620	92	5,075
General State charges	5,437	1,423	0	6,860
Debt service	0	0	6,515	6,515
Capital projects	0	2	0	2
Total disbursements	<u>69,359</u>	<u>28,743</u>	<u>6,607</u>	<u>104,709</u>
Other financing sources (uses):				
Transfers from other funds	12,055	5,098	6,620	23,773
Transfers to other funds	(7,769)	(548)	(14,980)	(23,297)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>4,286</u>	<u>4,550</u>	<u>(8,360)</u>	<u>476</u>
Deposit to/(use of) Community Projects Fund	<u>(25)</u>	<u>0</u>	<u>0</u>	<u>(25)</u>
Change in fund balance	<u>(17,232)</u>	<u>662</u>	<u>(51)</u>	<u>(16,621)</u>
Closing fund balance	<u>(17,232)</u>	<u>2,855</u>	<u>261</u>	<u>(14,116)</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>2,302</u>	<u>2,400</u>	<u>(253)</u>	<u>410</u>	<u>4,859</u>
Receipts:					
Taxes	39,701	8,151	1,329	12,272	61,453
Miscellaneous receipts	2,861	15,174	4,393	790	23,218
Federal grants	60	47,986	2,461	58	50,565
Total receipts	<u>42,622</u>	<u>71,311</u>	<u>8,183</u>	<u>13,120</u>	<u>135,236</u>
Disbursements:					
Grants to local governments	37,748	59,855	1,308	0	98,911
State operations:					
Personal service	6,189	6,846	0	0	13,035
Non-personal service	1,949	4,417	0	92	6,458
General State charges	4,119	2,201	0	0	6,320
Debt service	0	0	0	5,471	5,471
Capital projects	0	2	7,200	0	7,202
Total disbursements	<u>50,005</u>	<u>73,321</u>	<u>8,508</u>	<u>5,563</u>	<u>137,397</u>
Other financing sources (uses):					
Transfers from other funds	11,892	7,292	1,144	7,024	27,352
Transfers to other funds	(5,741)	(5,580)	(1,419)	(14,627)	(27,367)
Bond and note proceeds	0	0	578	0	578
Net other financing sources (uses)	<u>6,151</u>	<u>1,712</u>	<u>303</u>	<u>(7,603)</u>	<u>563</u>
Change in fund balance	<u>(1,232)</u>	<u>(298)</u>	<u>(22)</u>	<u>(46)</u>	<u>(1,598)</u>
Closing fund balance	<u>1,070</u>	<u>2,102</u>	<u>(275)</u>	<u>364</u>	<u>3,261</u>
Net Proposed Reductions	<u>315</u>				<u>315</u>
Proposed Closing fund balance	<u>1,385</u>	<u>2,102</u>	<u>(275)</u>	<u>364</u>	<u>3,576</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL 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	n/ap	2,102	(275)	364	2,191
Receipts:					
Taxes	42,516	8,606	1,353	13,041	65,516
Miscellaneous receipts	2,821	14,993	4,248	809	22,871
Federal grants	60	43,840	2,309	71	46,280
Total receipts	<u>45,397</u>	<u>67,439</u>	<u>7,910</u>	<u>13,921</u>	<u>134,667</u>
Disbursements:					
Grants to local governments	46,012	56,742	1,421	0	104,175
State operations:					
Personal service	6,659	6,899	0	0	13,558
Non-personal service	2,090	4,328	0	92	6,510
General State charges	4,583	2,254	0	0	6,837
Debt service	0	0	0	6,039	6,039
Capital projects	0	2	7,195	0	7,197
Total disbursements	<u>59,344</u>	<u>70,225</u>	<u>8,616</u>	<u>6,131</u>	<u>144,316</u>
Other financing sources (uses):					
Transfers from other funds	11,660	7,342	1,652	6,717	27,371
Transfers to other funds	(6,787)	(4,607)	(1,463)	(14,518)	(27,375)
Bond and note proceeds	0	0	488	0	488
Net other financing sources (uses)	<u>4,873</u>	<u>2,735</u>	<u>677</u>	<u>(7,801)</u>	<u>484</u>
Deposit to/(use of) Reserves	<u>(48)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(48)</u>
Change in fund balance	<u>(9,026)</u>	<u>(51)</u>	<u>(29)</u>	<u>(11)</u>	<u>(9,117)</u>
Closing fund balance	<u>(9,026)</u>	<u>2,051</u>	<u>(304)</u>	<u>353</u>	<u>(6,926)</u>

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	2,051	(304)	353	2,100
Receipts:					
Taxes	42,823	8,943	1,365	13,223	66,354
Miscellaneous receipts	2,786	15,443	3,606	833	22,668
Federal grants	60	42,375	1,863	71	44,369
Total receipts	<u>45,669</u>	<u>66,761</u>	<u>6,834</u>	<u>14,127</u>	<u>133,391</u>
Disbursements:					
Grants to local governments	50,697	56,447	1,306	0	108,450
State operations:					
Personal service	6,556	6,813	0	0	13,369
Non-personal service	2,242	4,189	0	92	6,523
General State charges	4,989	2,442	0	0	7,431
Debt service	0	0	0	6,354	6,354
Capital projects	0	2	5,936	0	5,938
Total disbursements	<u>64,484</u>	<u>69,893</u>	<u>7,242</u>	<u>6,446</u>	<u>148,065</u>
Other financing sources (uses):					
Transfers from other funds	11,397	7,634	1,451	6,692	27,174
Transfers to other funds	(7,297)	(3,935)	(1,502)	(14,414)	(27,148)
Bond and note proceeds	0	0	425	0	425
Net other financing sources (uses)	<u>4,100</u>	<u>3,699</u>	<u>374</u>	<u>(7,722)</u>	<u>451</u>
Deposit to/(use of) Reserves	<u>(71)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(71)</u>
Change in fund balance	<u>(14,644)</u>	<u>567</u>	<u>(34)</u>	<u>(41)</u>	<u>(14,152)</u>
Closing fund balance	<u>(14,644)</u>	<u>2,618</u>	<u>(338)</u>	<u>312</u>	<u>(12,052)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL FUNDS
2013-2014
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	2,618	(338)	312	2,592
Receipts:					
Taxes	45,022	9,276	1,366	13,990	69,654
Miscellaneous receipts	2,734	15,715	3,493	855	22,797
Federal grants	60	45,384	1,824	71	47,339
Total receipts	<u>47,816</u>	<u>70,375</u>	<u>6,683</u>	<u>14,916</u>	<u>139,790</u>
Disbursements:					
Grants to local governments	54,896	60,144	1,275	0	116,315
State operations:					
Personal service	6,663	6,860	0	0	13,523
Non-personal service	2,363	4,253	0	92	6,708
General State charges	5,437	2,600	0	0	8,037
Debt service	0	0	0	6,515	6,515
Capital projects	0	2	5,710	0	5,712
Total disbursements	<u>69,359</u>	<u>73,859</u>	<u>6,985</u>	<u>6,607</u>	<u>156,810</u>
Other financing sources (uses):					
Transfers from other funds	12,055	7,934	1,516	6,620	28,125
Transfers to other funds	(7,769)	(3,788)	(1,549)	(14,980)	(28,086)
Bond and note proceeds	0	0	341	0	341
Net other financing sources (uses)	<u>4,286</u>	<u>4,146</u>	<u>308</u>	<u>(8,360)</u>	<u>380</u>
Deposit to/(use of) Community Projects Fund	<u>(25)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(25)</u>
Change in fund balance	<u>(17,232)</u>	<u>662</u>	<u>6</u>	<u>(51)</u>	<u>(16,615)</u>
Closing fund balance	<u>(17,232)</u>	<u>3,280</u>	<u>(332)</u>	<u>261</u>	<u>(14,023)</u>

Source: NYS DOB

**CASHFLOW
GENERAL FUND
2010-2011
(dollars in millions)**

	2010 April Actuals	May Actuals	June Actuals	July Actuals	August Actuals	September Actuals	October Actuals*	November Projected	December Projected	2011 January Projected	February Projected	March Projected	Total
OPENING BALANCE	2,302	4,274	1,648	(87)	590	528	2,381	2,071	803	864	5,545	5,794	2,302
RECEIPTS:													
Personal Income Tax	3,069	783	2,164	1,575	1,669	2,571	1,526	1,344	523	5,280	2,016	1,648	24,148
User Taxes and Fees	669	589	858	666	666	863	696	684	880	753	628	784	8,736
Business Taxes	60	2	80	21	43	990	(7)	131	1,431	70	2,047	2,047	5,783
Other Taxes	93	83	103	155	81	116	67	67	67	67	67	68	1,034
Total Taxes	3,891	1,457	4,040	2,476	2,437	4,540	2,282	2,226	2,901	6,123	2,781	4,547	39,701
Licenses, Fees, etc.	47	56	55	77	53	69	50	50	50	45	65	50	667
Abandoned Property	0	(4)	77	3	28	43	16	120	40	70	60	197	650
ABC License Fee	9	1	6	4	4	0	3	3	3	3	3	3	46
Motor vehicle fees	0	0	0	0	0	0	0	0	0	0	0	0	42
Reimbursements	7	13	35	13	6	47	6	11	36	6	11	31	222
Investment Income	1	0	0	1	0	0	(3)	1	1	2	4	3	10
Other Transactions	26	33	80	41	69	423	54	49	99	73	77	200	1,224
Total Miscellaneous Receipts	90	99	253	139	160	586	126	234	229	199	220	526	2,861
Federal Grants	1	13	0	0	0	0	14	0	14	0	0	18	60
PT in Excess of Revenue Bond Debt Service	1,022	108	887	509	232	964	348	165	1,080	1,331	303	822	7,771
Sales Tax in Excess of LGAC Debt Service	180	100	350	202	132	267	210	206	264	227	2	158	2,298
Real Estate Taxes in Excess of CW/CA Debt Service	32	34	33	32	33	28	22	22	22	22	22	23	332
All Other	4	1	62	87	20	11	15	39	190	144	185	733	1,491
Total Transfers from Other Funds	1,238	243	1,332	837	417	1,270	585	432	1,556	1,724	512	1,736	11,892
TOTAL RECEIPTS	5,220	1,812	5,625	3,452	3,014	6,396	3,017	2,892	4,700	8,046	3,513	6,827	54,514
DISBURSEMENTS:													
School A/E	491	2,616	3,767	100	574	1,063	397	1,004	1,560	300	514	6,379	18,765
Higher Education	16	16	379	196	14	314	56	361	149	50	420	473	2,488
All Other Education	17	14	17	14	88	523	25	420	38	94	151	77	1,488
Medicaid - DOH	1,085	633	668	516	590	389	259	714	538	714	927	321	7,425
Public Health	40	30	122	16	65	117	17	46	129	30	30	144	786
Mental Hygiene	10	5	362	50	130	392	164	21	401	128	127	428	2,218
Children and Families	9	15	14	66	274	74	338	139	214	165	88	301	1,697
Temporary & Disability Assistance	61	140	61	62	114	83	152	110	153	62	6	148	1,152
Transportation	0	0	0	11	9	18	0	24	9	0	25	2	98
Unrestricted Aid	3	12	274	1	1	96	9	2	212	2	2	166	780
All Other	19	16	189	(27)	45	48	(46)	73	52	39	40	443	891
Total Local Assistance Grants	1,751	3,497	5,853	1,017	1,904	3,117	1,373	2,985	3,455	1,584	2,330	8,882	37,748
Personal Service	514	547	586	619	465	622	403	459	593	409	379	593	6,189
Non-Personal Service	143	108	151	171	180	175	122	166	180	212	169	172	1,949
Total State Operations	657	655	737	790	645	797	525	625	773	621	548	765	8,138
General State Charges	122	30	485	112	348	298	441	293	104	385	165	1,336	4,119
Debt Service	414	38	3	470	(5)	(133)	599	0	(1)	457	(15)	(177)	1,650
Capital Projects	14	21	4	121	(42)	63	88	59	63	127	120	240	878
State Share Medicaid	180	162	244	185	184	363	179	144	229	181	210	212	2,435
Other Purposes	110	35	34	80	42	38	46	54	46	49	(15)	183	778
Total Transfers to Other Funds	718	256	285	856	179	331	988	257	337	805	271	458	5,741
TOTAL DISBURSEMENTS	3,248	4,438	7,360	2,775	3,076	4,543	3,327	4,160	4,689	3,385	3,314	11,441	55,746
Excess/(Deficiency) of Receipts over Disbursements	1,972	(2,626)	(1,735)	677	(62)	1,853	(310)	(1,268)	31	4,651	199	(4,614)	(1,232)
CLOSING BALANCE	4,274	1,648	(87)	590	528	2,381	2,071	803	834	5,515	5,744	1,180	1,070
Net Proposed Reductions	0	0	0	0	0	0	0	0	0	30	50	205	315
Closing Fund Balance After Proposed Reductions	4,274	1,648	(87)	590	528	2,381	2,071	803	864	5,545	5,794	1,385	1,385

*Preliminary Results

Source: NYS DOB

CASH DISBURSEMENTS BY FUNCTION
ALL FUNDS
(thousands of dollars)

	2009-2010 Actuals	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT					
Agriculture and Markets, Department of	109,449	100,822	111,324	126,235	105,146
Alcoholic Beverage Control	17,012	17,774	19,658	20,176	20,993
Banking Department	87,166	90,845	93,975	97,677	100,817
Developmental Authority North	36	200	162	162	162
Consumer Protection Board	2,295	2,684	2,748	2,633	2,657
Economic Development Capital Programs	18,306	6,500	2,500	2,500	2,500
Economic Development, Department of	76,889	92,189	64,915	66,420	81,105
Energy Research and Development Authority	29,380	34,858	31,307	30,158	31,178
Insurance Department	657,937	464,700	463,468	471,900	479,183
Empire State Development Corporation	606,568	1,012,595	760,671	291,301	382,996
Olympic Regional Development Authority	7,966	4,815	5,025	5,025	5,152
Public Service, Department of	77,313	75,266	78,822	82,617	85,830
Racing and Wagering Board, State	22,575	23,733	24,638	22,625	23,405
Science, Technology and Innovation, Foundation for	29,083	31,024	29,111	26,827	23,387
Strategic Investment	8,827	10,000	4,000	5,000	5,000
Functional Total	1,750,802	1,968,005	1,692,324	1,251,256	1,349,511

PARKS AND THE ENVIRONMENT

Adirondack Park Agency	5,292	5,118	4,667	4,669	4,669
Environmental Conservation, Department of	864,001	1,038,671	991,615	787,219	757,919
Environmental Facilities Corporation	10,025	9,067	9,249	9,433	9,433
Hudson River Park Trust	11,977	10,000	0	0	0
Parks, Recreation and Historic Preservation, Office of	305,485	238,211	218,789	220,456	221,198
Functional Total	1,196,780	1,301,067	1,224,320	1,021,777	993,219

TRANSPORTATION

Motor Vehicles, Department of	320,230	326,441	310,740	319,237	325,565
Thruway Authority	1,403	1,800	1,800	1,800	1,800
Metropolitan Transportation Authority	184,681	217,100	194,500	183,600	183,600
Transportation, Department of	7,376,584	8,171,039	8,156,431	8,001,729	7,999,715
Functional Total	7,882,898	8,716,380	8,663,471	8,506,366	8,510,680

HEALTH

Aging, Office for the	229,966	226,863	219,285	219,338	219,381
Health, Department of	42,156,549	44,707,035	49,012,901	50,810,999	55,398,469
Medical Assistance	37,025,209	39,146,472	43,028,745	45,049,303	49,581,347
Medicaid Administration	939,296	1,098,413	1,147,500	1,193,500	1,241,300
Public Health	4,192,044	4,462,150	4,836,656	4,568,196	4,575,822
Health - Medicaid Assistance	0	0	0	0	0
Medicaid Inspector General, Office of	64,868	73,770	87,434	90,014	91,724
Stem Cell and Innovation	17,676	44,700	50,000	61,373	63,673
Functional Total	42,469,059	45,052,368	49,369,620	51,181,724	55,773,247

SOCIAL WELFARE

Children and Family Services, Office of	3,189,020	3,241,227	3,327,980	3,511,844	3,733,849
OCFS	3,139,542	3,134,526	3,196,618	3,376,657	3,594,824
OCFS - Medicaid	49,478	106,701	131,362	135,187	139,025
Human Rights, Division of	20,300	19,339	18,990	19,596	19,881
Labor, Department of	728,721	797,210	738,445	733,468	716,357
Housing and Community Renewal, Division of	417,003	467,490	403,257	263,395	280,349
National Commission Services	16,862	20,732	14,627	14,629	14,715
Prevention of Domestic Violence, Office for	2,167	1,947	1,962	1,983	1,983

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

	2009-2010 Actuals	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
Temporary and Disability Assistance, Office of Welfare Assistance	5,275,993	5,247,194	5,287,681	5,273,384	5,312,525
Welfare Administration	3,857,439	3,829,675	3,882,371	3,855,288	3,895,942
All Other	51,263	0	0	0	0
Welfare Inspector General, Office of	1,367,291	1,417,519	1,405,310	1,418,096	1,416,583
Workers' Compensation Board	727	1,432	1,456	1,472	1,492
Workers' Compensation Board	190,135	208,012	206,237	211,570	218,476
Functional Total	9,840,928	10,004,583	10,000,635	10,031,341	10,299,627
MENTAL HYGIENE					
Mental Health, Office of	3,121,486	3,415,756	3,581,211	3,806,640	3,982,475
OMH	1,423,971	1,611,503	1,665,765	1,807,086	1,904,465
OMH - Medicaid	1,697,515	1,804,253	1,915,446	1,999,554	2,078,010
Mental Hygiene, Department of	175	0	0	0	0
People with Developmental Disabilities, Office for	4,397,581	4,468,924	4,635,169	4,851,926	5,119,400
OPWDD	522,032	577,017	596,218	619,559	646,529
OPWDD - Medicaid	3,875,549	3,891,907	4,038,951	4,232,367	4,472,871
Alcoholism and Substance Abuse Services, Office of	550,090	584,052	656,628	752,668	767,089
OASAS	456,695	479,620	546,034	638,730	650,476
OASAS - Medicaid	93,395	104,432	110,594	113,938	116,613
Developmental Disabilities Planning Council	3,397	4,200	4,200	4,200	4,200
Quality of Care and Advocacy for Persons with Disabilities, Commission	15,508	16,155	16,305	16,707	17,159
Functional Total	8,088,237	8,489,087	8,893,513	9,432,141	9,890,323
PUBLIC PROTECTION/CRIMINAL JUSTICE					
Capital Defenders Office	21	0	0	0	0
Correction, Commission of	2,628	2,701	2,740	2,792	2,824
Correctional Services, Department of	2,909,312	2,702,173	2,779,192	2,842,665	2,914,440
Criminal Justice Services, Division of	241,767	343,785	326,406	311,301	306,727
Office of Victim Services	67,342	67,372	64,910	65,310	65,447
Statewide Financial System	0	30,643	40,072	49,656	49,756
Homeland Security and Emergency Services	296,589	383,650	403,890	411,478	374,077
Homeland Security	800	34,298	34,710	35,125	35,547
Office of Indigent Legal Services	0	73,691	79,997	80,125	80,237
Investigation, Temporary State Commission of	395	0	0	0	0
Judicial Commissions	5,145	5,292	5,542	5,616	5,696
Military and Naval Affairs, Division of	276,622	218,975	194,775	189,822	189,034
Parole, Division of	188,383	179,398	174,844	177,540	182,735
Probation and Correctional Alternatives, Division of	74,852	0	0	0	1,468
State Emergency Management Office	0	0	0	0	0
State Police, Division of	776,340	717,985	728,556	715,148	719,889
Wireless Network	6,672	3,586	1,786	1,786	786
Functional Total	4,846,868	4,763,549	4,837,420	4,888,364	4,928,663

CASH DISBURSEMENTS BY FUNCTION
ALL FUNDS
(thousands of dollars)

	2009-2010 Actuals	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
HIGHER EDUCATION					
City University of New York	1,655,773	1,360,973	1,433,517	1,532,689	1,625,290
Higher Education Services Corporation	1,022,235	970,402	1,026,434	1,092,691	1,098,598
Higher Education Capital Grants	37,320	28,000	48,000	29,000	0
Higher Education Miscellaneous	378	355	355	355	355
State University Construction Fund	18,595	25,678	26,172	27,074	27,854
State University of New York	6,989,582	7,391,075	7,493,950	7,272,786	7,352,953
Functional Total	9,723,883	9,776,483	10,028,428	9,954,595	10,105,050
EDUCATION					
Arts, Council on the	43,436	44,768	40,466	40,503	40,563
Education, Department of	27,725,560	33,023,723	33,460,206	35,179,591	37,803,074
School Aid	21,484,784	26,209,910	26,554,814	28,217,163	30,529,973
School Aid - Medicaid Assistance	63,757	125,820	0	0	0
STAR Property Tax Relief	3,413,542	3,269,866	3,417,620	3,584,167	3,772,475
Special Education Categorical Programs	1,680,004	2,303,888	2,282,245	2,133,136	2,265,616
All Other	1,083,473	1,114,239	1,205,527	1,245,125	1,235,010
Functional Total	27,768,996	33,068,491	33,500,672	35,220,094	37,843,637
GENERAL GOVERNMENT					
Budget, Division of	40,775	39,212	40,751	41,825	42,755
Civil Service, Department of	21,384	17,406	17,561	17,820	18,113
Deferred Compensation	673	826	774	796	823
Elections, State Board of	50,405	101,615	56,577	36,154	6,099
Employee Relations, Office of	3,204	3,202	3,223	3,257	3,297
Financial Plan Control Board	2,630	3,190	3,330	3,494	3,638
General Services, Office of	197,766	196,027	201,742	213,048	215,935
Inspector General, Office of	6,079	6,024	6,187	6,272	6,359
Labor Management Committee	33,609	45,300	50,300	56,918	25,765
Lottery, Division of	185,777	173,408	176,790	177,280	181,544
Public Employment Relations Board	3,785	4,208	4,164	4,216	4,268
Public Integrity, Commission on	4,209	4,054	4,463	4,643	4,720
Real Property Services, Office of	42,806	0	0	0	0
Regulatory Reform, Governor's Office of	2,449	1,625	1,543	1,561	1,579
State, Department of	176,349	203,585	137,587	135,217	136,871
Tax Appeals, Division of	3,458	2,952	2,787	2,787	2,825
Taxation and Finance, Department of	417,898	457,613	439,812	442,768	449,534
Technology, Office for	23,549	27,598	79,091	83,294	42,817
Lobbying, Temporary State Commission on	0	0	0	0	0
Veterans' Affairs, Division of	16,072	17,000	16,859	16,860	16,982
Functional Total	1,232,877	1,304,845	1,243,541	1,248,210	1,163,924

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

	2009-2010 Actuals	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
ELECTED OFFICIALS					
Legislature	226,089	218,795	223,196	227,685	232,263
Judiciary	2,520,040	2,608,663	2,843,604	2,962,976	3,088,947
Audit and Control, Department of	242,702	178,908	185,420	193,444	195,966
Law , Department of	220,152	206,266	216,686	221,210	225,132
Executive Chamber	17,056	15,473	16,097	16,374	16,632
Lieutenant Governor, Office of the	0	516	1,051	1,066	1,066
Functional Total	3,226,039	3,228,621	3,486,054	3,622,755	3,760,006
LOCAL GOVERNMENT ASSISTANCE					
Aid and Incentives for Municipalities	1,039,488	740,716	1,030,259	1,030,300	1,030,468
Efficiency Incentive Grants Program	3,293	7,595	7,632	7,533	0
Miscellaneous Financial Assistance	8,920	3,920	3,920	3,920	3,920
Municipalities with VLT Facilities	26,489	25,801	25,801	25,801	25,801
Small Government Assistance	2,089	2,065	2,088	2,088	2,088
Functional Total	1,080,279	780,097	1,069,700	1,069,642	1,062,277
ALL OTHER CATEGORIES					
Long-Term Debt Service	5,012,102	5,562,704	6,131,145	6,445,769	6,606,424
Capital Projects	0	0	0	0	0
General State Charges	2,920,603	3,371,678	3,791,365	4,146,112	4,532,588
Miscellaneous	(162,872)	8,871	384,472	44,085	(11,037)
Functional Total	7,769,833	8,943,253	10,306,982	10,635,966	11,127,975
TOTAL ALL FUNDS SPENDING	126,877,479	137,396,829	144,316,680	148,064,231	156,808,139

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

**GAAP FINANCIAL PLAN
GENERAL FUND
2010-11
(millions of dollars)**

	<u>Enacted</u>	<u>Change</u>	<u>Mid-Year</u>
Revenues:			
Taxes:			
Personal income tax	24,794	(675)	24,119
User taxes and fees	8,893	(78)	8,815
Business taxes	5,631	69	5,700
Other taxes	914	0	914
Miscellaneous revenues	6,632	(53)	6,579
Federal grants	60	1	61
Total revenues	<u>46,924</u>	<u>(736)</u>	<u>46,188</u>
Expenditures:			
Grants to local governments	38,406	381	38,787
State operations	11,875	38	11,913
General State charges	5,148	(37)	5,111
Debt service	0	0	0
Capital projects	0	0	0
Total expenditures	<u>55,429</u>	<u>382</u>	<u>55,811</u>
Other financing sources (uses):			
Transfers from other funds	15,380	1	15,381
Transfers to other funds	(6,504)	263	(6,241)
Proceeds from financing arrangements/ advance refundings	403	0	403
Net other financing sources (uses)	<u>9,279</u>	<u>264</u>	<u>9,543</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>774</u>	<u>(854)</u>	<u>(80)</u>
Accumulated Surplus/(Deficit)	<u>(2,764)</u>	<u>(854)</u>	<u>(3,618)</u>

Source: NYS DOB

**GAAP FINANCIAL PLAN
GENERAL FUND
2010-2011 THROUGH 2013-2014
(millions of dollars)**

	<u>2010-11 Mid-Year</u>	<u>2011-12 Projected</u>	<u>2012-13 Projected</u>	<u>2013-14 Projected</u>
Revenues:				
Taxes:				
Personal income tax	24,119	25,170	25,494	27,147
User taxes and fees	8,815	9,053	9,268	9,714
Business taxes	5,700	6,469	6,661	6,899
Other taxes	914	1,017	1,067	1,122
Miscellaneous revenues	6,579	6,387	6,383	6,388
Federal grants	61	60	60	60
Total revenues	<u>46,188</u>	<u>48,156</u>	<u>48,933</u>	<u>51,330</u>
Expenditures:				
Grants to local governments	38,787	49,146	53,916	58,092
State operations	11,913	12,499	12,491	12,846
General State charges	5,111	5,389	5,992	6,499
Debt service	0	0	0	0
Capital projects	0	0	0	0
Total expenditures	<u>55,811</u>	<u>67,034</u>	<u>72,399</u>	<u>77,437</u>
Other financing sources (uses):				
Transfers from other funds	15,381	15,235	14,857	14,857
Transfers to other funds	(6,241)	(6,902)	(7,110)	(7,121)
Proceeds from financing arrangements/ advance refundings	403	400	400	400
Net other financing sources (uses)	<u>9,543</u>	<u>8,733</u>	<u>8,147</u>	<u>8,136</u>
Operating Surplus/(Deficit)	<u>(80)</u>	<u>(10,145)</u>	<u>(15,319)</u>	<u>(17,971)</u>

Source: NYS DOB