

Update to Annual Information Statement (AIS)

State of New York

February 15, 2010

This quarterly update (the "AIS Update") is the third quarterly update to the Annual Information Statement of the State of New York that was dated May 15, 2009 (the "AIS") and contains information only through February 15, 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 Governor's Executive Budget Financial Plan for 2010-11, as updated for forecast revisions and Governor's amendments (the "Updated Financial Plan"), which the Division of the Budget ("DOB") presented to the Legislature on February 9, 2010. The Updated Financial Plan includes (a) a summary of recent events and changes to the Financial Plan made since the second quarterly update to the AIS dated November 3, 2009 (the "Second Quarterly Update"), (b) preliminary operating results through the first ten months of fiscal year 2009-10, (c) an updated economic forecast, (d) estimates for the State's current fiscal year (2009-10) and detailed projections for fiscal years 2010-11 through 2013-14, which reflect the 2010-11 Executive Budget recommendations and the State's approved Deficit Reduction Plan ("DRP"), and (e) the Generally Accepted Accounting Principles (GAAP)-basis Financial Plan projections for 2009-10 and 2010-11. The Updated Financial Plan is available on the DOB website, www.budget.state.ny.us.
2. A discussion of special considerations related to the State Financial Plan for fiscal year 2009-10.
3. A summary of GAAP-basis results for the 2008-09 fiscal year (the full statements are available on the State Comptroller's website, www.osc.state.ny.us).
4. Updated information regarding the State Retirement Systems.
5. The status of significant litigation that has the potential to adversely affect the State's finances.

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

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

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

State or State-supported debt issuance. The State has filed this AIS Update with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. Effective July 1, 2009, pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the MSRB is designated as the sole repository for the electronic filing of all primary and secondary market disclosure. An electronic copy of this AIS Update can be accessed through the EMMA at www.emma.msrb.org. An official copy of this AIS Update may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-7705.

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Updated Financial Plan

Note: *DOB issued the 2010-11 Executive Budget Financial Plan, updated for forecast revisions and Governor's amendments, on February 9, 2010, extracts of which are set forth below. The Updated Financial Plan includes estimates and proposals for 2009-10 and 2010-11, and projections for 2011-12 through 2013-14. As such, it contains estimates and projections of future results that should be construed as forward-looking statements and expectations, not statements of fact. These estimates and projections are based upon assumptions that may be affected by numerous factors, including changes to the proposed budget by the State Legislature, future economic conditions in the State and the nation, and potential litigation. There can be no assurance that actual results will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan.*

The State Constitution requires the Governor to submit an Executive Budget that is balanced on a cash basis in the General Fund — the Fund that receives the majority of State taxes, and all income not earmarked for a particular program or activity. Since this is the fund that is required to be balanced, the focus of the State's budget discussion is often weighted toward the General Fund.

The State accounts for all of its spending and revenues by the fund in which the activity takes place (such as the General Fund), and the broad category or purpose of that activity (such as State Operations). The Financial Plan tables sort all State projections and results by fund and category. The State also reports disbursements and receipts activity by two other broad measures: State Operating Funds, which includes the General Fund and funds specified for dedicated purposes, but excludes Federal Funds and Capital Projects Funds; and All Governmental Funds ("All Funds"), which includes both State and Federal Funds and provides the most comprehensive view of the financial operations of the State.

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

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

2009-10 Updated Financial Plan Highlights

EXECUTIVE BUDGET FINANCIAL PLAN (AS AMENDED) AT-A-GLANCE: KEY MEASURES (millions of dollars)				
	2008-09 Actual	2009-10 2nd Qtr. Update ¹	2009-10 Revised ²	2010-11 Executive ³
State Operating Funds Budget				
Size of Budget ^{3,4}	\$78,168	\$79,970	\$79,267	\$79,286
Annual Growth	1.5%	2.3%	1.4%	0.0%
Other Budget Measures (Annual Growth)				
General Fund (with transfers) ³	\$54,607	\$54,610	\$54,167	\$53,388
	2.3%	0.0%	-0.8%	-1.4%
State Funds (Including Capital) ^{3,4}	\$83,146	\$85,505	\$84,724	\$85,508
	2.2%	2.8%	1.9%	0.9%
Capital Budget (Federal and State)	\$6,829	\$8,053	\$7,975	\$8,858
	11.4%	17.9%	16.8%	11.1%
Federal Operating	\$36,574	\$45,162	\$46,776	\$47,105
	11.1%	23.5%	27.9%	0.7%
All Funds ^{3,4}	\$121,571	\$133,185	\$134,018	\$135,249
	4.8%	9.6%	10.2%	0.9%
All Funds (Including "Off-Budget" Capital) ^{4,5}	\$123,833	\$135,276	\$136,036	\$137,149
	5.2%	9.2%	9.9%	0.8%
Inflation (CPI) Growth	2.7%	0.0%	0.3%	2.0%
All Funds Receipts (Annual Growth)				
Taxes	\$60,337	\$59,383	\$58,779	\$63,768
	-0.9%	-1.6%	-2.6%	8.5%
Miscellaneous Receipts	\$20,064	\$21,385	\$22,383	\$21,707
	2.1%	6.6%	11.6%	-3.0%
Federal Grants	\$38,834	\$48,087	\$49,848	\$50,179
	11.2%	23.8%	28.4%	0.7%
Total Receipts	\$119,235	\$128,855	\$131,010	\$135,654
	3.3%	8.1%	9.9%	3.5%
Base Tax Growth/(Decline)⁶	-3.0%	-11.0%	-11.0%	3.1%
Combined General Fund/HCRA Outyear Gap Forecast				
2009-10	N/A	(\$3,159)	\$0	\$0
2010-11	N/A	(\$6,796)	(\$8,168)	\$0
2011-12	N/A	(\$14,775)	(\$14,481)	(\$5,386)
2012-13	N/A	(\$19,520)	(\$18,501)	(\$10,656)
2013-14	N/A	N/A	(\$20,883)	(\$12,397)
Total General Fund Reserves				
Rainy Day Reserve Funds	\$1,948	\$1,372	\$1,373	\$1,906
Reserved for Fiscal Uncertainties	\$1,206	\$1,206	\$1,206	\$1,206
Reserved for Fiscal Uncertainties	\$0	\$0	\$0	\$485
All Other Reserves	\$742	\$166	\$167	\$215
State Workforce (Subject to Executive Control)	136,490	134,698	132,517	131,906
Debt				
Debt Service as % All Funds	4.3%	4.4%	4.3%	4.8%
State Related Debt Outstanding	\$52,150	\$55,218	\$54,831	\$57,482

¹ Before impact of any Deficit Reduction Plan ("DRP") actions.

² Includes the impact of the DRP approved in December 2009. Gaps assume remaining 2009-10 budget shortfall is carried forward into 2010-11.

³ Executive Budget Financial Plan, as revised and amended through February 9, 2010.

⁴ Adjusted to exclude the impact on spending of carrying forward a portion of the 2009-10 budget shortfall into 2010-11.

⁵ Approximately \$1.2 billion in 2009-10 and \$1.6 billion in 2010-11 have been added to special revenue fund receipts and disbursements for the new Metropolitan Commuter Transportation Mobility Tax, a tax which is collected by the State on behalf of, and transferred in its entirety to, the MTA.

⁶ Reflects estimated change in tax receipts excluding the impact of Tax Law changes since fiscal year 1986-87.

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Summary

The following information on the Updated Financial Plan describes changes to the State's multi-year Financial Plan since the Second Quarterly Update released in November 2009 and summarizes the Executive Budget proposal, as updated for forecast revisions and Governor's amendments, for the 2010-11 fiscal year.

On January 19, 2010, the Governor presented his Executive Budget for 2010-11 to the Legislature. The Executive Budget Financial Plan (the "Initial Executive Budget Financial Plan" or "Initial Plan") reflected recommendations to eliminate a General Fund budget gap in 2010-11 that was then estimated at approximately \$7.4 billion. The budget gap included an estimated budget shortfall of \$500 million in 2009-10 (the current fiscal year) that was expected to be carried forward into 2010-11.

On February 9, 2010, the Governor submitted amendments to the Executive Budget. The Updated Financial Plan reflects the (a) impact of the Governor's amendments and (b) substantive forecast revisions to the multi-year projections of receipts and disbursements that were set forth in the Initial Plan, based on updated information through January 2010.

The Updated Financial Plan projects that the budget gap that must be addressed in 2010-11 increased by \$750 million to \$8.2 billion. The increase from the Initial Plan was due to downward revisions to the PIT forecast based on January 2010 results, and higher expected spending for Medicaid. The revisions increased the current-year budget shortfall that is expected to be carried into 2010-11 to \$1.4 billion, an increase of \$880 million from the Initial Plan.

The Updated Financial Plan identifies additional gap-closing resources and actions to fully eliminate the additional General Fund gap (including the 2009-10 budget shortfall) and maintain a balanced Executive Budget proposal, as required by law. The table below summarizes the revisions to the Financial Plan since the Second Quarterly Update to the AIS.

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SUMMARY GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS CHANGES FROM MID-YEAR UPDATE TO AMENDED EXECUTIVE BUDGET PROPOSAL (millions of dollars)			
	2009-10	2010-11	Two-Year Total
MID-YEAR SURPLUS/(GAP) ESTIMATES (Before Any Actions)	(3,159)	(6,796)	(9,955)
Forecast Revisions	(86)	(122)	(208)
Carry-Forward 2009-10 Budget Shortfall into 2010-11	500	(500)	0
Gap-Closing Actions:	2,745	7,418	<u>10,163</u>
<i>Approved Deficit Reduction Plan (December 2009)</i>	<u>2,745</u>	692	<u>3,437</u>
<i>Initial Executive Budget Financial Plan</i>	0	6,726	6,726
INITIAL EXECUTIVE BUDGET SURPLUS/(GAP) ESTIMATES	0	0	0
FORECAST REVISIONS (AFTER INITIAL PLAN):			
Receipts:	(850)	300	(550)
PIT Withholding	(450)	0	(450)
PIT Estimated	(400)	300	(100)
Disbursements:	(30)	(170)	(200)
Additional Medicaid Costs	(230)	(170)	(400)
VLT Franchise Valuation (\$300M total)	100	0	100
Other Spending	100	0	100
Cash Management to Carry Additional Shortfall into 2010-11	880	(880)	0
2010-11 SURPLUS/(GAP) TO CLOSE IN AMENDMENT PERIOD	0	(750)	(750)
GAP-CLOSING RECOMMENDATIONS	0	1,235	1,235
Anticipated Federal FMAP Extension (6 mos. Starting Jan. 2011)	0	1,060	1,060
Adjust Franchise Fee for Wine in Grocery Stores (\$300M total)	0	162	162
All Other Amendments	0	13	13
REVISED SURPLUS/(GAP) AFTER RECOMMENDATIONS	0	485	485
Reserved for Fiscal Uncertainties	0	(485)	(485)
AMENDED EXECUTIVE BUDGET SURPLUS/(GAP) ESTIMATES	0	0	0

The most significant new gap-closing resource is an anticipated six-month extension of a higher Federal Medical Assistance Percentage (“FMAP”) for eligible State Medicaid expenditures. On February 1, 2010, President Obama released his Executive Budget for Fiscal Year 2011. The President’s Budget recommends a six-month extension of the temporary increase in the FMAP that was authorized in the American Recovery and Reinvestment Act (“ARRA”). Under the ARRA, the higher FMAP for eligible Medicaid expenditures currently in effect would expire on December 31, 2010. DOB estimates that, if approved, the extension of higher FMAP through June 30, 2011 would provide approximately \$1.1 billion in Financial Plan savings in both the 2010-11 and 2011-12 fiscal years.

I. Update on General Fund Budget Gaps (Before Gap-Closing Actions)

A. Current Fiscal Year (2009-10)

In the Second Quarterly Update, DOB estimated a General Fund budget gap of \$3.2 billion in the current year. The Governor proposed a Deficit Reduction Plan ("DRP") to eliminate the gap. The proposed DRP included actions that could be implemented administratively and actions that required the approval of the Legislature. In December 2009, the Governor and Legislature approved a DRP that provided an estimated \$2.7 billion in 2009-10 savings (including approximately \$800 million in savings from administrative actions), leaving a shortfall of \$414 million. (See "Deficit Reduction Plan" herein.)

Since the Second Quarterly Update, DOB has made several substantive revisions to the current-services forecast for the current year that, taken together, increase the estimate of the General Fund shortfall by \$966 million (to a total of \$1.4 billion). The estimate for tax collections has been reduced by \$1.1 billion, based on collections experience to date, and the estimate for Medicaid expenditures has been increased by \$580 million, based on an increase in weekly payments to providers and updated enrollment data. An increase in the expected value of the VLT franchise payment and lower estimated spending across a range of programs and activities offset in part the lower receipts and higher Medicaid spending. The following table summarizes the changes to the 2009-10 forecast since the Second Quarterly Update.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) ESTIMATE FOR 2009-10 SUMMARY OF CHANGES FROM MID-YEAR UPDATE (millions of dollars)	
	<u>2009-10</u>
MID-YEAR UPDATE (OCTOBER 2009) ¹	(3,159)
Approved Deficit Reduction Plan (Dec. 2009)	2,745
State Agency Reductions	454
Aid to Localities Reductions	629
All Other Actions	1,662
Forecast Revisions	(966)
Tax Receipts ²	(1,053)
Miscellaneous Receipts	78
Revised Valuation of VLT Franchise Payment (\$300M total)	100
Spending Revisions	(91)
ESTIMATED CARRY-FORWARD OF 2009-10 BUDGET SHORTFALL	(1,380)
¹ Excludes impact of any Deficit Reduction Plan actions, including administrative actions.	
² Excludes impact of debt service re-estimates.	

After accounting for the DRP and the forecast revisions, the General Fund has an estimated shortfall of \$1.4 billion remaining in the current fiscal year.¹ This estimate assumes the successful completion of, among other things, transactions related to the VLT franchise payment and the Battery Park City Authority. (See "Special Considerations" herein.) Rather than proposing additional gap-closing measures in the current fiscal year, when the range of options for achieving recurring savings is increasingly limited, the State expects to carry the budget shortfall forward into 2010-11, and address it in the Executive Budget as part of a multi-year plan that emphasizes recurring savings.² The State expects to

¹ By law, the General Fund is considered "balanced" on a cash-basis of accounting, if at the end of the fiscal year, all planned payments, including tax refunds, have been made without the issuance of deficit notes or bonds, and the balances in the Tax Stabilization Reserve and Rainy Day Reserve have been restored to the level they were at the start of the fiscal year.

² In practice, the State expects to carry the budget shortfall into 2010-11 by not making certain payments that had initially been scheduled to be made in 2009-10 but are not due by law until 2010-11. For planning purposes, the Updated Financial Plan assumes this will be done through the management of tax refunds and aid payments scheduled to be made in 2009-10 but due by law in 2010-11.

end 2009-10 with a cash balance of \$1.4 billion in the General Fund, including \$1.2 billion in the State's rainy day reserves. (See "Projected Closing Balances" herein.)

B. Fiscal Year 2010-11

The General Fund had a projected current-services budget gap of \$8.2 billion for 2010-11.³ The current-services gap for 2010-11 has increased by \$1.4 billion compared to the Second Quarterly Update forecast. The growth in the gap is due almost exclusively to the \$1.4 billion budget shortfall that is expected to be carried forward from 2009-10 into 2010-11, as described above. There were also a number of substantive current-services revisions based on updated information, that, in total, result in no material change to the gap. These include a reduction in projected tax receipts in 2010-11, based on updated economic data and collections experience (\$202 million); a change in the timing (from 2010-11 to 2011-12) of estimated receipts related to conversions of health insurance companies to for-profit status (\$242 million); an increase in the estimate for Medicaid expenditures (\$170 million); and the elimination of a requirement for motorists to renew their license plates (\$93 million). These reduced receipts are offset in part by downward revisions to the spending estimates for school aid, based on the latest database update, and for a number of other programs, based on updated program data and spending trends.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS				
SUMMARY OF CHANGES FROM MID-YEAR UPDATE				
(millions of dollars)				
	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14¹</u>
Mid-Year Budget Surplus/(Gap) Estimates²	(6,796)	(14,775)	(19,520)	
Current-Services Revisions	8	294	1,019	
Tax Receipts	(202)	(160)	(41)	
School Aid - Database Update	372	389	468	
Employee Pension Contribution	0	186	402	
Medicaid	(170)	(170)	(170)	
All Other	8	49	360	
Remaining Carry-Forward Budget Shortfall from 2009-10	(1,380)			
Current-Services Surplus/(Gap) Estimates	<u>(8,168)</u>	<u>(14,481)</u>	<u>(18,501)</u>	<u>(20,883)</u>

¹ The 2013-14 gap estimates are published for the first time in the 2010-11 Executive Budget.

² Before the impact of DRP savings approved in December 2009.

As the preceding table shows, the current-services gap in the General Fund is projected to nearly double between 2010-11 and 2011-12, increasing from \$8.2 billion to \$14.5 billion. This is caused in large part by the assumed expiration, at the end of calendar year 2010, of Federal stimulus funding⁴ for Medicaid, education, and other governmental purposes in the current-services forecast, which would result in approximately \$4.4 billion in costs reverting to the General Fund, starting in 2011-12. The assumption related to Federal Medicaid funding has been modified in the Updated Financial Plan, as

³ The 2010-11 current-services gap represents (a) the difference between the General Fund disbursements, including transfers to other funds, that are expected to be needed to maintain current-services levels and specific commitments, and the expected level of resources to pay for them, plus (b) the operating deficit projected in the Health Care Reform Act ("HCRA"), which helps finance a number of State health care programs, including a share of the Medicaid program. It does not reflect the benefit of actions taken in the DRP or proposed in the Executive Budget, as amended.

⁴ The American Recovery and Reinvestment Act ("ARRA") enacted in February 2009.

described elsewhere, based on the President's Executive Budget dated February 1, 2010. 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 approximately \$1 billion from 2010-11 levels.

II. Amended Executive Budget Financial Plan

A. Overview

The Updated Financial Plan would fully eliminate the 2010-11 budget gap of \$8.2 billion (which includes the \$1.4 billion shortfall carried forward from 2009-10), and reduce the projected gap in 2011-12 from \$14.5 billion to \$5.4 billion.⁵ The table below summarizes the gap-closing plan.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS				
SUMMARY OF CHANGES FROM REVISED CURRENT-SERVICES THROUGH EXECUTIVE BUDGET (AS AMENDED) RECOMMENDATION				
(millions of dollars)				
	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
REVISED CURRENT-SERVICES ESTIMATE (BEFORE ACTIONS)	(8,168)	(14,481)	(18,501)	(20,883)
Approved Deficit Reduction Plan (Dec. 2009)	692	811	876	854
State Agency Reductions	360	385	385	385
Aid to Localities Reductions	427	426	491	469
All Other Actions	(95)	0	0	0
Executive Budget Recommendations	7,476	8,284	6,969	7,632
Spending Control:	4,871	5,343	5,360	6,184
Aid to Localities Reductions	3,642	3,903	3,787	4,433
State Agency Reductions/Fringe Benefits	1,219	1,403	1,495	1,651
Bonded Capital Reductions of \$1.8 B (Debt Service Savings)	10	37	78	100
Tax/Fee Changes	1,244	1,660	1,388	1,227
Tax Audits/Recoveries	221	221	221	221
Non-Recurring Resources	565	0	0	0
Anticipated Federal FMAP Extension	1,060	1,060	0	0
Reserved for Fiscal Uncertainties	(485)	0	0	0
BUDGET SURPLUS/(GAPS) AFTER ACTIONS	0	(5,386)	(10,656)	(12,397)

The plan would, if enacted in its entirety:

- Provide over \$8.7 billion in gap-closing actions and resources, which, if approved, would permit the State to set aside nearly \$500 million in resources above what is needed to balance the 2010-11 budget to deal with fiscal uncertainties;
- Reduce spending from the current-services forecast by approximately \$5.0 billion in 2010-11, in both the General Fund and in State Operating Funds;⁶
- Hold spending on all measures at well below the rate of inflation, excluding the impact of payment deferrals that artificially lower spending in 2009-10 and increase it in 2010-11; and

⁵ The gap-closing plan consists of two parts: the Executive Budget proposals introduced on January 19, 2010, as updated by the Governor's amendments on February 9, 2010 and the recurring value of the DRP approved in December 2009.

⁶ State Operating Funds combines activity in the General Fund, State-financed special revenue funds, and debt service funds and is intended to measure the portion of the State budget that supports operations (as distinct from capital) and that is financed by State resources (as distinct from Federal aid).

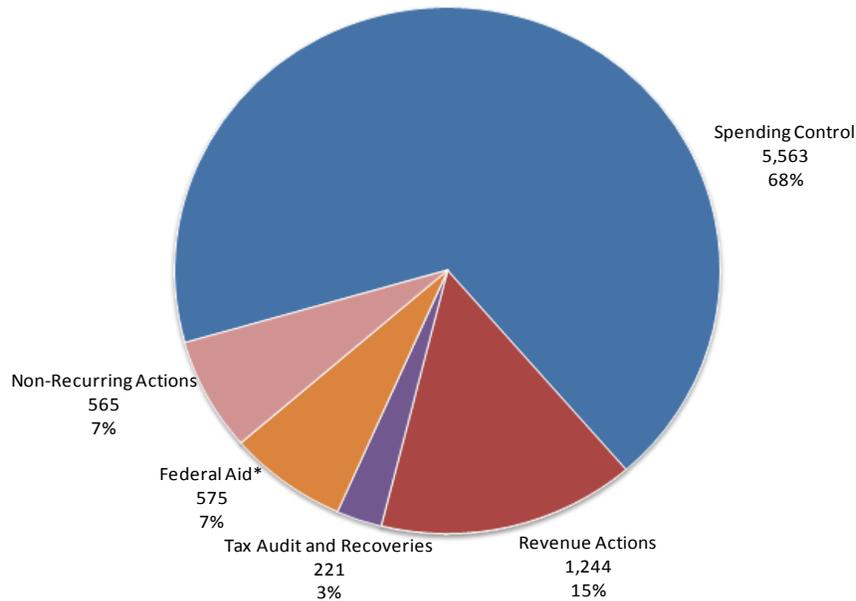
- Maintain the State’s rainy day reserves at \$1.2 billion.

The Updated Financial Plan does not advance any proposals to close the budget gaps with deficit borrowing, which would likely have an immediate adverse impact on the State’s credit rating and add to the long-term budget imbalance.

B. Composition of the Proposed Gap-Closing Plan

Under the proposed plan, the combined four-year gap (2010-11 through 2013-14) is reduced by more than half, declining from \$62 billion to \$28 billion. The chart below summarizes the shares of the gap-closing plan by broad category.

**Shares of 2010-11 Gap-Closing Plan (\$8.2 Billion)
(millions of dollars)**



*Portion of anticipated FMAP extension required to close estimated budget gap. Remainder would be set aside for fiscal uncertainties.

Reductions to current-services spending total approximately \$5 billion in the State Operating Funds (\$5.9 billion in the General Fund)⁷ and constitute 68 percent of the gap-closing plan. The proposed reductions affect nearly every activity financed by State government, ranging from aid to public schools to agency operations to capital expenditures.

The gap-closing plan includes \$1.2 billion in tax and fee increases. These include a new excise tax on syrup used in soft drinks and other beverages (\$465 million), a franchise fee paid by grocery stores to allow the sale of wine (\$254 million), a \$1 per pack increase in the cigarette tax (\$210 million), and an assessment on health care providers (\$216 million), all of which are earmarked to help pay for existing health care expenses. In addition, audit and compliance activities are expected to increase the tax base by approximately \$221 million annually. (See "Detailed Explanation of Gap-Closing Plan - Tax and Fee Increases" herein.)

⁷ Includes value of the DRP. See "Explanation of the Deficit Reduction Plan" herein.

Non-recurring resources, which comprise 7 percent of the actions proposed in the Executive Budget, total \$565 million. Importantly, this is less than the annual growth in savings achieved by recurring gap-closing actions which grow in value by approximately \$1.4 billion from 2010-11 to 2011-12.⁸ As a result, the non-recurring actions will not increase the budget gap in 2011-12. (See "Detailed Explanation of Gap-Closing Plan - Non-Recurring Resources" herein.)

Anticipated Federal aid accounts for the balance of the gap-closing plan. On February 1, 2010, President Obama released his Executive Budget for Fiscal Year 2011. The President's Budget recommends a six month extension of the temporary increase in the FMAP that was authorized in the American Recovery and Reinvestment Act ("ARRA"). If approved by Congress, the proposed FMAP extension would help states maintain their Medicaid programs during a period of high enrollment growth and reduced state revenue.

Under the ARRA, the higher FMAP for eligible Medicaid expenditures currently in effect would expire on December 31, 2010. DOB estimates that, if approved, the extension of higher FMAP through June 30, 2010 would provide approximately \$1.1 billion in Financial Plan savings in both the 2010-11 and 2011-12 fiscal years. If the extension of FMAP were not approved, the State would be required to take an additional \$575 million in gap-closing actions, as well as eliminate the resources reserved for fiscal uncertainties.

C. Detailed Explanation of Gap-Closing Plan

As noted above, the gap-closing plan consists of two parts, the Updated Financial Plan proposals and the recurring impact of the DRP. This section describes the gap-closing actions proposed in the Updated Financial Plan. It is followed by a summary of the estimated effects of the DRP.

The 2010-11 gap-closing actions are organized into three general categories: (a) actions that reduce current-services spending in the General Fund on a recurring basis ("Spending Control"); (b) actions that increase revenues on a recurring basis ("Revenue Actions"); and (c) transactions that increase revenues or lower spending in 2010-11, but that cannot be relied on in the future ("Non-Recurring Resources").

The sections below provide details on the actions that are recommended for 2010-11 under each category. Additional information on the Executive Budget recommendations for major programs and activities appears in the sections entitled "2010-11 All Funds Financial Plan" and "Out-year Projections" herein.

⁸ Excludes FMAP extension.

i. Spending Restraint

The Executive Budget gap-closing plan for 2010-11 focuses foremost on actions that reduce the growth in State spending on a recurring basis. Actions to restrain spending account for 68 percent of the gap-closing plan and will affect most activities funded by the State. The following table summarizes the recurring spending actions in the General Fund by major function or activity.

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2010-11				
SPENDING CONTROL				
SAVINGS/(COSTS)				
(millions of dollars)				
	2010-11	2011-12	2012-13	2013-14
Spending Control¹	<u>4,871</u>	<u>5,343</u>	<u>5,360</u>	<u>6,184</u>
Local Assistance	<u>3,642</u>	<u>3,903</u>	<u>3,787</u>	<u>4,433</u>
School Aid/Lottery Aid	<u>1,625</u>	<u>1,549</u>	<u>1,450</u>	<u>2,054</u>
Gap Elimination Adjustment	1,497	641	0	0
Delay Foundation Aid Phase-In	0	688	1,193	1,791
Lottery Aid	128	149	149	149
Other	0	71	108	114
Health Care	<u>822</u>	<u>1,187</u>	<u>1,169</u>	<u>1,169</u>
Medicaid Fraud/Audit Recoveries	300	300	300	300
Eliminate Automatic Medicaid Rate Increases	99	120	120	120
Reduce Managed Care Premiums	61	75	75	75
HCRA Financing	249	421	423	423
Public Health/Aging *	23	69	71	71
Other	90	202	180	180
Higher Education	<u>208</u>	<u>209</u>	<u>212</u>	<u>214</u>
SUNY Community College Base Aid	107	75	75	75
CUNY Senior College	48	64	64	64
HESC (primarily TAP) *	53	70	73	75
Local Government Aid	325	331	331	321
School Tax Relief Program	213	250	267	288
Human Services/Labor/Housing	201	201	193	223
Education/Special Education	139	38	45	46
Mental Hygiene *	49	63	48	39
All Other Local Assistance	60	75	72	79
State Operations	<u>1,219</u>	<u>1,403</u>	<u>1,495</u>	<u>1,651</u>
State Agency Operational Reductions *	707	742	703	734
Workforce Savings	250	125	0	0
Fringe Benefits/Pension Amortization	262	536	792	917
Bonded Capital Spending Reductions	<u>10</u>	<u>37</u>	<u>78</u>	<u>100</u>

¹ Net of new funding initiatives.

* Includes amendments to the Executive Budget recommendations submitted on January 19, 2010.

Local Assistance

Local assistance spending includes financial aid to local governments and non-profit organizations, as well as entitlement payments to individuals. Excluding the impact of potential payment deferrals from 2009-10 into 2010-11 and the extension of enhanced FMAP, State Operating Funds spending for local assistance is estimated at \$54.2 billion in 2010-11, an increase of \$244 million (0.5 percent) from the current year. The most significant gap-closing actions in local assistance include the following:

- **School aid/lottery aid (\$1.6 billion on a State fiscal year basis)** by imposing a one-time adjustment to formula-based school aid on a wealth-equalized basis (\$1.4 billion); extending the phase-in of the Foundation Aid program from seven to ten years; and enhancing the operation of the State's lottery games and VLT facilities (including increased advertising, the extension of operating hours at VLT facilities, and the enhancement of the Quick Draw game) to increase lottery revenues for financing school aid (\$128 million).
- **Health Care (\$822 million)** through cost-containment measures in Medicaid, including eliminating inflation-based adjustments to rates; decreasing managed care premiums; heightening anti-fraud and audit efforts; implementing prior-approval for insurance rate changes; and financing a greater share of Medicaid spending through HCRA. Absent the tax increases on beverage syrup and cigarettes, and the imposition of the assessments, further reductions in health care would need to have been proposed.

In other public health activities, savings would result from modifying the payment rates, eligibility standards, and operation of the EI program; eliminating reimbursement for optional services provided through the GPHW, and eliminating General Fund support for programs that are not related to DOH's and SOFA's core mission.

- **Higher Education (\$208 million)** by reducing State support for SUNY and CUNY senior and community colleges (which will be partially mitigated by the use of ARRA funding) and reducing the TAP program spending by changing eligibility standards and reducing overall grant awards. The savings would be offset in part by new tuition funding for students enrolled in certain religious studies programs.
- **Local Government Aid (\$325 million)** primarily by eliminating AIM funding for New York City and Erie County, and by reducing AIM funding to other municipalities by 2 or 5 percent, depending on their reliance on this revenue.
- **STAR (\$213 million)** by reducing the New York City benefit on income above \$250,000; limiting the protection against annual declines in the value of the benefit; and eliminating the benefit for homes valued at \$1.5 million or more.
- **Human Services (\$201 million)** by reallocating Title XX funding from non-mandated services to pay for State and local Adult Protective/Domestic Violence program costs; stretching the implementation of the planned annual increase in public assistance grants by two years; restructuring the adult shelter program; reducing spending in non-core-mission programs; and rightsizing youth facilities.
- **Education/Special Education/Arts (\$139 million)** by changing the reimbursement method for summer school special education costs from a flat rate to a wealth-adjusted reimbursement rate; using available ARRA funding to help support preschool special education costs; reducing reimbursement under the comprehensive attendance program to non-public schools; reducing funding for grants to the Arts Council; and other measures.
- **Mental Hygiene (\$49 million)** by reducing Medicaid rates; improving audit and recovery efforts; restructuring service coordination; and delaying community bed development for certain programs.
- **All other Local Assistance (\$59 million)** by reducing subsidies to businesses that provide mental health coverage under Timothy's Law and a wide range of other program reductions.

State Operations

The cost of operating State government includes (a) salaries, (b) pensions and other fringe benefits, and (c) non-personal service expenses, including utilities, rents, medical supplies, and other expenses.⁹ State Operating Funds spending for these purposes is expected to total approximately \$20.4 billion, a slight decrease from 2009-10. After actions, personal service and non-personal service expenses are projected to decline by \$448 million, but this is nearly offset by growth in fringe benefit costs of \$439 million.

The Updated Financial Plan recommends \$1.2 billion in savings from efficiency measures in State agencies, wage concessions, most of which must be negotiated with the unions representing State employees, and controls to slow the growth in fringe benefit costs.

- **Efficiency Measures (\$707 million):** Include across-the-board reductions in agency operating budgets, targeted personnel management initiatives, and statewide programs to leverage the State's purchasing power in energy, supplies, and materials. The Updated Financial Plan also proposes merging several agencies.
- **Wage Concessions (\$250 million):** The gap-closing plan sets a target of \$250 million in savings in 2010-11 from concessions from the unionized workforce. Options under consideration include a salary deferral and delay or reduction of the 4 percent general salary increase for union employees. Any concessions are subject to collective bargaining. The Governor is also rescinding, for the second consecutive year, the general salary increase for the State's non-unionized "management/confidential" employees (\$28 million in 2010-11).
- **Pension Amortization/Fringe Benefits (\$262 million):** Local governments and the State face substantial pension contribution increases over the next six years due to investment losses experienced by the Common Retirement Fund. The budget proposes giving local governments and the State the option to amortize a portion of their pension costs from 2010-11 through 2015-16. Repayment of the amortized amounts will be made over a ten-year period at an interest rate to be determined by the State Comptroller. In addition, the budget proposes requiring employees and retirees to pay a portion of Medicare Part B premiums and giving the State the option of self-insuring all or parts of the New York State Health Insurance Plan.

The State workforce subject to Executive control is expected to total 131,906¹⁰ at the end of 2010-11, a reduction of approximately 600 from the estimated total for 2009-10. The projected decline mainly reflects recommended rightsizing of certain youth facilities, agency consolidations, and the continuation of statewide hiring controls.

Capital Reduction Program

The gap-closing plan recommends reducing planned capital projects spending financed with debt by \$1.8 billion over the five-year period, from 2010-11 through 2014-15. The reductions are expected to provide over \$130 million in annual debt service savings when fully implemented. The capital reductions will help the State maintain sufficient debt capacity.¹¹ Without the Capital Reduction Program, projections show that the State's statutory cap on debt outstanding would be reached by 2012-13.

⁹ The Financial Plan tables presentation includes three separate Financial Plan categories: Personal Service, Non-Personal Service and General State Charges (Fringe Benefits).

¹⁰ Full-time equivalent positions ("FTEs")

¹¹ Under the Debt Reform Act of 2000, State-supported debt outstanding issued after April 1, 2000 is limited to 4 percent of personal income, starting in 2010-11.

ii. Tax and Fee increases

The Updated Financial Plan recommends \$1.2 billion in tax and fee increases for 2010-11. More than 90 percent of the increased revenue will be earmarked to finance existing health care spending. The “health care” taxes include an excise tax on syrup for soft drinks and other beverages, an increase in the cigarette tax, a franchise fee to sell wine in grocery stores, and an assessment on health care providers.

The table below summarizes the specific proposals.

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2010-11 - REVENUE ACTIONS				
(millions of dollars)				
	2010-11	2011-12	2012-13	2013-14
Revenue Actions	1,244	1,660	1,388	1,227
Tax Actions	961	1,312	1,073	942
Syrup Excise Tax	465	1,000	1,000	1,000
Cigarette Tax	210	205	201	197
Sale of Wine in Grocery Stores *	254	58	6	5
Informational Returns for Credit/Debit Cards	0	0	35	83
Film Credit	0	0	(168)	(292)
Empire Zone Replacement program	0	0	(50)	(100)
Other Tax Actions	32	49	49	49
Medicaid Provider Assessment	216	235	235	235
Work-Zone Cameras for Speed Enforcement	25	71	38	23
Civil Court Filing Fees	31	44	44	44
All Other Revenue Actions *	11	(2)	(2)	(17)
Tax Audit and Recoveries	221	221	221	221

* Includes amendments to the Executive Budget recommendations submitted on January 19, 2010.

Tax credits extended to the film industry and as part of a new Empire Zone program would result in additional costs to the Updated Financial Plan, beginning in 2012-13. (See “All Funds Receipts Projections” herein for a complete summary of all revenue actions included in the 2010-11 Executive Budget.)

iii. Non-Recurring Resources

The Executive Budget relies on \$565 million in non-recurring resources in 2010-11 (excluding extraordinary Federal aid). The largest item in this category is the use of the TANF Emergency Contingency Fund to pay for expenses that would otherwise be incurred by the General Fund in 2010-11. The Emergency Contingency Fund is a one-time ARRA authorization. Accordingly, it is not expected to be available in future years. The following table itemizes the non-recurring actions in the Executive Budget.

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2010-11	
NON-RECURRING RESOURCES SAVINGS/(COSTS)	
(millions of dollars)	
	2010-11
Non-Recurring Resources	565
Federal TANF Resources	261
Physician Excess Medical Malpractice Payment (Timing)	127
Lottery Investment Flexibility	50
School Aid Overpayment Recoveries	32
Available Fund Balances/Resources	95

Other non-recurring resources include altering the timing of a planned payment under the Physician's Excess Medical Malpractice program; investing a portion of lottery prize fund receipts in AAA-rated municipal bonds instead of U.S. Treasury bonds, subject to market conditions, to realize a one-time benefit due to differences in market rates; and recovering excess aid payments made to school districts in prior years.

III. Amended Executive Budget Impact on Projected Budget Gaps

DOB believes that the gap-closing plan would, if enacted in its entirety, provide for balanced operations in the General Fund in 2010-11. The budget gap for 2011-12 would be reduced by more than half, declining from \$14.5 billion to \$5.4 billion. Future budget gaps would total \$10.7 billion in 2012-13 (a reduction of \$7.8 billion from projected current-services levels) and \$12.4 billion in 2013-14 (a reduction of \$8.5 billion from current-services levels).

These budget gaps, which remain relatively high by historical standards even after the substantial reductions recommended in the gap-closing plan, are significantly affected by the expected end of extraordinary Federal stimulus aid for Medicaid, education, and other governmental purposes. Governor Paterson has asked Lieutenant Governor Ravitch to develop a plan to eliminate the structural imbalance within four years. The Lieutenant Governor has assembled a working group of fiscal experts to develop and evaluate options to help bring the long-term growth in spending in line with receipts.

IV. Amended Executive Budget Impact on Spending

State Operating Funds spending, which excludes Federal operating aid and capital spending, is projected to total \$80.2 billion in 2010-11, an increase of \$1.8 billion (2.3 percent) over the revised estimate for 2009-10. Compared to the current-services forecast, State Operating Funds spending would be reduced by approximately \$6 billion, including the extension of enhanced FMAP. Excluding the deferral of \$880 million in planned spending from 2009-10 to 2010-11, State Operating Funds spending is held flat compared to 2009-10 levels, and all other measures would be held below the rate of inflation. The table below summarizes the projected annual change in spending.

TOTAL DISBURSEMENTS (millions of dollars)								
	2009-10 Revised	2010-11 Base	Before Actions		2010-11 Proposed	After Actions		Adjusted Annual % Change ¹
			Annual \$ Change	Annual % Change		Annual \$ Change	Annual % Change	
State Operating Funds	78,387	86,211	7,824	10.0%	80,166	1,779	2.3%	0.0%
General Fund (Excludes Transfers)	47,871	54,931	7,060	14.7%	48,034	163	0.3%	-3.3%
Other State Funds	25,520	25,412	(108)	-0.4%	26,274	754	3.0%	3.0%
Debt Service Funds	4,996	5,868	872	17.5%	5,858	862	17.3%	17.3%
All Governmental Funds	133,138	141,497	8,359	6.3%	136,129	2,991	2.2%	0.9%
State Operating Funds	78,387	86,211	7,824	10.0%	80,166	1,779	2.3%	0.0%
Capital Projects Funds	7,975	9,070	1,095	13.7%	8,858	883	11.1%	11.1%
Federal Operating Funds	46,776	46,216	(560)	-1.2%	47,105	329	0.7%	0.7%
General Fund, including Transfers	53,287	61,195	7,908	14.8%	54,268	981	1.8%	-1.4%
State Funds	83,844	92,660	8,816	10.5%	86,388	2,544	3.0%	0.9%

¹ Adjusted to exclude the impact of \$880 million in potential payment deferrals from 2009-10 into 2010-11.

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 a total of \$1.3 billion in 2010-11. Debt service on State-supported debt is projected to increase by \$844 million (17.1

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. Spending on fringe benefits is projected to increase by \$439 million, an increase of 9.9 percent. Growth in fringe benefits is principally due to increases in the State's annual contribution to the State Retirement System and the cost of providing health insurance for active and retired State employees. Pension costs are expected to increase by \$374 million (32.7 percent) in 2010-11, even with the amortization in 2010-11 of contributions in excess of 9.5 percent, as proposed in the gap-closing plan. This is the fastest-growing major portion of the budget.

In contrast, spending for agency operations would decline by \$448 million from 2009-10 levels, assuming the Updated Financial Plan is enacted in its entirety. Local assistance spending, excluding the impact of FMAP and payment deferrals, would increase by 0.5 percent.

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The following table summarizes the major sources of annual change. It is adjusted to account for the impact of the ARRA funding on Medicaid and school aid, and other significant cash-basis transactions that affect annual change (see notes to the table).

STATE SPENDING MEASURES: BEFORE AND AFTER EXECUTIVE BUDGET PROPOSALS (millions of dollars)							
	2009-10 Revised	2010-11 Base ¹	Before Actions		After Actions		
			Annual \$ Change	Annual % Change	2010-11 Proposed	Annual \$ Change	Annual % Change
Local Assistance:	53,029	58,910	5,881	11.1%	53,973	944	1.8%
School Aid ²	20,385	21,468	1,083	5.3%	19,939	(446)	-2.2%
School Aid Without ARRA Funding	21,643	22,406	763	3.5%	20,848	(795)	-3.7%
ARRA Funding	(1,258)	(938)	320	-25.4%	(909)	349	-27.7%
STAR	3,419	3,421	2	0.1%	3,208	(211)	-6.2%
Other Education Aid	1,606	1,608	2	0.1%	1,475	(131)	-8.2%
Medicaid (incl. administration) ³	11,364	12,901	1,537	13.5%	11,152	(212)	-1.9%
Medicaid Without Enhanced FMAP	14,566	15,784	1,218	8.4%	15,095	529	3.6%
Enhanced FMAP	(3,202)	(2,883)	319	-10.0%	(3,943)	(741)	23.1%
Public Health/Aging/Insurance	2,512	2,627	115	4.6%	2,353	(159)	-6.3%
Higher Education	2,822	2,633	(189)	-6.7%	2,411	(411)	-14.6%
Higher Education	2,522	2,633	111	4.4%	2,411	(111)	-4.4%
2008-09 CUNY Payment Deferral ⁴	300	0	(300)	-100.0%	0	(300)	-100.0%
Mental Hygiene	3,285	3,517	232	7.1%	3,469	184	5.6%
Social Services	3,084	3,393	309	10.0%	2,964	(120)	-3.9%
Local Government Assistance	1,085	1,094	9	0.8%	768	(317)	-29.2%
Transportation	3,833	4,559	726	18.9%	4,509	676	17.6%
2009-10 Payment Deferrals ⁵	(880)	880	1,760	-200.0%	880	1,760	-200.0%
All Other	514	809	295	57.4%	845	331	64.4%
State Operations:	20,436	21,525	1,089	5.3%	20,427	(9)	0.0%
Wages/Fringe Benefits	15,224	16,095	871	5.7%	15,339	115	0.8%
Personal Service:	10,807	10,938	131	1.2%	10,483	(324)	-3.0%
Executive Agencies	5,227	5,425	198	3.8%	5,106	(121)	-2.3%
Exec. Agencies - Retroactive Settlements ⁶	320	0	(320)	-100.0%	0	(320)	-100.0%
SUNY	3,310	3,293	(17)	-0.5%	3,162	(148)	-4.5%
Judiciary	1,539	1,547	8	0.5%	1,547	8	0.5%
Legislature	170	165	(5)	-2.9%	165	(5)	-2.9%
Department of Law	126	118	(8)	-6.3%	115	(11)	-8.7%
Audit & Control	115	116	1	0.9%	114	(1)	-0.9%
Collective Bargaining Reserve	0	274	274	100.0%	274	274	100.0%
Fringe Benefits:	4,417	5,157	740	16.8%	4,856	439	9.9%
Pensions	1,145	1,736	591	51.6%	1,519	374	32.7%
Health Insurance	2,788	3,056	268	9.6%	3,010	222	8.0%
All Other Fringe Benefits	484	365	(119)	-24.6%	327	(157)	-32.4%
Non-Personal Service/Fixed Costs	5,212	5,430	218	4.2%	5,088	(124)	-2.4%
Debt Service	4,922	5,776	854	17.4%	5,766	844	17.1%
TOTAL STATE OPERATING FUNDS	78,387	86,211	7,824	10.0%	80,166	1,779	2.3%
Capital Projects (State Funded)	5,457	6,449	992	18.2%	6,222	765	14.0%
TOTAL STATE FUNDS	83,844	92,660	8,816	10.5%	86,388	2,544	3.0%
Federal Aid (Including Capital Grants)	49,294	48,837	(457)	-0.9%	49,741	447	0.9%
TOTAL ALL FUNDS	133,138	141,497	8,359	6.3%	136,129	2,991	2.2%

¹ Includes the value of recurring savings from the December 2009 Deficit Reduction Plan.

² State fiscal year basis. ARRA funding represents State-financed gap-closing benefit. Spending from Federal Funds will differ.

³ Department of Health Medicaid spending only; excludes other State agency spending. FMAP benefit represents State Medicaid costs financed by the Federal government beyond the normal 50 percent matching rate.

⁴ A payment of \$300 million to CUNY scheduled for 2008-09 was deferred to 2009-10 as part of the 2008-09 Deficit Reduction Plan.

⁵ Carry-forward of budget shortfall achieved through management of aid payments scheduled for 2009-10 but not due by law until 2010-11.

⁶ Retroactive payments for NYSOPBA, PBA and BCI labor settlements (\$258 million, \$42 million and \$20 million, respectively) for contract years 2007-08 and 2008-09.

V. Projected Closing Balances

DOB estimates the State will end 2009-10 with a General Fund balance of \$1.4 billion, including \$1.2 billion in the rainy day reserves. This assumes that the shortfall for 2009-10 is carried forward into 2010-11 and that the DRP actions planned for the current year are achieved in their entirety.

After gap-closing actions, the year-end balance for 2010-11 would total \$1.9 billion, an increase of \$533 million from 2009-10. The State's principal reserve funds are expected to remain unchanged, but approximately \$485 million in additional General Fund resources would be expected to be available if (a) the Executive Budget was enacted in its entirety and (b) the Congress were to approve a six month extension for FMAP at the levels expected in the Updated Financial Plan. In addition, the balance in the Community Projects Fund, which finances discretionary ("member item") grants allocated by the Legislature and Governor, is expected to increase by \$48 million from 2009-10. The table below summarizes the projected balances.

GENERAL FUND ESTIMATED CLOSING BALANCE			
(millions of dollars)			
	2009-10	2010-11	Change
Projected Year-End Fund Balance	1,373	1,906	533
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	73	121	48
Reserved for Fiscal Uncertainties	0	485	485
Reserved for Debt Reduction	73	73	0

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2009-10 Deficit Reduction Plan

DOB estimates that the DRP approved on December 2, 2009 will generate savings of \$2.7 billion in 2009-10, and recurring annual savings in the range of \$700 million to \$875 million. The following table summarizes the DRP. It is followed by an explanation of specific actions.

2009-10 DEFICIT REDUCTION PLAN SUMMARY					
SAVINGS/(COSTS)					
(millions of dollars)					
	2009-10	2010-11	2011-12	2012-13	2013-14
Total Deficit Reduction Plan Savings	2,745	692	811	876	854
Administrative Actions :	803	360	385	385	385
Agency Operational Reductions	454	360	385	385	385
Medicaid Fraud Targets	150	0	0	0	0
Debt Management	100	0	0	0	0
All Other	99	0	0	0	0
Legislative Actions:	1,942	332	426	491	469
Spending Controls ¹	629	427	426	491	469
Health Care	153	177	161	201	201
Transportation	157	0	0	0	0
Mental Hygiene	112	57	55	53	32
Education/Arts	38	39	42	43	43
Local Government Assistance	32	32	32	32	32
Higher Education Aid	21	36	36	36	36
Tier V Pension	0	6	20	40	60
All Other	116	80	80	86	65
School Aid - Federal ARRA	391	0	0	0	0
Tax Penalty Forgiveness Program	250	0	0	0	0
Battery Park City Authority Resources	200	0	0	0	0
Regional Greenhouse Gas Initiative/EPF	100	0	0	0	0
Aqueduct Franchise Payment	200	(145)	0	0	0
Fringe Benefit Dividends	50	50	0	0	0
Statewide Wireless Network	50	0	0	0	0
Workers' Compensation Board	46	0	0	0	0
Dormitory Authority Resources	26	0	0	0	0

¹ Includes spending reductions in other State Funds that reduce General Fund costs through transfers from the accounts where savings are realized.

Administrative actions taken with the DRP included reductions of up to 11 percent of agency operating budgets; enhanced activities by the State Office of the Medicaid Inspector General to eliminate waste, fraud, and abuse; debt service savings achieved through refundings, the use of Build America Bonds, and the relatively low interest rates on the State's variable rate bonds; additional revenue expected from an increased assessment on utilities enacted in 2009-10; and the use of other available resources.

The enacted DRP approved a 12.5 percent reduction to remaining, undisbursed local assistance spending in the current fiscal year for various programs, including transit aid, mental hygiene, health care and aging (excluding Medicaid), education and arts (excluding school aid), certain social services programs, and higher education (excluding TAP). In addition, targeted local reductions included:

- Reducing AIM funding for non-calendar year cities on a sliding scale based on the city's overall reliance on that aid. Municipalities with a higher reliance on AIM received smaller percentage reductions (\$32 million).
- Reducing anti-tobacco funding (\$10 million).

- Eliminating the 2010 trend (inflation) factor for hospital, nursing home, home care, and personal care providers during the first quarter of the calendar year (\$12 million).
- Authorizing nurses to increase the supply of prescription medicine for home care patients from 8 days to 15 days, thus lowering the frequency of necessary visits (\$3 million).
- Realizing additional Medicaid and EPIC pharmacy reimbursement as a result of a Federal litigation settlement related to First Data Bank (\$19 million).
- Delaying scheduled HEAL NY spending in the current year (\$45 million).
- Lowering State subsidies for costs associated with mental health parity coverage by 30 percent (\$10 million).
- Reducing funding for managed care quality incentives (\$5 million); pay-for-performance incentives to health care providers (\$4 million); teacher centers (\$4 million); mortgage foreclosure assistance (\$3 million); a disease management demonstration program (\$3 million); cervical vaccines (\$2 million); emergency contraception; and new shared services efficiency grants.

Other actions include the use of \$391 million in ARRA funding for school aid; authorization of a tax amnesty program for the final quarter of 2009-10; the planned receipt of \$200 million in excess revenues from the Battery Park City Authority (subject to agreement with New York City and the Authority); a planned franchise payment from the bidder who wins VLT development rights at Aqueduct (previously assumed to be received by the State in the amount of \$145 million during 2010-11); transfers of \$90 million in RGGI proceeds and \$10 million from the EPF; the use of earned dividends to offset employee health and dental insurance costs; and Tier V pension reform savings. (See “Special Considerations” herein.)

General Fund Outyear Budget Projections

DOB has revised its forecasts of receipts and disbursements across all funds through 2012-13 and calculated projections for 2013-14. The outyear forecast is based on assumptions of economic performance, revenue collections, spending patterns, and projections for the current-services costs of program activities. The forecast assumes the Legislature will enact the 2010-11 Executive Budget recommendations in their entirety.

The budget imbalances projected for the General Fund and State Operating Funds 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 for by the General Fund.

The recommendations set forth in the Updated Financial Plan result in a balanced General Fund Financial Plan in 2010-11 and leave projected outyear budget gaps of \$5.4 billion in 2011-12, \$10.7 billion in 2012-13, and \$12.4 billion in 2013-14. By comparison, the net operating deficits in State Operating Funds are projected at \$5.8 billion in 2011-12, \$11.0 billion in 2012-13, and \$12.5 billion in 2013-14.

General Fund spending is projected to grow at an average annual rate of 7.6 percent from 2009-10 through 2013-14, excluding the expected deferral of \$880 million in planned disbursements from 2009-10 to 2010-11. 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 on June 30, 2011, which will increase the share of Medicaid costs that must be financed by State resources, and the loss of

temporary Federal aid for education. Excluding these stimulus-related effects, which temporarily suppress General Fund costs in 2009-10 through 2010-11, General Fund spending grows at approximately 5.1 percent on a compound annual basis.

Outyear spending projections do not incorporate any estimate of potential new actions to control spending in future years; any potential continuation of Federal stimulus aid beyond 2010-11; and any costs for future collective bargaining agreements beyond the March 31, 2011 expiration of the current four-year contracts with most unions. In addition, the forecast does not include any additional health care costs that may materialize from any health care reform at the Federal level of government.

State tax receipts growth in the three fiscal years following 2010-11 is expected to range from 1.3 percent to 4.8 percent. 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 supported by proposals that create or increase levies intended to deter unhealthy behavior, eliminate unintended tax loopholes, and supplement Department of Taxation and Finance compliance and anti-fraud efforts. These factors are expected to continue to enhance expected receipt growth through 2013-14.

The following table summarizes the General Fund multi-year projections.

OUTYEAR GENERAL FUND PROJECTIONS (millions of dollars)										
	2010-11	2011-12	Annual \$ Change	Annual % Change	2012-13	Annual \$ Change	Annual % Change	2013-14	Annual \$ Change	Annual % Change
Receipts										
Taxes (After Debt Service)	50,405	52,577	2,172	4.3%	52,998	421	0.8%	55,765	2,767	5.2%
Personal Income Tax	32,767	34,126	1,359	4.1%	33,442	(684)	-2.0%	35,313	1,871	5.6%
User Taxes and Fees	10,750	11,275	525	4.9%	11,839	564	5.0%	12,347	508	4.3%
Business Taxes	5,710	5,901	191	3.3%	6,333	432	7.3%	6,621	288	4.5%
Other Taxes	1,178	1,275	97	8.2%	1,384	109	8.5%	1,484	100	7.2%
Miscellaneous Receipts/Federal Grants	2,975	2,857	(118)	-4.0%	2,825	(32)	-1.1%	2,822	(3)	-0.1%
Other Transfers	1,421	1,508	87	6.1%	1,529	21	1.4%	1,518	(11)	-0.7%
Total Receipts	54,801	56,942	2,141	3.9%	57,352	410	0.7%	60,105	2,753	4.8%
Disbursements										
Grants to Local Governments:	35,596	41,707	6,111	17.2%	46,477	4,770	11.4%	49,963	3,486	7.5%
School Aid	17,096	18,801	1,705	10.0%	20,728	1,927	10.2%	22,339	1,611	7.8%
Medicaid (incl. administration)	5,934	10,155	4,221	71.1%	12,300	2,145	21.1%	13,792	1,492	12.1%
Higher Education	2,389	2,558	169	7.1%	2,645	87	3.4%	2,732	87	3.3%
Mental Hygiene	2,258	2,395	137	6.1%	2,530	135	5.6%	2,669	139	5.5%
Children and Family Services	1,856	2,076	220	11.9%	2,281	205	9.9%	2,508	227	10.0%
Other Education Aid	1,460	1,807	347	23.8%	1,885	78	4.3%	1,941	56	3.0%
Temporary and Disability Assistance	1,106	1,435	329	29.7%	1,572	137	9.5%	1,581	9	0.6%
All Other	3,497	2,480	(1,017)	-29.1%	2,536	56	2.3%	2,401	(135)	-5.3%
State Operations:	8,319	8,760	441	5.3%	9,009	249	2.8%	9,101	92	1.0%
Personal Service	6,399	6,690	291	4.5%	6,889	199	3.0%	6,904	15	0.2%
Non-Personal Service	1,920	2,070	150	7.8%	2,120	50	2.4%	2,197	77	3.6%
General State Charges	4,119	4,393	274	6.7%	4,597	204	4.6%	4,991	394	8.6%
Pensions	1,519	1,673	154	10.1%	1,870	197	11.8%	2,334	464	24.8%
Health Insurance (Active Employees)	1,826	2,009	183	10.0%	2,177	168	8.4%	2,357	180	8.3%
Health Insurance (Retired Employees)	1,184	1,304	120	10.1%	1,416	112	8.6%	1,536	120	8.5%
Fringe Benefit Escrow	(2,334)	(2,535)	(201)	8.6%	(2,731)	(196)	7.7%	(2,819)	(88)	3.2%
All Other	1,924	1,942	18	0.9%	1,865	(77)	-4.0%	1,583	(282)	-15.1%
Transfers to Other Funds:	6,234	7,516	1,282	20.6%	7,996	480	6.4%	8,447	451	5.6%
State Share Medicaid	2,536	3,115	579	22.8%	3,117	2	0.1%	3,083	(34)	-1.1%
Debt Service	1,831	1,757	(74)	-4.0%	1,743	(14)	-0.8%	1,675	(68)	-3.9%
Capital Projects	1,084	1,337	253	23.3%	1,485	148	11.1%	1,646	161	10.8%
All Other	783	1,307	524	66.9%	1,651	344	26.3%	2,043	392	23.7%
Total Disbursements	54,268	62,376	8,108	14.9%	68,079	5,703	9.1%	72,502	4,423	6.5%
Change in Reserves	533	(48)			(71)			0		
Budget Surplus/(Gap) Estimate	0	(5,386)			(10,656)			(12,397)		

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, as well as a share required by local governments. The Federal government is financing an additional share of Medicaid costs for October 2008 through December 31, 2010. The Updated Financial Plan assumes that the Federal government will extend the enhanced financing another six months through June 30, 2011, which temporarily lowers the State's costs for the program.

MAJOR SOURCES OF ANNUAL CHANGE IN MEDICAID (millions of dollars)								
	2010-11	2011-12	Annual \$ Change	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change
State Operated Funds (Before FMAP)	15,095	16,916	1,821	12.1%	18,198	7.6%	19,897	9.3%
Enhanced FMAP -- State Share*	(3,943)	(1,060)	2,883	-73.1%	0	0.0%	0	0.0%
State Operating Funds (After FMAP)	11,152	15,856	4,704	42.2%	18,198	14.8%	19,897	9.3%
Other State Funds Support	(5,218)	(5,701)	(483)	9.3%	(5,898)	3.5%	(6,105)	3.5%
HCRA Financing	(3,243)	(3,752)	(509)	15.7%	(3,949)	5.3%	(4,156)	5.2%
Provider Assessment Revenue	(965)	(985)	(20)	2.1%	(985)	0.0%	(985)	0.0%
Indigent Care Revenue	(1,010)	(964)	46	-4.6%	(964)	0.0%	(964)	0.0%
Total General Fund	5,934	10,155	4,221	71.1%	12,300	21.1%	13,792	12.1%

* Excludes Medicaid spending in other State agencies, including enhanced FMAP for other state agencies.

Medicaid growth over the plan period is affected by increasing Medicaid enrollment, rising costs of provider health care services, higher levels of utilization, and expiration of the temporarily enhanced levels of Federal aid.

The expiration of the higher Federal share in 2010-11 substantially increases spending in 2011-12. Excluding 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 \$15.1 billion in 2010-11 to \$19.9 billion in 2013-14. Overall Medicaid growth results, in part, from 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.

Other factors contributing to Medicaid spending growth include additional costs of approximately \$500 million annually attributable to the State cap on local government Medicaid cost increases and takeover of local FHP costs. Also, the payment of an extra weekly cycle to providers adds an estimated \$400 million in 2011-12.

The number of Medicaid recipients is expected to grow to 4.73 million in 2010-11, an increase of 9.5 percent from the estimated 2009-10 caseload of 4.32 million.

School Aid

School aid spending includes foundation aid; UPK expansion; and expense-based aids such as building aid, transportation aid, and special education. 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 from \$20.5 billion in 2010-11 to \$26 billion in 2013-14, an average annual rate of 8.2 percent.

Growth in 2011-12 is primarily due to increases in expense-based aid. Growth in 2012-13 and beyond is primarily due to increases in foundation aid; UPK expansion; and contractual increases in expense-based aids such as building aid and transportation aid.

MULTI-YEAR SCHOOL AID PROJECTIONS - 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	14,893	14,893	0	0.0%	16,100	8.1%	17,070	6.0%
Universal Pre-kindergarten	400	400	0	0.0%	444	11.0%	490	10.4%
Expense-Based Aids ¹	5,848	6,340	492	8.4%	6,880	8.5%	7,460	8.4%
Other Aid Categories/Initiatives	798	867	69	8.6%	926	6.8%	980	5.8%
Deficit Reduction Assessment	(1,412)	0	1,412	-100.0%	0	0.0%	0	0.0%
Total School Aid	20,527	22,500	1,973	9.6%	24,350	8.2%	26,000	6.8%

¹ Includes building, transportation, high cost and private special education, and BOCES.

On a State fiscal-year basis, school aid spending is projected to grow by \$1.8 billion in 2011-12, \$2.1 billion in 2012-13, and \$1.7 billion in 2013-14. Over the multi-year Financial Plan period, revenues available to finance school aid are expected to increase by \$86 million from core lottery sales, and by \$283 million from VLTs, consistent with 2010-11 Executive Budget recommendations to bolster revenues.

MULTI-YEAR SCHOOL AID PROJECTIONS - FISCAL YEAR BASIS (millions of dollars)								
	2010-11	2011-12	Annual \$ Change	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change
General Fund Local Aid	17,096	18,801	1,705	10.0%	20,728	10.2%	22,338	7.8%
Core Lottery Aid	2,281	2,284	3	0.1%	2,325	1.8%	2,367	1.8%
VLT Lottery Aid	562	645	83	14.8%	783	21.4%	845	7.9%
Total State Funds	19,939	21,730	1,791	9.0%	23,836	9.7%	25,550	7.2%

The Updated Financial Plan currently assumes a one-time franchise payment from the sale of VLT development rights at Aqueduct in 2009-10, and operations are expected to begin there in 2011.

Mental Hygiene

Mental hygiene spending is projected to grow on average by \$200 million annually to total \$4.1 billion in 2013-14. Sources of growth include: increases in the projected State share of Medicaid costs; projected expansion of the various mental hygiene service systems, including increases primarily associated with the Office of Mental Retardation and Developmental Disabilities NYS-CARES program; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline; and several chemical dependence treatment and prevention initiatives in OASAS, including treatment costs associated with recent drug law reform.

Social Services

Children and Family Services spending is expected to grow by approximately \$200 million annually through 2013-14 primarily driven by growth in local claims-based programs, including child welfare. Welfare spending is projected to increase by \$475 million from \$1.1 billion in 2010-11 to \$1.6 billion by 2013-14, consistent with the projected increase in the public assistance caseload, based on the latest economic forecast and updated program data.

State Operations

State Operations spending growth over the multi-year Financial Plan period is concentrated in agencies with large operational facility-based budgets such as Corrections, SUNY, and the mental hygiene agencies, as well as the Judiciary. The main causes of growth include expiration of the enhanced Federal Medicaid share (FMAP) that lowers State costs for portions of mental hygiene spending, 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.

General State Charges

GSCs account for the costs of fringe benefits provided to State employee 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 8.1 percent from 2010-11 through 2013-14. The growth is mainly due to anticipated cost increases in pensions and health insurance for State employees and retirees.

The State's 2010-11 ERS pension contribution rate as a percentage of salary is expected to grow from 12.2 percent in 2010-11 to 23.5 percent in 2013-14. The Police and Fire Retirement System pension contribution rate is expected to be 18.4 percent in 2010-11, growing to 31.4 percent by 2013-14. In addition to savings expected from the new tier of pension benefits enacted in December 2009, the Executive Budget recommends amortization of a portion of future costs. After these savings actions, pension costs grow from \$1.5 billion in 2011-12 to \$2.3 billion by 2013-14.

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 roughly 9 percent. Spending for employee and retiree health care costs is detailed below.

FORECAST OF NEW YORK STATE EMPLOYEE HEALTH INSURANCE COSTS (millions of dollars)			
Health Insurance			
Year	Active		Total State
	Employees	Retirees	
2007-08 (Actual)	1,390	1,182	2,572
2008-09 (Actual)	1,639	1,068	2,707
2009-10 (Projected)	1,693	1,095	2,788
2010-11 (Projected)	1,826	1,184	3,010
2011-12 (Projected)	2,009	1,304	3,313
2012-13 (Projected)	2,177	1,416	3,593
2013-14 (Projected)	2,357	1,536	3,893

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

See the discussion of the GASB Statement 45 later in this AIS Update for the valuation of future State health insurance and other post-employment benefits costs for State employees.

Transfers to Other Funds

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.

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:	6,234	7,516	1,282	7,996	480	8,447	451
Medicaid State Share	2,536	3,115	579	3,117	2	3,083	(34)
Debt Service	1,831	1,757	(74)	1,743	(14)	1,675	(68)
Capital Projects	1,084	1,337	253	1,485	148	1,646	161
Dedicated Highway and Bridge Trust Fund	695	785	90	890	105	979	89
All Other Capital	389	552	163	595	43	667	72
All Other Transfers	783	1,307	524	1,651	344	2,043	392
Mental Hygiene	8	463	455	786	323	1,171	385
Medicaid Payments for State Facility Patients	193	193	0	193	0	193	0
Judiciary Funds	153	156	3	157	1	163	6
SUNY- Hospital Operations	134	167	33	167	0	167	0
Banking Services	66	66	0	66	0	66	0
Indigent Legal Services	43	43	0	43	0	43	0
Mass Transportation Operating Assistance	38	38	0	38	0	38	0
Alcoholic Beverage Control	20	21	1	21	0	22	1
Correctional Industries	14	14	0	14	0	14	0
Statewide Financial System	11	45	34	55	10	60	5
All Other	103	101	(2)	111	10	106	(5)

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

Dedicated Highway and Bridge Trust Fund

A significant portion of the capital and operating expenses of DMV are funded from the 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 Updated 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. The Updated Financial Plan revises the forecast for the General Fund subsidy to reflect Executive Budget recommendations. The General Fund subsidy is projected at \$785 million for 2011-12, \$890 million for 2012-13, and \$979 million in 2013-14, with continued growth thereafter.

Year-to-Date Operating Results

General Fund

The State took several actions, subsequent to the cash-flow forecast in the Second Quarterly Update, to improve its cash position, which continues to be a concern. On December 14, 2009 the Governor directed the Budget Director to delay the certification of \$750 million in local assistance payments, subject to authority over the spending of appropriations (known as the Certificate of Approval) granted to the Director in the Enacted Budget. This action was intended to preserve the State's liquidity position in light of the volatility of month-end revenue collections and the potential shortfalls in available cash that were at risk of occurring during a short period from mid-December 2009 to early January 2010. In addition, the 2009-10 DRP approved in December 2009 provided approximately \$285 million in savings that were not counted on in the Second Quarterly Update cash-flow forecast.

Based on preliminary results, the General Fund ended January 2010 with a cash balance of \$3.2 billion, \$693 million lower than projected in the Second Quarterly Update.

GENERAL FUND PRELIMINARY RESULTS: APRIL 2009 THROUGH JANUARY 2010			
(millions of dollars)			
	2nd Qtr Projections	Results	Favorable/ (unfavorable) Variance
Opening Balance (April 1, 2009)	1,948	1,948	
Receipts	42,556	41,483	(1,073)
Personal Income Tax*	26,310	24,737	(1,573)
User Taxes and Fees*	8,861	8,813	(48)
Business Taxes	3,651	3,701	50
Other Taxes*	874	884	10
Non-Tax Revenue	2,860	3,348	488
Disbursements	40,572	40,192	380
Public Health	617	536	81
All Other Education	1,412	1,246	166
School Aid	10,552	10,411	141
Children and Families	1,326	1,288	38
Medicaid (including admin)	5,647	6,015	(368)
All Other Local	6,389	6,337	52
Personal Service	5,642	5,572	70
Non-Personal Service	1,723	1,587	136
General State Charges	2,556	2,574	(18)
Transfers To Other Funds	4,708	4,626	82
Change in Operations	1,984	1,291	(693)
Closing Balance (Jan 31, 2010)	3,932	3,239	(693)
* Includes transfers from other funds after debt service.			

Receipts Variance from Second Quarterly Update

Through January 2010, General Fund receipts, including transfers from other funds, were \$1.1 billion below the Second Quarterly Update projections. PIT receipts were \$1.6 billion below planned levels, partly offset by higher miscellaneous receipts of \$488 million, as a result of the DRP and the partial receipt of a legal settlement from Credit Suisse that was previously expected in March 2010. Other tax variances were modest.

Disbursements Variance from Second Quarterly Update

Through January 2010, disbursements, including transfers to other funds, were below the 2010-11 Executive Budget forecast. This is due mostly to routine variances in the timing of payments and is not expected to affect annual totals. The most significant variances include:

- **Medicaid:** Spending exceeded the forecast due to a spike in enrollment, which is resulting in higher spending for prescription drugs and premium costs, as well as fee-for-service delivery.
- **Education:** Spending was lower due to the timing of Special Education Summer School payments and categorical spending for Aid to Public Libraries, Non-Public School Aid, and Higher Education Opportunity Programs.
- **School Aid:** Lower spending was due to the use of ARRA funds approved as part of the DRP and slower than anticipated claims for categorical programs.
- **Non-Personal Service:** Lower spending reflects ongoing Statewide management of expenses.
- **Transfers:** Spending was lower than projected due to timing-related issues and claims processing delays.

General Fund Annual Change

Through January 2010, receipts were \$4.0 billion, or 8.9 percent, below the same period in 2008-2009. All tax categories reflect an annual decline, but most of the drop is attributable to PIT collections (\$3.6 billion).

Through January 2010, spending was \$2.3 billion, or 5.5 percent, lower than for the same period in the prior year. This is due primarily to the timing of the pension payment; reductions in Medicaid spending resulting from the FMAP increase that lowers State-share spending; ongoing efforts to reduce agency operational spending; and reductions in transfers to other funds to support capital projects spending and State-share Medicaid costs. These declines are partly offset by growth in school aid, higher education, and mental hygiene spending.

All Governmental Funds

PRELIMINARY SPENDING RESULTS: APRIL 2009 THROUGH JANUARY 2010 (millions of dollars)			
	2nd Qtr Projections	Results	Favorable/ (unfavorable) Variance
State Operating Funds	61,803	60,619	1,184
General Fund (excl. transfers)	35,864	35,566	298
Other State Funds	22,273	21,623	650
Debt Service Funds	3,666	3,430	236
All Governmental Funds	103,705	100,577	3,128
State Operating Funds	61,803	60,619	1,184
Capital Projects Funds	6,131	5,557	574
Federal Operating Funds	35,771	34,401	1,370

State Operating Funds spending was \$1.2 billion below the Second Quarterly Update forecast and includes the General Fund spending variances described above. Significant variances in other State funds include lower-than-anticipated debt service as the result of an administrative processing delay (\$179 million), lower than expected Transportation spending due to reduced level of payments to MTA from the MTA Financial Assistance Fund due to lower mobility tax receipts.

Capital Projects spending was below the Second Quarterly Update due to slower than expected spending across all areas. The largest variances occurred in Transportation, Parks and the Environment, and Economic Development. The Federal Operating variance is largely attributable to slower-than-expected spending of Federal ARRA funds for education.

Economic Outlook

The National Economy

The release by the U.S. Bureau of Economic Analysis of its first estimate of economic growth for the fourth quarter of 2009 reinforces the belief that the national recovery that began in the third quarter of last year picked up substantial momentum by the end of the year. The national economy expanded 5.7 percent in the fourth quarter of 2009. Real household spending grew 2.0 percent, which is still weaker than most prior recoveries, indicating the continued impact of a historically weak labor market and tight credit markets. The strengthening global economy resulted in export growth, and nonresidential fixed investment, led by investment in equipment and software, ended its five-quarter string of declines with fourth quarter growth of 2.9 percent. Finally, a change in inventories of over \$100 billion made a substantial contribution to fourth quarter growth. DOB now projects growth of 3.1 percent in real U.S. Gross Domestic Product for 2010, following a decline of 2.4 percent for 2009.

The U.S. Bureau of Labor Statistics has released its 2009 benchmark revision to the national employment data. The revised data indicate that about 8.4 million jobs have been lost since the start of the recession of 2008-09. Only 20,000 jobs were lost in January, indicating a labor market turning point in the first quarter of 2010. On an annual average basis, DOB projects a decline of 0.3 percent for 2010, following a historic decline of 4.3 percent for 2009. The projection reflects the Census Bureau's current estimate that 1.2 million temporary jobs will be created to conduct the Census.

U.S. ECONOMIC INDICATORS			
(Percent change from prior calendar year)			
	2009	2010	2011
	(Estimated)	(Forecast)	(Forecast)
Real U.S. Gross Domestic Product	(2.4)	3.1	3.4
Consumer Price Index (CPI)	(0.3)	2.2	2.0
Personal Income	(1.4)	4.3	4.8
Nonagricultural Employment	(4.3)	(0.3)	1.5

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

The current outlook calls for the national recovery to gain momentum throughout 2010, in large part led by a turnaround in business equipment and software spending and the end of the largest inventory

correction since the 1930s. However, there are significant risks to this forecast. Although credit markets have improved substantially since a year ago, uncertainty remains about the quality of bank assets throughout the global financial system. The growing international volume of sovereign debt reflecting attempts by governments, including the United States, to hasten the pace of economic recovery, continues to create uncertainty. The large overhang of commercial real estate and related debt remains yet another source of risk. A negative credit market shock could result in a major setback to recoveries around the globe. Similarly, if the labor market fails to recover as projected, household spending, which still accounts for about two-thirds of the economy, could falter. On the positive side, lower than expected energy prices and inflation would give households more power to spend and could increase the speed of the recovery. The current forecast reflects continued spending under the Federal stimulus package as passed in February 2009. If the U.S. Congress should enact more stimulus spending than currently assumed, the recovery could proceed more quickly than is reflected in this forecast.

New York State Economy

The most recent data indicate that employment and wages for the second half of 2009 were weak. The release of the 2009 benchmark revision to the national employment data showed steep year-over-year declines in the third and fourth quarters of 2009. National employment trends represent key inputs to DOB's forecast for the State labor market. The DOB estimates State employment to have fallen 2.9 percent for 2009, to be followed by a decline of 0.6 percent for 2010. Private employment is expected to decline by 3.5 percent for 2009, followed by a decline of 0.9 percent for 2010. Correspondingly, the expected decline in State wages estimated for 2009 reflects a historic decline of 7.0 percent. Total State wages are projected to rise 3.5 percent for 2010.

NEW YORK STATE ECONOMIC INDICATORS (Percent change from prior calendar year)			
	2009 (Estimated)	2010 (Forecast)	2011 (Forecast)
Personal Income	(4.0)	3.6	4.0
Wages	(7.0)	3.5	3.1
Nonagricultural Employment	(2.9)	(0.6)	0.8
Source: Moody's Economy.com; New York State Department of Labor; DOB staff estimates.			

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, the credit crisis and equity market volatility pose a particularly large degree of uncertainty for New York. If political pressures result in financial sector firms reducing the cash portion of bonuses further than projected, State wages and the economic activity generated by the spending of those wages could be lower than expected. An even weaker labor market than projected could also result in lower wages, which in turn could result in weaker household consumption. Similarly, should the State's commercial real estate market weaken further than anticipated, taxable capital gains realizations could be negatively affected. These effects would ripple through the State economy, depressing both employment and wage growth. 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.

All Funds Receipts Projections

With New York as the world's financial capital, the impact of the most recent financial crisis on the State's fiscal condition has been severe. Base receipts – adjusted for State law changes – are estimated to decline 10.5 percent in 2009-10, following a 3.0 percent decline for 2008-09. Consistent with an economic recovery projected to begin during the first quarter of this year, base tax receipts growth is expected to rebound to 3.1 percent in 2010-11 and 6.4 percent in 2011-12. But there are significant risks to this forecast, as there always are around business cycle turning points. Wall Street bonus payments are always difficult to predict given the volatile nature of the financial markets, but particularly in the current environment given the political environment Wall Street now finds itself in. Moreover, the State's real estate market is still in decline, with the commercial sector especially at risk. Even though the labor market may have neared its trough, job growth is expected to remain weak over the next few years. Therefore, it will take some time for household spending to regain its pre-recession level. Corporate profits are expected to continue growing, consistent with the strengthening of the national recovery, but the lag between the realization of profits and the tax payments generated by those profits has made business tax receipts especially difficult to project.

The end of the State's economic downturn, the full-year impact of the temporary rate increase, the stock market recovery, and the sunset at the end of 2010 of preferential Federal tax rates on both capital gains and ordinary income are expected to provide growth of 5.4 percent in personal income tax receipts in 2010-11. Projected corporate profits growth for the 2010 calendar year should result in a return to growth in business tax receipts beginning in 2010-11. With the recovery in household spending, sales tax growth is expected to turn positive in 2010-11, after posting one of the worst annual sales tax declines on record in 2009-10. Lastly, the Tax Department will add over 300 employees to its compliance staff, which is expected to increase audit and compliance collections by \$221 million annually.

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GOVERNMENTAL FUNDS ACTUAL AND BASE TAX RECEIPTS GROWTH (percent growth)			
State Fiscal Year	<u>Actual Receipts</u>	<u>Base Receipts</u>	<u>Inflation Adjusted Base Receipts</u>
1987-88	6.2	6.4	2.4
1988-89	1.6	2.9	(1.3)
1989-90	6.8	8.3	3.3
1990-91	(0.8)	(3.8)	(9.2)
1991-92	7.2	1.4	(2.3)
1992-93	6.1	5.0	1.8
1993-94	4.3	0.7	(2.2)
1994-95	0.1	1.5	(1.1)
1995-96	2.6	3.6	0.8
1996-97	2.0	2.6	(0.4)
1997-98	3.7	5.6	3.6
1998-99	7.2	7.9	6.3
1999-00	7.5	9.1	6.5
2000-01	7.9	10.1	6.7
2001-02	(4.9)	(4.2)	(6.4)
2002-03	(6.7)	(8.0)	(10.0)
2003-04	8.2	5.8	3.8
2004-05	13.4	11.4	8.4
2005-06	10.2	9.5	5.9
2006-07	9.6	12.9	10.0
2007-08	3.6	6.0	2.7
2008-09	(0.9)	(3.0)	(5.7)
2009-10*	(2.6)	(10.8)	(10.8)
2010-11**	7.3	3.5	1.1
2011-12**	4.3	6.4	4.3
2012-13**	1.4	7.6	5.2
2013-14**	4.8	4.8	2.5
	<u>Actual Change</u>	<u>Base Change</u>	<u>Adjusted Base Change</u>
Historical Average (87-88 to 08-09)	4.3	4.2	1.1
Forecast Average (09-10 to 13-14)	3.0	2.3	0.5
Forecast Average (10-11 to 13-14)	4.5	5.6	3.3
Recessions	1.4	(1.0)	(3.9)
Expansions	5.7	6.4	3.4

*Estimated Receipts

** Projected Receipts

TOTAL RECEIPTS (millions of dollars)							
	2008-09 Actual	2009-10 Estimated	Annual \$ Change	Annual % Change	2010-11 Projected	Annual \$ Change	Annual % Change
General Fund	53,801	52,712	(1,089)	-2.0%	54,801	2,089	4.0%
Taxes	38,301	37,234	(1,067)	-2.8%	40,064	2,830	7.6%
Miscellaneous Receipts	3,105	3,508	403	13.0%	2,915	(593)	-16.9%
Federal Grants	45	68	23	51.1%	60	(8)	-11.8%
Transfers	12,350	11,902	(448)	-3.6%	11,762	(140)	-1.2%
State Funds	80,265	81,001	736	0.9%	85,346	4,345	5.4%
Taxes	60,337	58,779	(1,558)	-2.6%	63,768	4,989	8.5%
Miscellaneous Receipts	19,883	22,153	2,270	11.4%	21,518	(635)	-2.9%
Federal Grants	45	69	24	53.3%	60	(9)	-13.0%
All Funds	119,235	131,010	11,775	9.9%	135,652	4,642	3.5%
Taxes	60,337	58,779	(1,558)	-2.6%	63,768	4,989	8.5%
Miscellaneous Receipts	20,064	22,383	2,319	11.6%	21,706	(677)	-3.0%
Federal Grants	38,834	49,848	11,014	28.4%	50,178	330	0.7%

Fiscal Year 2009-10 Overview

- Total All Funds receipts are estimated to reach \$131.0 billion, an increase of \$11.8 billion, or a 9.9 percent increase from 2008-09 results. All Funds tax receipts are estimated to decrease by \$1.6 billion, or 2.6 percent. The majority of the decrease in tax receipts is attributable to declines in the personal income tax.
- All Funds miscellaneous receipts are projected to reach \$22.4 billion in 2009-10, an increase of nearly \$2.3 billion from 2008-09, largely driven by growth in the General Fund (\$403 million), special revenues from the lottery and VLT's (\$387 million) and State University income (\$410 million), and capital project funds (\$433 million)..
- Total State Funds receipts are estimated to reach nearly \$81 billion in 2009-10, an increase of \$736 million, or 0.9 percent.
- Total General Fund receipts are estimated at nearly \$53 billion, a decrease of \$1.1 billion, or 2.0 percent from 2008-09 results. General Fund tax receipts are estimated to decrease by 2.8 percent, reflecting declines in the economy partially offset by STAR program savings. General Fund miscellaneous receipts are estimated to increase by 13.0 percent, reflecting actions taken with the 2009-10 Enacted Budget, as well as actions taken with this Budget.
- Base tax receipts growth, which nets out the impact of law changes, is expected to decrease by an estimated 10.8 percent in 2009-10 after a base decline of 3.0 percent in 2008-09.

Fiscal Year 2010-11 Overview

- Total All Funds receipts are expected to reach \$135.7 billion, an increase of \$4.6 billion, or 3.5 percent from 2009-10 estimates. All Funds tax receipts are projected to grow by nearly \$5 billion or 8.5 percent. This increase is attributable to the full year impact of the temporary personal income tax rate increase, expiring Federal tax laws, and positive revenue actions proposed with the Updated Financial Plan. All Funds Miscellaneous receipts are projected to decrease by \$677

million, or 3.0 percent. All Funds Federal grants are expected to increase by \$330 million, or 0.7 percent.

- Total State Funds receipts are projected to be nearly \$85 billion, an increase of \$2.8 billion, or 3.4 percent from the 2009-10 estimate.
- Total General Fund receipts are projected to be nearly \$55 billion, an increase of \$2.1 billion, or 4.0 percent from 2009-10 estimates. General Fund tax receipts are projected to grow by 7.6 percent, while General Fund miscellaneous receipts are projected to decline by 16.9 percent, reflecting the loss of several one-time payments. Federal grants revenues are projected to decline by 11.8 percent due to a shift in the timing of payments.
- After controlling for the impact of policy changes, base tax revenue growth is estimated to increase by 3.5 percent for fiscal year 2010-11. The expected rebound in economic activity is expected to increase base growth in tax receipts for the first time since 2007-08.

Change from Second Quarterly Update

Revised Estimates and Projections:

CHANGE FROM MID-YEAR UPDATE FORECAST (millions of dollars)								
	2009-10 Mid-Year Update	2009-10 Executive Amendments	\$ Change	% Change	2010-11 Mid-Year Update	2010-11 Executive Amendments	\$ Change	% Change
General Fund*	40,454	40,810	356	0.9	42,848	43,039	191	0.4%
Taxes	37,272	37,234	(38)	(0.1)	40,101	40,064	(37)	-0.1%
Miscellaneous Receipts	3,114	3,508	394	12.7	2,687	2,915	228	8.5%
Federal Grants	68	68	0	0.0	60	60	0	0.0%
State Funds	80,608	81,001	393	0.5	84,587	85,346	759	0.9%
Taxes	59,383	58,779	(604)	(1.0)	63,346	63,768	422	0.7%
Miscellaneous Receipts	21,156	22,153	997	4.7	21,180	21,518	338	1.6%
Federal Grants	69	69	0	0.0	61	60	(1)	-1.6%
All Funds	128,855	131,010	2,155	1.7	133,599	135,652	2,053	1.5%
Taxes	59,383	58,779	(604)	(1.0)	63,346	63,768	422	0.7%
Miscellaneous Receipts	21,385	22,383	998	4.7	21,366	21,706	340	1.6%
Federal Grants	48,087	49,848	1,761	3.7	48,887	50,178	1,291	2.6%

* Excludes Transfers

All Funds receipts estimates have been revised upward by \$2.2 billion for fiscal year 2009-10 from the Mid-Year Financial Plan Update. The upward tax revision is mostly due to the tax amnesty program (“PAID”) and a significant bank tax reestimate. Miscellaneous receipts and Federal grants were revised upward by over \$1.7 billion due to increases in current-year Federal spending, as well as revenue advanced to 2009-10 from the Aqueduct VLT contract, sweeps from the Battery Park funds, and timing-related changes to capital project revenue.

General Fund receipts for fiscal year 2009-10 have been revised upward by \$356 million, reflecting increased one-time payments in miscellaneous receipts.

All Funds receipts estimates have been increased by \$2.1 billion for fiscal year 2010-11 from the Second Quarterly Update. The majority of this increase is attributable to a \$1.3 billion expected increase in Federal grants.

General Fund receipts for fiscal year 2010-11 have been revised upward by \$191 million. Tax revisions account for a decrease of \$37 million, while miscellaneous receipts increase by \$228 million.

Proposed Law Changes

The 2010-11 Executive Budget includes changes to tax law that would: reform certain components of our tax structure to ensure that the tax burden is fairly distributed, that our tax incentive programs are most efficiently utilized and that taxpayers remit the proper amount of tax that is owed; close unintended tax loopholes to improve the equity of the tax code; and generate additional recurring revenues to help close the State's financial gaps in 2010-11 and beyond.

ALL FUNDS LEGISLATION				
(\$ in millions)				
	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Revenue Enhancements	1,194	1,551	1,528	1,574
Personal Income Tax	30	44	44	44
Define Flow-Through Entities as Taxpayers For QETC and Biofuel Credit Claims	0	2	2	2
Treat S-Corp Gains and Installment Income as Taxable To Non Residents	30	12	12	12
Close Resident Trust Loophole	0	25	25	25
Treat Compensation For Past Services as Taxable To Non Residents	0	5	5	5
User Taxes and Fees	941	1,283	1,258	1,302
Allow the Sale of Wine in Grocery Stores	255	61	5	5
Impose a New Excise Tax on Beverage Syrups and Soft Drinks	465	1,000	1,000	1,000
Increase the Cigarette Tax by \$1.00 per Pack	218	215	211	207
Narrow Affiliate Nexus Provisions	(5)	(5)	(5)	(5)
Require Informational Returns for Credit and Debit Cards	0	0	35	83
Allow the Use of Statistical Sampling for Certain Sales Tax Audits	8	12	12	12
Business Taxes	0	1	3	5
Severance Tax on Natural Gas Production	0	1	3	5
Other Taxes	2	2	2	2
Legalize Mixed Martial Arts In New York	2	2	2	2
Improve Audit and Compliance	221	221	221	221
Tax Reductions	(4)	(4)	(197)	(346)
Expand the Low Income Housing Tax Credit Program	(4)	(4)	(4)	(4)
Empire Zones Replacement Program	0	0	(25)	(50)
Extend and Expand Film Tax Credit	0	0	(168)	(292)
Total All Funds Legislation Change	1,190	1,547	1,331	1,228

Fiscal Years 2011-12, 2012-13 and 2013-14 Overview

TOTAL RECEIPTS (millions of dollars)							
	2010-11	2011-12	Annual \$	2012-13	Annual \$	2013-14	Annual \$
	Projected	Projected	Change	Projected	Change	Projected	Change
General Fund	54,801	56,942	2,141	57,352	410	60,104	2,752
Taxes	40,064	41,855	1,791	42,333	478	44,475	2,142
State Funds	85,346	88,606	3,260	89,419	813	92,909	3,490
Taxes	63,768	66,800	3,032	67,701	901	70,907	3,206
All Funds	135,652	133,532	(2,120)	133,835	303	138,812	4,977
Taxes	63,768	66,800	3,032	67,701	901	70,907	3,206

Overall, tax receipts growth in the three fiscal years following 2010-11 is expected to remain in the range of 1.3 percent to 4.8 percent. This is consistent with a projected return to modest economic growth in the New York economy in the second half of 2010. Receipt growth is supported by proposals contained with the Executive Budget that create or increase levies intended to deter unhealthy behavior, eliminate unintended tax loopholes and supplement Department of Taxation and Finance efforts to find non-compliant and fraudulent taxpayers. These factors are expected to continue to enhance expected receipt growth through 2013-14.

- Total All Funds receipts in 2011-12 are projected to be \$133.5 billion, a decrease of \$2.1 billion over the prior year. All Funds receipts in 2012-13 are expected to increase by \$303 million over 2011-12 projections. In 2013-14, receipts are expected to increase by nearly \$5.0 billion over 2012-13 projections;
- Total State Funds receipts are projected to be over \$88.6 billion in 2011-12, \$89.4 billion in 2012-13 and nearly \$93 billion in 2013-14;
- Total General Fund receipts are projected to reach nearly \$57 billion in 2011-12, \$57 billion in 2012-13 and \$60 billion in 2013-14; and
- All Funds tax receipts are expected to increase by 4.8 percent in 2011-12, 1.3 percent in 2012-13 and 4.7 percent in 2013-14. Again, the growth pattern is consistent with an economic forecast of continued but slower economic growth.

Base Growth

Base growth, adjusted for law changes, in tax receipts for fiscal year 2009-10 is estimated to decline 10.8 percent before rebounding to grow 3.5 percent in 2010-11. Overall base growth in tax receipts is dependent on a multitude of factors. The causes of the decline in 2009-10 include the disappearance of major investment banks and their payrolls, the decline in the value of residential real estate during the 2008-2009 period, and the retreat of consumer spending in the face of job losses during the past 18 months. The expected rebound in base receipts growth in 2010-11 results from a return to cash bonus growth from the financial services industry, strong corporate profits growth, positive capital gains from a resurgent stock market, and an end to consumption declines.

Executive Budget GAAP-Basis Financial Plans

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

In 2009-10, the General Fund GAAP Financial Plan shows total revenues of \$44.7 billion, total expenditures of \$54.8 billion, and net other financing sources of \$9.5 billion, resulting in an operating deficit of \$578 million and a projected accumulated deficit of \$3.5 billion. These results are due primarily to the cash deficit and the impact of economic conditions on revenue accruals, primarily PIT.

In 2010-11, the General Fund GAAP Financial Plan shows total revenues of \$46.4 billion, total expenditures of \$53.6 billion, and net other financing sources of \$9.0 billion, resulting in an operating surplus of \$1.8 billion, which reduces the projected accumulated deficit to \$1.7 billion. These results reflect the impact of the Updated Financial Plan gap-closing actions, and the carry-forward of the cash shortfall into 2010-11.

GASBS 45

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

This liability was disclosed in the 2008-09 basic GAAP financial statements issued by the State Comptroller in July 2009. GASB rules indicate the liability may be amortized over a 30-year period; therefore, only the annual amortized liability above the current PAYGO costs is recognized in the financial statements. The 2008-09 liability totaled \$4.2 billion (\$3.2 billion for the State and \$1 billion for SUNY) under the Frozen Entry Age actuarial cost method, amortized based on a level percent of salary. This was \$3 billion (\$2.3 billion for the State and \$0.7 billion for SUNY) above the payments for retiree costs made by the State in 2008-09. 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 2008-09 by \$3 billion.

GASB does not require the additional costs to be funded on the State's budgetary basis, and no funding is assumed for this purpose in the 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. See "Outyear Financial Plan Projections" for a summary of projected spending for this purpose over the Financial Plan period.

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

Special Considerations

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

There can be no assurance that the Legislature will not make changes to the Executive Budget that have an adverse impact on the budgetary projections set forth herein, or that it will take final action on the Executive Budget before the start of the new fiscal year on April 1, 2010. Furthermore, there can be no assurance that the budget gaps in the current year or future years will not increase materially from current projections. If this were to occur, the State would be required to take additional gap-closing actions. These may include, but are not limited to, additional reductions in State agency operations; 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 Governor.

The forecast contains specific transaction risks and other uncertainties including, but not limited to, full implementation of the DRP in the current year, including transactions related to BPCA (\$200 million) and the VLT franchise payment (\$300 million) which, if these do not occur as planned, would require additional cash management actions in the current year; the receipt of certain payments from public authorities; the receipt of miscellaneous revenues at the levels expected in the Financial Plan; and the achievement of cost-saving measures including, but not limited to, administrative savings in State agencies, including workforce management initiatives, and the transfer of available fund balances to the General Fund at the levels currently projected. Several transactions are dependent upon the actions of third parties, including those involving the BPCA, the VLT franchise payment, and certain workforce management actions that need to be negotiated with the unions representing State employees. Ongoing delays continue to surround the award of the VLT franchise and have the potential to impact the timing of the expected franchise payment. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Financial Plan in the current year.

The Updated Financial Plan assumes the Federal government will authorize a six-month extension (January 1, 2011 through June 30, 2011) of the higher FMAP authorized in ARRA. If the FMAP extension is not approved, or approved at a reduced level, then additional gap-closing actions will be required by the State.

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 2009-10 and beyond. The Updated Financial Plan includes the costs of a pattern settlement for all unsettled unions, the largest of which represents costs for fiscal years 2009-10 and 2010-11 for NYSCOPBA. There can be no assurance that actual settlements will not exceed the amounts included in the Updated Financial Plan. Furthermore, the

current round of collective bargaining agreements expires at the end of 2010-11. The Financial Plan does not include any costs for potential wage increases beyond that point.

At this time, the Updated Financial Plan does not include estimates of the costs or savings, if any, that may result if the Federal government were to approve comprehensive changes to the nation's health-care financing system. There is a risk that Federal changes could have a materially adverse impact on the State's Financial Plan projections in future years. DOB expects to provide a more comprehensive assessment as events warrant.

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

State Cash Flow Projections

The Enacted Budget for 2009-10 authorized the General Fund to borrow resources temporarily from other available funds in the State's Short-Term Investment Pool ("STIP") for a period not to exceed four months or to the end of the fiscal year, whichever occurs first. 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).

Through the first ten months of 2009-10, the General Fund used this authorization to meet payment obligations in May, June, September, November, and December 2009, as well as January 2010. The General Fund may need to rely on this borrowing authority at times during the remainder of the fiscal year.

During the fiscal year, the State has taken actions to maintain adequate operating margins, and expects to continue to do so as events warrant. For example, the State plans to make its contribution of approximately \$960 million to the State Retirement System on March 1, 2010, the statutory payment date, rather than in September 2009, as originally planned. In addition, in December 2009, the Budget Director deferred a portion of certain payments to school districts, counties, and other entities to preserve liquidity during the month.

The State has reserved money to make the debt service payments scheduled for February and March 2010 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.

The General Fund ended December 2009 with a negative balance of approximately \$205 million. Absent the specific cash management actions outlined above and the benefit of certain actions approved in the DRP, the negative balance would have exceeded \$1.5 billion. Preliminary results for January 2010 indicate the General Fund had a balance of \$3.3 billion. (See "Year-to-Date Operating Results" herein.)

The projected month-end balances for 2010-11 are shown in the table below. The projections assume that the gap-closing plan is enacted in its entirety by the start of the fiscal year. Cash balances are expected to continue to be relatively low, especially during the first half of the fiscal year, including projected month-end negative balances in the General Fund for May through August 2010. The balances assume that all payments related to the carry-forward of the \$1.4 billion General Fund shortfall in 2009-10 are made no later than June 2010. The Updated Financial Plan assumes that the General Fund will continue to borrow periodically from STIP.

ALL FUNDS MONTH-END BALANCES					
FISCAL YEAR 2010-11					
(millions of dollars)					
	General Fund	Other Funds	All Funds	SUNY Adjustment	Adjusted All Funds
April	3,094	2,696	5,790	0	5,790
May	(298)	2,631	2,333	0	2,333
June	(777)	2,020	1,243	0	1,243
July	(75)	2,940	2,865	(655)	2,210
August	(60)	3,412	3,352	(646)	2,706
September	2,049	1,210	3,259	(799)	2,460
October	1,784	2,546	4,330	(778)	3,552
November	1,346	2,649	3,995	(737)	3,258
December	1,676	1,853	3,529	(663)	2,866
January	6,780	2,735	9,515	(640)	8,875
February	7,018	2,664	9,682	(577)	9,105
March	1,906	1,094	3,000	(623)	2,377

The Amended Executive Budget proposes legislation that would, among other things, remove certain resources of the State University from the governmental funds of the State. If this were to occur, the available balances in STIP would be substantially reduced. DOB will continue to closely monitor and manage the General Fund cash flow during the fiscal year in an effort to maintain adequate operating balances.

Structural Budget Gap

Spending continues to increase at a faster rate than receipts. The State-financed portion of the budget has grown faster than both personal income and inflation over the past ten years. From 1998-99 through 2008-09, overall spending has grown at a compound annual rate of 5.6 percent.¹² By comparison, the growth in personal income, which is a reasonable approximation for long-term receipts growth, averaged approximately 4.5 percent over the same period. The following table summarizes ten-year spending growth by major function.

¹² The growth rate is 5.8 percent adjusted for the impact of the FMAP increase under the ARRA in 2008-09.

TEN-YEAR DRIVERS OF SPENDING GROWTH (millions of dollars)			
	10-Year Growth		
	1998-99	2008-09	Compound Annual Growth
Local Assistance:	29,454	53,984	6.2%
School Aid	11,214	20,710	6.3%
Medicaid (incl. administration):	<u>6,631</u>	<u>11,555</u>	<u>5.7%</u>
<i>Medicaid Before Enhanced FMAP</i>	6,631	12,647	6.7%
<i>Federal ARRA: Enhanced FMAP</i>	0	(1,092)	N/A
School Tax Relief Program	<u>582</u>	<u>4,435</u>	<u>22.5%</u>
<i>Property Tax Exemption/NYC Credit</i>	582	3,223	18.7%
<i>STAR Rebate Program</i>	0	1,212	N/A
Mental Hygiene	1,378	3,091	8.4%
Transportation	1,673	2,982	6.0%
Public Health/Aging/Insurance	<u>706</u>	<u>2,506</u>	<u>13.5%</u>
<i>Public Health/Aging Programs</i>	706	1,552	8.2%
<i>HCRA Programs (On-Budget in 2005-06)</i>	0	954	N/A
Higher Education	<u>1,645</u>	<u>2,235</u>	<u>3.1%</u>
<i>Higher Education Before Payment Rolls</i>	1,645	2,535	4.4%
<i>Roll 2008-09 CUNY Payment to 2009-10</i>	0	(300)	N/A
Special/Other Education	1,237	1,650	2.9%
Local Government Assistance	823	1,037	2.3%
All Other	3,565	3,783	0.6%
State Operations:	12,452	19,654	4.7%
Wages/Fringe Benefits	8,983	14,482	4.9%
Personal Service:	6,803	10,329	4.3%
Executive Agencies	3,869	5,363	3.3%
SUNY	1,780	3,003	5.4%
Judiciary	878	1,453	5.2%
Legislature	138	167	1.9%
Department of Law	72	124	5.6%
Audit & Control	66	110	5.2%
Retro Settlements (All Agencies) ¹	0	109	N/A
Fringe Benefits:	2,180	4,153	6.7%
Pensions	245	1,056	15.7%
Health Insurance ²	<u>1,089</u>	<u>2,707</u>	<u>9.5%</u>
<i>Health Insurance (Active Employees)</i>	700	1,639	8.9%
<i>Health Insurance (Retired Employees)</i>	389	1,068	10.6%
All Other Fringe Benefits	846	390	-7.5%
Non-Personal Service/Fixed Costs	3,469	5,172	4.1%
Debt Service	3,275	4,530	3.3%
Total State Operating Funds Spending	45,181	78,168	5.6%
Capital Projects (State Funded)	2,855	4,978	5.7%
Total State Funds Spending	48,036	83,146	5.6%
Federal Aid (Including Capital Grants)	22,619	38,425	5.4%
Total All Governmental Funds Spending	70,655	121,571	5.6%
		Personal Income Growth (10-Year)	4.5%
		Inflation (CPI) Growth (10-Year)	2.8%

¹ Reflects payment of 2007-08 retroactive salary increases pursuant to collective bargaining settlements with unions (for PEF, DC-37, UUP, PBA and Judiciary) that have been excluded from agency totals above.

² Reflects estimated shares of health insurance costs for 1998-99, as actual data is unavailable.

Before accounting for the impact of the gap-closing plan, State Operating Funds disbursements are projected to increase at approximately 7.6 percent annually over the next four years. The gap-closing plan would reduce the growth rate to approximately 6.2 percent annually. In comparison, State receipts over the plan period are projected to grow at approximately 4 percent annually, consistent with DOB's economic forecast for the recession and recovery. See "Outyear Financial Plan Projections" herein.

Budget Process

Legislation enacted in 2007 requires that, by March 1, 2010, the Executive and the majority parties in each house of the Legislature reach consensus on the changes, if any, to the Executive Budget forecast for receipts in the current year and for 2010-11. If no consensus is reached, the State Comptroller must establish the receipts forecast by no later than March 5. The State's new fiscal year begins on April 1.

GAAP-Basis Results for Prior Fiscal Years

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

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

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

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

Summary of Net Assets (millions of dollars)

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

State Organization

State Government

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

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

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

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

***Elected by the State Legislature.

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

The State Legislature is composed of a 62-member Senate and a 150-member Assembly, all elected from geographical districts for two-year terms, expiring December 31, 2010. Both the Senate and the Assembly operate on a committee system. The Legislature meets annually, generally for about six months, and remains formally in session the entire year. In recent years there have been special sessions, as well. The current majority leaders are Pedro Espada Jr. (Democrat) in the Senate and Sheldon Silver (Democrat), Speaker of the Assembly. The Temporary President of the Senate is Malcolm Smith (Democrat). The minority leaders are Dean Skelos (Republican) in the Senate and Brian Kolb (Republican) in the Assembly.

State Retirement Systems

General

The New York State and Local Retirement Systems (the "Systems") provide coverage for public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). The Systems comprise the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System (PFRS). The Comptroller is the administrative head of the Systems. State employees made up about 33 percent of the membership during the 2008-09 fiscal year. There were 3,025 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees) and a large number of local authorities of the State.

As of March 31, 2009, 679,908 persons were members and 366,178 pensioners or beneficiaries were receiving benefits. The State Constitution considers membership in any State pension or retirement system to be a contractual relationship, the benefits of which shall not be diminished or impaired. Members cannot be required to begin making contributions or make increased contributions beyond what was required when membership began.

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

On December 10, 2009, the Governor signed a bill that amended Articles 14, 15 and 19 and created Article 22 of the Retirement and Social Security Law (RSSL). This resulted in significant changes to benefits for members of the Employees' Retirement System (ERS) and the Police and Fire Retirement System (PFRS). ERS members joining on or after January 1, 2010 will be covered by these benefits and will be in Tier 5. PFRS members joining on or after January 9, 2010 may also be covered by these benefits and may also be in Tier 5.

Contributions

Funding is provided in large part by employer and employee contributions. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 are required to contribute 3 percent of their salaries for the first 10 years of membership. All ERS members joining after 2009 are required to contribute 3 percent of their salaries for their career. Certain PFRS members joining since mid-2009 are required to contribute 3 percent of their salaries for their career, depending upon their contract.

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

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

The State bill for the current fiscal year ending March 31, 2010 is \$956.1 million, assuming a payment on March 1, 2010.

Assets and Liabilities

Assets are held exclusively for the benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the Comptroller as trustee of the Common Retirement Fund, a pooled investment vehicle. OSC reports that the net assets available for benefits as of March 31, 2009 were \$110.9 billion (including \$2.9 billion in receivables), a decrease of \$44.9 billion or 28.8 percent from the 2007-08 level of \$155.8 billion, reflecting, in large part, equity market performance. OSC reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from \$170.5 billion on April 1, 2008 to \$176.6 billion (including \$69.0 billion for current retirees and beneficiaries) on April 1, 2009. The funding method used by the Systems anticipates that the net assets, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from net assets on April 1, 2009 in that amortized cost was used instead of market value for bonds and mortgages and the non-fixed investments utilized a smoothing method which recognized 20 percent of unexpected gain for the 2009 fiscal year, 40 percent of the unexpected gain for the 2008 fiscal year, 60 percent of the unexpected gain for the 2007 fiscal year and 80 percent of the unexpected gain for the 2006 fiscal year. Actuarial assets decreased from \$151.8 billion on April 1, 2008 to \$149.0 billion on April 1, 2009. The funded ratio, as of April 1, 2009, using the entry age normal funding method, was 101 percent. The tables that follow show net assets, benefits paid and the actuarially determined contributions that have been made over the last ten years. See also "Contributions" above.

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

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

Sources: State and Local Retirement Systems.

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

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

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

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

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

(2) Includes payments from Group Life Insurance Plan.

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Authorities and Localities

Public Authorities

For the purposes of this disclosure, public authorities refer to certain of the State's public benefit corporations, created pursuant to State law. Public authorities are not subject to the constitutional restrictions on the incurrence of debt that apply to the State itself and may issue bonds and notes within the amounts and restrictions set forth in legislative authorization. The State's access to the public credit markets could be impaired and the market price of its outstanding debt may be materially and adversely affected if certain of its public authorities were to default on their respective obligations, particularly those using the financing techniques referred to as State-supported or State-related debt under the section entitled "Debt and Other Financing Activities" in this statement. As of December 31, 2008, each of the 19 public authorities below had outstanding debt of \$100 million or more, and the aggregate outstanding debt, including refunding bonds, of these public authorities was approximately \$140 billion, only a portion of which constitutes State-supported or State-related debt. The table below summarizes the outstanding debt of these public authorities.

Outstanding Debt of Certain Public Authorities (1) (2) (3)
As of December 31, 2008
 (millions of dollars)

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

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

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

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

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

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

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

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

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

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

The City of New York

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

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

Year	General Obligation Bonds	Obligations of TFA (1)	Obligations of MAC	Obligations of STAR Corp. (2)	Obligations of TSASC, Inc.	HYIC (3)	Other(4) Obligations	Treasury Obligations	Total
1980	6,179	---	6,116	---	---	---	995	(295)	12,995
1990	13,499	---	7,122	---	---	---	1,077	(1,671)	20,027
1995	24,992	---	4,882	---	---	---	1,299	(1,243)	29,930
1996	26,627	---	4,724	---	---	---	1,394	(1,122)	31,623
1997	27,549	---	4,424	---	---	---	1,464	(391)	33,046
1998	27,310	2,150	4,066	---	---	---	1,529	(365)	34,690
1999	27,834	4,150	3,832	---	---	---	1,835	(299)	37,352
2000	27,245	6,438 (5)	3,532	---	709	---	2,065	(230)	39,759
2001	27,147	7,386	3,217	---	704	---	2,019	(168)	40,305
2002	28,465	10,489 (6)	2,880	---	740	---	2,463	(116)	44,921
2003	29,679	13,134 (7)	2,151	---	1,258	---	2,328	(64)	48,486
2004	31,378	13,364	1,758	---	1,256	---	2,561	(52)	50,265
2005	33,903	12,977	---	2,551	1,283	---	3,746	(39)	54,421
2006	35,844	12,233	---	2,470	1,334	---	3,500	---	55,381
2007	34,506	14,607	---	2,368	1,317	2,100	3,394	---	58,292
2008	36,100	14,828	---	2,339	1,297	2,067	2,556	---	59,187
2009	39,991	16,913	---	2,253	1,274	2,033	2,442	---	64,906

Source: Office of the State Comptroller.

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

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

(3) Includes a \$100 million obligation to the MTA.

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

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

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

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

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

Other Localities

Certain localities outside New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing has become more common in recent years. Between 2004 and 2008, the State Legislature authorized 17 bond issuances to finance local government operating deficits. There were no additional authorizations in 2009. In addition, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within a locality. Currently, the City of Buffalo operates under a control board. The counties of Nassau and Erie as well as the cities of New York and Troy have advisory boards. The City of Yonkers no longer operates under an oversight board but must adhere to a separate fiscal agent act. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's 2009-10 fiscal year or thereafter.

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control. Such changes may adversely affect the financial condition of certain local governments. For example, the State or Federal government may reduce (or in some cases eliminate) funding of some local programs or disallow certain claims which, in turn, may require local governments to fund these expenditures from their own resources. Similarly, State policymakers have expressed interest in implementing a property tax cap for local governments. Adoption of a property tax cap would affect the amount of property tax revenue available for local government purposes and could adversely affect their operations, particularly those that are heavily dependent on property tax revenue such as school districts. Ultimately, localities or any of their respective public authorities may suffer serious financial difficulties that could jeopardize local access to the public credit markets, which may adversely affect the marketability of notes and bonds issued by localities within the State. Localities may also face unanticipated problems resulting from certain pending litigation, judicial decisions and long-range economic trends. Other large-scale potential problems, such as declining urban populations, increasing expenditures, and the loss of skilled manufacturing jobs, may also adversely affect localities and necessitate State assistance.

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

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

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

Source: Office of the State Comptroller.

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

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

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

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

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

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

Litigation

Tobacco Master Settlement Agreement

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

West Valley Litigation

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

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

level radioactive waste from the West Valley Demonstration Project under the Nuclear Waste Policy Act is neither settled nor dismissed and will remain in litigation.

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

Representative Payees

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

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

On October 14, 2009, claimant filed an amended complaint, which, among other things, added a claimant, changed the class representative, revised the definition of the proposed class of claimants to include only in-patients treated at Office of Mental Health facilities, and dropped certain claims. The State resubmitted its motion to dismiss the class claims, and that motion is sub-judice. After the court rules on the motion to dismiss, the State will file an answer with respect to the individual claims. After the answer is filed, the parties can move for summary judgment.

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.

Civil Service Litigation

In *Simpson v. New York State Department of Civil Service et ano.*, plaintiffs have brought a class action under 42 U.S.C 2000d et seq., claiming that a civil service test administered between 1996 and 2006 resulted in a disparate impact upon the class. Cross motions for summary judgment are currently pending in the United States District Court for the Northern District of New York.

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.

The plaintiffs have perfected an appeal of the dismissal of their complaint. Opposing briefs are due on March 1, 2010.

Metropolitan Transportation Authority

In *Hampton Transportation Ventures, Inc. et al. v. Silver et al. (Sup. Ct, Suffolk Co.)*, plaintiffs challenge the constitutionality of 2009 Laws of New York chapter 29, 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 29 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 29 violated provisions of the Public Authority Law § 1266 requiring that the Metropolitan Transportation Authority be self-sustaining.

School Aid

In *Becker et al. v. Paterson et al. (Sup. Ct, Albany Co.)*, plaintiffs seek a judgement 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. Under the schedule set by the court, defendants will answer the amended complaint on February 18, 2010. The plaintiffs will have until March 5, 2010 to move for summary judgment and the defendants will have until April 15, 2010 to cross move or reply. The plaintiffs will then have until May 7, 2010 to reply and defendants will have until May 21, 2010 to sur-reply.

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
(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
(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)	Comprehensive Outpatient Program 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
(ESDC)	Empire State Development Corporation
(ERS)	Employees' Retirement System
(ESCO)	Energy Service Companies
(EXCEL)	Expanding our Children's Education and Learning
(FCB)	Financial Control Board
(FHP)	Family Health Plus
(FMAP)	Federal Medical Assistance Percentage
(FMP)	Fiscal Management Plan
(FSA)	Financial Security Assurance
(GAAP)	Generally Accepted Accounting Principles
(GASB)	Governmental Accounting Standards Board
(GASB 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

(HFA)	Housing Finance Agency
(HHC)	Health and Hospital Corporation
(HESC)	Higher Education Services Corporation
(HHAC)	Homeless Housing Assistance Corporation
(HHAP)	Homeless Housing Assistance Program
(HIP)	Health Insurance Plan
(HMO)	Health Maintenance Organization
(HRPT)	Hudson River Park Trust
(HTFC)	Housing Trust Fund Corporation
(IDEA)	Individuals with Disabilities Education Act
(IFP)	Industrial Finance Program
(IME)	Indirect Medical Expense
(IPO)	Initial Public Offering
(IGT/DSH)	Intergovernmental Disproportionate Share
(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
(MTA)	Metropolitan Transportation Authority
(MTASP)	Metropolitan Transport Authority Support Program
(MTOA)	Mass Transportation Operating Assistance Fund
(MOU)	Memorandum of Understanding
(MSC)	Medicaid Service Coordination
(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
(NYRA)	New York Racing Authority
(NYSTAR)	Office of Science, Technology and Academic Research
(NYSCOPBRA)	New York State Correctional Officers and Police Benevolent Association
(NYHELPS)	New York Higher Education Loan Program
(NYS-OPTS)	New York State Options for People Through Services
(OASAS)	Office of Alcoholism and Substance Abuse Services
(OCFS)	Office of Children and Family Services
(OCR)	Department of Transportation's Office of Civil Rights
(OFT)	Office for Technology
(OGS)	Office of General Services
(OHS)	Office of Homeland Security
(OMH)	Office of Mental Health
(OMIG)	Office of the Medicaid Inspector General
(OMRDD)	Office of Mental Retardation and Developmental Disabilities
(OPDV)	Office for the Prevention of Domestic Violence
(ORPS)	Office of Real Property Services

(OSC)	Office of the State Comptroller
(OTDA)	Office of Temporary and Disability Assistance
(OCA)	Office of Court Administration
(PACB)	Public Authorities Control Board
(PAYGO)	Pay-as-you-go
(PBT)	Petroleum Business Tax
(PEF)	Public Employees Federation
(PEP)	Professional Education Pool
(PFJ)	Power for Jobs
(PFM)	Public Financial Management
(PFRS)	Police and Fire Retirement System
(PIA)	Patient Income Account
(PILOT)	Payment in Lieu of Taxes
(PIT)	Personal Income Tax
(PPA)	Permanent Place of Abode
(PPI)	Petroleum Price Index
(PRAG)	Public Resources Advisory Group
(PSYCKES)	Psychiatric Services and Clinical Knowledge Enhancement System
(PYCs)	Prior Year Claims
(QPAI)	Qualified Production Activity Income
(QCEW)	Quarterly Census of Employment and Wages
(REIT)	Real Estate Investment Fund
(RESCUE)	Rebuilding Schools to Uphold Education
(RIC)	Regulated Investment Company
(RBTF)	Revenue Bond Tax Fund
(RGGI)	Regional Greenhouse Gas Initiative
(SAFETEA-LU)	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
(SBE)	Sound Basic Education
(SEIP)	Supplemental Education Improvement Program
(SEMO)	State Emergency Management Office
(SFSF)	State Fiscal Stabilization Fund
(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
(PAID)	Penalty and Interest Discount Program
(PASNY)	Power Authority of the State of New York
(SED)	State Education Department
(SONYMA)	State of New York Mortgage Agency
(SUNY)	State University of New York
(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
(millions of dollars)**

	<u>2nd Quarter</u>	<u>Change</u>	<u>Exec. (Amended)</u>
Opening fund balance	1,948	0	1,948
Receipts:			
Taxes:			
Personal income tax	22,831	(467)	22,364
User taxes and fees	8,194	35	8,229
Business taxes	5,321	367	5,688
Other taxes	926	27	953
Miscellaneous receipts	3,114	394	3,508
Federal Grants	68	0	68
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,641	(129)	7,512
Sales tax in excess of LGAC debt service	2,108	26	2,134
Real estate taxes in excess of CW/CA debt service	106	37	143
All other	1,399	714	2,113
Total receipts	<u>51,708</u>	<u>1,004</u>	<u>52,712</u>
Disbursements:			
Grants to local governments	36,818	(1,303)	35,515
State operations:			
Personal service	6,560	9	6,569
Non-personal service	1,926	67	1,993
General State charges	3,869	(75)	3,794
Transfers to other funds:			
Debt service	1,695	1	1,696
Capital projects	525	(11)	514
State Share Medicaid	2,292	96	2,388
Other purposes	925	(107)	818
Total disbursements	<u>54,610</u>	<u>(1,323)</u>	<u>53,287</u>
Change in fund balance	<u>(2,902)</u>	<u>2,327</u>	<u>(575)</u>
Legislative Actions Needed to Close Gap	<u>2,326</u>	<u>(2,326)</u>	<u>0</u>
Closing fund balance	<u>1,372</u>	<u>1</u>	<u>1,373</u>
Reserves			
Tax Stabilization Reserve Fund	1,031	0	1,031
Statutory Rainy Day Reserve Fund	175	0	175
Contingency Reserve Fund	21	0	21
Community Projects Fund	72	1	73
Reserved for Debt Reduction	73	0	73

Source: NYS DOB

*Second quarter projections include the value of administrative actions authorized in the 2009 Deficit Reduction Plan. Discussion of budget gaps in the text excludes savings from the second quarter gap estimates in order to display the actions distinctly as part of the State's overall gap-closing plan.

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

	<u>2nd Quarter</u>	<u>Change</u>	<u>Exec. (Amended)</u>
Receipts:			
Taxes:			
Personal income tax	24,996	(122)	24,874
User taxes and fees	8,554	(7)	8,547
Business taxes	5,617	93	5,710
Other taxes	934	(1)	933
Miscellaneous receipts	2,687	228	2,915
Federal Grants	60	0	60
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,958	(65)	7,893
Sales tax in excess of LGAC debt service	2,178	25	2,203
Real estate taxes in excess of CW/CA debt service	150	95	245
All other	848	573	1,421
Total receipts	<u>53,982</u>	<u>819</u>	<u>54,801</u>
Disbursements:			
Grants to local governments	40,600	(5,004)	35,596
State operations:			
Personal service	6,878	(479)	6,399
Non-personal service	2,070	(150)	1,920
General State charges	4,386	(267)	4,119
Transfers to other funds:			
Debt service	1,774	57	1,831
Capital projects	1,165	(81)	1,084
State Share Medicaid	2,331	205	2,536
Other purposes	1,092	(309)	783
Total disbursements	<u>60,296</u>	<u>(6,028)</u>	<u>54,268</u>
Deposit to/(use of) Community Projects Fund	<u>48</u>	<u>0</u>	<u>48</u>
Deposit to/(use of) Reserve for Fiscal Uncertainties	<u>0</u>	<u>485</u>	<u>485</u>
HCRA Operating Surplus/(Gap)	<u>0</u>	<u>0</u>	<u>0</u>
Cash Surplus/(Gap)	<u>(6,362)</u>	<u>6,362</u>	<u>0</u>

Source: NYS DOB

*Second quarter projections include the value of administrative actions authorized in the 2009 Deficit Reduction Plan. Discussion of budget gaps in the text excludes savings from the second quarter gap estimates in order to display the actions distinctly as part of the State's overall gap-closing plan.

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

	<u>2nd Quarter</u>	<u>Change</u>	<u>Exec. (Amended)</u>
Receipts:			
Taxes:			
Personal income tax	25,830	223	26,053
User taxes and fees	8,976	(32)	8,944
Business taxes	5,594	307	5,901
Other taxes	959	(1)	958
Miscellaneous receipts	2,583	214	2,797
Federal Grants	60	0	60
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,994	79	8,073
Sales tax in excess of LGAC debt service	2,304	27	2,331
Real estate taxes in excess of CW/CA debt service	244	73	317
All other	798	710	1,508
Total receipts	<u>55,342</u>	<u>1,600</u>	<u>56,942</u>
Disbursements:			
Grants to local governments	48,124	(6,417)	41,707
State operations:			
Personal service	6,961	(271)	6,690
Non-personal service	2,168	(98)	2,070
General State charges	5,136	(743)	4,393
Transfers to other funds:			
Debt service	1,728	29	1,757
Capital projects	1,335	2	1,337
State Share Medicaid	2,867	248	3,115
Other purposes	1,387	(80)	1,307
Total disbursements	<u>69,706</u>	<u>(7,330)</u>	<u>62,376</u>
Deposit to/(use of) Community Projects Fund	<u>(48)</u>	<u>0</u>	<u>(48)</u>
HCRA Operating Surplus/(Gap)	<u>0</u>	<u>0</u>	<u>0</u>
Cash Surplus/(Gap)	<u>(14,316)</u>	<u>8,930</u>	<u>(5,386)</u>

Source: NYS DOB

*Second quarter projections include the value of administrative actions authorized in the 2009 Deficit Reduction Plan. Discussion of budget gaps in the text excludes savings from the second quarter gap estimates in order to display the actions distinctly as part of the State's overall gap-closing plan.

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

	<u>2nd Quarter</u>	<u>Change</u>	<u>Exec. (Amended)</u>
Receipts:			
Taxes:			
Personal income tax	25,278	357	25,635
User taxes and fees	9,295	64	9,359
Business taxes	6,207	126	6,333
Other taxes	1,007	(1)	1,006
Miscellaneous receipts	2,584	181	2,765
Federal Grants	60	0	60
Transfers from other funds:			
PTI in excess of Revenue Bond debt service	7,657	150	7,807
Sales tax in excess of LGAC debt service	2,453	27	2,480
Real estate taxes in excess of CW/CA debt service	330	48	378
All other	777	752	1,529
Total receipts	<u>55,648</u>	<u>1,704</u>	<u>57,352</u>
Disbursements:			
Grants to local governments	51,869	(5,392)	46,477
State operations:			
Personal service	7,029	(140)	6,889
Non-personal service	2,228	(108)	2,120
General State charges	5,872	(1,275)	4,597
Transfers to other funds:			
Debt service	1,728	15	1,743
Capital projects	1,518	(33)	1,485
State Share Medicaid	2,868	249	3,117
Other purposes	1,695	(44)	1,651
Total disbursements	<u>74,807</u>	<u>(6,728)</u>	<u>68,079</u>
Deposit to/(use of) Community Projects Fund	<u>(98)</u>	<u>27</u>	<u>(71)</u>
HCRA Operating Surplus/(Gap)	<u>0</u>	<u>0</u>	<u>0</u>
Cash Surplus/(Gap)	<u>(19,061)</u>	<u>8,405</u>	<u>(10,656)</u>

Source: NYS DOB

*Second quarter projections include the value of administrative actions authorized in the 2009 Deficit Reduction Plan. Discussion of budget gaps in the text excludes savings from the second quarter gap estimates in order to display the actions distinctly as part of the State's overall gap-closing plan.

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

	<u>2010-2011 Exec. (Amended)</u>	<u>2011-2012 Projected</u>	<u>2012-2013 Projected</u>	<u>2013-2014 Projected</u>
Receipts:				
Taxes:				
Personal income tax	24,874	26,053	25,635	27,072
User taxes and fees	8,547	8,944	9,359	9,718
Business taxes	5,710	5,901	6,333	6,621
Other taxes	933	958	1,006	1,064
Miscellaneous receipts	2,915	2,797	2,765	2,762
Federal grants	60	60	60	60
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	7,893	8,073	7,807	8,241
Sales tax in excess of LGAC debt service	2,203	2,331	2,480	2,629
Real estate taxes in excess of CW/CA debt service	245	317	378	420
All other transfers	1,421	1,508	1,529	1,518
Total receipts	<u>54,801</u>	<u>56,942</u>	<u>57,352</u>	<u>60,105</u>
Disbursements:				
Grants to local governments	35,596	41,707	46,477	49,963
State operations:				
Personal service	6,399	6,690	6,889	6,904
Non-personal service	1,920	2,070	2,120	2,197
General State charges	4,119	4,393	4,597	4,991
Transfers to other funds:				
Debt service	1,831	1,757	1,743	1,675
Capital projects	1,084	1,337	1,485	1,646
State Share Medicaid	2,536	3,115	3,117	3,083
Other purposes	783	1,307	1,651	2,043
Total disbursements	<u>54,268</u>	<u>62,376</u>	<u>68,079</u>	<u>72,502</u>
Deposit to/(use of) Community Projects Fund	<u>48</u>	<u>(48)</u>	<u>(71)</u>	<u>0</u>
Deposit to/(use of) Reserve for Fiscal Uncertainties	<u>485</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>0</u>	<u>(5,386)</u>	<u>(10,656)</u>	<u>(12,397)</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	1,948	2,471	298	4,717
Receipts:				
Taxes	37,234	8,143	11,354	56,731
Miscellaneous receipts	3,508	14,369	817	18,694
Federal grants	68	1	0	69
Total receipts	<u>40,810</u>	<u>22,513</u>	<u>12,171</u>	<u>75,494</u>
Disbursements:				
Grants to local governments	35,515	17,514	0	53,029
State operations:				
Personal service	6,569	4,238	0	10,807
Non-personal service	1,993	2,781	74	4,848
General State charges	3,794	984	0	4,778
Debt service	0	0	4,922	4,922
Capital projects	0	3	0	3
Total disbursements	<u>47,871</u>	<u>25,520</u>	<u>4,996</u>	<u>78,387</u>
Other financing sources (uses):				
Transfers from other funds	11,902	3,889	6,605	22,396
Transfers to other funds	(5,416)	(1,922)	(13,795)	(21,133)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>6,486</u>	<u>1,967</u>	<u>(7,190)</u>	<u>1,263</u>
Change in fund balance	<u>(575)</u>	<u>(1,040)</u>	<u>(15)</u>	<u>(1,630)</u>
Closing fund balance	<u>1,373</u>	<u>1,431</u>	<u>283</u>	<u>3,087</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>1,373</u>	<u>1,431</u>	<u>283</u>	<u>3,087</u>
Receipts:				
Taxes	40,064	9,351	12,317	61,732
Miscellaneous receipts	2,915	14,228	779	17,922
Federal grants	60	1	0	61
Total receipts	<u>43,039</u>	<u>23,580</u>	<u>13,096</u>	<u>79,715</u>
Disbursements:				
Grants to local governments	35,596	18,377	0	53,973
State operations:				
Personal service	6,399	4,084	0	10,483
Non-personal service	1,920	2,767	92	4,779
General State charges	4,119	1,044	0	5,163
Debt service	0	0	5,766	5,766
Capital projects	0	2	0	2
Total disbursements	<u>48,034</u>	<u>26,274</u>	<u>5,858</u>	<u>80,166</u>
Other financing sources (uses):				
Transfers from other funds	11,762	3,983	7,114	22,859
Transfers to other funds	(6,234)	(1,636)	(14,386)	(22,256)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>5,528</u>	<u>2,347</u>	<u>(7,272)</u>	<u>603</u>
Change in fund balance	<u>533</u>	<u>(347)</u>	<u>(34)</u>	<u>152</u>
Closing fund balance	<u>1,906</u>	<u>1,084</u>	<u>249</u>	<u>3,239</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	1,084	249	1,333
Receipts:				
Taxes	41,856	9,914	12,959	64,729
Miscellaneous receipts	2,797	14,845	805	18,447
Federal grants	60	1	0	61
Total receipts	<u>44,713</u>	<u>24,760</u>	<u>13,764</u>	<u>83,237</u>
Disbursements:				
Grants to local governments	41,707	19,425	0	61,132
State operations:				
Personal service	6,690	4,629	0	11,319
Non-personal service	2,070	2,855	92	5,017
General State charges	4,393	1,283	0	5,676
Debt service	0	0	6,088	6,088
Capital projects	0	2	0	2
Total disbursements	<u>54,860</u>	<u>28,194</u>	<u>6,180</u>	<u>89,234</u>
Other financing sources (uses):				
Transfers from other funds	12,229	4,727	6,639	23,595
Transfers to other funds	(7,516)	(1,612)	(14,245)	(23,373)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>4,713</u>	<u>3,115</u>	<u>(7,606)</u>	<u>222</u>
Deposit to/(use of) Reserves	<u>(48)</u>	<u>0</u>	<u>0</u>	<u>(48)</u>
Change in fund balance	<u>(5,386)</u>	<u>(319)</u>	<u>(22)</u>	<u>(5,727)</u>
Closing fund balance	<u>(5,386)</u>	<u>765</u>	<u>227</u>	<u>(4,394)</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	765	227	992
Receipts:				
Taxes	42,333	10,213	13,075	65,621
Miscellaneous receipts	2,765	15,244	829	18,838
Federal grants	60	1	0	61
Total receipts	<u>45,158</u>	<u>25,458</u>	<u>13,904</u>	<u>84,520</u>
Disbursements:				
Grants to local governments	46,477	20,172	0	66,649
State operations:				
Personal service	6,889	4,663	0	11,552
Non-personal service	2,120	2,935	92	5,147
General State charges	4,597	1,457	0	6,054
Debt service	0	0	6,363	6,363
Capital projects	0	2	0	2
Total disbursements	<u>60,083</u>	<u>29,229</u>	<u>6,455</u>	<u>95,767</u>
Other financing sources (uses):				
Transfers from other funds	12,194	4,959	6,697	23,850
Transfers to other funds	(7,996)	(1,388)	(14,170)	(23,554)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>4,198</u>	<u>3,571</u>	<u>(7,473)</u>	<u>296</u>
Deposit to/(use of) Reserves	<u>(71)</u>	<u>0</u>	<u>0</u>	<u>(71)</u>
Change in fund balance	<u>(10,656)</u>	<u>(200)</u>	<u>(24)</u>	<u>(10,880)</u>
Closing fund balance	<u>(10,656)</u>	<u>565</u>	<u>203</u>	<u>(9,888)</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	1,948	2,846	(506)	298	4,586
Receipts:					
Taxes	37,234	8,143	2,048	11,354	58,779
Miscellaneous receipts	3,508	14,599	3,459	817	22,383
Federal grants	68	47,236	2,544	0	49,848
Total receipts	<u>40,810</u>	<u>69,978</u>	<u>8,051</u>	<u>12,171</u>	<u>131,010</u>
Disbursements:					
Grants to local governments	35,515	59,009	1,244	0	95,768
State operations:					
Personal service	6,569	6,827	0	0	13,396
Non-personal service	1,993	4,469	0	74	6,536
General State charges	3,794	1,988	0	0	5,782
Debt service	0	0	0	4,922	4,922
Capital projects	0	3	6,731	0	6,734
Total disbursements	<u>47,871</u>	<u>72,296</u>	<u>7,975</u>	<u>4,996</u>	<u>133,138</u>
Other financing sources (uses):					
Transfers from other funds	11,902	7,082	663	6,605	26,252
Transfers to other funds	(5,416)	(5,855)	(1,211)	(13,795)	(26,277)
Bond and note proceeds	0	0	470	0	470
Net other financing sources (uses)	<u>6,486</u>	<u>1,227</u>	<u>(78)</u>	<u>(7,190)</u>	<u>445</u>
Change in fund balance	<u>(575)</u>	<u>(1,091)</u>	<u>(2)</u>	<u>(15)</u>	<u>(1,683)</u>
Closing fund balance	<u>1,373</u>	<u>1,755</u>	<u>(508)</u>	<u>283</u>	<u>2,903</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	1,373	1,755	(508)	283	2,903
Receipts:					
Taxes	40,064	9,351	2,036	12,317	63,768
Miscellaneous receipts	2,915	14,416	3,597	779	21,707
Federal grants	60	47,496	2,623	0	50,179
Total receipts	<u>43,039</u>	<u>71,263</u>	<u>8,256</u>	<u>13,096</u>	<u>135,654</u>
Disbursements:					
Grants to local governments	35,596	59,941	1,095	0	96,632
State operations:					
Personal service	6,399	6,729	0	0	13,128
Non-personal service	1,920	4,527	0	92	6,539
General State charges	4,119	2,180	0	0	6,299
Debt service	0	0	0	5,766	5,766
Capital projects	0	2	7,763	0	7,765
Total disbursements	<u>48,034</u>	<u>73,379</u>	<u>8,858</u>	<u>5,858</u>	<u>136,129</u>
Other financing sources (uses):					
Transfers from other funds	11,762	7,219	1,391	7,114	27,486
Transfers to other funds	(6,234)	(5,462)	(1,418)	(14,386)	(27,500)
Bond and note proceeds	0	0	586	0	586
Net other financing sources (uses)	<u>5,528</u>	<u>1,757</u>	<u>559</u>	<u>(7,272)</u>	<u>572</u>
Change in fund balance	<u>533</u>	<u>(359)</u>	<u>(43)</u>	<u>(34)</u>	<u>97</u>
Closing fund balance	<u>1,906</u>	<u>1,396</u>	<u>(551)</u>	<u>249</u>	<u>3,000</u>

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	1,396	(551)	249	1,094
Receipts:					
Taxes	41,856	9,914	2,072	12,959	66,801
Miscellaneous receipts	2,797	14,983	3,298	805	21,883
Federal grants	60	42,234	2,555	0	44,849
Total receipts	<u>44,713</u>	<u>67,131</u>	<u>7,925</u>	<u>13,764</u>	<u>133,533</u>
Disbursements:					
Grants to local governments	41,707	56,304	1,190	0	99,201
State operations:					
Personal service	6,690	6,905	0	0	13,595
Non-personal service	2,070	4,472	0	92	6,634
General State charges	4,393	2,397	0	0	6,790
Debt service	0	0	0	6,088	6,088
Capital projects	0	2	7,553	0	7,555
Total disbursements	<u>54,860</u>	<u>70,080</u>	<u>8,743</u>	<u>6,180</u>	<u>139,863</u>
Other financing sources (uses):					
Transfers from other funds	12,229	7,814	1,741	6,639	28,423
Transfers to other funds	(7,516)	(5,191)	(1,470)	(14,245)	(28,422)
Bond and note proceeds	0	0	495	0	495
Net other financing sources (uses)	<u>4,713</u>	<u>2,623</u>	<u>766</u>	<u>(7,606)</u>	<u>496</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>(5,386)</u>	<u>(326)</u>	<u>(52)</u>	<u>(22)</u>	<u>(5,786)</u>
Closing fund balance	<u>(5,386)</u>	<u>1,070</u>	<u>(603)</u>	<u>227</u>	<u>(4,692)</u>

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	1,070	(603)	227	694
Receipts:					
Taxes	42,333	10,213	2,080	13,075	67,701
Miscellaneous receipts	2,765	15,382	2,819	829	21,795
Federal grants	60	41,697	2,581	0	44,338
Total receipts	<u>45,158</u>	<u>67,292</u>	<u>7,480</u>	<u>13,904</u>	<u>133,834</u>
Disbursements:					
Grants to local governments	46,477	56,503	1,157	0	104,137
State operations:					
Personal service	6,889	6,947	0	0	13,836
Non-personal service	2,120	4,557	0	92	6,769
General State charges	4,597	2,668	0	0	7,265
Debt service	0	0	0	6,363	6,363
Capital projects	0	2	6,922	0	6,924
Total disbursements	<u>60,083</u>	<u>70,677</u>	<u>8,079</u>	<u>6,455</u>	<u>145,294</u>
Other financing sources (uses):					
Transfers from other funds	12,194	8,142	1,622	6,697	28,655
Transfers to other funds	(7,996)	(4,967)	(1,506)	(14,170)	(28,639)
Bond and note proceeds	0	0	428	0	428
Net other financing sources (uses)	<u>4,198</u>	<u>3,175</u>	<u>544</u>	<u>(7,473)</u>	<u>444</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>(10,656)</u>	<u>(210)</u>	<u>(55)</u>	<u>(24)</u>	<u>(10,945)</u>
Closing fund balance	<u>(10,656)</u>	<u>860</u>	<u>(658)</u>	<u>203</u>	<u>(10,251)</u>

Source: NYS DOB

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

	<u>2008-2009</u> Actuals	<u>2009-2010</u> Revised	<u>2010-2011</u> Exec. (Amended)	<u>2011-2012</u> Projected	<u>2012-2013</u> Projected	<u>2013-2014</u> Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT						
Agriculture and Markets, Department of	109,631	107,919	102,591	111,030	107,116	97,690
Alcoholic Beverage Control	17,022	17,970	20,897	21,976	21,494	22,111
Banking Department	78,971	85,231	86,699	87,211	89,047	89,647
Developmental Authority North	507	200	200	162	162	162
Consumer Protection Board	3,840	2,876	2,906	2,926	2,741	2,783
Economic Development Capital Programs	21,176	12,300	2,500	2,500	2,500	2,500
Economic Development, Department of	104,306	79,853	71,330	69,540	70,411	85,096
Energy Research and Development Authority	22,786	28,850	34,935	31,092	29,431	30,721
Insurance Department	292,668	661,691	502,031	533,269	538,116	538,116
Job Development Corporation, New York State	620,568	534,021	741,451	507,996	303,626	307,996
Olympic Regional Development Authority	9,503	9,078	6,064	6,274	6,274	6,401
Public Service, Department of	78,697	77,466	77,445	81,292	83,756	83,456
Racing and Wagering Board, State	24,307	23,301	21,656	22,044	23,007	23,453
Science, Technology and Innovation, Foundation for	27,186	29,549	46,152	46,614	40,273	29,710
Strategic Investment	3,195	6,650	4,000	4,000	5,000	5,000
Functional Total	1,414,363	1,676,955	1,720,857	1,527,926	1,322,954	1,324,842
PARKS AND THE ENVIRONMENT						
Adirondack Park Agency	5,510	5,552	5,381	5,019	5,021	5,021
Environmental Conservation, Department of	878,910	1,109,611	1,067,588	835,355	827,089	795,380
Environmental Facilities Corporation	14,758	9,831	9,210	9,552	9,736	9,736
Hudson River Park Trust	14,290	21,392	10,000	0	0	0
Parks, Recreation and Historic Preservation, Office of	337,061	315,228	231,100	221,686	223,354	223,329
Functional Total	1,250,529	1,461,614	1,323,279	1,071,612	1,065,200	1,033,466
TRANSPORTATION						
Motor Vehicles, Department of	318,270	323,943	332,778	347,288	360,160	367,009
Thruway Authority	1,419	1,800	1,800	1,800	1,800	1,800
Metropolitan Transportation Authority	160,000	195,300	206,500	194,500	183,600	183,600
Transportation, Department of	6,498,414	7,541,821	8,707,450	8,912,062	9,058,842	9,083,363
Functional Total	6,978,103	8,062,864	9,248,528	9,455,650	9,604,402	9,635,772
HEALTH						
Aging, Office for the	239,660	225,494	227,114	224,032	224,032	224,032
Health, Department of	38,097,712	44,028,705	44,291,143	47,143,822	48,999,760	52,313,462
<i>Medical Assistance</i>	32,427,350	38,428,569	38,490,325	41,131,195	43,153,763	46,553,063
<i>Medicaid Administration</i>	900,664	1,057,000	1,102,500	1,147,500	1,193,500	1,193,500
<i>Public Health</i>	4,769,698	4,543,136	4,698,318	4,865,127	4,652,497	4,566,899
<i>Health - Medicaid Assistance</i>	0	0	0	0	0	0
Medicaid Inspector General, Office of	61,224	80,290	80,788	85,160	85,160	85,160
Stem Cell and Innovation	7,797	17,697	58,666	73,071	123,149	57,623
Functional Total	38,406,393	44,352,186	44,657,711	47,526,085	49,432,101	52,680,277
SOCIAL WELFARE						
Children and Family Services, Office of	3,143,806	3,269,824	3,374,774	3,516,430	3,748,083	3,972,584
<i>OCFS</i>	3,097,973	3,203,237	3,261,910	3,382,973	3,610,728	3,831,324
<i>OCFS - Medicaid</i>	45,833	66,587	112,864	133,457	137,355	141,260
Human Rights, Division of	19,043	21,804	19,406	20,058	20,664	20,949
Labor, Department of	581,613	913,295	731,600	637,966	637,146	630,012
Housing and Community Renewal, Division of	320,605	920,088	431,703	285,750	275,451	292,533
National Commission Services	14,566	16,238	16,016	14,627	14,629	14,715
Prevention of Domestic Violence, Office for	2,482	2,328	0	0	0	9

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

	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>
	<u>Actuals</u>	<u>Revised</u>	<u>Exec. (Amended)</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Temporary and Disability Assistance, Office of	5,084,635	5,364,499	5,106,653	5,199,028	5,232,715	5,245,434
<i>Welfare Assistance</i>	3,339,685	3,918,074	3,743,946	3,840,058	3,850,354	3,848,175
<i>Welfare Administration</i>	361,065	54,900	0	0	0	0
<i>All Other</i>	1,383,885	1,391,525	1,362,707	1,358,970	1,382,361	1,397,259
Welfare Inspector General, Office of	1,180	1,403	1,421	1,456	1,472	1,492
Workers' Compensation Board	205,090	187,987	206,849	204,030	211,966	218,737
Functional Total	<u>9,373,020</u>	<u>10,697,466</u>	<u>9,888,422</u>	<u>9,879,345</u>	<u>10,142,126</u>	<u>10,396,465</u>
MENTAL HYGIENE						
Mental Health, Office of	3,084,590	3,212,365	3,410,032	3,678,802	3,879,172	4,035,376
<i>OMH</i>	1,423,983	1,508,432	1,538,916	1,699,021	1,791,520	1,870,346
<i>OMH - Medicaid</i>	1,660,607	1,703,933	1,871,116	1,979,781	2,087,652	2,165,030
Mental Hygiene, Department of	308,318	1,570	1,997	1,484	1,484	1,484
Mental Retardation and Developmental Disabilities, Office of	4,183,851	4,269,833	4,464,575	4,710,403	4,945,251	5,157,527
<i>OMRDD</i>	559,080	537,434	537,040	559,035	582,376	604,376
<i>OMRDD - Medicaid</i>	3,624,771	3,732,399	3,927,535	4,151,368	4,362,875	4,553,151
Alcoholism and Substance Abuse Services, Office of	584,954	565,354	597,393	736,836	775,610	790,368
<i>OASAS</i>	484,789	464,456	489,023	622,472	657,321	669,322
<i>OASAS - Medicaid</i>	100,165	100,898	108,370	114,364	118,289	121,046
Developmental Disabilities Planning Council	4,915	4,200	4,200	4,200	4,200	4,200
Quality of Care for the Mentally Disabled, Commission on	15,207	16,845	17,275	17,780	18,158	18,631
Functional Total	<u>8,181,835</u>	<u>8,070,167</u>	<u>8,495,472</u>	<u>9,149,505</u>	<u>9,623,875</u>	<u>10,007,586</u>
PUBLIC PROTECTION/CRIMINAL JUSTICE						
Capital Defenders Office	370	0	0	0	0	0
Correction, Commission of	2,687	2,582	2,844	2,932	2,984	3,016
Correctional Services, Department of	2,699,307	3,011,322	2,775,215	2,827,773	2,875,538	2,917,321
Criminal Justice Services, Division of	295,559	261,875	483,600	492,220	475,473	476,295
Crime Victims Board	65,521	67,699	0	0	0	32,201
Financial Management System	0	12,381	31,881	41,359	50,943	51,043
Homeland Security and Emergency Services	105,234	317,469	347,189	650,123	616,864	589,393
Homeland Security	3,225	42,628	32,798	32,733	30,225	30,227
Investigation, Temporary State Commission of	3,554	0	0	0	0	0
Judicial Commissions	5,288	5,164	5,414	5,595	5,669	5,749
Military and Naval Affairs, Division of	234,686	219,693	212,523	180,463	181,311	180,068
Parole, Division of	196,590	189,759	177,965	184,453	188,446	190,991
Probation and Correctional Alternatives, Division of	79,273	68,526	0	0	0	1,468
State Emergency Management Office	0	0	0	0	0	0
State Police, Division of	653,750	793,140	742,894	757,195	734,201	734,033
Wireless Network	14,047	18,575	1,527	1,586	1,586	1,586
Functional Total	<u>4,359,091</u>	<u>5,010,813</u>	<u>4,813,850</u>	<u>5,176,432</u>	<u>5,163,240</u>	<u>5,213,391</u>

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

	<u>2008-2009</u> <u>Actuals</u>	<u>2009-2010</u> <u>Revised</u>	<u>2010-2011</u> <u>Exec. (Amended)</u>	<u>2011-2012</u> <u>Projected</u>	<u>2012-2013</u> <u>Projected</u>	<u>2013-2014</u> <u>Projected</u>
HIGHER EDUCATION						
City University of New York	1,071,277	1,663,720	1,383,542	1,477,566	1,570,163	1,658,141
Higher Education Services Corporation	909,663	1,022,775	1,011,190	925,605	927,780	928,484
Higher Education Capital Grants	4,254	67,746	40,000	38,000	0	0
Higher Education Miscellaneous	726	700	700	700	700	700
State University Construction Fund	16,482	19,277	21,052	21,635	22,819	23,480
State University of New York	6,484,894	7,287,088	7,410,963	7,494,656	7,537,742	7,620,026
Functional Total	<u>8,487,296</u>	<u>10,061,306</u>	<u>9,867,447</u>	<u>9,958,162</u>	<u>10,059,204</u>	<u>10,230,831</u>
LOWER EDUCATION (Pre-K through 12)						
Arts, Council on the	45,842	47,936	40,586	40,869	40,925	40,982
Education, Department of	30,553,372	31,439,774	30,694,753	30,978,004	33,150,467	35,118,310
<i>School Aid</i>	23,164,174	24,601,563	23,973,726	24,383,108	26,382,722	28,097,462
<i>School Aid - Medicaid Assistance</i>	106,331	40,000	125,820	80,000	80,000	80,000
<i>STAR Property Tax Relief</i>	4,435,383	3,419,450	3,207,570	3,367,620	3,527,167	3,707,475
<i>Special Education Categorical Programs</i>	1,783,639	2,239,176	2,294,866	2,036,771	2,034,936	2,088,916
<i>All Other</i>	1,063,845	1,139,585	1,092,771	1,110,505	1,125,642	1,144,457
Functional Total	<u>30,599,214</u>	<u>31,487,710</u>	<u>30,735,339</u>	<u>31,018,873</u>	<u>33,191,392</u>	<u>35,159,292</u>
GENERAL GOVERNMENT						
Budget, Division of the	43,813	44,473	41,498	43,567	44,611	45,511
Civil Service, Department of	23,744	21,978	18,798	19,426	19,697	19,989
Deferred Compensation	643	865	783	820	854	885
Elections, State Board of	97,117	60,724	100,060	6,197	36,339	6,464
Employee Relations, Office of	3,694	3,423	3,097	3,198	3,237	3,283
Financial Plan Control Board	2,816	3,288	3,257	3,392	3,595	3,727
General Services, Office of	215,793	218,122	207,235	217,746	221,381	224,147
Inspector General, Office of	6,446	6,582	6,067	6,341	6,426	6,513
Labor Management Committee	33,503	44,958	59,134	57,826	26,018	26,018
Lottery, Division of	200,951	175,160	176,410	180,969	181,459	185,723
Public Employment Relations Board	3,660	4,171	3,923	4,020	4,068	4,129
Public Integrity, Commission on	4,879	4,541	4,251	4,721	4,901	4,978
Real Property Services, Office of	58,369	43,737	0	0	0	0
Regulatory Reform, Governor's Office of	3,438	2,210	2,052	2,087	2,087	2,087
State, Department of	181,137	215,370	183,753	137,370	139,867	139,842
Tax Appeals, Division of	3,422	2,971	3,053	3,108	3,108	3,146
Taxation and Finance, Department of	372,992	412,846	470,472	477,441	480,397	487,163
Technology, Office for	21,364	28,091	67,994	57,857	85,076	44,599
Lobbying, Temporary State Commission on	(77)	0	0	0	0	0
Veterans Affairs, Division of	15,720	16,966	17,354	17,188	17,198	17,331
Functional Total	<u>1,293,424</u>	<u>1,310,476</u>	<u>1,369,191</u>	<u>1,243,274</u>	<u>1,280,319</u>	<u>1,225,535</u>

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

	<u>2008-2009</u> Actuals	<u>2009-2010</u> Revised	<u>2010-2011</u> Exec. (Amended)	<u>2011-2012</u> Projected	<u>2012-2013</u> Projected	<u>2013-2014</u> Projected
ELECTED OFFICIALS						
Legislature	221,729	220,717	220,995	225,396	229,885	234,463
Judiciary	2,425,844	2,549,700	2,678,898	3,000,309	2,996,272	2,985,114
Audit and Control, Department of	258,126	253,684	180,176	185,665	190,224	192,541
Law, Department of	231,205	228,585	210,499	220,407	224,931	228,404
Executive Chamber	19,252	17,844	17,080	17,952	18,229	18,487
Lieutenant Governor, Office of the	133	0	658	1,193	1,208	1,208
Functional Total	<u>3,156,289</u>	<u>3,270,530</u>	<u>3,308,306</u>	<u>3,650,922</u>	<u>3,660,749</u>	<u>3,660,217</u>
LOCAL GOVERNMENT ASSISTANCE						
Aid and Incentives for Municipalities	997,600	1,043,651	729,068	724,584	734,971	742,808
Efficiency Incentive Grants Program	229	3,700	7,450	7,450	7,511	0
Miscellaneous Financial Assistance	3,920	8,920	3,920	3,920	3,920	3,920
Municipalities with VLT Facilities	33,502	26,489	25,801	25,801	25,801	25,801
Small Government Assistance	2,138	2,088	2,088	2,088	2,088	2,088
Functional Total	<u>1,037,389</u>	<u>1,084,848</u>	<u>768,327</u>	<u>763,843</u>	<u>774,291</u>	<u>774,617</u>
ALL OTHER CATEGORIES						
Long-Term Debt Service	4,585,862	4,995,826	5,858,374	6,179,565	6,454,698	6,586,757
Capital Projects	0	0	0	0	0	0
General State Charges	2,443,102	3,102,737	3,334,540	3,589,129	3,809,675	4,202,910
Miscellaneous	5,694	(1,506,295)	737,911	(328,409)	(286,273)	(417,448)
Functional Total	<u>7,034,658</u>	<u>6,592,268</u>	<u>9,930,825</u>	<u>9,440,285</u>	<u>9,978,100</u>	<u>10,372,219</u>
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	<u><u>121,571,604</u></u>	<u><u>133,139,203</u></u>	<u><u>136,127,554</u></u>	<u><u>139,861,914</u></u>	<u><u>145,297,953</u></u>	<u><u>151,714,510</u></u>

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
2009-2010 and 2010-2011
(millions of dollars)**

	<u>2009-10</u> <u>Revised</u>	<u>2010-11</u> <u>Exec.</u> <u>(Amended)</u>	<u>Annual</u> <u>Change</u>
Revenues:			
Taxes:			
Personal income tax	23,576	25,086	1,510
User taxes and fees	8,134	8,561	427
Business taxes	5,482	5,919	437
Other taxes	937	950	13
Miscellaneous revenues	6,536	5,832	(704)
Federal grants	68	60	(8)
Total revenues	<u>44,733</u>	<u>46,408</u>	<u>1,675</u>
Expenditures:			
Grants to local governments	38,288	37,374	(914)
State operations	12,344	11,851	(493)
General State charges	4,151	4,401	250
Debt service	0	0	0
Capital projects	1	0	(1)
Total expenditures	<u>54,784</u>	<u>53,626</u>	<u>(1,158)</u>
Other financing sources (uses):			
Transfers from other funds	15,064	15,242	178
Transfers to other funds	(6,041)	(6,644)	(603)
Proceeds from financing arrangements/ advance refundings	450	446	(4)
Net other financing sources (uses)	<u>9,473</u>	<u>9,044</u>	<u>(429)</u>
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	<u>(578)</u>	<u>1,826</u>	<u>2,404</u>
Accumulated Surplus/(Deficit)	<u>(3,522)</u>	<u>(1,696)</u>	<u>1,826</u>

Source: NYS DOB

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

	<u>2010-11 Exec. (Amended)</u>	<u>2011-12 Projected</u>	<u>2012-13 Projected</u>	<u>2013-14 Projected</u>
Revenues:				
Taxes:				
Personal income tax	25,086	25,153	25,315	27,079
User taxes and fees	8,561	8,969	9,388	9,746
Business taxes	5,919	5,899	6,336	6,625
Other taxes	950	991	1,046	1,074
Miscellaneous revenues	5,832	5,799	5,822	5,843
Federal grants	60	60	60	60
Total revenues	<u>46,408</u>	<u>46,871</u>	<u>47,967</u>	<u>50,427</u>
Expenditures:				
Grants to local governments	37,374	44,486	49,124	52,574
State operations	11,851	12,503	14,328	15,359
General State charges	4,401	4,826	3,469	4,012
Debt service	0	0	0	0
Capital projects	0	0	0	0
Total expenditures	<u>53,626</u>	<u>61,815</u>	<u>66,921</u>	<u>71,945</u>
Other financing sources (uses):				
Transfers from other funds	15,242	14,940	14,872	15,403
Transfers to other funds	(6,644)	(7,148)	(7,241)	(7,653)
Proceeds from financing arrangements/ advance refundings	446	355	359	359
Net other financing sources (uses)	<u>9,044</u>	<u>8,147</u>	<u>7,990</u>	<u>8,109</u>
Operating Surplus/(Deficit)	<u>1,826</u>	<u>(6,797)</u>	<u>(10,964)</u>	<u>(13,409)</u>

Source: NYS DOB