

**\$50,115,000**  
**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**  
**STATE OF NEW YORK CONSOLIDATED SERVICE CONTRACT**  
**REFUNDING REVENUE BONDS,**  
**SERIES 2007**

**Dated: Date of Delivery**

**Due: July 1, as shown on the  
Inside Cover**

**Payment and Security:** The Series 2007 Bonds (as hereinafter defined) will be special obligations of the Dormitory Authority of the State of New York (the "Authority"), payable solely from and secured by a pledge of certain payments to be made under a Service Contract (the "Service Contract") dated as of July 25, 2007, between the Authority and The People of The State of New York (the "State"), acting by and through the Director of the Budget, and all funds and accounts (except the Arbitrage Rebate Fund) established under the Authority's State of New York Consolidated Service Contract Refunding Revenue Bond Resolution adopted July 25, 2007, (the "Resolution") and the Authority's Series 2007 Resolution authorizing up to \$138,000,000 of State of New York Consolidated Service Contract Refunding Revenue Bonds, Series 2007 (the "Series 2007 Bonds") adopted by the Authority on July 25, 2007 (the "Series 2007 Resolution" and, together with the Resolution, the "Resolutions").

The scheduled payment when due of the principal and interest on the Series 2007 Bonds maturing July 1 of each of the years 2016 through 2025, inclusive (the "Insured Bonds") will be guaranteed under a municipal bond insurance policy (the "Policy") to be issued concurrently with the delivery of the Insured Bonds by Financial Security Assurance Inc. (the "Insurer" or "Financial Security").



The Service Contract provides that the State will semiannually pay to the Authority amounts sufficient to pay when due the principal and Redemption Price of and interest on the Series 2007 Bonds. The obligation of the State to make such payments is subject to, and dependent upon, the State Legislature making annual appropriations for such payments and the availability of money therefor. See "PART 2 - SOURCES OF PAYMENT AND SECURITY" herein.

**The Series 2007 Bonds will not be a debt of the State nor will the State be liable on them. The Authority has no taxing power.**

**Description:** The Series 2007 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2007 Bonds (due January 1, 2008 and each July 1 and January 1 thereafter) will be payable by check mailed to the registered owners thereof or, at the option of the registered owner of at least \$1,000,000 in principal amount of Series 2007 Bonds, by wire transfer as more particularly described herein. The principal and Redemption Price of the Series 2007 Bonds will be payable at the principal corporate trust office of Deutsche Bank Trust Company Americas, New York, New York, the Trustee and Paying Agent.

The Series 2007 Bonds will be issued initially under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Individual purchases of beneficial interests in the Series 2007 Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2007 Bonds, payments of the principal and Redemption Price of and interest on such Series 2007 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "PART 3 - THE SERIES 2007 BONDS - Book-Entry Only System" herein.

**Redemption and Purchase In Lieu of Optional Redemption:** The Series 2007 Bonds are subject to redemption and purchase in lieu of optional redemption prior to maturity as more fully described herein.

**Tax Matters:** In the opinion of Winston & Strawn LLP, Bond Counsel to the Authority, under existing statutes, regulations, rulings, and court decisions, interest on the Series 2007 Bonds is not includable in gross income for federal income tax purposes, assuming compliance with certain covenants and the accuracy of certain representations. Interest on the Series 2007 Bonds is not an "item of tax preference" for purposes of the federal alternative minimum tax on individuals and corporations; however, a portion of such interest may otherwise be includable in the calculation of the federal alternative minimum tax imposed on corporations (but not individuals). Additionally, in the opinion of Bond Counsel to the Authority, interest on the Series 2007 Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York and the City of Yonkers. See "PART 9 - TAX MATTERS" herein.

*The Series 2007 Bonds are offered when, as and if issued and received by the Underwriters. The offer of the Series 2007 Bonds may be subject to prior sale or may be withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Winston & Strawn LLP, New York, New York, Bond Counsel to the Authority, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel Nixon Peabody LLP, New York, New York. The Authority expects to deliver the Series 2007 Bonds in definitive form in New York, New York, on or about October 18, 2007.*

**Citi**

**RBC Capital Markets**

**\$50,115,000**  
**State of New York Consolidated**  
**Service Contract Refunding Revenue Bonds,**  
**Series 2007**

<b>Due July 1</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP Numbers<sup>1</sup></b>	<b>Due July 1</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP Numbers<sup>1</sup></b>
2010	\$ 430,000	4.000%	3.460%	64983MA24	2019*†	\$3,405,000	5.000%	4.060%	64983MB23
2012	3,775,000	4.000%	3.570%	64983MA32	2020*†	3,215,000	5.000%	4.120%	64983MB31
2013	5,725,000	4.000%	3.630%	64983MA40	2021*	415,000	4.100%	4.220%	64983MB49
2014	5,715,000	4.000%	3.730%	64983MA57	2022*	430,000	4.200%	4.280%	64983MB56
2015	5,955,000	4.000%	3.820%	64983MA65	2023*	450,000	4.250%	4.320%	64983MB64
2016*	6,220,000	5.000%	3.820%	64983MA73	2024*	470,000	4.250%	4.350%	64983MB72
2017*	6,550,000	5.000%	3.890%	64983MA81	2025*	490,000	4.250%	4.380%	64983MB80
2018*†	6,870,000	5.000%	3.980%	64983MA99					

\* Insured by Financial Security Assurance Inc.

† Priced to first par call on July 1, 2017

<sup>1</sup> CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of holders of the Series 2007 Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2007 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2007 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2007 Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, the State, or the Underwriters to give any information or to make any representations with respect to the Series 2007 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by any of the foregoing.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be a sale of the Series 2007 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information in this Official Statement has been supplied or authorized by the State Division of the Budget, the Insurer, DTC and other sources that the Authority believes are reliable. The Authority does not guarantee the accuracy or completeness of such information, and such information is not to be construed as a representation of the Authority. See "PART 17 - MISCELLANEOUS" of the Official Statement for a schedule indicating the various sources of information.

Other than the information concerning the Insurer contained under the caption "PART 2 – SOURCES OF PAYMENT AND SECURITY - The Municipal Bond Insurance Policy" herein and in Appendix G, none of the information in this Official Statement has been supplied or verified by the Insurer, and the Insurer makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the Series 2007 Bonds or (iii) the tax exempt status of the interest on the Series 2007 Bonds.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in the Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

References in this Official Statement to the Act, the Program Act (each as herein defined), the Resolution, the Service Contract, and the Policy do not purport to be complete. Refer to the Act, the Program Act, the Resolution, the Service Contract and the Policy for full and complete details of their provisions. Copies of the Resolution, the Service Contract and the Policy are on file with the Authority and the Trustee.

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including its appendices, must be considered in its entirety.

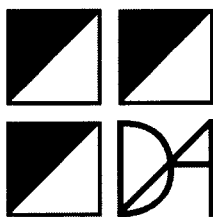
Under no circumstances shall the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of the Authority and the State have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2007 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF SUCH BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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**DORMITORY AUTHORITY – STATE OF NEW YORK**  
**DAVID D. BROWN, IV – EXECUTIVE DIRECTOR**

**515 BROADWAY, ALBANY, N.Y. 12207**  
**GAIL H. GORDON, ESQ. – CHAIR**

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## **OFFICIAL STATEMENT RELATING TO**

### **\$50,115,000** **DORMITORY AUTHORITY OF THE STATE OF NEW YORK** **STATE OF NEW YORK CONSOLIDATED SERVICE CONTRACT** **REFUNDING REVENUE BONDS,** **SERIES 2007**

#### **PART 1 – INTRODUCTION**

##### **Purpose of the Official Statement**

The purpose of this Official Statement, including the inside cover page and appendices, is to provide information about the Authority and the State in connection with the offering by the Authority of \$50,115,000 aggregate principal amount of its State of New York Consolidated Service Contract Refunding Revenue Bonds, Series 2007 (the “Series 2007 Bonds”).

The following is a brief description of certain information concerning the Series 2007 Bonds, the Authority and the Project (as hereafter defined). A more complete description of such information and additional information that may affect decisions to invest in the Series 2007 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

##### **Purpose of the Issue**

The Series 2007 Bonds are being issued (i) to refund bonds previously issued by the Authority of the respective issues, series, maturity dates and principal amounts set forth in Appendix E hereto (collectively, the “Refunded Bonds”), and (ii) to pay the Costs of Issuance of the Series 2007 Bonds. See “PART 4 – THE REFUNDING PLAN,” “PART 5 – ESTIMATED SOURCES AND USES OF FUNDS” and “Appendix E – Table of Refunded Bonds.”

##### **Authorization of Issuance**

The Series 2007 Bonds will be issued pursuant to the Resolution, the Act and Section 34 of Part T of Chapter 57 of the Laws of New York of 2007 (the “Program Act”). The Series 2007 Resolution authorizes the issuance of the Series 2007 Bonds in an aggregate principal amount not to exceed \$138,000,000.

In addition to the Series 2007 Bonds, the Resolution authorizes the issuance of additional Series of Bonds (collectively with the Series 2007 Bonds, the “Bonds”). The Bonds permitted to be issued under the Resolution include Capital Appreciation Bonds, Deferred Income Bonds, Option Bonds and Variable Interest Rate Bonds. All Bonds issued under the Resolution will rank on a parity with each other and will be secured equally and ratably with each other. The Series 2007 Bonds are the first Series of Bonds issued under the Resolution.

Pursuant to the Program Act and the Resolution the Authority may issue Bonds to pay or to provide for the payment of outstanding notes or bonds issued by the Authority and certain other public authorities of the State, the debt service on which is payable from money in the State's general fund appropriated by the State Legislature for its payment, and for which money derived from any particular source has not been dedicated to its payment ("Eligible State Supported Debt").

### **The Authority**

The Authority is a public benefit corporation of the State created for the purposes of financing and constructing a variety of public-purpose facilities, certain educational, governmental and not-for-profit institutions. The Authority has never defaulted in the timely payment of principal or sinking fund installments of or interest on, its bonds or notes. See "PART 6 - THE AUTHORITY."

### **The Series 2007 Bonds**

The Series 2007 Bonds will be dated as of the date of delivery and bear interest from such date, payable each January 1 and July 1, commencing January 1, 2008. The Series 2007 Bonds will bear interest at the rates and mature at the times set forth on the inside cover page of this Official Statement. See "PART 3 - THE SERIES 2007 BONDS - Description of the Series 2007 Bonds."

### **Payment of the Series 2007 Bonds**

The Series 2007 Bonds will be special obligations of the Authority payable solely from and secured by a pledge of all Contract Payments (as hereinafter described) to be made by the State under the Service Contract. Pursuant to the Resolution the Authority has pledged the Contract Payments and its right to receive them to the Trustee. See "PART 2 - SOURCES OF PAYMENT AND SECURITY."

The State's obligation to make the Contract Payments is absolute and unconditional, subject only to the limitations described below. The Service Contract provides that so long as any Bonds are Outstanding neither the Authority nor the State will terminate the Service Contract for any cause, including, without limiting the generality of the foregoing, any acts or circumstances which may constitute failure of consideration or frustration of purpose or the failure of either the Authority or the State to perform and observe any duty, liability or obligation arising out of or connected with the Service Contract.

*Under the State Constitution and as expressly provided in the Service Contract, the State's obligation to make the Contract Payments is subject to and dependent upon annual appropriations being made by the State Legislature for such purposes. The State Legislature is not obligated to make appropriations for the payment of the Contract Payments. No assurance can be given that the State Legislature will make any such appropriations and the State may not make any payment except pursuant to an appropriation. As required by the Program Act, the Service Contract further provides that the State's obligation to make the Contract Payments will not constitute a debt of the State within the meaning of any constitutional or statutory provisions, will be considered to be executory only to the extent of money appropriated for such payments by the State Legislature and available to the State for such payments therefor, and that no liability will be incurred by the State beyond the money available for payment of the Contract Payments. See "Appendix C - Summary of Certain Provisions of the Service Contract."*

The Authority has no taxing power.

### **Security for the Series 2007 Bonds**

The Bonds, including the Series 2007 Bonds, will be secured by the pledge and assignment to the Trustee of the Contract Payments and the Authority's right to receive them, the proceeds from the sale of the Series 2007 Bonds (until disbursed as provided by the Resolutions) and all funds and accounts established by the Resolutions (with the exception of the Arbitrage Rebate Fund and any fund or account established for the payment of the purchase price or Redemption Price of Option Bonds tendered for purchase). See "PART 2 - SOURCES OF PAYMENT AND SECURITY - Security for the Series 2007 Bonds."

## **Municipal Bond Insurance**

Financial Security has committed to issue the Policy guaranteeing the scheduled payment when due of the principal of and interest on the Insured Bonds. See “PART 2 - SOURCES OF PAYMENT AND SECURITY - The Municipal Bond Insurance Policy.”

### **PART 2 – SOURCES OF PAYMENT AND SECURITY**

*Set forth below is a narrative description of certain contractual and statutory provisions relating to the sources of payment and security for the Bonds, including the Series 2007 Bonds, issued under the Resolution and for the Contract Payments and the Policy. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Program Act, the Resolution, the Service Contract and the Policy for a more complete description of such provisions. Copies of the Resolution and the Service Contract are on file with the Authority and the Trustee. See also “Appendix C - Summary of Certain Provisions of the Service Contract,” “Appendix D - Summary of Certain Provisions of the Resolution” and “Appendix G – Specimen Municipal Bond Insurance Policy” for a more complete statement of the rights, duties and obligations of the parties thereto.*

#### **Payment of the Series 2007 Bonds**

##### *Special Obligations*

The Bonds, including the Series 2007 Bonds, are special obligations of the Authority payable solely from and secured by the Revenues. The Revenues consist of the payments (including the right to receive the same and proceeds of such right) to be made by the State acting by and through the Division of the Budget pursuant to the Service Contract (the “Contract Payments”). The Contract Payments include the payments required to be made by the State to pay (i) the principal and Sinking Fund Installments of and interest on the Bonds, (ii) amounts payable by the Authority to the providers of any surety bond, financial guaranty insurance policy, letter of credit or other similar obligation securing Bonds that arise as a result of the State’s failure to make timely payments of the amounts described in (i) above, (iii) the fees and expenses of the Trustee and other fiduciaries incurred and payable under the Resolution, (iv) any payments with respect to the Bonds which have otherwise been rescinded, avoided or otherwise returned due to insolvency, bankruptcy or reorganization with respect to the Authority and (v) amounts paid by the State for the redemption of Outstanding Bonds at the Authority’s Option. The Revenues and Contract Payments do not include amounts paid by the State pursuant to the Service Contract for the Authority’s Annual Administrative Fees. The Revenues and the right to receive them have been pledged to the Trustee for the benefit of the Holders of the Bonds, including the Series 2007 Bonds. The State has agreed in the Service Contract to pay the Contract Payments directly to the Trustee.

##### *Payment of the Contract Payments*

The Contract Payments are required to be paid at times and in amounts sufficient to make timely payment of the principal and Sinking Fund Installments of and interest on the Bonds, including the Series 2007 Bonds. The Contract Payments relating to the principal of and interest on the Series 2007 Bonds are to be paid in two installments payable on June 20 and December 20 of each year, commencing December 20, 2007, each of which is to be in an amount sufficient to pay the principal and interest payable on the next succeeding date on which principal or interest is due on the Outstanding Series 2007 Bonds. The Service Contract provides that, in connection with the issuance of other Series of Bonds, other and more frequent dates for the payment of the Contract Payments may be specified for such Series in a supplement to the Service Contract executed at or prior to the time such Series of Bonds are issued.

The amount of the Contract Payment payable on any date may be reduced by the amount available for the payment of the principal or Sinking Fund Installments of or interest on Outstanding Bonds either from the proceeds of Bonds or from amounts being held by or on-hand with the Trustee that are available to be used for such payment, in each case as determined by the Authority. See “Appendix C – Summary of Certain Provisions of the Service Contract.”

The Service Contract reserves to the State the right to make payments for the purchase or Redemption Price of Bonds, including the Series 2007 Bonds, sufficient to purchase or redeem any Outstanding Bonds on any date on which they are subject to redemption at the option of the Authority. See "PART 3 - THE SERIES 2007 BONDS - Redemption and Purchase in Lieu of Optional Redemption."

The Service Contract provides that the State's obligation to make the Contract Payments, subject only to limitations discussed below, are absolute and unconditional, without any rights of abatement, deduction, deferment, reduction, set-off, recoupment or counterclaim which the State may have against the Authority or any other person or entity having an interest in the Service Contract or the payments made thereunder. See "Appendix B - Information Concerning the State of New York" and "Appendix C - Summary of Certain Provisions of the Service Contract."

#### *Limitations on Contract Payments*

Under the State Constitution, money may not be paid from the State treasury except pursuant to an appropriation made by the State Legislature. Accordingly, the provisions of the Program Act which require the State to appropriate money to the Authority for payment of the Contract Payments, do not constitute legally enforceable obligations of the State and the State cannot be compelled to make an appropriation for payment of the Contract Payments. If, however, the State Legislature appropriates money for payment of the Contract Payments (and such appropriations have not lapsed or been repealed) and money is available for such payments, the State Comptroller and other appropriate officials of the State are legally obligated to make the Contract Payments required by the Program Act. No assurance can be given that the State Legislature will annually appropriate money for the Contract Payments.

In addition to the State constitutional limitation on the State's obligation or ability to make the Contract Payments, the Service Contract expressly provides that the State's obligation to make such payments is executory only to the extent of money appropriated for such payments by the State Legislature and available to the State for such payments. As required by the Program Act, the Service Contract further provides that the State's obligation to make the Contract Payment will not constitute a debt of the State within the meaning of any constitutional or statutory provisions and that no liability will be incurred by the State beyond the money appropriated and available for the purposes thereof. See "Appendix C - Summary of Certain Provisions of the Service Contract."

#### *Defaults and Remedies*

It is an event of default under the Service Contract if, for any reason other than the State Legislature's failure to appropriate money, the State fails to pay when due any of the Contract Payments or fails to observe or perform any other covenant, condition or agreement to be observed or performed by it. Upon the occurrence of an event of default the Authority may, unless the event of default has been cured, institute any action in the nature of mandamus to compel the State to observe or perform its obligations or take any other action at law or in equity as it may consider necessary or desirable. In no event, however, may the Authority terminate the Service Contract.

#### **Security for the Series 2007 Bonds**

The Bonds, including the Series 2007 Bonds, are secured by a first lien on the Revenues and on certain funds and accounts established and pledged by the Resolutions. The funds established by the Resolution that are pledged are the Debt Service Fund, from which the principal and Sinking Fund Installments of and interest on Outstanding Bonds will be paid, and the Project Fund, in which proceeds of Bonds will be deposited until applied to pay or to provide for the payment of Eligible State Supported Debt. The pledge does not include the Arbitrage Rebate Fund or any fund or account established in the future by or pursuant to a Series Resolution for the payment of the Redemption Price or purchase price of Option Bonds.

The Authority has covenanted for the benefit of the Holders of Bonds, including the Series 2007 Bonds, that, except as described below, it will not create or cause to be created any lien or charge upon the Revenues, the proceeds of the Bonds or the funds or accounts established and pledged by the Resolutions which is prior or equal to the pledge made by the Resolution. The Authority, however, has reserved the right to pledge and create liens upon



the Revenues to secure any obligation of the Authority to the issuer of a Credit Facility or a Liquidity Facility obtained in connection with the Bonds, which pledges or liens may be of equal priority with the pledge and lien created by the Resolution. The Authority has also reserved the right to create liens on the Revenues and the funds and accounts established and pledged by the Resolution so long as they are not equal or prior to the lien created by the Resolution. See "Appendix D - Summary of Certain Provisions of the Resolution."

### **The Municipal Bond Insurance Policy**

Concurrently with the issuance of the Series 2007 Bonds, Financial Security will issue the Policy for the Insured Bonds. The Policy guarantees the scheduled payment when due of the principal of and interest on the Insured Bonds as set forth in the form of the Policy included as Appendix G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

#### *Financial Security Assurance Inc.*

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At June 30, 2007, Financial Security's combined policyholders' surplus and contingency reserves were approximately \$2,642,612,000 and its total net unearned premium reserve was approximately \$2,116,401,000 in accordance with statutory accounting principles. At June 30, 2007, Financial Security's consolidated shareholder's equity was approximately \$3,072,828,000 and its total net unearned premium reserve was approximately \$1,660,356,000 in accordance with generally accepted accounting principles.

The consolidated financial statements of Financial Security included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2005 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Official Statement. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and before the termination of the offering of the Insured Bonds shall be deemed incorporated by reference into this Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Insured Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

### **General**

The State will be obligated to make Contract Payments subject to the limitations described above. However, the Series 2007 Bonds will not be a debt of the State nor will the State be liable on them. The Authority has no taxing power. The Authority has never defaulted in the timely payment of principal or sinking fund installments of or interest on its bonds or notes. See "PART 6 - THE AUTHORITY."

## **PART 3 – THE SERIES 2007 BONDS**

### **Description of the Series 2007 Bonds**

The Series 2007 Bonds will be issued pursuant to the Resolutions, will be dated as of the date of delivery and will bear interest at the rates and mature at the times set forth on the inside cover page of this Official Statement.

The Series 2007 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series 2007 Bonds will be registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2007 Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2007 Bonds, the Series 2007 Bonds will be exchangeable for other fully registered Series 2007 Bonds in any other authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See "Book-Entry Only System" herein and "Appendix D - Summary of Certain Provisions of the Resolution."

Interest on the Series 2007 Bonds will be payable by check mailed to the registered owners thereof, or, at the option of the registered owner of at least \$1,000,000 in principal amount of Series 2007 Bonds, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has, not less than five days prior to the Record Date for the Series 2007 Bonds immediately preceding such interest payment date, directed the Trustee to wire such interest payment. The principal and Redemption Price of the Series 2007 Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of Deutsche Bank Trust Company Americas, New York, New York, the Trustee and Paying Agent. As long as the Series 2007 Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See "Book-Entry Only System" herein. For a more complete description of the Series 2007 Bonds, see "Appendix D - Summary of Certain Provisions of the Resolution."

### **Redemption and Purchase in Lieu of Optional Redemption**

The Series 2007 Bonds are subject to optional redemption and purchase in lieu of redemption as described below.

#### *Optional Redemption*

The Series 2007 Bonds maturing on or prior to July 1, 2017 are not subject to redemption prior to maturity.

The Series 2007 Bonds maturing on or after July 1, 2018 are subject to redemption prior to maturity on or after July 1, 2017, in any order, at the option of the Authority as a whole or in part at any time, at 100% of the principal amount of the Series 2007 Bonds to be redeemed, plus accrued interest to the date of redemption.

#### *Selection of Bonds to be Redeemed*

In the case of Series 2007 Bonds to be redeemed at the option or direction of the Authority, the Authority will select the maturities and principal amounts of the Series 2007 Bonds to be redeemed. If less than all of the Series 2007 Bonds of a maturity are to be redeemed, the Series 2007 Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion.

#### *Notice of Redemption*

The Trustee is to give notice of the redemption of the Series 2007 Bonds in the name of the Authority by mailing a notice of redemption, by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the redemption date, to the registered owners of any Series 2007 Bonds to be redeemed, at their last known addresses appearing on the registration books not more than ten Business Days prior to the date such notice is given. The failure of any owner to receive such notice will not affect the validity of the proceedings for the redemption of the Series 2007 Bonds.

If, on the redemption date, money for the redemption of the Series 2007 Bonds of like maturity to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price, and if notice of redemption has been mailed, then interest on the Series 2007 Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2007 Bonds will no longer be considered to be Outstanding under the Resolution.

For a more complete description of the redemption and other provisions relating to the Series 2007 Bonds, see "Appendix D - Summary of Certain Provisions of the Resolution."

*Purchase In Lieu of Optional Redemption*

The Series 2007 Bonds maturing on or after July 1, 2018 are subject to mandatory tender for purchase prior to maturity on or after July 1, 2017, in any order, at the option of the Authority, as a whole or in part at any time, at a purchase price, including accrued interest to the date of purchase, that is equal to the Redemption Price that would be payable on the purchase date if such Series 2007 Bond had been redeemed on such date at the option of the Authority.

*Notice of Purchase in Lieu of Optional Redemption and its Effect*

Notice of the purchase of Series 2007 Bonds will be given in the name of the Authority to the registered owners of the Series 2007 Bonds to be purchased by first-class mail, postage prepaid, not less than thirty 30 days nor more than 45 days prior to the purchase date specified in such notice (the "Purchase Date"). The Series 2007 Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2007 Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. Such purchase will not operate to extinguish the indebtedness of the Authority evidenced thereby or modify the terms of the Series 2007 Bonds and such Series 2007 Bonds need not be cancelled, but the Series 2007 Bonds purchased will remain Outstanding under the Resolution and will continue to bear interest.

The Authority's obligation to purchase a Series 2007 Bond or cause it to be purchased is conditioned upon the availability of sufficient money to pay the purchase price for all of the Series 2007 Bonds to be purchased on the Purchase Date. If sufficient money is available on the Purchase Date to pay the purchase price of the Series 2007 Bonds to be purchased, the former registered owners of such Series 2007 Bonds will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the purchase price. If sufficient money is not available on the Purchase Date for payment of the purchase price, the Series 2007 Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the Purchase Date, who will be entitled to the payment of the principal of and interest on such Series 2007 Bonds in accordance with their respective terms.

In the event not all of the Outstanding Series 2007 Bonds of a maturity are to be purchased, the Series 2007 Bonds of such maturity to be purchased will be selected by lot in the same manner as Series 2007 Bonds of a maturity to be redeemed in part are to be selected.

*State's Right to Require Redemption or Purchase*

The State in the Service Contract has reserved the right to make payments to the Authority for the optional redemption or purchase in lieu of optional redemption of the Series 2007 Bonds at the times and at the Redemption Price or purchase price applicable to the optional redemption or purchase in lieu of optional redemption of the Series 2007 Bonds as described above. The Authority has agreed in the Service Contract to exercise its right to optionally redeem or purchase any Bonds, including the Series 2007 Bonds, for which the State has provided sufficient money to pay the Redemption Price or purchase price, in each case including interest accrued to their date of redemption or purchase.

## **Book-Entry Only System**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2007 Bonds. The Series 2007 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2007 Bond will be issued for each maturity of the Series 2007 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2007 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2007 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2007 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2007 Bonds, except in the event that use of the Book-Entry Only System for the Series 2007 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2007 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2007 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2007 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2007 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series 2007 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2007 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2007 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC (or such other nominee as may be requested by an authorized representative of DTC), and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2007 Bonds at any time by giving reasonable notice to the Authority or the Trustee and discharging its responsibilities with respect thereto under applicable law, or the Authority may terminate its participation in the system of book-entry transfer through DTC with respect to the Series 2007 Bonds at any time by giving notice to DTC. In either event, the Authority may retain another securities depository for the Series 2007 Bonds or may direct the Trustee to deliver bond certificates in accordance with instructions from DTC or its successor. If the Authority directs the Trustee to deliver such bond certificates, such Series 2007 Bonds may thereafter be exchanged for an equal aggregate principal amount of Series 2007 Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Trustee, who will then be responsible for maintaining the registration books of the Authority.

Unless otherwise noted, certain of the information contained in the preceding paragraphs of this subsection "Book-Entry Only System" has been extracted from information given by DTC. Neither the Authority, the Trustee nor the Underwriters make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE WILL SATISFY THE AUTHORITY'S OBLIGATION UNDER THE ACT AND THE RESOLUTION TO THE EXTENT OF SUCH PAYMENTS.

So long as Cede & Co. is the registered owner of the Series 2007 Bonds, as nominee for DTC, references herein to the Bondholders, Holders, or registered owners of the Series 2007 Bonds (other than under the captions "PART 9 - TAX MATTERS" and "PART 15 - CONTINUING DISCLOSURE") means Cede & Co., as aforesaid, and does not mean the Beneficial Owners of the Series 2007 Bonds.

**Principal and Interest Requirements**

The following table sets forth the Contract Payments required to be paid by the State in each twelve-month period ending March 31 of the years shown for the payment of the principal of and interest on the Series 2007 Bonds, and the aggregate payments to be made by the State during each such period with respect to debt service on the Series 2007 Bonds.

<u>12-Month Period Ended March 31</u>	<u>Principal on Series 2007 Bonds</u>	<u>Interest Payments on Series 2007 Bonds</u>	<u>Total Debt Service on Series 2007 Bonds</u>
2008	0	\$ 460,711	\$ 460,711
2009	0	2,272,000	2,272,000
2010	0	2,272,000	2,272,000
2011	\$ 430,000	2,263,400	2,693,400
2012	0	2,254,800	2,254,800
2013	3,775,000	2,179,300	5,954,300
2014	5,725,000	1,989,300	7,714,300
2015	5,715,000	1,760,500	7,475,500
2016	5,955,000	1,527,100	7,482,100
2017	6,220,000	1,252,500	7,472,500
2018	6,550,000	933,250	7,483,250
2019	6,870,000	597,750	7,467,750
2020	3,405,000	340,875	3,745,875
2021	3,215,000	175,375	3,390,375
2022	415,000	86,493	501,493
2023	430,000	68,955	498,955
2024	450,000	50,363	500,363
2025	470,000	30,813	500,813
2026	490,000	10,413	500,413

**PART 4 – THE REFUNDING PLAN**

Substantially all of the proceeds of the Series 2007 Bonds will be used, together with other available money, to purchase non-callable direct obligations of the United States of America (the “Investment Securities”), the maturing principal of and interest on which will be sufficient, together with any uninvested cash, to pay the principal and redemption price of and interest on the Refunded Bonds coming due on and prior to their respective maturity or redemption dates, all as shown on Appendix E hereto. All of the Refunded Bonds are Eligible State Supported Debt. Such Investment Securities will be deposited with the trustees for the respective Refunded Bonds to be held, in trust, in separate escrow funds solely for the payment of such principal and Redemption Price of and interest on the respective Refunded Bonds. See “PART 14 - VERIFICATION OF MATHEMATICAL COMPUTATIONS” and “Appendix E – Table of Refunded Bonds.” At the time of such deposit, the Authority will give the respective trustees for the Refunded Bonds irrevocable instructions to give notice of the redemption of the Refunded Bonds and to apply the maturing principal of and interest on the Investment Securities, together with any uninvested cash, for the payment of the Redemption Price of and interest on such Refunded Bonds.

In the opinion of Bond Counsel to the Authority, upon making such deposits with the applicable trustees for the Refunded Bonds and the issuance of certain irrevocable instructions to the trustees, the Refunded Bonds will, under the terms of the resolutions pursuant to which they were authorized and issued, be deemed to have been paid and will no longer be outstanding under such resolutions.

## PART 5 – ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

### Sources of Funds

Principal Amount of Series 2007 Bonds	\$50,115,000
Net Original Issue Premium	2,477,446
Other Available Money	7,293,291
Total Sources of Funds	\$59,885,737

### Uses of Funds

Deposit to the Escrow Funds	\$58,709,788
Cost of Issuance*	743,482
Underwriters' Discount	432,467
Total Uses of Funds	\$59,885,737

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\*Includes bond insurance premium and New York State bond issuance fee

## PART 6 – THE AUTHORITY

### Background, Purposes and Powers

The Authority is a body corporate and politic constituting a public benefit corporation. The Authority was created by the Act for the purpose of financing and constructing a variety of facilities for certain independent colleges and universities and private hospitals, certain not-for-profit institutions, public educational institutions including The State University of New York, The City University of New York and Boards of Cooperative Educational Services (“BOCES”), certain school districts in the State, facilities for the Departments of Health and Education of the State, the Office of General Services, the Office of General Services of the State on behalf of the Department of Audit and Control, facilities for the aged and certain judicial facilities for cities and counties. The Authority is also authorized to make and purchase certain loans in connection with its student loan program. To carry out this purpose, the Authority was given the authority, among other things, to issue and sell negotiable bonds and notes to finance the construction of facilities of such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions.

On September 1, 1995, the Authority through State legislation (the “Consolidation Act”) succeeded to the powers, duties and functions of the New York State Medical Care Facilities Finance Agency (the “Agency”) and the Facilities Development Corporation (the “Corporation”), each of which will continue its corporate existence in and through the Authority. Under the Consolidation Act, the Authority has also acquired by operation of law all assets and property, and has assumed all the liabilities and obligations, of the Agency and the Corporation, including, without limitation, the obligation of the Agency to make payments on its outstanding bonds, and notes or other obligations. Under the Consolidation Act, as successor to the powers, duties and functions of the Agency, the Authority is authorized to issue and sell negotiable bonds and notes to finance and refinance mental health services facilities for use directly by the New York State Department of Mental Hygiene and by certain voluntary agencies. As such successor to the Agency, the Authority has acquired additional authorization to issue bonds and notes to provide certain types of financing for certain facilities for the Department of Health, not-for-profit corporations providing hospital, medical and residential health care facilities and services, county and municipal hospitals and nursing homes, not-for-profit and limited profit nursing home companies, qualified health maintenance organizations and health facilities for municipalities constituting social services districts. As successor to the Corporation, the Authority is authorized, among other things, to assume exclusive possession, jurisdiction, control and supervision over all State mental hygiene facilities and to make them available to the Department of Mental Hygiene, to provide for construction and modernization of municipal hospitals, to provide health facilities for municipalities, to provide health facilities for voluntary non-profit corporations, to make its services available to the State Department of

Correctional Services, to make its services available to municipalities to provide for the design and construction of local correctional facilities, to provide services for the design and construction of municipal buildings, and to make loans to certain voluntary agencies with respect to mental hygiene facilities owned or leased by such agencies.

The Authority has the general power to acquire real and personal property, give mortgages, make contracts, operate dormitories and other facilities and fix and collect rentals or other charges for their use, contract with the holders of its bonds and notes as to such rentals and charges, make reasonable rules and regulations to assure the maximum use of facilities, borrow money, issue negotiable bonds or notes and provide for the rights of their holders and adopt a program of self-insurance.

In addition to providing financing, the Authority offers a variety of services to certain educational, governmental and not-for-profit institutions, including advising in the areas of project planning, design and construction, monitoring project construction, purchasing of furnishings and equipment for projects, designing interiors of projects and designing and managing projects to rehabilitate older facilities. In succeeding to the powers, duties and functions of the Corporation as described above, the scope of design and construction services afforded by the Authority has been expanded.

#### **Outstanding Indebtedness of the Authority (Other than Indebtedness Assumed by the Authority)**

At June 30, 2007, the Authority had approximately \$33.6 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from money received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

The Authority's bonds and notes include both special obligations and general obligations of the Authority. The Authority's special obligations are payable solely from payments required to be made by or for the account of the institution for which the particular special obligations were issued or from borrowers in connection with its student loan program. Such payments are pledged or assigned to the trustees for the holders of respective special obligations. The Authority has no obligation to pay its special obligations other than from such payments. The Authority's general obligations are payable from any money of the Authority legally available for the payment of such obligations. However, the payments required to be made by or for the account of the institution for which general obligations were issued generally have been pledged or assigned by the Authority to trustees for the holders of such general obligations. The Authority has always paid the principal of and interest on its special and general obligations on time and in full.

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The total amounts of the Authority bonds and notes (excluding debt of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act) outstanding at June 30, 2007 were as follows:

<b>Public Programs</b>	<b>Bonds Issued</b>	<b>Bonds Outstanding</b>	<b>Bond and Notes Outstanding</b>	<b>Notes Outstanding</b>
State University of New York Dormitory Facilities.....	\$ 1,975,416,000	\$ 752,200,000	\$ 0	\$ 752,200,000
State University of New York Educational and Athletic Facilities.....	11,351,092,999	4,656,433,960	0	4,656,433,960
Upstate Community Colleges of the State University of New York.....	1,366,010,000	575,980,000	0	575,980,000
Senior Colleges of the City University of New York.....	8,609,563,549	3,146,002,270	0	3,146,002,270
Community Colleges of the City University of New York.....	2,194,081,563	549,157,730	0	549,157,730
BOCES and School Districts.....	1,569,416,208	1,180,200,000	0	1,180,200,000
Judicial Facilities.....	2,161,277,717	745,382,717	0	745,382,717
New York State Department of Health and Education and Other.....	3,182,915,000	1,988,005,000	0	1,988,005,000
Mental Health Services Facilities.....	5,682,130,000	3,719,825,000	0	3,719,825,000
New York State Taxable Pension Bonds.....	773,475,000	0	0	0
Municipal Health Facilities Improvement Program.....	913,895,000	827,890,000	0	827,890,000
<b>Totals Public Programs.....</b>	<b>\$ 39,779,273,036</b>	<b>\$ 18,141,076,677</b>	<b>\$ 0</b>	<b>\$ 18,141,076,677</b>
<b>Non-Public Programs</b>	<b>Bonds Issued</b>	<b>Bonds Outstanding</b>	<b>Notes Outstanding</b>	<b>Bonds and Notes Outstanding</b>
Independent Colleges, Universities and Other Institutions.....	\$ 14,453,076,020	\$ 6,877,178,039	\$ 151,373,000	\$ 7,028,551,039
Voluntary Non-Profit Hospitals.....	12,032,779,309	7,404,650,000	0	7,404,650,000
Facilities for the Aged.....	1,960,585,000	1,065,765,000	0	1,065,765,000
Supplemental Higher Education Loan Financing Program.....	95,000,000	0	0	0
<b>Totals Non-Public Programs.....</b>	<b>\$ 28,541,440,329</b>	<b>\$ 15,347,593,039</b>	<b>\$ 151,373,000</b>	<b>\$ 15,498,966,039</b>
<b>Grand Totals Bonds and Notes.....</b>	<b>\$ 68,320,713,365</b>	<b>\$ 33,488,669,716</b>	<b>\$ 151,373,000</b>	<b>\$33,640,042,716</b>

**Outstanding Indebtedness of the Agency Assumed by the Authority**

At June 30, 2007, the Agency had approximately \$632 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The debt service on each such issue of bonds is paid from money received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue.

The total amounts of the Agency’s bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at June 30, 2007 were as follows:

<u>Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Mental Health Services Improvement Facilities.....	\$ 3,817,230,725	\$ 0
<u>Non-Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Hospital and Nursing Home Project Bond Program.....	\$ 226,230,000	\$ 3,930,000
Insured Mortgage Programs .....	6,625,079,927	592,999,927
Revenue Bonds, Secured Loan and Other Programs .....	<u>2,414,240,000</u>	<u>34,635,000</u>
Total Non-Public Programs .....	<u>9,265,549,927</u>	<u>631,564,927</u>
Total MCFFA Outstanding Debt .....	<u>\$ 13,082,780,652</u>	<u>\$ 631,564,927</u>

**Governance**

The Authority carries out its programs through an eleven-member board, a full-time staff of approximately 660 persons, independent bond counsel and other outside advisors. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at Authority meetings. The members of the Authority serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties.

The Governor of the State appoints a Chair from the members appointed by him or her and the members of the Authority annually choose the following officers, of which the first two must be members of the Authority: Vice-Chair, Secretary, Treasurer, Assistant Secretaries and Assistant Treasurers.

The current members of the Authority are as follows:

GAIL H. GORDON, Esq., *Chair*, Slingerlands.

Gail H. Gordon was appointed as a Member of the Authority by the Governor on May 10, 2004. Ms. Gordon served as Deputy Commissioner and General Counsel for the Office of Children and Family Services from September 15, 1997 to December 31, 2006. She previously was of counsel to the law firm of Helm, Shapiro, Anito & McCale, P.C., in Albany, New York, where she was engaged in the private practice of law. From 1987 to 1993, Ms. Gordon served as Counsel to the Comptroller of the State of New York where she directed a legal staff of approximately 40 attorneys, was responsible for providing legal and policy advice to the State Comptroller and his deputies in all areas of the State Comptroller’s responsibilities, including the supervision of accounts of public authorities and in the administration, as sole trustee, of the New York State Employees Retirement System and the Policemen’s and Firemen’s Retirement System. She served as Deputy Counsel to the Comptroller of the State of New York from 1983 to 1987. From 1974 to 1983, Ms. Gordon was an attorney with the law firm of Hinman,

Howard & Kattell, Binghamton, New York, where she concentrated in areas of real estate, administrative and municipal law. Ms. Gordon holds a Bachelor of Arts degree from Smith College and a Juris Doctor degree from Cornell University School of Law. Ms. Gordon's term expired on March 31, 2007 and by law she continues to serve until a successor shall be chosen and qualified.

JOHN B. JOHNSON, JR., *Vice-Chair*, Watertown.

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on April 26, 2004. Mr. Johnson is Chairman of the Board and Chief Executive Officer of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978, and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2010.

JOSE ALBERTO CORVALAN, M.D., *Secretary*, Armonk.

Dr. Corvalan was appointed as a Member of the Authority by the Governor on June 22, 2005. Dr. Corvalan is Chief of Laparoscopic Surgery at St. Vincent's Midtown Hospital in Manhattan. Dr. Corvalan is a Diplomate, American Board of Surgery, and is a Fellow of the American College of Surgeons and the New York Academy of Medicine. Dr. Corvalan has held a number of teaching positions and is Associate Professor of Surgery at New York Medical College, Valhalla, New York. His current term expires on March 31, 2008.

BRIAN RUDER, *Scarsdale*.

Mr. Ruder was appointed as a Member of the Authority by the Governor on June 23, 2006. He is Chief Executive Officer of Skylight Partners, a strategic marketing and business development consulting group that he founded in 2001. Prior to Skylight Partners, Mr. Ruder served for four years as Executive Vice President of Global Marketing for Citigroup. He spent 16 years at the H.J. Heinz Co. in progressively responsible positions, including President of Heinz USA, President of Weight Watchers Food Company and corporate Vice President of Worldwide Infant Feeding. He also served as Director of Marketing, New Products and Sales for Pepsi USA in the mid-1980's. Mr. Ruder is Vice Chairman of the New York State Board of Science, Technology and Academic Research (NYSTAR), and also serves on the board of the Adirondack Council, the Scarsdale United Way, the New York Metro Chapter of the Young Presidents' Organization and PNC Private Client Advisors. Mr. Ruder earned a Bachelor of Arts degree in American History in 1976 from Washington University in St. Louis, Mo., and a Master of Business Administration degree in Marketing in 1978 from the Tuck School at Dartmouth College. His current term expires on March 31, 2009.

ANTHONY B. MARTINO, CPA, *Buffalo*.

Mr. Martino was appointed as a Member of the Authority by the Governor on April 26, 2004. A certified public accountant with more than 37 years of experience, Mr. Martino is a retired partner of the Buffalo CPA firm Lumsden & McCormick, LLP. He began his career at Price Waterhouse where he worked in the firm's Buffalo and Washington, DC, offices. He is a member of the Board of Directors of Natural Health Trends Inc., a public company, where he chairs the Audit Committee. Mr. Martino is a member of the American Institute of CPAs and the New York State Society of CPAs. Long involved in community organizations, he serves on the boards of the Buffalo Niagara Medical Campus as Vice Chairman, Mount Calvary Cemetery as Chair of the Investment Committee, Cradle Beach Camp of which he is a former Chair, the Kelly for Kids Foundation and Key Bank. Mr. Martino received a Bachelor of Science degree in accounting from the University at Buffalo. Mr. Martino's current term expired on August 31, 2007 and by law he continues to serve until a successor is chosen and qualifies.

SANDRA M. SHAPARD, Delmar.

Ms. Shapard was appointed as a Member of the Authority by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from January, 1995 until her retirement in 2001, during which time she headed the Office of Fiscal Research and Policy Analysis and twice served as Acting First Deputy Comptroller. Previously, Ms. Shapard held the positions of Deputy Director and First Deputy Director for the New York State Division of Budget, from 1991 to 1994, and Deputy Assistant Commissioner for Transit for the State Department of Transportation, from 1988 to 1991. She began her career in New York State government with the Assembly in 1975 where, over a thirteen year period, she held the positions of Staff Director of the Office of Counsel to the Majority, Special Assistant to the Speaker, and Deputy Director of Budget Studies for the Committee on Ways and Means. Ms. Shapard also served as Assistant to the County Executive in Dutchess County. A graduate of Mississippi University for Women, Ms. Shapard received a Masters of Public Administration from Harvard University, John F. Kennedy School of Government, where she has served as visiting lecturer, and has completed graduate work at Vanderbilt University.

ROMAN B. HEDGES, Delmar.

Dr. Hedges was appointed as a Member of the Authority by the Speaker of the State Assembly on February 24, 2003. Dr. Hedges currently serves as the Deputy Secretary of the New York State Assembly Committee on Ways and Means. Dr. Hedges serves on the Legislative Advisory Task Force on Demographic Research and Reapportionment. He previously served as the Director of Fiscal Studies of the Assembly Committee on Ways and Means where he was responsible for the preparation of studies of the New York State economy and revenues of local government, tax policy and revenue analyses, and for negotiating revenue and local government legislation for the Assembly. Dr. Hedges was an Associate Professor of Political Science and Public Policy at the State University of New York at Albany where he taught graduate and undergraduate courses in American politics, research methodology, and public policy. Dr. Hedges holds a Doctor of Philosophy and a Master of Arts degree from the University of Rochester and a Bachelor of Arts degree from Knox College.

KEVIN R. CARLISLE, Averill Park.

Mr. Carlisle was appointed as a Member of the Authority by the Temporary President of the Senate on January 29, 2007. After a career in public housing and business consulting, Mr. Carlisle retired in 2003 as Assistant Commissioner of the State Division of Housing and Community Renewal ("DHCR") and Vice President of the New York State Housing Trust Fund Corporation. He was responsible for capital development programs which financed approximately 4,000 units annually, with a total development cost of \$500 million. He conceived the State's Homes for Working Families Program, which received the 1999 Award for Program Excellence from the National Council of State Housing Finance Agencies. Similarly, Mr. Carlisle implemented the Rural Leveraging Partnership Program, which was cited as a national model by U.S. Rural Housing Services. He also served at DHCR as Director of Underwriting, Deputy Director of the Office of Rural Development, and designed the housing strategy that met the State's off-site commitment to induce the U.S. Army's 10th Mountain Division to locate at Fort Drum. Before he joined DHCR in 1982, Mr. Carlisle was a partner in Barrett Carlisle & Co., a real estate development and consulting firm, and served the City of Troy and the City of Cohoes in economic planning and real estate project management. Mr. Carlisle earned both a Bachelor's degree in Economics and a Master's degree in Urban and Environmental Studies from Rensselaer Polytechnic Institute.

RICHARD P. MILLS, *Commissioner of Education of the State of New York, Albany; ex-officio.*

Dr. Mills became Commissioner of Education on September 12, 1995. Prior to his appointment, Dr. Mills served as Commissioner of Education for the State of Vermont since 1988. From 1984 to 1988, Dr. Mills was Special Assistant to Governor Thomas H. Kean of New Jersey. Prior to 1984, Dr. Mills held a number of positions within the New Jersey Department of Education. Dr. Mills' career in education includes teaching and administrative experience at the secondary and postsecondary education levels. Dr. Mills holds a Bachelor of Arts degree from Middlebury College and a Master of Arts, a Master of Business Administration and a Doctor of Education degree from Columbia University.

PAUL E. FRANCIS, *Budget Director for the State of New York, Westchester County; ex-officio.*

Mr. Francis was appointed Director of the Budget on January 1, 2007. As Director of the Budget, Mr. Francis heads the New York State Division of the Budget and serves as the chief fiscal policy advisor to the Governor. Mr. Francis is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio, as well as pensions and employee benefits. Mr. Francis also currently serves as a Senior Advisor to the Governor. His private sector experience includes managing partner of the Cedar Street Group, a venture capital firm he founded in 2001; chief financial officer for Priceline.com from its formation in 1997 to 2000; chief financial officer for Ann Taylor stores from 1993 to 1997; and managing director at Merrill Lynch & Co., where he worked from 1986 to 1993. Mr. Francis is a graduate of Yale College and New York University Law School.

RICHARD F. DAINES, M.D., *Commissioner of Health, Albany; ex-officio.*

Richard F. Daines, M.D., became Commissioner of Health on March 21, 2007. Prior to his appointment he served as President and CEO at St. Luke's-Roosevelt Hospital Center since 2002. Before joining St. Luke's-Roosevelt Hospital Center as Medical Director in 2000, Dr. Daines served as Senior Vice President for Professional Affairs of St. Barnabas Hospital in the Bronx, New York since 1994 and as Medical Director from 1987 to 1999. Dr. Daines received a Bachelor of History degree from Utah State University in 1974 and served as a missionary for the Church of Jesus Christ of Latter-day Saints in Bolivia, 1970-1972. He received his medical degree from Cornell University Medical College in 1978. He served a residency in internal medicine at New York Hospital and is Board Certified in Internal Medicine and Critical Care Medicine.

The principal staff of the Authority is as follows:

DAVID D. BROWN, IV is the Executive Director and chief administrative and operating officer of the Authority. Mr. Brown is responsible for the overall management of the Authority's administration and operations. He previously served as Chief of the Investment Protection Bureau in the Office of the New York State Attorney General, supervising investigations of the mutual fund and insurance industries. From 2000 to 2003, Mr. Brown served as Vice President and Associate General Counsel at Goldman, Sachs & Co., specializing in litigation involving equities, asset management and brokerage businesses. Prior to that, he held the position of Managing Director at Deutsche Bank, where he served as the senior litigation attorney, managing major litigations and customer disputes. From 1994 to 1998, Mr. Brown was Managing Director and Counsel and senior litigation attorney for Bankers Trust Corporation. He holds a Bachelor's degree from Harvard College and a Juris Doctor degree from Harvard Law School.

MICHAEL T. CORRIGAN is the Deputy Executive Director of the Authority, and assists the Executive Director in the administration and operation of the Authority. Mr. Corrigan came to the Authority in 1995 as Budget Director, and served as Deputy Chief Financial Officer from 2000 until 2003. He began his government service career in 1983 as a budget analyst for Rensselaer County, and served as the County's Budget Director from 1986 to 1995. Immediately before coming to the Authority, he served as the appointed Rensselaer County Executive for a short period. Mr. Corrigan holds a Bachelor's degree in Economics from the State University of New York at Plattsburgh and a Master's degree in Business Administration from the University of Massachusetts.

PORTIA LEE is the Managing Director of Public Finance. She is responsible for supervising and directing Authority bond issuance in the capital markets, through financial feasibility analysis and financing structure determination for Authority clients; as well as implementing and overseeing financing programs, including interest rate exchange and similar agreements. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. In addition, Ms. Lee has extensive public service experience working for over 10 years in various positions in the Governor's Office, NYS Department of Social Services, as well as the New York State Assembly. She holds a Bachelor's degree from the State University of New York at Albany.

JOHN G. PASICZNYK is the Chief Financial Officer of the Authority. Mr. Pasicznyk is responsible for investment management and accounting, as well as the development of the financial policies for the Authority. Before joining the Authority in 1985, Mr. Pasicznyk worked in audit positions at KPMG Peat Marwick and Deloitte & Touche. He holds a Bachelor's degree from Syracuse University and a Master of Business Administration degree from the Fuqua School of Business at Duke University.

JEFFREY M. POHL is General Counsel to the Authority. Mr. Pohl is responsible for all legal services including legislation, litigation, contract matters and the legal aspects of all Authority financings. He is a member of the New York State Bar, and most recently served as a counsel in the public finance group of a large New York law firm. Mr. Pohl had previously served in various capacities in State government with the Office of the State Comptroller and the New York State Senate. He holds a Bachelor's degree from Franklin and Marshall College and a Juris Doctor degree from Albany Law School of Union University.

JAMES M. GRAY, R.A., is the Managing Director of Construction. In that capacity, he is responsible for the Authority's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. He has been with the Authority since 1986, and has held increasingly responsible positions within the Office of Construction, including Director of the State University of New York (SUNY) and Independent Institutions Construction Program. He began his public service career in 1977 in the New York State Office of General Services. He has been a registered architect in New York since 1983. Mr. Gray holds a Bachelor's degree in architecture from the New York Institute of Technology.

### **Claims and Litigation**

Although certain claims and litigation have been asserted or commenced against the Authority, the Authority believes that these claims and litigation are covered by the Authority's insurance or by bonds filed with the Authority should the Authority be held liable in any of such matters, or that the Authority has sufficient funds available or the legal power and ability to seek sufficient funds to meet any such claims or judgments resulting from such litigation.

### **Other Matters**

#### *New York State Public Authorities Control Board*

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by the Authority and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. The Authority has obtained the approval of the PACB for the issuance of the Series 2007 Bonds.

#### *Legislation*

From time to time, bills are introduced into the State Legislature which, if enacted into law, would affect the Authority and its operations. The Authority is not able to represent whether such bills will be introduced or become law in the future. In addition, the State undertakes periodic studies of public authorities in the State (including the Authority) and their financing programs. Any of such periodic studies could result in proposed legislation which, if adopted, would affect the Authority and its operations.

#### *Environmental Quality Review*

The Authority complies with the New York State Environmental Quality Review Act and with the New York State Historic Preservation Act of 1980, and the respective regulations promulgated thereunder respecting the Project to the extent such acts and regulations are applicable.

### *Independent Auditors*

The accounting firm of KPMG LLP audited the financial statements of the Authority for the fiscal year ended March 31, 2007. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

### **PART 7 – LEGALITY FOR INVESTMENT AND DEPOSIT**

Under New York State law, the Series 2007 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries of the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual public benefit corporations and authorities of the State may limit the investment of funds of such authorities in the Series 2007 Bonds.

The Series 2007 Bonds may be deposited with the State Comptroller to secure deposits of State money in banks, trust companies and industrial banks.

### **PART 8 – NEGOTIABLE INSTRUMENTS**

The Series 2007 Bonds are negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2007 Bonds.

### **PART 9 – TAX MATTERS**

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Series 2007 Bonds in order that interest on the Series 2007 Bonds will be and remain not includable in gross income under Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of proceeds and other amounts, and the rebate to the United States of certain earnings with respect to investments. Failure to comply with the continuing requirements may cause interest on the Series 2007 Bonds to be includable in gross income for federal income tax purposes retroactive to the date of their issuance irrespective of the date on which such noncompliance occurs. The Authority, the State and others have made certain covenants, representations and certifications designed to assure satisfaction of the requirements of the Code. Bond Counsel will not independently verify the accuracy of those representations and certifications, nor will it verify ongoing compliance with such covenants.

In the opinion of Winston & Strawn LLP, Bond Counsel, assuming continuing compliance by the Authority, the State and others with the covenants, and the accuracy of the representations and certifications referenced above, under existing statutes, regulations, rulings, and court decisions, interest on the Series 2007 Bonds is not includable in gross income for federal income tax purposes.

Bond Counsel is further of the opinion that interest on the Series 2007 Bonds is not an “item of tax preference” for purposes of the federal alternative minimum tax on individuals and corporations. However, interest on the Series 2007 Bonds owned by corporations (other than S corporations, Regulated Investment Companies, Real Estate Investment Trusts, Real Estate Mortgage Investment Conduits, and Financial Asset Securitization Investment Trusts) will be included in the calculation of alternative minimum taxable income for purposes of calculating the alternative minimum tax imposed on corporations (but not individuals). Corporate purchasers of the Series 2007 Bonds should consult their tax advisors concerning the computation of any alternative minimum tax.

Certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally-recognized bond counsel. Bond Counsel expresses no opinion as to any Series 2007 Bond or the interest thereon if any such change occurs or action is taken upon the advice or approval of bond counsel other than themselves.

Certain maturities of the Series 2007 Bonds may be initially offered to the public at prices less than the principal amount thereof payable at maturity. If the first price at which a substantial amount of the Series 2007 Bonds of the same maturity is sold in the initial offering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or brokers) is less than the principal amount thereof payable at maturity, the difference between such price and the principal amount constitutes original issue discount with respect to each Series 2007 Bond of the same maturity (the "Discount Series 2007 Bonds"). Bond Counsel is of the opinion that original issue discount, as it accrues, is not includable in gross income for federal income tax purposes, and is subject to the alternative minimum tax, to the same extent as interest on the Series 2007 Bonds. Original issue discount accrues in each taxable year over the term of the Discount Series 2007 Bonds under the "constant yield method" described in the regulations interpreting Code Section 1272, with certain adjustments. Accruals of original issue discount are treated as tax-exempt interest earned by owners of Discount Series 2007 Bonds who are on the accrual basis of tax accounting and as tax-exempt interest received by owners of Discount Series 2007 Bonds who are on the cash basis of tax accounting (with possible tax consequences under the alternative minimum tax, as described above), even though no cash corresponding to the accrual is received in the year of accrual. The tax basis of a Discount Series 2007 Bond, if held by an original purchaser, can be determined by adding to such owner's purchase price of such Discount Series 2007 Bond, the original issue discount that has accrued. Owners of Discount Series 2007 Bonds should consult their own tax advisors with respect to the calculation of the amount of original issue discount that will be treated for federal income tax purposes as having accrued for any taxable year (or portion thereof) of such owner and with respect to other federal, state, and local tax consequences of owning and disposing of the Discount Series 2007 Bonds.

Certain maturities of the Series 2007 Bonds may be initially offered to the public at prices in excess of their principal amounts (the "Premium Series 2007 Bonds"). Bond Counsel is of the opinion that the initial purchaser with an initial adjusted basis in a Premium Series 2007 Bond in excess of its principal amount will have amortizable bond premium that is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of such Premium Series 2007 Bond based on the purchaser's yield to maturity (or, in the case of Premium Series 2007 Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Series 2007 Bond, an initial purchaser is required to decrease such purchaser's adjusted basis in such Premium Series 2007 Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning Premium Series 2007 Bonds. Owners of the Premium Series 2007 Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Series 2007 Bonds.

Information reporting requirements apply to interest (including original issue discount) paid on tax-exempt obligations, including the Series 2007 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding", which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2007 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2007 Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service

Prospective purchasers of the Series 2007 Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of, tax-exempt obligations may have collateral federal income tax consequences for certain taxpayers, including financial institutions, certain subchapter S corporations, United States branches of



foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, taxpayers eligible for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors as to any possible collateral tax consequences in respect of the Series 2007 Bonds. Bond Counsel expresses no opinion regarding any such collateral tax consequences.

In the opinion of Bond Counsel, interest on the Series 2007 Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York and the City of Yonkers.

On May 21, 2007, the United States Supreme Court agreed to review a decision of the Court of Appeals of Kentucky which held that the Commerce Clause of the United States Constitution prohibits Kentucky from exempting interest on bonds issued by Kentucky and its localities, agencies and authorities from Kentucky state income tax. If the Kentucky decision is affirmed by the United States Supreme Court, it could require states such as the State to eliminate the disparity between the tax treatment of out-of-state bonds and the tax treatment of in-state bonds including the Series 2007 Bonds. The impact of this decision may also affect the market price for, and the marketability of, the Series 2007 Bonds.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2007 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2007 Bonds. No assurance can be given that any future legislation, including amendments to the Code or the State income tax laws, clarification of the Code or court decisions (see, for example, the preceding paragraph) will not cause interest on the Series 2007 Bonds to be subject, directly or indirectly, to federal or State or local income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Series 2007 Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations, rulings or litigation. Further, no assurance can be given that future court decisions or clarification of the Code, the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service, including but not limited to regulation, ruling or selection of the Series 2007 Bonds for audit examination, or the course or result of any Internal Revenue Service examination of the Series 2007 Bonds, or obligations which present similar tax issues, will not affect the market price of the Series 2007 Bonds.

**PART 10 – STATE NOT LIABLE ON THE SERIES 2007 BONDS**

The Act provides that the notes and bonds of the Authority are not a debt of the State, the State is not liable on them, and such notes or bonds will not be payable out of any funds other than those of the Authority pledged to their payment. The Resolution specifically provides that the Series 2007 Bonds are not a debt of the State and that the State is not liable on them.

**PART 11 – COVENANT BY THE STATE**

The State has pledged and agreed with the holders of the Authority's notes and bonds that the State will not limit or alter the rights vested in the Authority to provide projects, to establish and collect rentals therefrom and to fulfill agreements with the holders of the Authority's notes and bonds or in any way impair the rights and remedies of the holders of such notes or bonds until such notes or bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes or bonds are fully met and discharged. Notwithstanding the State's pledges and agreements, the State may in the exercise of its sovereign power enact or amend its laws which, if determined to be both reasonable and necessary to serve an important public purpose, could have the effect of impairing these pledges and agreements with the Authority and with the holders of the Authority's notes or bonds.

**PART 12 – LEGAL MATTERS**

Certain legal matters incidental to the authorization and issuance of the Series 2007 Bonds by the Authority are subject to the approval of Winston & Strawn LLP, New York, New York, Bond Counsel to the Authority, whose

approving opinion will be delivered with the Series 2007 Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix F hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Nixon Peabody LLP, New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2007 Bonds or questioning or affecting the validity of the Series 2007 Bonds or the proceedings and authority under which they are to be issued.

### **PART 13 – UNDERWRITING**

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2007 Bonds from the Authority at an aggregate purchase price of \$52,159,979.31 (representing the aggregate principal amount of \$50,115,000.00 of the Series 2007 Bonds less the Underwriters' discount of \$432,466.84, and plus net original issue premium of \$2,477,446.15), and to make a public offering of the Series 2007 Bonds at prices that are not in excess of the public offering prices stated on the inside cover of this Official Statement. The Underwriters will be obligated to purchase all such Series 2007 Bonds, if any are purchased. The Series 2007 Bonds may be offered and sold to certain dealers (including the Underwriters), at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

### **PART 14 – VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Causey Demgen & Moore Inc., Denver, Colorado, a firm of independent public accounts, will issue a report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash, the maturing principal amounts and the interest on the obligations deposited with the respective trustees for the Refunded Bonds to pay the principal, interest and redemption price coming due on the Refunded Bonds on and prior to their respective maturity or redemption dates as described in "PART 4 - THE REFUNDING PLAN," and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Series 2007 Bonds are not "arbitrage bonds" under the Code and the applicable income tax regulations. Causey Demgen & Moore Inc. will express no opinion on the reasonableness of the assumptions provided to it, the likelihood that the principal of and interest on the Series 2007 Bonds will be paid as described in the schedules provided to it, or the exclusion of the interest on the Series 2007 Bonds from gross income for federal income tax purposes.

### **PART 15 – CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the Authority, the State and the Trustee will enter into a written agreement (the "Continuing Disclosure Agreement") for the benefit of the holders of the Series 2007 Bonds to provide continuing disclosure. The State will undertake for the benefit of the holders of the Series 2007 Bonds to provide each Nationally Recognized Municipal Securities Information Repository (each a "Repository"), and if and when one is established, the New York State information depository (the "State Information Depository"), on an annual basis on or before 120 days after the end of each fiscal year of the State, commencing with the fiscal year ending March 31, 2008, (i) financial information and operating data relating to the State of the type included in the Annual Information Statement of the State set forth in Appendix B to this Official Statement and (ii) financial information and operating data relating to the State, both as described in more detail below and collectively referred to herein as the "Annual Information." The State Comptroller is required by existing law to issue audited annual financial statements of the State prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") 120 days after the close of the State fiscal year, and the State will undertake to provide the State's annual financial statements, prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States, to each Repository and to the State Information Depository, if and when such statements are available. In addition, the Authority will undertake, for the benefit of the holders of the Series 2007 Bonds, to provide to each such Repository or to the Municipal Securities Rulemaking Board (the "MSRB"), and to the State Information Depository, in a timely manner, the notices described below (the "Notices").

The Annual Information consists of (a) financial information and operating data of the type included in the Annual Information Statement of the State set forth or referred to in Appendix B hereto, under the heading or sub-headings "Prior Fiscal Years," "Debt and Other Financing Activities," "State Government Employment," "State Retirement Systems," and "Authorities and Localities," including more specifically, information consisting of (1) for prior fiscal years, an analysis of cash-basis results for the State's three most recent fiscal years, and a presentation of the State's results in accordance with GAAP for at least the two most recent fiscal years for which that information is currently available; (2) for debt and other financing activities, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning debt service requirements on that debt; (3) for authorities and localities, information on certain public authorities and local entities whose financial status may have material impact on the financial status of the State; and (4) material information regarding State government employment and retirement systems, together with (b) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reading in understanding the presentation of financial information and operating data concerning the State and in judging the financial condition of the State.

The Notices include notices of any of the following events with respect to the Series 2007 Bonds, if material: (a) principal and interest payment delinquencies; (b) non payment related defaults; (c) unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancements reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions or events affecting the tax exempt status of the securities; (g) modifications to the rights of security holders; (h) bond calls; (i) defeasances; (j) release, substitution, or sale of property securing repayment of the securities; and (k) rating changes. In addition, the Authority will undertake, for the benefit of the holders of the Series 2007 Bonds, to provide to each Repository or the MSRB and to the State Information Depository, in a timely manner, notice of any failure by the State to provide the Annual Information and annual financial statements by the date required in the State's undertaking described above.

The sole and exclusive remedy for breach under the Continuing Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertakings of the State and/or the Authority, and no person, including any holder of the Series 2007 Bonds, may recover monetary damages thereunder under any circumstances. The Authority or the State may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required under the Continuing Disclosure Agreement, by any owner of Outstanding Series 2007 Bonds or by the Trustee on behalf of the owners of Outstanding Series 2007 Bonds or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the owners of Outstanding Series 2007 Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the owners of not less than 25% in aggregate principal amount of Series 2007 Bonds at the time Outstanding. A breach under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution or any other agreement delivered in connection with the issuance of the Series 2007 Bonds. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without the consent of the owners of the Series 2007 Bonds under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement when executed by the parties thereto upon the delivery of the Series 2007 Bonds will be on file at the principal office of the Authority.

#### **PART 16 – RATINGS**

Fitch Inc. has assigned a rating of "A+" to the Series 2007 Bonds and Standard & Poor's Rating Services has assigned a rating of "AA-" to the Series 2007 Bonds. Fitch Inc. and Standard & Poor's Ratings Services are expected to assign the Insured Bonds a rating of "AAA" and "AAA", respectively, with the understanding that upon the delivery of the Insured Bonds, the Policy guaranteeing the scheduled payment when due of the principal of and interest on the Insured Bonds will be issued by Financial Security.

Each such rating reflects only the rating agency issuing such rating and is not a recommendation by such rating agency to purchase, sell or hold the obligations rated or as to the market price or suitability of such obligations for a particular investor. Generally, a rating agency bases its rating and outlook, if any, on the information and material furnished to it and on investigations, studies and assumptions of its own. An explanation of the significance of any rating may be obtained only from the rating agency furnishing such rating. There is no assurance that such ratings will be in effect for any given period of time or that they will not be revised upward or downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all of them, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market price or marketability of the Series 2007 Bonds.

## **PART 17 – MISCELLANEOUS**

References in this Official Statement to the Resolution, the Series 2007 Resolution, the Service Contract and the Policy, do not purport to be complete. Refer to the Resolution, the Series 2007 Resolution, the Service Contract, and the Policy for full and complete details of their provisions. Copies of the Resolution, the Series 2007 Resolution, the Service Contract and the Policy are on file with the Authority and the Trustee.

The agreements of the Authority with Holders of the Series 2007 Bonds are fully set forth in the Resolution and the Series 2007 Resolution. Neither any advertisement of the Series 2007 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2007 Bonds.

Any statements in this Official Statement involving matters of opinion, whether or not expressly stated, are intended merely as expressions of opinion and not as representations of fact.

The information regarding the Insurer, the Policy and the Specimen Municipal Bond Insurance Policy in Appendix G have been furnished by the Insurer. No representation is made herein by the Authority or the Underwriters as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. Neither the Authority nor the Underwriters have made any independent investigation of the Insurer or the Policy.

The information regarding DTC and DTC's book-entry only system has been furnished by DTC. The Authority believes that this information is reliable, but makes no representations or warranties whatsoever as to the accuracy or completeness of this information.

"Appendix A — Certain Definitions," "Appendix C — Summary of Certain Provisions of the Service Contract," "Appendix D — Summary of Certain Provisions of the Resolution" and "Appendix F — Form of Approving Opinion of Bond Counsel" have been prepared by Winston & Strawn LLP, New York, New York, Bond Counsel.

The State provided the information relating to the State in "Appendix B - Information Concerning the State of New York." The Director of the Budget of the State of New York will certify to the Authority that the information contained in the Annual Information Statement of the State of New York, including any updates or supplements, is true, correct and complete in all material respects, and that no facts have come to his attention that would lead him to believe that such statements and information, as of the date of the Official Statement and the date of the delivery of the Series 2007 Bonds, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in the light of the circumstances under which they were made, not misleading; provided, however, that while the statements and information contained in Appendix B to the Official Statement which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that he believes to be reliable and, as of the date of the Official Statement and the delivery of the Series 2007 Bonds, he has no reason to believe, and does not believe, that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in the light of the circumstances under which they were made, not misleading; provided further, however, that with regard to the statements and information in Appendix B hereto under the caption "Litigation" such statements and information are

given to the best of his information and belief, having made such inquiries as he deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation.

The State Department of Audit and Control has informed the Authority that it has reviewed the historical and financial information with respect to the State contained in Apperdix B hereto, but since bonds of the Authority are not a direct obligation of the State, the Comptroller, the chief auditor and fiscal officer of the State, will not certify to such information contained in Appendix B hereto.

The execution and delivery of this Official Statement by an Authorized Officer have been duly authorized by the Authority.

DORMITORY AUTHORITY OF  
THE STATE OF NEW YORK

By:           /s/ David D. Brown IV            
Executive Director

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**CERTAIN DEFINITIONS**

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## DEFINITIONS

The following are definitions of certain of the terms defined herein or in the Resolution or the Service Contract and used in this Official Statement.

**Accreted Value** means with respect to any Capital Appreciation Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Capital Appreciation Bond or a Series Certificate and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues in equal daily amounts on the basis of a year of twelve thirty-day months, and (2) the difference between the Accreted Values for such Valuation Dates.

**Act** means the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as amended, and constituting Title 4 of Article 8 of the Public Authorities Law of the State, as amended) and Chapter 57, Pt. T, Section 34 of the Laws of 2007.

**Annual Payments** means the payments due and payable by the State to the Authority during a Bond Year, as provided for and computed in accordance with the provisions of the Service Contract.

**Appreciated Value** means with respect to any Deferred Income Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Deferred Income Bond or a Series Certificate and (ii) as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Appreciated Value accrues in equal daily amounts on the basis of a year of twelve thirty-day months, and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date of computation on or after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

**Arbitrage Rebate Fund** means the fund so designated, created and established pursuant to the Resolution.

**Authority** means the Dormitory Authority of the State of New York, a body corporate and politic constituting a public benefit corporation of the State created by the Act, or any body, agency or instrumentality of the State which succeeds to the rights, powers, duties and functions of the Authority.

**Authorized Newspaper** means The Bond Buyer or any other newspaper of general circulation printed in the English language and customarily published at least once a day for at least five (5) days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by the Authority.

**Authorized Officer** means (i) in the case of the Authority, the Chair, the Vice-Chair, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the Managing Director of Public Finance, the Managing Director of Construction, the Managing Director of Policy and Program Development and the General Counsel, and when used with reference to any act or document also means any other person authorized by a resolution or the bylaws of the Authority to perform such act or execute such document; (ii) in the case of the State, the Director and when used with reference to any act or document also means any Deputy Director and any person duly appointed pursuant to law to perform such act or execute such document; and (iii) in the case of the Trustee, the President, a Vice President, an Assistant Vice President, a Corporate Trust Officer, an Authorized Signatory, an Assistant Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also

## Appendix A

means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the bylaws of the Trustee.

**Bond or Bonds** means any of the bonds of the Authority authorized and issued pursuant to the Resolution or a Series Resolution.

**Bond Year** means a period of twelve (12) consecutive months beginning January 1 in any calendar year and ending on December 31 of such calendar year.

**Bondholder, Holder of Bonds or Holder** or any similar term, when used with reference to a Bond or Bonds, means the registered owner of any Bond.

**Business Day** means, unless with respect to any Bonds the applicable Series Resolution or Bond Series Certificate provides otherwise, any day which is not a Saturday, Sunday or a day on which the Trustee or banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York; provided, however, that with respect to Option Bonds or Variable Interest Rate Bonds of a Series, such term means any day which is not a Saturday, Sunday, or a day on which the New York Stock Exchange, banking institutions chartered by the State or the United States of America, the Trustee or the Facility Provider of a Liquidity Facility for such Bonds are legally authorized to close in the City of New York.

**Capital Appreciation Bond** means any Bond as to which interest is compounded on each Valuation Date therefor and is payable only at the maturity or prior redemption thereof.

**Code** means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

**Cost or Costs** means the costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessary in connection with a Project, including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of the Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of a Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction of a Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs which the applicable governmental agency shall be required to pay for or in connection with additions to, or the alterations, expansions, reconstruction, rehabilitation, repair and equipping of a Project, (vii) any sums required to reimburse the Authority or any applicable governmental agency for advances made by them for any of the above items or for other costs incurred and for work done by them in connection with a Project (including interest on moneys borrowed to temporarily finance the payment of any item or terms of Costs of a Project), (viii) interest on the Bonds prior to, during and for a reasonable period after construction of a Project is complete and a Project is available for occupancy or use, (ix) the payment of any notes of the Authority (including any interest thereon and redemption premium thereof) issued to temporarily finance the payment of any item or items of Cost, and (x) fees, expenses and liabilities of the Authority incurred in connection with a Project or pursuant to the Resolution or to the Service Contract, a Credit Facility or a Liquidity Facility.

**Cost or Costs of Issuance** means the items of expense incurred in connection with the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee or a Depository, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for insurance on Bonds, commitment fees or similar charges relating to a Credit Facility, a Liquidity Facility, an Interest Rate Exchange Agreement or a Remarketing Agent, costs and expenses in connection with the refunding of Bonds or other bonds or notes of the Authority, costs and expenses incurred pursuant to a remarketing agreement and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

**Credit Facility** means an irrevocable letter of credit, surety bond, loan agreement, financial guaranty insurance policy or other agreement, facility or insurance or guaranty arrangement issued or extended by any of (i) a bank, (ii) a trust company, (iii) a national banking association, (iv) an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, (v) a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, (vi) a savings bank, (vii) a savings and loan association, (viii) an insurance company or association chartered or organized under the laws of any state of the United States of America, (ix) the Government National Mortgage Association or any successor thereto, (x) the Federal National Mortgage Association or any successor thereto, or (xi) any other federal agency or instrumentality approved by the Authority, in each case pursuant to which the Authority is entitled to obtain moneys to pay the principal or Redemption Price of Outstanding Bonds due either at maturity or upon redemption through mandatory Sinking Fund Installments, plus accrued interest thereon to the date of payment or redemption thereof, in accordance with the Resolution and with the Series Resolution authorizing such Bonds or a Series Certificate, whether or not the Authority is in default under the Resolution or the State is in default under the Service Contract.

**Debt Service Fund** means the fund so designated, created and established pursuant to the Resolution.

**Defeasance Securities** means any of the following:

(i) a Government Obligation of the type described in clauses (i), (ii), (iii) or (iv) of the definition of Government Obligations;

(ii) a Federal Agency Obligation described in clauses (i) or (ii) of the definition of Federal Agency Obligations; and

(iii) an Exempt Obligation, provided such Exempt Obligation (i) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of and interest on the Government Obligations which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated, without regard to qualification by symbols such as "+" or "-" or numerical notation, by at least two nationally recognized statistical rating services in the highest rating; provided, however, that (1) such term shall not include any interest in a unit investment trust or mutual fund or (2) any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof.

**Deferred Income Bond** means any Bond as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is compounded on each Valuation Date for such Deferred Income Bond, and as to which interest accruing after the Interest Commencement Date is payable semiannually on January 1 and July 1 of each Bond Year or such other date specified by or determined in accordance with a Series Resolution.

**Depository** means the Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated in the Series Resolution authorizing a Series of Bonds or a Series Certificate relating to a Series of Bonds to serve as securities depository for the Bonds of such Series.

**Exempt Obligation** means any of the following:

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(i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a “specified private activity bond” within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Resolution, is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least two nationally recognized statistical rating services not lower than the second highest rating category for such obligation;

(ii) a certificate or other instrument which evidences the beneficial ownership of or the right to receive all or a portion of the payment of principal of or interest on any of the foregoing; and

(iii) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations.

**Facility Provider** means each of the issuer of a Credit Facility or a Liquidity Facility and the Counterparty under an Interest Rate Exchange Agreement.

**Government Obligation** means any of the following:

(i) a direct obligation of the United States of America;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment of principal and interest by the United States of America;

(iii) an to which the full faith and credit of the United States of America are pledged;

(iv) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and

(v) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations.

**Interest Commencement Date** means, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the Series Resolution authorizing such Bond or a Series Certificate, after which interest accruing on such Bond shall be payable on the interest payment date immediately succeeding such Interest Commencement Date and semiannually thereafter on July 1 and January 1 of each Bond Year, or such other date as is specified in a Series Resolution.

**Investment Agreement** means an agreement for the investment of moneys with a Qualified Financial Institution.

**Outstanding**, when used in reference to Bonds, means, as of a particular date, all Bonds authenticated and delivered under the Resolution and under any applicable Series Resolution except: (i) any Bond cancelled by the Trustee at or before such date; (ii) any Bond deemed to have been paid in accordance with the Resolution, (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution; and (iv) any Option Bond tendered or deemed tendered in accordance with the provisions of the Series Resolution authorizing such Bond or the Series Certificate relating to such Bond on the applicable adjustment or conversion date, which have been purchased by or on behalf of the Authority and in lieu of or substitution for which another Bond shall have been authenticated and delivered, provided that interest thereon shall have been paid through such tender or purchase date thereof and the purchase price thereof shall have been paid or amounts are available for such payment as provided in the Resolution and in the Series Resolution authorizing such Bond or the Bond Series Certificate relating to such Bond.

**Paying Agent** means, with respect to the Bonds of any Series, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Resolution or a Series Resolution or any other resolution of the Authority adopted prior to authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

**Project Fund** means the fund so designated, created and established pursuant to the Resolution.

**Provider Payments** means the amount payable to a Facility Provider pursuant to a Credit Facility, a Liquidity Facility or an Interest Rate Exchange Agreement.

**Qualified Financial Institution** means any of the following entities that has an equity capital of at least \$125,000,000 or whose obligations are unconditionally guaranteed by an affiliate or parent having an equity capital of at least \$125,000,000:

(i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the highest rating category; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service;

(ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America or any foreign nation, whose senior unsecured long term debt is at the time an investment with it is made is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the highest rating category; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service;

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the highest rating category; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service;

(iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority; or

## Appendix A

(v) a corporation whose obligations, including any investments of any moneys held under the Resolution purchased from such corporation, are insured by an insurer that meet the applicable rating requirements set forth above.

**Rating Service** means each of Fitch Ratings, Moody's Investors Service, Inc., and Standard & Poor's Rating Services in each case, which has assigned a rating to Outstanding Bonds at the request of the Authority, or their respective successors and assigns.

**Redemption Price**, when used with respect to a Bond, means the principal amount of such Bond plus the applicable premium, if any, payable upon redemption thereof pursuant to the Resolution or to any applicable Series Resolution or Series Certificate.

**Resolution** means this State of New York Consolidated Service Contract Refunding Revenue Bond Resolution, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions of the Resolution.

**Revenues** means all payments made by the State pursuant to applicable provisions of the Service Contract, the right to receive the same and the proceeds thereof and of such right.

**Series** means all of the Bonds authenticated and delivered on original issuance and pursuant to the Resolution and to any applicable Series Resolution or applicable Series Certificate authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

**Series Certificate** means a certificate of an Authorized Officer of the Authority fixing terms, conditions and other details of Bonds of a Series in accordance with the delegation of power to do so under the Resolution or under the Series Resolution authorizing the issuance of such Bonds.

**Series Resolution** means a resolution of the Authority authorizing the issuance of a Series of Bonds adopted by the Authority pursuant to the Resolution.

**Service Contract** means the Service Contract executed by and between the Authority and the State, dated as of July 25, 2007, as from time to time amended or supplemented by Supplemental Service Contracts in accordance with the terms and provisions of the Resolution and of the Service Contract.

**Sinking Fund Installment** means, as of any date of calculation, so long as any Bonds of the Series, Sub-Series and maturity entitled to Sinking Fund Installments are Outstanding, the amount of money required by the Series Resolution pursuant to which such Bonds were issued or by any applicable Series Certificate, to be paid on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future date is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment.

**Supplemental Resolution** means any resolution of the Authority amending or supplementing the Resolution, any Series Resolution or any Supplemental Resolution adopted and becoming effective in accordance with the terms and provisions of the Resolution.

**Term Bonds** means the Bonds so designated in a Series Resolution or a Series Certificate and payable from Sinking Fund Installments.

**Trustee** means the bank or trust company appointed as Trustee for the Bonds pursuant to the Resolution and having the duties, responsibilities and rights provided for in the Resolution, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant to the Resolution.

**Valuation Date** means (i) with respect to any Capital Appreciation Bond, the date or dates set forth in the Series Resolution authorizing such Bond or a Series Certificate on which a specific Accreted Value is assigned to such Capital Appreciation Bond, and (ii) with respect to any Deferred Income Bond, the date or dates prior to the Interest Commencement Date set forth in the Series Resolution authorizing such Bond or a Series Certificate on which specific Appreciated Values are assigned to such Deferred Income Bond.

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**INFORMATION CONCERNING  
THE STATE OF NEW YORK**

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## APPENDIX B

### INFORMATION CONCERNING THE STATE OF NEW YORK

The State Legislature is not legally obligated to appropriate amounts for the payment of principal of, sinking fund installments, if any, or interest on the obligations to which this Official Statement relates. For information about the sources of payment of such obligations, the foregoing Official Statement to which this Appendix B is attached should be read in its entirety. The continued willingness and ability of the State, however, to make the appropriations and otherwise provide for the payments contemplated in the foregoing Official Statement, and the market for and market prices of the obligations, may depend in part upon the financial condition of the State.

Appendix B contains the Annual Information Statement of the State of New York ("Annual Information Statement" or "AIS"), as updated or supplemented to the date specified therein. The State intends to update and supplement that Annual Information Statement as described therein. It has been supplied by the State to provide information about the financial condition of the State in the Official Statements of all issuers, including public authorities of the State, that may depend in whole or in part on State appropriations as sources of payment of their respective bonds, notes or other obligations.

The AIS set forth in this Appendix B is dated August 3, 2007. The AIS was also filed with each Nationally Recognized Municipal Securities Information Repository (NRMSIR). An official copy of the AIS may be obtained by contacting a NRMSIR, or the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. An informational copy of the AIS is available on the Internet at <http://www.budget.state.ny.us>.

The Basic Financial Statements and Other Supplementary Information for the State fiscal year ended March 31, 2007 were prepared by the State Comptroller in accordance with accounting principles generally accepted in the United States of America and independently audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. The Basic Financial Statements and Other Supplementary Information were issued on July 27, 2007 and have been referred to or set forth thereafter in appendices of information concerning the State in Preliminary Official Statements and Official Statements of the State and certain of its public authorities. The Basic Financial Statements and Other Supplementary Information, which are included in the Comprehensive Annual Financial Report, for the State fiscal year ended March 31, 2007 may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 Tel: (518) 474-4015.

**The Annual Information Statement of the State of New York (including any and all updates and supplements thereto) may not be included in an Official Statement or included by reference in an Official Statement without the express written authorization of the State of New York, Division of the Budget, State Capitol, Albany, NY 12224.**

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# Update to Annual Information Statement (AIS)

## State of New York

### August 3, 2007

This quarterly update (the "AIS Update") is the first quarterly update to the Annual Information Statement of the State of New York, dated May 8, 2007 (the "AIS") and contains information only through August 3, 2007. This AIS Update should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. Extracts from the First Quarterly Update to the 2007-08 Financial Plan (the "Updated Financial Plan"), which the Division of the Budget ("DOB") issued on July 30, 2007. The Updated Financial Plan includes (a) a summary of changes to the Enacted Budget Financial Plan made through the end of the regular 2007 legislative session, (b) revised Financial Plan projections for fiscal years 2007-08 through 2010-11, (c) operating results for the first quarter of fiscal year 2007-08, (d) an updated economic forecast, (e) the Generally Accepted Accounting Principles (GAAP)-basis Financial Plan projections for 2007-08, and (f) a summary on debt and capital management. It is available on the DOB website, [www.budget.state.ny.us](http://www.budget.state.ny.us).
2. A discussion of special considerations related to the State Financial Plan for fiscal year 2007-08.
3. A summary of GAAP-basis results for the 2006-07 fiscal year (the full statements are available on the State Comptroller's website, [www.osc.state.ny.us](http://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 the AIS Update, DOB relies on information drawn from other sources, such as the Office of the State Comptroller ("OSC"). Information relating to matters described in the section entitled "Litigation" is furnished by the State Office of the Attorney General.

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

The State may issue AIS supplements or other disclosure notices to this AIS Update as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS Update in Official Statements or related disclosure documents for State or State-supported debt issuance. Readers may obtain informational copies of the AIS, updates and supplements by contacting Mr. Louis A. Raffaele, Chief Budget Examiner, New York State Division of the Budget, State Capitol, Albany, NY 12224, (518) 473-8705. The State has filed this AIS Update directly with Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) and with the Central Post Office, Disclosure USA. The Municipal Advisory Council of Texas (Texas MAC), has established this internet-based disclosure filing system approved by the Securities and Exchange Commission

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## Update to the 2007-08 Financial Plan \_\_\_\_\_

*Note: DOB issued the Updated Financial Plan, extracts of which are set forth below, on July 30, 2007. The Updated Financial Plan includes updated estimates for 2007-08 and projections for 2008-09 through 2010-11. As such, it contains estimates and projections of future results that should not be construed as statements of fact. These estimates and projections are based upon various assumptions that may be affected by numerous factors, including future economic conditions in the State and nation and potential litigation. There can be no assurance that actual results will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan.*

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

*The State also reports spending and revenue activity by two other broad measures: State Funds, which includes the General Fund and funds specified for dedicated purposes, but excludes Federal Funds; and All Governmental Funds (“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.*

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## 2007-08 UPDATED FINANCIAL PLAN EXTRACTS

### SUMMARY OF THE UPDATED GENERAL FUND FINANCIAL PLAN

Since DOB issued the 2007-08 Enacted Budget Financial Plan Report on April 19, 2007, the Legislature passed and the Governor approved a number of bills that amended existing law and that have fiscal implications for 2007-08 and beyond. In addition, DOB has revised its revenue and spending estimates based on operating results through the first three months of the 2007-08 fiscal year and a review of factors affecting the long-term current services forecast.

General Fund receipts for 2007-08, including transfers from other funds, are now projected to total \$54.0 billion, an increase of \$325 million from the Enacted Budget forecast. General Fund spending, including transfers to other funds, is now estimated to reach \$54.0 billion, an increase of \$311 million since the initial projection. The General Fund is projected to have a closing balance of \$3.0 billion in 2007-08 (5.6 percent of General Fund spending), an increase of \$13 million from the Enacted Budget Financial Plan estimate reflecting \$12 million from 2007-08 operations and \$1 million in the Community Projects Fund. The balance consists of \$1.2 billion in undesignated reserves and \$1.8 billion in reserves for designated purposes. For additional information, see the section entitled "General Fund Closing Balance" in this AIS Update.

General Fund operating results for the first quarter of the 2007-08 fiscal year resulted in a cash balance of \$2.9 billion, \$1.3 billion lower than the Enacted Budget Financial Plan projection, and is primarily attributable to roughly \$1.1 billion in spending occurring earlier than planned and \$162 million in lower than expected receipts. The majority of these variances represent a change in timing of receipts and disbursements, and are not expected to impact the overall General Fund balance beyond those re-estimates that have been reflected in this Updated Financial Plan. The following table summarizes the General Fund impact of the first quarterly revisions. For additional information, see the section entitled "First Quarter Operating Results" in this AIS Update.

<b>Summary of Changes to General Fund Forecast for 2007-08 through 2010-11</b>				
<b>Savings/(Costs)</b>				
<b>(millions of dollars)</b>				
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
<b>Enacted Budget Surplus/(Gap) Estimate</b>	<u>0</u>	<u>(3,105)</u>	<u>(4,771)</u>	<u>(6,625)</u>
<b>Legislative Session Changes</b>	(55)	(111)	(167)	(176)
<b>Revenue and Spending Revisions</b>	68	(400)	(394)	84
<b>(Deposit to)/Use of 2007-08 Reserves</b>	(12)	4	4	4
<b>Change in Community Projects Fund Reserve</b>	(1)	(2)	(3)	0
<b>CURRENT BUDGET SURPLUS/(GAP) ESTIMATE</b>	<u>0</u>	<u>(3,614)</u>	<u>(5,331)</u>	<u>(6,713)</u>



The combination of legislative session changes that have already been approved, revenue and spending revisions based on first quarter results, and revisions to revenue and spending estimates based on more recent program data result in net General Fund savings in 2007-08 of \$12 million compared to the Enacted Budget Financial Plan. As a result of these savings, the Updated Financial Plan reflects an increase of \$12 million in reserves, which are projected to be used to reduce budget gaps in future years.

In subsequent years, these revisions result in an increase to DOB's estimate of the 2008-09 General Fund budget gap from \$3.1 billion to \$3.6 billion, primarily from a delay in the opening of a video lottery terminal (VLT) facility at Aqueduct; and the outyear gaps are now in the range of \$5.3 billion in 2009-10 growing to \$6.7 billion in 2010-11.

The Updated Financial Plan does not include the fiscal impact of bills that have been passed by the Legislature but not yet delivered to the Governor for his action. The most significant bills, that could increase General Fund costs by roughly \$50 million in total in 2007-08 if all were approved, include a revision to Medicaid eligibility calculations to exclude certain trust income, additional adult community housing development for mentally ill individuals, the extension of personal income tax and corporate franchise tax credits for the replacement of certain home heating systems and use of clean heating fuels, and an increase in reimbursement rates paid to nursing homes caring for neurologically impaired children.

A summary and description of the substantive fiscal and policy changes, as well as the revenue and spending re-estimates, since the publication of the Enacted Budget Financial Plan, follows.

### **Legislative Session Changes:**

<b>General Fund Financial Plan Changes - Legislative Session</b>				
<b>Savings/(Costs)</b>				
<b>(millions of dollars)</b>				
	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
<b>Legislative Session Changes</b>	<b>(55)</b>	<b>(111)</b>	<b>(167)</b>	<b>(176)</b>
Medicaid NYC Personal Care Trend	(53)	(53)	(53)	(53)
Increase GF Dedication to EPF	0	(25)	(75)	(75)
Improved Mental Health Care for Inmates	0	(12)	(19)	(29)
"Jonathan's Law": Enhanced protection for Children in State care	(1)	(9)	(7)	(7)
Medicaid Eligibility	0	(6)	(6)	(6)
Family Health Plus Eligibility Expansion	0	(2)	(3)	(3)
All Other	(1)	(4)	(4)	(3)

- **NYC Personal Care Trend.** Effective April 1, 2007, the State will provide a 5.6 percent inflationary increase to providers in New York City that provide personal care services (e.g., non-medical services including general housekeeping, bathing, dressing, nursing supervision, etc.) to Medicaid eligible recipients.
- **Environmental Protection Fund (EPF) Support (Chapter 258 of the Laws of 2007).** General Fund support to the EPF, which primarily supports land conservation, recycling and solid waste management activities, is increased from \$225 million to \$250 million in 2008-09 and \$300 million in 2009-10 and thereafter. This results in a corresponding decrease in General Fund receipts.

- **Confinement of Mentally Ill Prisoners.** A negotiated bill, which is expected to be passed by both houses of the Legislature, is designed to improve care and treatment of inmates with mental illness, going beyond the agreement reached in an earlier litigation settlement. Additional costs are associated with mandated evaluations of all inmates in disciplinary confinement, the expansion of residential mental health treatment programs available to inmates, improved training for Department of Correctional Services staff and monitoring the quality of care in residential mental health treatment programs.
- **“Jonathan’s Law” (Chapter 24 of the Laws of 2007).** Designed to provide parents and guardians of persons who reside in State and not-for-profit operated Mental Hygiene facilities with timely and complete access to records of alleged incidents. Specifically, the State and not-for-profit facilities will provide oral notification and written documentation of ensuing investigations, as well as face-to-face communication of reported incidents.
- **Medicaid Eligibility (Chapter 355 of the Laws of 2007).** Provides continuity of Medicaid services to inmates upon release from incarceration by temporarily suspending their eligibility (rather than terminating it) during confinement in a State or local correctional facility.
- **Family Health Plus (FHP) Eligibility (Chapter 101 of the Laws of 2007).** Eligibility for the FHP program is expanded to include farmers whose income had precluded them from enrolling by modifying the eligibility calculations to allow depreciation expenses of certain assets to be netted against total income.
- **All Other.** Reflects expansion of the personal income tax credit on residential solar energy system equipment to include members of a condominium management association or tenant-stockholders in a cooperative housing corporation. Other changes include new and expanded programs to provide additional services to seniors and victims of human trafficking; the creation of the Interagency Council for the Deaf to promote a statewide program of coordinated services; the payment of a one-time war bonus of \$250 to members of the merchant marine who served at sea during World War II, or their next of kin if they are deceased; and funding for a mental health study to identify populations with high rates of unmet needs.

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**Revenue and Spending Re-estimates:**

	<b>General Fund Financial Plan Changes - Reestimates</b>			
	<b>Savings/(Costs)</b> <b>(millions of dollars)</b>			
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
<b>Total Re-estimates</b>	<b>68</b>	<b>(400)</b>	<b>(394)</b>	<b>84</b>
<b>Revenue Re-estimates</b>	<b>324</b>	<b>300</b>	<b>238</b>	<b>572</b>
Tax Revenues	287	326	459	782
Cellular Surcharge collections	(11)	(11)	(12)	(12)
Debt Service (mainly due to timing of capital projects)	(1)	37	23	34
Asset Sale (55 Hanson Pl, Brooklyn)	0	(47)	0	0
All Other	49	(5)	(232)	(232)
<b>Spending Re-estimates</b>	<b>(256)</b>	<b>(700)</b>	<b>(632)</b>	<b>(488)</b>
Lottery and VLT receipts for School Aid	(157)	(492)	(590)	(369)
Child Welfare claims increase	(82)	(92)	(117)	(156)
Public Health	41	32	57	49
Medicaid Revisions	(27)	48	55	59
OMR NYS-OPTS (Options for People through Services)	(20)	(40)	(40)	(40)
Flood and Storm Assistance for Local Governments	(15)	(13)	0	0
CUNY Energy/Utilities	(10)	(14)	(14)	(14)
General State Charges	5	(19)	60	61
CFS Medicaid Waiver for Foster Care Children	1	8	16	15
Revised GF transfers to Dedicated HBTF	0	(102)	(43)	(80)
All Other	8	(16)	(16)	(13)

**Revenue Re-estimates**

- **Tax Revenues:** The modest revenue revisions are due primarily to better than anticipated results in the income tax partially offset by small changes in other revenue areas. The 2009-10 and 2010-11 revisions in the other category reflect a return to a more normal level of miscellaneous receipts derived primarily from non-recurring sources.
- **Cellular Surcharge.** The State is authorized to collect a \$1.20 monthly surcharge applied to all wireless communication devices of which \$0.50 is deposited into the General Fund and the remaining surcharge is credited to the Statewide Wireless Network account. Initial revenue projections for this surcharge have been reduced after a review of recent collection patterns.

- **Debt Service.** The downward revision to debt service estimates reflects a reduction in the level of bond-financed capital expenditures. In addition, costs have been modestly reduced as a result of the availability of existing bond proceeds to support upcoming capital spending.
- **Asset Sale.** The State no longer plans to sell 55 Hanson Place in Brooklyn and instead is planning a rehabilitation project. The sale was expected to generate proceeds that would partially benefit the General Fund, after moving costs were paid.
- **All Other.** The remaining changes include technical corrections to revenue projections contained in the Enacted Budget report including the proposed movement of the Business and Licensing Special Revenue account to the General Fund, and the creation of a Youth Facility Per Diem account. In addition, the State is now expected to receive roughly \$16 million in Federal grants as reimbursement for emergency spending in early 2006 to cover disruptions caused by Federal implementation delays of the new Medicare Part D prescription program.

### *Spending Re-estimates*

- **Lottery/VLT for School Aid.** General Fund support for school aid is increased as a result of downward revisions to revenue projections for the Lottery Fund (including VLTs) that reduce the Lottery Fund's contributions toward school aid. The revisions to the Lottery Fund include VLT re-estimates resulting from delays in the anticipated opening date for the Aqueduct facility and additional expansion; poorer than expected performance at Yonkers; and a lottery re-estimate resulting from the poor performance of new instant games offered in 2007-08.
- **Child Welfare.** Under the open-ended child welfare services program, the State reimburses local governments 65 percent of the cost of providing certain services including community-based preventive services and child protective services. Increased General Fund support reflects higher than expected growth in local child welfare claims, primarily from New York City. DOB has increased its multi-year trend from 8 percent growth, included at the time of enactment of the 2007-08 Budget, to 9 percent annual growth after a review of local claiming patterns through the first quarter of the year.
- **Public Health.** Additional savings above the amount anticipated at enactment are expected in the Elderly Pharmaceutical Insurance Coverage (EPIC) program due to declining enrollment and the mandatory enrollment of certain EPIC recipients in the Medicare Part D prescription program. In addition, the estimate of the cost-of-living increases for human services workers and various legislative adds have been lowered to reflect historical experience.
- **Medicaid (including administrative costs).** DOB has made an upward revision to its projected Medicaid costs in 2007-08 for retroactive costs from expected Federal approval of increases to Medicaid reimbursement rates for nursing homes and emergency care provided in hospitals. Upon Federal approval, the State will retroactively increase nursing home rates and the rate paid to hospitals for emergency room services, effective January 2007. The proposed nursing home rate change employs a new methodology that was approved with the Enacted Budget that takes into account more recent cost experience. The remaining current year and ongoing costs of these rate increases were included in the Enacted Budget Financial Plan.

In addition, costs related to lost savings from Federal implementation delays of reduced pharmacy reimbursement for generic drugs required under the Federal Deficit Reduction Act of 2005 have been reflected in the Updated Financial Plan. These costs are offset in 2007-08 by a downward revision to estimated administrative costs, based on recent experience and an adjustment in hospital and nursing home

workforce recruitment and retention payments due to a correction in the savings attributable to the local cap (previously, all savings were budgeted as a General Fund rather than as a Special Revenue Fund offset), which also reduce projected costs in 2008-09 and beyond.

- **New York State Options for Persons through Services (OPTS) Revision.** The New York State OPTS program provides certain services in residential and day settings to individuals on waiting lists served by the Office of the Mental Retardation and Developmental Disabilities (OMRDD). The estimated spending for provider reimbursement under the program has increased based on current year experience to date and revised annual growth trends.
- **Disaster Assistance.** The State continues to make individual and public assistance payments in response to the April 2007 Nor'easter and the June 2007 flash floods in Delaware and Sullivan counties. The total costs of these disasters are estimated to be roughly \$87 million and \$25 million, respectively. The Federal government is paying for 75 percent of storm response costs (\$84 million). The State is funding the balance, including the 12.5 percent share of disaster assistance funding that local governments are typically expected to cover.
- **City University of New York (CUNY).** State reimbursement for CUNY operating costs is expected to exceed initial projections as a result of higher than anticipated energy and utility costs.
- **General State Charges.** Pension costs are expected to be roughly \$60 million higher beginning in 2008-09 to reflect a growing salary base offset by a reduction in the estimated pension contribution rate from 9.9 percent to 9.2 percent. In 2009-10 and 2010-11, the estimated pension contribution rate has also been lowered from 11.0 percent to 9.2 percent, resulting in a combined decrease of roughly \$90 million in estimated pension costs in those years. Health insurance costs for State employees and retirees have also been reduced by approximately \$50 million in 2008-09, and an average of \$26 million in each outyear. Fixed costs have been increased by \$15 million annually to reflect increased payments associated with litigation against the State based on a review of recent trends.
- **Children and Family Services Medicaid Waiver.** Under the waiver, children in foster care at risk of institutional placement will receive services in addition to traditional Medicaid services to prevent them from entering an institution. This is a new program and cost estimates reflect a revised implementation date from October 2007 to January 1, 2008.
- **Dedicated Highway Fund Support.** General Fund support of the Dedicated Highway and Bridge Trust Fund is increased to offset the impact of a downward revision to dedicated revenue (primarily motor vehicle fees) projections.
- **All Other.** The remaining changes include lower debt service payments, retroactive salary increases for forest rangers and security supervisors resulting from a recent settlement, a technical correction to move spending projections contained in the Enacted Budget Financial Plan for the proposed movement of the Business and Licensing Special Revenue account to the General Fund, and other minor revisions across multiple agencies and programs.

The State workforce is expected to total 198,388 positions across All Funds, a decrease of about 25 positions from the Enacted Budget Financial Plan estimate.

## Spending Benchmarks

<b>Total Disbursements (millions of dollars)</b>				
	<b>2006-07 Actuals</b>	<b>2007-08 Current</b>	<b>Annual \$ Change</b>	<b>Annual % Change</b>
General Fund	51,591	53,995	2,404	4.7%
State Funds	77,311	83,672	6,361	8.2%
State Funds Operating	73,489	78,661	5,172	7.0%
Capital Budget	5,559	6,916	1,357	24.4%
Federal Operating	33,716	34,818	1,102	7.0%
All Funds	112,764	120,395	7,631	6.8%

- State Funds operating spending, which excludes Federal operating aid and capital spending, is projected to grow by \$5.2 billion (7.0 percent) from 2006-07 levels. This primarily reflects aid to public schools, an expanded STAR program, and support for transportation and higher education programs.
- The Capital Budget, which includes Federal and State support, is expected to grow to \$6.9 billion, an increase of \$1.3 billion or 24.4 percent over the prior year results, which is in part a result of delayed spending on various projects from 2006-07. This reflects spending reported in actual cash-basis reports. As detailed later in this document, roughly \$2.5 billion of additional capital spending in 2007-08 is reflected “off-budget.”
- All Governmental Funds<sup>1</sup> spending, which includes Federal aid, is estimated at \$120.4 billion in 2007-08, an increase of \$7.6 billion (6.8 percent) from 2006-07.
- Total All Funds receipts are expected to reach \$119.2 billion, an increase of \$6.8 billion (6.0 percent) from 2006-07 actuals. Base tax revenue growth is estimated to be 7.9 percent in 2007-08, following growth of 12.8 percent growth in 2006-07.
- Growth in New York personal income for 2007-08 is projected at 5.3 percent, and continues to surpass inflationary growth of 2.7 percent as measured by growth in the New York State Consumer Price Index.

<sup>1</sup> Hereafter “All Funds.” Comprises the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds.

**GENERAL FUND CLOSING BALANCE**

<b>General Fund Estimated Closing Balance</b> (millions of dollars)			
	<b>2007-08 Enacted Estimate</b>	<b>2007-08 Current Estimate</b>	<b>Change</b>
<b>Projected Year-End Fund Balance</b>	<b>3,033</b>	<b>3,046</b>	<b>13</b>
<i>Undesignated Reserves</i>	<u>1,227</u>	<u>1,227</u>	<u>0</u>
Tax Stabilization Reserve Fund	1,031	1,031	0
Rainy Day Reserve Fund	175	175	0
Contingency Reserve Fund	21	21	0
<i>Designated Reserves</i>	<u>1,806</u>	<u>1,819</u>	<u>13</u>
Debt Reduction Reserve Fund	250	250	0
Remaining Prior Year Surplus	1,203	1,215	12
Community Projects Fund	353	354	1

DOB projects the State will end the 2007-08 fiscal year with a General Fund balance of slightly more than \$3.0 billion (5.6 percent of spending). The balance consists of \$1.2 billion in undesignated reserves and slightly more than \$1.8 billion in reserves designated to finance existing or planned commitments. The projected closing balance is \$13 million higher than the balance projected at the time of the 2007-08 Enacted Budget Financial Plan due to the revisions discussed earlier.

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

The designated reserves include \$354 million in the Community Projects Fund to finance existing "member item" initiatives for the Legislature, \$250 million to reduce State debt levels, and \$1.2 billion remaining from the 2006-07 surplus that is planned to be used in three equal amounts to lower the projected budget gaps.

**DETAILED DISCUSSION OF THE UPDATED FINANCIAL PLAN****INTRODUCTION**

This section provides a description of the State's Updated Financial Plan projections for receipts and disbursements. The receipts forecast describes estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds. The spending projections summarize the annual growth in each of the State's major areas of spending (e.g., Medicaid, school aid, mental hygiene).

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

## RECEIPTS FORECAST

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

### 2007-08 Receipts Overview

Total Receipts (millions of dollars)							
	2006-07	2007-08	Annual	Percent	2008-09	Annual	Percent
	<u>Actual</u>	<u>Estimated</u>	<u>Change</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Change</u>
<b>General Fund</b>	<b>51,379</b>	<b>53,996</b>	<b>2,617</b>	<b>5.1</b>	<b>55,453</b>	<b>1,457</b>	<b>2.7</b>
Taxes	38,668	39,412	744	1.9	41,244	1,832	4.6
Miscellaneous Receipts	2,268	2,355	87	3.8	1,862	(493)	(20.9)
Federal Grants	151	75	(76)	(50.3)	59	(16)	(21.3)
Transfers	10,292	12,154	1,862	18.1	12,288	134	1.1
<b>State Funds</b>	<b>76,755</b>	<b>82,147</b>	<b>5,392</b>	<b>7.0</b>	<b>85,161</b>	<b>3,014</b>	<b>3.7</b>
Taxes	58,739	62,028	3,289	5.6	65,401	3,373	5.4
Miscellaneous Receipts	17,864	20,043	2,179	12.2	19,700	(343)	(1.7)
Federal Grants	152	76	(76)	(50.0)	60	(16)	(21.1)
<b>All Funds</b>	<b>112,396</b>	<b>119,166</b>	<b>6,770</b>	<b>6.0</b>	<b>124,115</b>	<b>4,949</b>	<b>4.2</b>
Taxes	58,739	62,028	3,289	5.6	65,401	3,373	5.4
Miscellaneous Receipts	18,078	20,198	2,120	11.7	19,848	(350)	(1.7)
Federal Grants	35,579	36,940	1,361	3.8	38,866	1,926	5.2

All Funds receipts are projected to total \$119.2 billion, an increase of \$6.8 billion over 2006-07 results. The total comprises tax receipts (\$62.0 billion), Federal grants (\$36.9 billion) and miscellaneous receipts (\$20.2 billion). The table above reports the actual receipts for 2006-07 and revised projections for 2007-08 and 2008-09.

- Total All Funds receipts in 2007-08 are expected to reach \$119.2 billion, an increase of \$6.8 billion, or 6.0 percent from 2006-07 results. All Funds tax receipts are projected to grow by almost \$3.3 billion. All Funds Federal grants are expected to increase by almost \$1.4 billion, or 3.8 percent. All Funds Miscellaneous receipts are projected to increase by approximately \$2.1 billion, or 11.7 percent.
- Total State Funds receipts are projected at \$82.1 billion, an increase of \$5.4 billion, or 7.0 percent above 2006-07 levels.
- Total General Fund receipts are projected at \$54.0 billion, an increase of \$2.6 billion, or 5.1 percent above 2006-07 results. General Fund tax receipt growth is projected to be 1.9 percent over 2006-07 results and General Fund miscellaneous receipts are projected to increase by \$87 million or 3.8 percent. The relatively weak growth in General Fund tax receipts largely reflects statutory changes including proposals increasing STAR benefits and the earmarking of additional funds to debt service funds. Federal grants decline due to the loss of one-time Federal reimbursement for emergency costs related to delays in implementation of the Federal Medicare Part D program.



**Fiscal Years 2008-09 through 2010-11**

	<b>Total Receipts (millions of dollars)</b>									
	<b>2007-08 Estimated</b>	<b>2008-09 Projected</b>	<b>Annual Change</b>	<b>Percent Change</b>	<b>2009-10 Projected</b>	<b>Annual Change</b>	<b>Percent Change</b>	<b>2010-11 Projected</b>	<b>Annual Change</b>	<b>Percent Change</b>
<b>General Fund</b>	<b>53,996</b>	<b>55,453</b>	<b>1,457</b>	<b>2.7</b>	<b>58,420</b>	<b>2,967</b>	<b>5.4</b>	<b>61,364</b>	<b>2,944</b>	<b>5.0</b>
Taxes	39,412	41,244	1,832	4.6	43,551	2,307	5.6	45,828	2,277	5.2
<b>State Funds</b>	<b>82,147</b>	<b>85,161</b>	<b>3,014</b>	<b>3.7</b>	<b>88,689</b>	<b>3,528</b>	<b>4.1</b>	<b>92,887</b>	<b>4,198</b>	<b>4.7</b>
Taxes	62,028	65,401	3,373	5.4	69,073	3,672	5.6	72,530	3,457	5.0
<b>All Funds</b>	<b>119,166</b>	<b>124,115</b>	<b>4,949</b>	<b>4.2</b>	<b>128,603</b>	<b>4,488</b>	<b>3.6</b>	<b>134,299</b>	<b>5,696</b>	<b>4.4</b>
Taxes	62,028	65,401	3,373	5.4	69,073	3,672	5.6	72,530	3,457	5.0

Overall, receipts growth through fiscal year 2010-11 is expected to remain strong consistent with projected growth in the U.S. and New York economies (see page 48 of this report). In addition, actions taken with the 2007-08 Budget eliminate unintended tax loopholes and supplement Department of Taxation and Finance efforts to find non-compliant taxpayers; these actions are expected to enhance receipt growth through 2010-11.

- Total All Funds receipts in 2008-09 are projected to reach \$124.1 billion, an increase of \$4.9 billion, or 4.2 percent from 2007-08 estimates. All Funds receipts in 2009-10 are expected to increase to \$128.6 billion, 3.6 percent over the prior year. In 2010-11, receipts are expected to increase by \$5.7 billion to reach \$134.3 billion.
- All Funds tax receipts are expected to increase by 5.4 percent in 2008-09, 5.6 percent in 2009-10 and 5.0 percent in 2010-11. Again, the growth pattern is consistent with an economic forecast of continued economic growth. The revenue forecast matches closely the expected increase in State personal income over this period.
- Total State Funds receipts are projected to be nearly \$85.2 billion in 2008-09, \$88.7 billion in 2009-10 and almost \$92.9 billion in 2010-11.
- Total General Fund receipts are projected to be \$55.5 billion in 2008-09, nearly \$58.4 billion in 2009-10 and \$61.4 billion in 2010-11.

**Revenue Summary**

Base growth, adjusted for law changes, in tax receipts for fiscal year 2006-07 was a strong 12.8 percent. This was the third consecutive year of double digit growth in base tax receipts. The recent strong performance in the tax receipts base has benefited from several factors that are expected to continue in 2007-08 including:

- improvements in overall economic activity, especially in New York City;
- continued profitability and compensation gains of financial services companies;
- unanticipated growth in corporate taxes, especially the large increases in settlements related to prior year liabilities;
- continued growth in the downstate commercial real estate market; and the

- continued positive impact of high-income taxpayers on personal income tax growth.

Strong economic growth, especially concentrated in downstate New York over the past several years, has driven large gains in receipts. It is expected that the rapid expansion in base revenue will continue with a 7.9 percent increase in 2007-08 to be followed by more moderate growth in 2008-09 and beyond. Base growth is expected to remain above 5 percent throughout the forecast period.

### Personal Income Tax

<b>Personal Income Tax</b>					
<b>(millions of dollars)</b>					
	<b>2006-07</b>	<b>2007-08</b>	<b>Annual</b>	<b>2008-09</b>	<b>Annual</b>
	<b>Actual</b>	<b>Estimated</b>	<b>Change</b>	<b>Projected</b>	<b>Change</b>
<b>General Fund</b>	<b>22,939</b>	<b>23,071</b>	<b>132</b>	<b>24,426</b>	<b>1,355</b>
Gross Collections	40,090	43,433	3,343	46,546	3,113
Refunds	(5,510)	(6,363)	(853)	(6,832)	(469)
STAR	(3,994)	(4,731)	(737)	(5,359)	(628)
RBTF	(7,647)	(9,268)	(1,621)	(9,929)	(661)
<b>State/All Funds</b>	<b>34,580</b>	<b>37,070</b>	<b>2,490</b>	<b>39,714</b>	<b>2,644</b>
Gross Collections	40,090	43,433	3,343	46,546	3,113
Refunds	(5,510)	(6,363)	(853)	(6,832)	(469)

All Funds income tax receipts for 2007-08 are projected to increase \$2.5 billion over the prior year to total \$37.1 billion. Gross receipts are projected to increase 8.3 percent and reflect withholding growth of 8.2 percent (\$2.2 billion) and growth in estimated taxes of 9.9 percent (\$750 million). Payments from extensions and final returns for tax year 2006 are projected to increase in total by 7.8 percent, or by \$366 million. Receipts from delinquencies are projected to increase by 9.3 percent or \$77 million over the prior year. Net receipts, which include refunds on tax year 2006 payments and liabilities, are projected to grow 7.2 percent. Refunds are projected to increase by 15.5 percent or \$853 million. The large refund change reflects the impact of the Empire State Child Credit (a refundable credit for resident taxpayers with children ages 4 to 16) that was enacted in 2006 and is applicable to tax years beginning in 2006 and after.

General Fund income tax receipts for 2007-08, which are net of deposits to the School Tax Relief (STAR) Fund and the Revenue Bond Tax Fund (RBTF), are estimated to increase by \$132 million to \$23.1 billion. Deposits to the STAR Fund, are to increase by \$737 million to \$4.7 billion in 2007-08 and reflect legislation passed with the Budget that increases the current STAR program by providing property tax relief rebates to middle-class homeowners and seniors. Deposits to the RBTF of just under \$9.3 billion reflect legislation that requires RBTF deposits to be calculated before the deposit of income tax receipts to the STAR Fund. Although this has the impact of decreasing General Fund receipts by nearly \$1.2 billion (25 percent of STAR), deposits in excess of debt service requirements are transferred back to the General Fund.

<b>Personal Income Tax Change From Enacted Budget Estimates</b> (millions of dollars)				
	2007-08	2007-08	<b>Change</b>	<b>Percent Change</b>
	<b>Enacted Budget</b>	<b>July Update Budget</b>		
<b>General Fund</b>	<b>22,885</b>	<b>23,071</b>	<b>186</b>	<b>0.8</b>
Gross Collections	43,083	43,433	350	0.8
Refunds	(6,263)	(6,363)	(100)	1.6
STAR	(4,730)	(4,731)	(1)	0.0
RBTF	(9,205)	(9,268)	(63)	0.7
<b>State/All Funds</b>	<b>36,820</b>	<b>37,070</b>	<b>250</b>	<b>0.7</b>
Gross Collections	43,083	43,433	350	0.8
Refunds	(6,263)	(6,363)	(100)	1.6

All Funds personal income tax receipts for 2007-08 are projected to be \$250 million, or 0.7 percent, higher than projected in the Enacted Budget Financial Plan. The upward revision is primarily due to stronger growth through June in withholding (\$400 million) and tax year 2006 extension payments (\$100 million), offset by lower-than-expected tax year 2006 final return payments (\$150 million) and higher-than-expected tax year 2006 refunds (\$100 million).

General Fund receipts are projected to be \$186 million higher than the Enacted Budget Financial Plan. This includes \$250 million in additional net receipts, offset by a higher deposit to the RBTF of \$63 million. Total deposits to the STAR Fund are expected to remain unchanged from the Enacted Budget estimate.

<b>Personal Income Tax</b> (millions of dollars)					
	2008-09	2009-10	Annual	2010-11	Annual
	<b>Projected</b>	<b>Projected</b>	<b>Change</b>	<b>Projected</b>	<b>Change</b>
<b>General Fund</b>	<b>24,426</b>	<b>26,075</b>	<b>1,649</b>	<b>27,791</b>	<b>1,716</b>
Gross Collections	46,546	49,704	3,158	52,974	3,270
Refunds	(6,832)	(7,220)	(388)	(7,664)	(444)
STAR	(5,359)	(5,838)	(479)	(6,141)	(303)
RBTF	(9,929)	(10,577)	(642)	(11,378)	(807)
<b>State/All Funds</b>	<b>39,714</b>	<b>42,484</b>	<b>2,770</b>	<b>45,310</b>	<b>2,826</b>
Gross Collections	46,546	49,704	3,158	52,974	3,270
Refunds	(6,832)	(7,220)	(388)	(7,664)	(444)

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

All Funds personal income tax receipts for 2008-09 through 2010-11 continue to reflect relatively strong growth in tax liability. All Funds projected receipts for 2008-09 of \$39.7 billion reflect an increase of 7.1 percent or \$2.6 billion above the estimate for 2007-08. The projection reflects enacted end of session legislation that will expand the residential solar energy credit to certain condominiums and co-ops and that is expected to reduce receipts by \$1 million annually beginning in 2009-10. All Funds receipts for 2009-10 are estimated at \$42.5 billion, an increase of \$2.8 billion or 7.0 percent growth. All Funds receipts for 2010-11 are estimated at \$45.3 billion, an increase of \$2.8 billion, and a growth of 6.7 percent above 2009-10.

General Fund income tax receipts are projected to increase by almost \$1.4 billion to \$24.4 billion in 2008-09. The change from 2007-08 reflects the growth in net receipts discussed above, partly offset by a \$661 million increase in transfers to the RBTF, and a \$628 million increase in transfers to the STAR Fund. The higher transfers to the STAR Fund support an increase in the Middle Class STAR rebate program scheduled for 2008-09. General Fund personal income tax receipts for 2009-10 are projected to increase over 2008-09 by \$1.6 billion to \$26.0 billion. Receipts reflect the 2009-10 increase in the Middle Class STAR program and deposits to the RBTF that are consistent with growth in All Funds receipts discussed above. Finally, General Fund receipts for 2010-11 are projected to increase by \$1.7 billion over 2009-10, reflecting the net of overall growth in All Funds receipts and transfers to the RBTF and STAR Fund.

### **User Taxes and Fees**

<b>User Taxes and Fees</b> (millions of dollars)					
	<b>2006-07</b>	<b>2007-08</b>	<b>Annual</b>	<b>2008-09</b>	<b>Annual</b>
	<u>Actual</u>	<u>Estimated</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>
<b>General Fund</b>	<b>8,186</b>	<b>8,527</b>	<b>341</b>	<b>8,900</b>	<b>373</b>
Sales Tax	7,539	7,867	328	8,205	338
Cigarette and Tobacco Taxes	411	429	18	443	14
Motor Vehicle Fees	(16)	(21)	(5)	0	21
Alcoholic Beverage Taxes	194	200	6	204	4
ABC License Fees	58	52	(6)	48	(4)
<b>State/All Funds</b>	<b>13,456</b>	<b>13,993</b>	<b>537</b>	<b>14,544</b>	<b>551</b>
Sales Tax	10,738	11,216	478	11,692	476
Cigarette and Tobacco Taxes	985	1,030	45	1,068	38
Motor Fuel	513	522	9	539	17
Motor Vehicle Fees	769	772	3	778	6
Highway Use Tax	153	152	(1)	164	12
Alcoholic Beverage Taxes	194	200	6	204	4
ABC License Fees	58	52	(6)	48	(4)
Auto Rental Tax	46	49	3	51	2

All Funds user taxes and fees receipts for 2007-08 are projected to be \$14.0 billion, an increase of \$537 million or 4.0 percent from 2006-07 levels. General Fund user taxes and fees receipts are projected to total \$8.5 billion in 2007-08, an increase of \$341 million or 4.2 percent.

<b>User Taxes and Fees Change From Enacted Budget Estimates</b>				
<b>(millions of dollars)</b>				
	<b>2007-08</b>	<b>2007-08</b>		
	<b>Enacted</b>	<b>July Update</b>		<b>Percent</b>
	<b>Budget</b>	<b>Budget</b>	<b>Change</b>	<b>Change</b>
<b>General Fund</b>	<b>8,565</b>	<b>8,527</b>	<b>(38)</b>	<b>(0.4)</b>
Sales Tax	7,867	7,867	0	0.0
Cigarette and Tobacco Taxes	447	429	(18)	(4.0)
Motor Vehicle Fees	0	(21)	(21)	0.0
Alcoholic Beverage Taxes	200	200	0	0.0
ABC License Fees	51	52	1	2.0
<b>State/All Funds</b>	<b>14,186</b>	<b>13,993</b>	<b>(193)</b>	<b>(1.4)</b>
Sales Tax	11,216	11,216	0	0.0
Cigarette and Tobacco Taxes	1,078	1,030	(48)	(4.5)
Motor Fuel	537	522	(15)	(2.8)
Motor Vehicle Fees	900	772	(128)	(14.2)
Highway Use Tax	156	152	(4)	(2.6)
Alcoholic Beverage Taxes	200	200	0	0.0
ABC License Fees	51	52	1	2.0
Auto Rental Tax	48	49	1	2.1

Compared with the Enacted Budget Financial Plan, All Funds user taxes and fees receipts for 2007-08 are projected to decrease by \$193 million or 1.4 percent. Compared with the Enacted Budget Financial Plan, General Fund user taxes and fees receipts are projected to decrease by \$38 million or 0.4 percent. This decrease reflects a reduction in projected motor vehicle fee collections largely due to the reclassification of certain motor vehicle fees by the Office of the State Comptroller and the impact of a delay in the enforcement effort to collect cigarette excise and motor fuel taxes on sales made to Non-Native Americans on Native American lands.

<b>User Taxes and Fees</b>					
<b>(millions of dollars)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>Annual</b>	<b>2010-11</b>	<b>Annual</b>
	<b>Projected</b>	<b>Projected</b>	<b>Change</b>	<b>Projected</b>	<b>Change</b>
<b>General Fund</b>	<b>8,900</b>	<b>9,271</b>	<b>371</b>	<b>9,634</b>	<b>363</b>
Sales Tax	8,205	8,514	309	8,845	331
Cigarette and Tobacco Taxes	443	438	(5)	432	(6)
Motor Vehicle Fees	0	58	58	95	37
Alcoholic Beverage Taxes	204	209	5	214	5
ABC License Fees	48	52	4	48	(4)
<b>State/All Funds</b>	<b>14,544</b>	<b>15,060</b>	<b>516</b>	<b>15,547</b>	<b>487</b>
Sales Tax	11,692	12,133	441	12,603	470
Cigarette and Tobacco Taxes	1,068	1,054	(14)	1,039	(15)
Motor Fuel	539	541	2	544	3
Motor Vehicle Fees	778	851	73	873	22
Highway Use Tax	164	167	3	171	4
Alcoholic Beverage Taxes	204	209	5	214	5
ABC License Fees	48	52	4	48	(4)
Auto Rental Tax	51	53	2	55	2

General Fund receipts from user taxes and fees are estimated to total \$8.9 billion in 2008-09, an increase of \$373 million from 2007-08. Receipts are projected to grow to \$9.3 billion and \$9.6 billion in 2009-10 and 2010-11, respectively. The increase is due largely to the expected continued growth in the sales tax base of about 4 percent.

**Business Taxes**

<b>Business Taxes</b> (millions of dollars)					
	<b>2006-07</b>	<b>2007-08</b>	<b>Annual</b>	<b>2008-09</b>	<b>Annual</b>
	<u>Actual</u>	<u>Estimated</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>
<b>General Fund</b>	<b>6,468</b>	<b>6,679</b>	<b>211</b>	<b>6,707</b>	<b>28</b>
Corporate Franchise Tax	3,676	3,904	228	4,004	100
Corporation & Utilities Tax	626	618	(8)	623	5
Insurance Tax	1,142	1,176	34	1,161	(15)
Bank Tax	1,024	981	(43)	919	(62)
<b>State/All Funds</b>	<b>8,606</b>	<b>8,855</b>	<b>249</b>	<b>8,957</b>	<b>102</b>
Corporate Franchise Tax	4,228	4,444	216	4,574	130
Corporation & Utilities Tax	820	816	(4)	821	5
Insurance Tax	1,258	1,292	34	1,276	(16)
Bank Tax	1,210	1,150	(60)	1,073	(77)
Petroleum Business Tax	1,090	1,153	63	1,213	60

All Funds business tax receipts for 2007-08 of nearly \$8.9 billion are estimated to increase by nearly \$249 million or 2.9 percent over the prior year. The estimates reflect a net increase in receipts of \$368 million resulting from legislation provisions that closed corporate tax loopholes that allowed bank and corporate franchise taxpayers to use complex tax shelter techniques to avoid tax (\$522 million) and authorized certain business tax cuts.

All Funds non-audit business tax receipts are estimated to increase 10.3 percent in 2007-08. This projection follows two consecutive years of extraordinary growth in non-audit corporate franchise tax receipts of 40 percent in 2005-06 and 29 percent in 2006-07. Total corporate franchise tax receipts for 2007-08 of \$4.4 billion reflect a decline of more than 20 percent in audit receipts from last year's historic levels.

All Funds non-audit bank tax receipts are projected to increase by 14.5 percent. Receipts from the bank tax also reflect a decline of non-audit receipts of more than 60 percent from 2006-07.

Estimated All Funds non-audit business tax receipts for 2007-08 also reflect growth in corporation and utilities taxes receipts of 2.4 percent, the insurance tax receipts of 4.1 percent and petroleum business tax receipts of 5.5 percent. All Funds audit receipts from all business taxes are projected to decline by 31 percent, or roughly \$480 million, from the historical level of the prior year.

This overall increase reflects a moderation in the growth of non-audit corporate franchise tax receipts to roughly 15 percent.

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

<b>Business Taxes Changes From Enacted Budget Estimates</b>				
<b>(millions of dollars)</b>				
	2007-08	2007-08		Percent
	Enacted	July Update	Change	
	<u>Budget</u>	<u>Budget</u>	<u>Change</u>	<u>Change</u>
<b>General Fund</b>	<b>6,679</b>	<b>6,679</b>	<b>0</b>	<b>0.0</b>
Corporate Franchise Tax	3,904	3,904	0	0.0
Corporation & Utilities Tax	618	618	0	0.0
Insurance Tax	1,176	1,176	0	0.0
Bank Tax	981	981	0	0.0
<b>State/All Funds</b>	<b>8,919</b>	<b>8,855</b>	<b>(64)</b>	<b>(0.7)</b>
Corporate Franchise Tax	4,476	4,444	(32)	(0.7)
Corporation & Utilities Tax	816	816	0	0.0
Insurance Tax	1,292	1,292	0	0.0
Bank Tax	1,150	1,150	0	0.0
Petroleum Business Tax	1,185	1,153	(32)	(2.7)

Compared to the Enacted Budget Financial Plan, estimated 2007-08 All Funds business tax receipts have decreased \$64 million, or 0.7 percent. The decrease reflects lower-than-estimated receipts through June for the corporate franchise tax, the bulk of which is attributable to timing of anticipated audit receipts, and lower-than-estimated receipts from the Metropolitan Transportation Authority surcharge. In addition, the decline in petroleum business tax receipts from the Enacted Budget Financial Plan estimates reflect the delay in the enforcement of regulations requiring collection of taxes from Native Americans. Estimates for total General Fund business tax receipts and for receipts from each business tax are unchanged from Enacted Budget Financial Plan estimates.

<b>Business Taxes</b>					
<b>(millions of dollars)</b>					
	2008-09	2009-10	Annual	2010-11	Annual
	<u>Projected</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>
<b>General Fund</b>	<b>6,707</b>	<b>6,913</b>	<b>206</b>	<b>6,928</b>	<b>15</b>
Corporate Franchise Tax	4,004	4,142	138	4,114	(28)
Corporation & Utilities Tax	623	628	5	632	4
Insurance Tax	1,161	1,197	36	1,236	39
Bank Tax	919	946	27	946	0
<b>State/All Funds</b>	<b>8,957</b>	<b>9,187</b>	<b>230</b>	<b>9,248</b>	<b>61</b>
Corporate Franchise Tax	4,574	4,727	153	4,735	8
Corporation & Utilities Tax	821	826	5	831	5
Insurance Tax	1,276	1,315	39	1,358	43
Bank Tax	1,073	1,100	27	1,100	0
Petroleum Business Tax	1,213	1,219	6	1,224	5

All Funds business tax receipts for 2008-09 are projected to increase \$102 million, or 1.2 percent, to nearly \$9.0 billion.

For 2009-10, All Funds business tax receipts are projected to increase to \$9.2 billion (2.6 percent) and are projected to remain roughly flat in 2010-11. The projected receipts continue to reflect the loophole-closing and business tax rate reduction initiatives enacted in 2007. In addition, receipts from the corporate franchise tax have been reduced by \$100 million in 2008-09, \$200 million in 2009-10, and roughly \$450 million in 2010-11 to reflect higher expected costs related to credits for the remediation and redevelopment of Brownfield sites.

**Other Taxes**

<b>Other Taxes</b> (millions of dollars)					
	<b>2006-07</b>	<b>2007-08</b>	<b>Annual</b>	<b>2008-09</b>	<b>Annual</b>
	<b>Actual</b>	<b>Estimated</b>	<b>Change</b>	<b>Projected</b>	<b>Change</b>
<b>General Fund</b>	<b>1,075</b>	<b>1,135</b>	<b>60</b>	<b>1,211</b>	<b>76</b>
Estate Tax	1,063	1,114	51	1,190	76
Gift Tax	(10)	0	10	0	0
Real Property Gains Tax	0	0	0	0	0
Pari-mutuel Taxes	21	20	(1)	20	0
All Other Taxes	1	1	0	1	0
<b>State/All Funds</b>	<b>2,097</b>	<b>2,110</b>	<b>13</b>	<b>2,186</b>	<b>76</b>
Estate Tax	1,063	1,114	51	1,190	76
Gift Tax	(10)	0	10	0	0
Real Property Gains Tax	0	0	0	0	0
Real Estate Transfer Tax	1,022	975	(47)	975	0
Pari-mutuel Taxes	21	20	(1)	20	0
All Other Taxes	1	1	0	1	0

All Funds other tax receipts in 2007-08 are projected to be roughly \$2.1 billion, up \$13 million or 0.6 percent from 2006-07, reflecting a modest reduction in real estate transfer tax receipts more than offset by an increase in estate tax collections. General Fund receipts for 2007-08 are projected to total more than \$1.1 billion or a \$60 million increase from 2006-07, with estate tax collections expected to grow modestly.

<b>Other Taxes Change From Enacted Budget Estimates</b> (millions of dollars)				
	<b>2007-08</b>	<b>2007-08</b>		
	<b>Enacted</b>	<b>July Update</b>	<b>Change</b>	<b>Percent</b>
	<b>Budget</b>	<b>Budget</b>		<b>Change</b>
<b>General Fund</b>	<b>1,135</b>	<b>1,135</b>	<b>0</b>	<b>0.0</b>
Estate Tax	1,114	1,114	0	0.0
Gift Tax	0	0	0	0.0
Real Property Gains Tax	0	0	0	0.0
Pari-mutuel Taxes	20	20	0	0.0
All Other Taxes	1	1	0	0.0
<b>State/All Funds</b>	<b>2,035</b>	<b>2,110</b>	<b>75</b>	<b>3.7</b>
Estate Tax	1,114	1,114	0	0.0
Gift Tax	0	0	0	0.0
Real Property Gains Tax	0	0	0	0.0
Real Estate Transfer Tax	900	975	75	8.3
Pari-mutuel Taxes	20	20	0	0.0
All Other Taxes	1	1	0	0.0

All Funds other tax receipts for 2007-08 are revised upward by \$75 million over the Enacted Budget Financial Plan estimates due to greater-than-projected real estate transfer tax collections. General Fund receipts for 2007-08 are unchanged from the Enacted Budget Financial Plan estimates.



<b>Other Taxes</b>					
<b>(millions of dollars)</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>Annual</b>	<b>2010-11</b>	<b>Annual</b>
	<b>Projected</b>	<b>Projected</b>	<b>Change</b>	<b>Projected</b>	<b>Change</b>
<b>General Fund</b>	<b>1,211</b>	<b>1,342</b>	<b>131</b>	<b>1,425</b>	<b>83</b>
Estate Tax	1,190	1,321	131	1,404	83
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Pari-mutuel Taxes	20	20	0	20	0
All Other Taxes	1	-	0	1	0
<b>State/All Funds</b>	<b>2,186</b>	<b>2,342</b>	<b>156</b>	<b>2,425</b>	<b>83</b>
Estate Tax	1,190	1,321	131	1,404	83
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Real Estate Transfer Tax	975	1,000	25	1,000	0
Pari-mutuel Taxes	20	20	0	20	0
All Other Taxes	1	-	0	1	0

General Fund receipts from other taxes are expected to grow modestly over the next three fiscal years, primarily reflecting continued growth in estate tax collections. All Funds other tax receipts are projected to increase moderately in future years, primarily due to increased collections in the estate tax and a relatively flat real estate transfer tax.

### **Miscellaneous Receipts**

<b>Miscellaneous Receipts and Federal Grants</b>					
<b>(millions of dollars)</b>					
	<b>2006-07</b>	<b>2007-08</b>	<b>Annual</b>	<b>2008-09</b>	<b>Annual</b>
	<b>Actual</b>	<b>Estimated</b>	<b>Change</b>	<b>Projected</b>	<b>Change</b>
<b>General Fund</b>	<b>2,419</b>	<b>2,430</b>	<b>11</b>	<b>1,921</b>	<b>(509)</b>
Miscellaneous Receipts	2,268	2,355	87	1,862	(493)
Federal Grants	151	75	(76)	59	(16)
<b>State Funds</b>	<b>18,016</b>	<b>20,119</b>	<b>2,103</b>	<b>19,760</b>	<b>(359)</b>
Miscellaneous Receipts	17,864	20,043	2,179	19,700	(343)
Federal Grants	152	76	(76)	60	(16)
<b>All Funds</b>	<b>53,657</b>	<b>57,138</b>	<b>3,481</b>	<b>58,714</b>	<b>1,576</b>
Miscellaneous Receipts	18,078	20,198	2,120	19,848	(350)
Federal Grants	35,579	36,940	1,361	38,866	1,926

General Fund miscellaneous receipts and Federal grants collections in 2007-08 are projected to reach over \$2.4 billion, up \$11 million from 2006-07 results, reflecting increases in indirect costs collections, Federal grant reimbursement and expected receipts from the New York Power Authority (NYPA) payments, offset by decreases in receipts from abandoned property, bond issuance charges and collections from the State of New York Mortgage Agency (SONYMA).

<b>Miscellaneous Receipts &amp; Federal Grants Change From Enacted Budget Estimates</b> (millions of dollars)				
	2007-08	2007-08	<b>Change</b>	<b>Percent Change</b>
	<b>Enacted Budget</b>	<b>July Update Budget</b>		
<b>General Fund</b>	<b>2,544</b>	<b>2,430</b>	<b>(114)</b>	<b>(4.5)</b>
Miscellaneous Receipts	2,485	2,355	(130)	(5.2)
Federal Grants	59	75	16	27.1
<b>State Funds</b>	<b>20,307</b>	<b>20,119</b>	<b>(188)</b>	<b>(0.9)</b>
Miscellaneous Receipts	20,247	20,043	(204)	(1.0)
Federal Grants	60	76	16	26.7
<b>All Funds</b>	<b>57,530</b>	<b>57,138</b>	<b>(392)</b>	<b>(0.7)</b>
Miscellaneous Receipts	20,402	20,198	(204)	(1.0)
Federal Grants	37,128	36,940	(188)	(0.5)

General Fund miscellaneous receipts and Federal grants in 2007-08 are estimated to be \$114 million below Enacted Budget Financial Plan estimates, due mainly to fund shifts to special revenue accounts. The loss of revenues is partially offset by a \$40 million increase in the short-term investment income receipts expected in 2007-08.

<b>Miscellaneous Receipts and Federal Grants</b> (millions of dollars)					
	2008-09	2009-10	Annual	2010-11	Annual
	<b>Projected</b>	<b>Projected</b>	<b>Change</b>	<b>Projected</b>	<b>Change</b>
<b>General Fund</b>	<b>1,921</b>	<b>2,120</b>	<b>199</b>	<b>2,120</b>	<b>0</b>
Miscellaneous Receipts	1,862	2,061	199	2,061	0
Federal Grants	59	59	0	59	0
<b>State Funds</b>	<b>19,760</b>	<b>19,616</b>	<b>(144)</b>	<b>20,357</b>	<b>741</b>
Miscellaneous Receipts	19,700	19,556	(144)	20,297	741
Federal Grants	60	60	0	60	0
<b>All Funds</b>	<b>58,714</b>	<b>59,530</b>	<b>816</b>	<b>61,769</b>	<b>2,239</b>
Miscellaneous Receipts	19,848	19,703	(145)	20,441	738
Federal Grants	38,866	39,827	961	41,328	1,501

General Fund miscellaneous receipts and Federal grants in 2008-09 are projected to be \$1.9 billion, down \$509 million from 2007-08. This decrease is primarily the result of the loss of certain receipts from NYPA, SONYMA, the Hurricane Katrina EMAC, and a decrease in abandoned property and investment income collections. For 2009-10, General Fund miscellaneous receipts and Federal grants are projected to increase by \$199 million. Receipts are expected to remain relatively constant in 2010-11.

### **UPDATED DISBURSEMENTS FORECAST**

In addition to changes made during the end of the regular legislative session, the spending forecasts for each of the State's major programs and activities have been updated since the Enacted Budget Financial Plan as more information has become available. Most of the changes are modest and include revisions to Medicaid, public health, mental hygiene, and social services which are explained in detail earlier in this update. The current services estimates are based on agency staffing levels, program caseloads, formulas contained in State and Federal law, inflation and other factors.

The factors that affect spending estimates vary by program. For example, welfare spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends, projected economic

conditions, and changes in Federal law. In Correctional Services, spending estimates are based in part on estimates of the State's prison population, which in turn depend on forecasts of incarceration rates, release rates, and conviction rates. All projections account for the timing of payments, since not all the amounts appropriated in the Enacted Budget Financial Plan are disbursed in the same fiscal year. The major assumptions used in preparing the spending projections for the State's major programs and activities are summarized in the tables presented in the following section.

Additional detailed information on annual spending changes for each of the State's major programs and activities may be found in the 2007-08 Enacted Budget Financial Plan available on-line at [www.budget.state.ny.us](http://www.budget.state.ny.us).

	<b>Total Disbursements (millions of dollars)</b>					
	<b>2006-07 Actuals</b>	<b>2007-08 Enacted</b>	<b>2007-08 Current</b>	<b>Annual \$ Change</b>	<b>Annual % Change</b>	<b>\$ Change from Enacted</b>
General Fund	51,591	53,684	53,995	2,404	4.7%	311
State Funds	77,311	83,779	83,672	6,361	8.2%	(107)
State Funds Operating	73,489	78,426	78,661	5,172	7.0%	235
Capital Budget	5,559	7,352	6,916	1,357	24.4%	(436)
Federal Operating	33,716	34,898	34,818	1,102	3.3%	(80)
All Funds	112,764	120,675	120,395	7,631	6.8%	(280)

In 2007-08, General Fund spending, including transfers to other funds, is projected to total \$54.0 billion, an increase of \$311 million from the Enacted Budget Financial Plan forecast. State Funds Operating spending, which includes both the General Fund and spending from other funds supported by assessments, tuition, the Health Care Reform Act (HCRA) resources, and other non-Federal revenues, is projected to total \$78.7 billion in 2007-08, an increase of \$235 million from the initial forecast. Estimated capital spending and Federal operating aid have been reduced since the Enacted Budget Financial Plan by \$436 million and \$80 million, respectively. As a result, All Funds spending, which includes Federal aid, is currently projected to total \$120.4 billion in 2007-08, \$280 million below the initial forecast.

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

The budgetary changes enacted at the end of the regular legislative session and revisions to the receipt and spending estimates since the time of enactment have no significant impact on the General Fund Financial Plan balance in 2007-08. However the projected outyear gaps have been increased by roughly \$500 million each in 2008-09 and 2009-10, to a total of \$3.6 billion in 2008-09, \$5.3 billion in 2009-10, and \$6.7 billion in 2010-11.

The projected 2008-09 spending increases are driven by rising costs for public health care, the State-financed cap on local Medicaid spending, increased State aid for schools, State employee and retiree health benefits, mental hygiene services and child welfare programs.

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

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

<b>2008-09 General Fund Annual Change</b>	
<b>Savings/(Costs)</b>	
<b>(millions of dollars)</b>	
	<u><b>2008-09</b></u>
<b>RECEIPTS</b>	<b><u>1,457</u></b>
Constant Law Growth	3,431
Existing Tax Reductions	(330)
Uncommon Audit Collections	(121)
Change in STAR Tax Cuts	(628)
Change in Debt Service (RBTF/LGAC/CWCA)	(332)
Non-recurring 2007-08 Payments (NYPA; SONYMA; Hurricane Katrina)	(299)
Non-recurring Abandoned Property	(140)
All Other	(124)
<b>DISBURSEMENTS</b>	<b><u>(5,540)</u></b>
<b>Local Assistance</b>	<b><u>(4,265)</u></b>
Medicaid	<u>(2,055)</u>
Program Growth	(1,206)
Medicaid Cap/Family Health Plus Takeover	(374)
Change in HCRA/Provider Assessment Financing	(475)
School Aid	(1,368)
Local Government Assistance	(381)
Mental Hygiene	(236)
Children and Family Services	(163)
All Other Local Assistance	(62)
<b>State Operations</b>	<b><u>(403)</u></b>
Personal Service	(255)
Non-personal Service	(148)
<b>General State Charges</b>	<b><u>(444)</u></b>
Health Insurance	(328)
Pensions	(101)
All Other	(15)
<b>Transfers to Other Funds</b>	<b><u>(428)</u></b>
Debt Service	(125)
Capital Projects	(311)
All Other	8
<b>Use of Reserves (net)</b>	<b><u>469</u></b>
<b>CURRENT SERVICES BUDGET GAP FOR 2008-09</b>	<b><u>(3,614)</u></b>

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

- **Economic growth will continue during the forecast period.** DOB's forecast calls for moderate expansion in the economy. The momentum of the State's expansion appears to have peaked in 2005, and the forecast calls for positive, but slowing growth in 2007 and a return to trend growth rates in the outyears.
- **Revenues, adjusting for tax law changes, will grow in the range of 5 percent to 6 percent annually.** The growth rate is consistent with DOB's forecast for the economy, but, as in any year, is subject to significant volatility. Changes in the economic growth rate, Federal law, and taxpayer behavior all have a significant influence on receipts collections.
- **The Federal government will not make substantive funding changes** to major aid programs or make substantive regulatory changes that adversely affect the State.
- **The projections do not include any extra costs for new labor settlements.** Current labor contracts expired on April 1, 2007. Each 1 percent salary increase is valued at \$86 million in the General Fund and \$135 million in All Funds. In addition, the Updated Financial Plan does not include any pay increases for judges or elected officials.
- **The projections do not count on the use of one-time resources.** In a typical year, the Financial Plan will include such resources totaling roughly \$500 million and DOB expects similar levels could be achieved in the future.

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

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**OUTYEAR GENERAL FUND DISBURSEMENT PROJECTIONS**

DOB forecasts General Fund spending of \$59.5 billion in 2008-09, an increase of \$5.5 billion (10.3 percent) over projected 2007-08 levels. Growth in 2009-10 is projected at \$4.7 billion (7.8 percent) and in 2010-11 at \$4.4 billion (6.9 percent). The growth levels are based on current services projections, as modified by the budgetary actions approved during the end of the regular legislative session. The State Constitution requires the Governor to annually submit a balanced budget to the Legislature and recent legislation requires the Legislature to enact a balanced budget. The current estimates do not incorporate any new proposals to control spending that are likely to be part of any balanced budget submission in 2008-09 and in future years. The main sources of annual spending growth for 2008-09, 2009-10, and 2010-11 are itemized in the following table.

<b>Outyear Disbursement Projections - General Fund</b>							
<b>(millions of dollars)</b>							
	<b>2007-08</b>	<b>2008-09</b>	<b>Annual \$ Change</b>	<b>2009-10</b>	<b>Annual \$ Change</b>	<b>2010-11</b>	<b>Annual \$ Change</b>
<b>Grants to Local Governments:</b>	<b>37,279</b>	<b>41,544</b>	<b>4,265</b>	<b>45,457</b>	<b>3,913</b>	<b>48,865</b>	<b>3,408</b>
School Aid	16,170	17,538	1,368	19,166	1,628	20,727	1,561
Medicaid (including administration)	8,602	10,283	1,681	11,655	1,372	12,399	744
Medicaid: Takeover Initiatives	974	1,348	374	1,898	550	2,453	555
Higher Education	2,398	2,473	75	2,528	55	2,556	28
Mental Hygiene	1,858	2,094	236	2,266	172	2,374	108
Children and Families Services	1,600	1,763	163	1,884	121	2,017	133
Temporary and Disability Assistance	1,392	1,438	46	1,433	(5)	1,430	(3)
Other Education Aid	1,738	1,686	(52)	1,711	25	1,771	60
Local Government Assistance	943	1,324	381	1,364	40	1,420	56
Public Health	668	730	62	715	(15)	733	18
Transportation	106	105	(1)	105	0	104	(1)
All Other	830	762	(68)	732	(30)	881	149
<b>State Operations:</b>	<b>9,613</b>	<b>10,016</b>	<b>403</b>	<b>10,407</b>	<b>391</b>	<b>10,663</b>	<b>256</b>
Personal Service	6,679	6,934	255	7,186	252	7,308	122
Non-Personal Service	2,934	3,082	148	3,221	139	3,355	134
<b>General State Charges</b>	<b>4,525</b>	<b>4,969</b>	<b>444</b>	<b>5,282</b>	<b>313</b>	<b>5,585</b>	<b>303</b>
Pensions	1,185	1,286	101	1,292	6	1,283	(9)
Health Insurance (Active Employees)	1,508	1,695	187	1,834	139	1,972	138
Health Insurance (Retired Employees)	1,064	1,205	141	1,357	152	1,526	169
All Other	768	783	15	799	16	804	5
<b>Transfers to Other Funds:</b>	<b>2,578</b>	<b>3,006</b>	<b>428</b>	<b>3,072</b>	<b>66</b>	<b>3,520</b>	<b>448</b>
Debt Service	1,578	1,703	125	1,692	(11)	1,721	29
Capital Projects	89	400	311	534	134	945	411
All Other	911	903	(8)	846	(57)	854	8
<b>TOTAL DISBURSEMENTS</b>	<b>53,995</b>	<b>59,535</b>	<b>5,540</b>	<b>64,218</b>	<b>4,683</b>	<b>68,633</b>	<b>4,415</b>

## Grants to Local Governments

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

<b>Forecast for Selected Program Measures Affecting Local Assistance</b>					
<b>(dollars)</b>					
	<b>Actual</b>	<b>Forecast</b>			
	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
<b>Medicaid</b>					
Medicaid Coverage	3,690,578	3,854,312	4,008,484	4,168,824	4,335,577
Family Health Plus Coverage	514,058	539,944	556,397	567,484	578,793
Child Health Plus Coverage	388,187	420,882	452,991	469,940	496,204
Medicaid Inflation	1.4%	1.8%	4.4%	4.7%	4.3%
Medicaid Utilization	1.1%	1.4%	3.4%	3.5%	3.3%
State Takeover of County/NYC Costs (Total)	\$756	\$974	\$1,348	\$1,898	\$2,453
- Family Health Plus	\$424	\$477	\$518	\$530	\$547
- Medicaid	\$332	\$497	\$830	\$1,368	\$1,906
<b>Education</b>					
School Aid (School Year)	\$17,900	\$19,600	\$21,000	\$23,200	\$25,500
K-12 Enrollment	2,783,153	2,758,856	2,758,856	2,758,856	2,758,856
Public Higher Education Enrollment (FTEs)	503,538	515,178	515,178	515,178	515,178
TAP Recipients	323,000	318,000	318,000	318,000	318,000
<b>Welfare</b>					
Family Assistance Caseload	402,346	366,757	360,832	357,765	355,722
Single Adult/No Children Caseload	158,513	169,286	169,125	167,736	166,234
<b>Mental Hygiene</b>					
Mental Hygiene Community Beds	84,465	87,436	90,217	92,462	94,271

### Medicaid

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

	<b>Major Sources of Annual Change in Medicaid Growth</b>		
	<b>Increase from Prior Year</b>		
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
Price/Utilization/Admin Growth	1.0	1.0	1.0
Timing	0.2	0.0	0.0
Extra Weekly Payment	0.0	0.3	(0.3)
Medicaid Cap/FHP Takeover	0.4	0.6	0.6
Provider Assessments	0.1	0.0	0.0
HCRA Financing	0.3	0.0	0.0
<b>Total</b>	<b>2.0</b>	<b>1.9</b>	<b>1.3</b>

Medicaid growth results, in part, from the combination of projected increases in recipients, service utilization, and medical care cost inflation that impact nearly all categories of service (e.g., hospitals, nursing homes, etc.). The State cap on local Medicaid costs and takeover of local FHP costs is projected to increase spending by \$374 million in 2008-09, \$550 million in 2009-10, and \$555 million in 2010-11. In 2009-10, an extra weekly payment to providers adds \$300 million in spending. The remaining growth is primarily attributed to certain nursing home delinquent payor assessment collections in 2007-08 that are not expected to recur in 2008-09 and lower levels of HCRA financing beginning in 2008-09, both of which are used to lower General Fund costs, as well as the impact of the prepayment of certain 2007-08 obligations in 2006-07.

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

### School Aid

<b>Four Year School Aid Projection – School Year Cumulative Increase from 2006-07 Results (millions of dollars)</b>				
	July	Forecast		
	2007-08	2008-09	2009-10	2010-11
Foundation Aid	1,110	2,343	3,858	5,512
Universal Pre-kindergarten	104	200	300	350
Additional Pre-kindergarten	43	0	0	0
High Tax Aid	100	0	0	0
Supplemental Public Excess Cost	17	0	0	0
New York City Academic Achievement Grant	89	0	0	0
EXCEL Building Aid	112	184	197	197
Expense-Based Aids (Building, Transportation, High Cost and Private Excess Cost, BOCES)	141	332	785	1,280
Other Aid Categories/Initiatives/Miscellaneous Growth	51	63	200	300
<b>School Aid Subtotal</b>	<b>1,767</b>	<b>3,122</b>	<b>5,340</b>	<b>7,639</b>
Other: SED State Operations--Accountability Initiative	15	20	20	20
<b>Total Cumulative Increase</b>	<b>1,782</b>	<b>3,142</b>	<b>5,360</b>	<b>7,659</b>

On a school year basis, school aid is projected at \$21.0 billion in 2008-09, \$23.2 billion in 2009-10, and \$25.5 billion in 2010-11. On a State fiscal year basis, General Fund school aid spending is projected to grow by \$1.4 billion in 2008-09, \$1.6 billion in 2009-10, and \$1.6 billion in 2010-11. Outside the General Fund, revenues from lottery sales are projected to increase by \$137 million in 2008-09, \$97 million in 2009-10, and \$27 million in 2010-11, to a total of \$2.2 billion in 2008-09 growing to a total of \$2.3 billion in 2010-11. In addition, VLT revenues are projected to increase by \$63 million in 2008-09, \$188 million in 2009-10, and \$651 million in 2010-11, to a total of \$570 million in 2008-09 and growing to \$1.4 billion in 2010-11. The VLT estimates assume the start of operations at Aqueduct in 2009-10 and the approval of a proposed expansion plan in 2008-09.

The Updated Financial Plan assumes that certain school aid initiatives included in the 2007-08 Enacted Budget Financial Plan are non-recurring. Specifically, High Tax Aid (\$100 million); Supplemental Public Excess Cost Aid (\$17 million) and the New York City Academic Achievement Grant (\$89 million) are non-recurring. In future years, projected school aid increases are primarily due to increases in Foundation Aid;



Universal Pre-kindergarten expansion; and increases in expense-based aids such as Building Aid and Transportation Aid.

### *Higher Education*

Spending for higher education programs is projected to grow by \$75 million in 2008-09, \$55 million in 2009-10, and \$28 million in 2010-11. This growth is largely driven by increases in State aid to the City University (CUNY), where the State supports senior college operations and works in conjunction with the City of New York to finance community colleges. The additional support to CUNY allows for continued implementation of strategic objectives and includes: establishing a more rigorous and selective university system, creating a flagship environment, fostering a research environment, improving CUNY's teacher education programs, expanding collaborative and outreach programs with the New York City Board of Education, and facilitating economic development.

### *Mental Hygiene*

Mental Hygiene spending is projected at \$2.1 billion in 2008-09, \$2.3 billion in 2009-10, and \$2.4 billion in 2010-11. The growth is largely attributable to increases in the projected State share of Medicaid costs, cost-of-living increases, projected expansions of the various mental hygiene service systems including the Office of Mental Health's (OMH's) Children's Services, increases in the NYS-CARES program and in the development of children's beds to bring children back from out-of-state placements in OMRDD, the NY/NY III Supportive Housing agreement and community bed expansion in OMH, and several new chemical dependence treatment and prevention initiatives.

### *Children and Family Services*

Children and Family Services spending is projected to grow by \$163 million in 2008-09, \$121 million in 2009-10 and \$133 million in 2010-11. The increases are driven primarily by expected growth in local child welfare claims, the impact of the expected delay in obtaining the Office of Children and Family Services Medicaid waiver, and cost-of-living increases.

### *Temporary and Disability Assistance*

Spending is projected at \$1.4 billion in 2008-09, an increase of \$46 million (3.2 percent) from 2007-08, and is expected to remain at virtually the same level in 2009-10 and 2010-11. Caseloads for family assistance and single adult/childless couples are projected to decline marginally. This reduction is countered by the reduction in available public assistance offsets, which increases the level of General Fund resources needed.

### *Other Local*

All other local assistance programs total \$3.9 billion in 2008-09, an increase of approximately \$324 million over 2007-08 Enacted Budget Financial Plan levels. This growth in spending results primarily from increases in local government assistance (\$380 million) as unrestricted aid to New York City is expected to return to prior-year levels (\$308 million increase) and additional AIM funding for "high need" municipalities increases another \$50 million above 2007-08 levels, offset by a decline in other education aid reflecting legislative member item spending in 2007-08 that is expected to be a one-time cost.

## State Operations

Forecast of Selected Program Measures Affecting State Operations					
	Actual	Forecast			
	2006-07	2007-08	2008-09	2009-10	2010-11
<b>State Operations</b>					
Prison Population (Corrections)	63,577	63,400	63,400	63,400	63,400
Negotiated Salary Increases <sup>(1)</sup>	3.00%	0.0%	0.0%	0.0%	0.0%
Personal Service Inflation	0.8%	0.8%	0.8%	0.8%	0.8%
State Workforce	195,526	198,388	199,218	199,385	199,385

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

State Operations spending is expected to total \$10.0 billion in 2008-09, an annual increase of \$403 million (4.2 percent). In 2009-10, spending is projected to grow by another \$391 million to a total of \$10.4 billion (3.9 percent). Spending in 2010-11 is projected to total \$10.7 billion, \$256 million above 2009-10 levels (2.5 percent). These increases reflect salary adjustments for performance advances, longevity payments and promotions, and increased staffing levels, primarily in mental health and corrections. Inflationary increases for non-personal service costs result in higher spending in all years. Additional growth is driven by spending for ongoing initiatives, including the civil commitment program for sexual offenders, and medical and pharmacy costs in the areas of mental hygiene and corrections. The projections do not include any reserve for salary increases and labor settlements after the current round of contracts, which expired on April 1, 2007 (United University Professions contracts expired on July 1, 2007).

The agencies experiencing the most significant personal service and non-personal service growth from 2007-08 to 2008-09 are depicted in the charts below, followed by brief descriptions.

## Personal Service

General Fund - Personal Service (millions of dollars)				
	2007-08	2008-09	Annual \$ Change	Annual % Change
<b>Total</b>	<b>6,679</b>	<b>6,934</b>	<b>255</b>	<b>3.8%</b>
Judiciary	1,312	1,407	95	7.2%
Mental Health	478	540	62	13.0%
Correctional Services	1,818	1,843	25	1.4%
State University	890	911	21	2.4%
State Police	383	402	19	5.0%
Children and Family Services	157	168	11	7.0%
Public Health	72	82	10	13.9%
Medicaid Inspector General	11	20	9	81.8%
Tax and Finance	209	216	7	3.3%
All Other	1,349	1,345	(4)	-0.3%

- **Judiciary.** Reflects projections provided by the Office of Court Administration (OCA) for collective bargaining agreements for OCA employees, as well as the annualization of prior year

judicial actions, including making part-time judges full-time, and the addition of Court of Claims and Family Judges.

- **Mental Health.** Base growth reflects the loss of non-recurring revenue maximization/savings actions (\$29 million); additional costs resulting from recent legislation related to civil confinement for sexual offenders (\$15 million); annualization of prior year and current year initiatives, including a new pharmaceutical initiative, additional research jobs, Workplace Violence Prevention Act, Jonathan's Law and the Special Housing Unit bill (\$11 million); and contractual salary increases (\$7 million).
- **Correctional Services.** Growth is primarily attributable to recent legislation related to civil confinement for sexual offenders and the restricted use of special housing units for mentally ill inmates that are expected to result in an increased need for correction officers.
- **State University.** Reflects funding for inflationary increases at the State University of New York (SUNY). The total taxpayer-supported workforce for SUNY is approximately 24,000 positions. The annual growth is driven largely by costs associated with contractual salary increases, multi-year initiatives and legislative additions.
- **State Police.** The growth is driven primarily by the State Police's takeover of patrol costs on Interstate highway 84 in 2008-09 that were previously financed with proceeds from toll revenues that have been discontinued.
- **Children and Family Services.** Primarily reflects the expected loss of non-recurring Federal revenue used to offset General Fund costs (\$5 million), the full annual cost of 218 new youth facility jobs (\$4 million), and salary adjustments (\$1 million).
- **Public Health.** Primarily reflects the annualization of 79 new positions included in the 2007-08 Budget as well as anticipated cost increases associated with filling vacant positions.
- **Medicaid Inspector General.** Newly created agency is expected to continue to expand operations in 2008-09 in order to be able to fulfill agency goals. The agency expects cost to increase as currently vacant positions are filled.
- **Tax and Finance.** Reflects the annualization of 200 additional full-time employees added for audit and information technology purposes.

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**Non-Personal Service**

<b>General Fund - Non-Personal Service</b> (millions of dollars)				
	<u>2007-08</u>	<u>2008-09</u>	<u>Annual \$</u> <u>Change</u>	<u>Annual %</u> <u>Change</u>
<b>Total</b>	<b>2,934</b>	<b>3,082</b>	<b>148</b>	<b>5.0%</b>
Correctional Services	596	637	41	6.9%
State University	428	449	21	4.9%
Mental Health	271	290	19	7.0%
Mental Retardation	249	264	15	6.0%
State Police	70	82	12	17.1%
Children and Family Services	100	109	9	9.0%
Judiciary	298	306	8	2.7%
Public Health	117	124	7	6.0%
Homeland security	22	27	5	22.7%
All Other	783	794	11	1.4%

- **Correctional Services.** Growth is primarily driven by the escalating costs of providing health care services and prescription drugs to inmates, as well as recent legislation related to the civil confinement for sexual offenders and the restricted use of special housing units for mentally ill inmates.
- **State University.** Primarily reflects funding for inflationary increases at SUNY, as gauged by the Higher Education Price Index (HEPI). The HEPI, which is usually 3-5 percent annually, is a more accurate indicator of changes in costs for colleges and universities than the more familiar Consumer Price Index. The spending growth is also related to the additional need for supplies and equipment associated with the hiring of more full-time faculty.
- **Mental Health.** Primarily reflects overall inflationary increases, including assumed 4 percent increases for energy costs and roughly 10 percent for pharmacy costs (\$15 million) and additional costs resulting from the Sex Offender Management and Treatment Act (\$3 million)
- **Mental Retardation.** Primarily reflects a 2.5 percent overall inflationary increase (\$9 million) as well as a roughly 10 percent increase for pharmacy costs (\$5 million).
- **State Police.** Spending growth is primarily driven by the loss of cellular surcharge revenues supporting certain non-personal service costs.
- **Children and Family Services.** Growth is driven by the loss of Federal revenues supporting development costs of the child welfare computer system (\$5 million), general inflation (\$3 million) and projected Office for Technology rate increases for services provided to the agency (\$1 million).
- **Judiciary.** The increase is driven by inflation and increasing court security costs, Law Guardian / Assigned Counsel costs and additional costs generated by each new judgeship.

- **Public Health.** Reflects the full annual cost of new and enhanced investments (i.e., Vital Records Program, federally mandated Payment Error Rate Measurement) authorized in the 2007-08 Enacted Budget Financial Plan and other associated non-personal service costs (i.e., technology upgrades, infrastructure improvements) to ensure appropriate auditing and surveillance capabilities and other measures to protect the public health.
- **Homeland Security.** Primarily reflects costs driven by the Oneida Training Center project, which will provide training of all State First Responders/Potential First Responders in the event of an emergency (e.g., a terrorist attack or natural disaster).

### General State Charges

Forecast of Selected Program Measures Affecting General State Charges					
	Actual		Forecast		
	2006-07	2007-08	2008-09	2009-10	2010-11
<b>General State Charges</b>					
Pension Contribution Rate	10.2%	9.5%	9.2%	9.2%	9.2%
Employee/Retiree Health Insurance Rate	10.3%	5.8%	12.8%	10.0%	9.6%

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

The State's pension contribution rate to the New York State and Local Retirement System is expected to decrease from 9.5 percent of salary in 2007-08 to 9.2 percent in 2008-09 and beyond. Pension spending in 2008-09 is projected to total \$1.3 billion, an increase by \$101 million over 2007-08 due to projected growth in the salary base. In 2009-10 and 2010-11 pension costs are expected to remain virtually unchanged.

History and Forecast of New York State Employee Health Insurance (millions of dollars)			
Year	Health Insurance		
	Active Employees	Retirees	Total State
2006-07	1,518	913	2,431
2007-08	1,508	1,064	2,572
2008-09	1,695	1,205	2,900
2009-10	1,834	1,357	3,191
2010-11	1,972	1,526	3,498

All numbers reflect the cost of Health Insurance for General State Charges (Executive and Legislative branches) and the Office of Court Administration. The Retiree estimates for 2007-08 and beyond are taken from the GASB 45 Actuarial Valuation Report completed by Buck Consultants and issued on May 15, 2007.

Spending for employee and retiree health care costs is expected to increase by \$328 million in 2008-09, \$291 million in 2009-10, and another \$307 million in 2010-11 and assumes an average annual premium increase of roughly 10 percent. Health insurance is projected at \$2.9 billion in 2008-09 (\$1.7 billion for active employees and \$1.2 billion for retired employees), \$3.2 billion in 2009-10 (\$1.8 billion for active

employees and \$1.4 billion for retired employees), and \$3.5 billion in 2010-11 (\$2.0 billion for active employees and \$1.5 billion for retired employees). See discussion of the Governmental Accounting Standards Board (GASB) 45 later in this Updated Financial Plan for the valuation of future state health insurance costs for State employees.

### **Transfers to Other Funds**

<b>Outyear Disbursement Projections - Transfers to Other Funds</b>				
<b>(millions of dollars)</b>				
	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
<b>Transfers to Other Funds:</b>	<b>2,578</b>	<b>3,006</b>	<b>3,072</b>	<b>3,520</b>
Debt Service	1,578	1,703	1,692	1,721
Capital Projects	<u>89</u>	<u>400</u>	<u>534</u>	<u>945</u>
Dedicated Highway and Bridge Trust Fund Support	0	139	289	690
All Other Capital	89	261	245	255
All Other Transfers	<u>911</u>	<u>903</u>	<u>846</u>	<u>854</u>
Medicaid Payments for State Facility Patients	174	174	174	174
Lottery and VLT Support for School Aid	157	0	0	0
Judiciary Funds	164	162	162	162
SUNY- Hospital Operations	120	141	159	167
Banking Services	69	69	69	69
Empire State Stem Cell Trust Fund	25	75	0	0
Statewide Financial System	0	50	50	50
All Other	202	232	232	232

In 2008-09, transfers to other funds are estimated at \$3.0 billion, an increase of \$428 million over 2007-08. Consistent with the Enacted Budget Financial Plan, this increase is primarily attributed to an increase in capital projects transfers that includes the first in a series of annual transfers to the Dedicated Highway and Bridge Trust Fund aimed at reducing fund gaps.

Other increases include annual transfers of \$50 million beginning in 2008-09 to support development of a single Statewide financial system, an increase of \$50 million in 2008-09 for stem cell research, and a return to normal patterns for both SUNY Hospital State subsidy payments and Statewide debt service requirements (\$21 million and \$125 million increase, respectively) after accelerations of 2007-08 payments into 2006-07. In 2009-10 and 2010-11, transfers to other funds are expected to increase by \$66 million and \$448 million, respectively, as capital transfers to the Dedicated Highway and Bridge Trust Fund rise by an additional \$150 million and \$401 million in each of those years.

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## FIRST QUARTER OPERATING RESULTS

### GENERAL FUND

#### Year-to-Date Results vs. Enacted Budget Projections

The General Fund ended the first quarter of the 2007-08 fiscal year with a cash balance of \$2.9 billion, \$1.3 billion lower than the Enacted Budget Financial Plan projection. This variance is attributable to \$1.1 billion in spending occurring earlier than planned and \$162 million in lower than expected receipts.

2007-08 Fiscal Year				
Year-to-Date Results Through June 2007				
General Fund Results vs. Enacted Budget Projection				
(millions of dollars)				
	Enacted Budget Projection	Actual Results	Favorable/ (Unfavorable) vs. Plan	Increase/ (Decrease) from Prior Year
Opening Balance (April 1, 2007)	3,045	3,045	n/a	(212)
<b>Receipts</b>	<b>14,919</b>	<b>14,757</b>	<b>(162)</b>	<b>(196)</b>
Personal Income Tax	7,095	7,179	84	(73)
User Taxes and Fees	2,133	2,179	46	139
Business Taxes	1,509	1,308	(201)	(102)
All Other Taxes, Receipts & Grants	824	797	(27)	(178)
Transfers From Other Funds	3,358	3,294	(64)	18
<b>Disbursements</b>	<b>13,779</b>	<b>14,921</b>	<b>(1,142)</b>	<b>1,196</b>
Local Assistance	8,655	9,512	(857)	1,053
State Operations				
Personal Service	2,074	2,048	26	156
Non-Personal Service	576	716	(140)	66
General State Charges	1,804	1,910	(106)	(22)
Transfers To Other Funds	670	735	(65)	(57)
<b>Change in Operations</b>	<b>1,140</b>	<b>(164)</b>	<b>(1,304)</b>	<b>(1,392)</b>
<b>Closing Balance (June 30, 2007)</b>	<b>4,185</b>	<b>2,881</b>	<b>(1,304)</b>	<b>(1,604)</b>

Through June 2007, General Fund receipts, including transfers from other funds, totaled \$14.8 billion, or \$162 million lower than the Enacted Budget Financial Plan forecast. This small variance is primarily due to lower than projected business taxes (\$201 million), other taxes (\$29 million) and miscellaneous receipts (\$71 million) offset by higher than expected receipts from the personal income tax (\$84 million) and the sales tax (\$76 million).

General Fund disbursements through June totaled \$14.9 billion, \$1.1 billion higher than projected. The largest spending variances include:

- School Aid (\$235 million higher than planned): The variance is resulting from earlier than expected payments for remaining general aid for the 2006-07 and prior school years (\$142 million), for the Early Grade Class Size Reduction Program and the Universal Pre-kindergarten programs (\$82 million) and for categorical type program aid (\$11 million).

- Medicaid, including administration (\$181 million higher than planned): Driven by variations from the anticipated timing of cost containment savings included in the 2007-08 Enacted Budget Financial Plan and other available resources used to support Medicaid costs.
- Special Education (\$229 million higher than planned): Reflects earlier-than-projected claiming during the first three months of the fiscal year in preschool programs (\$158 million), summer school programs (\$70 million), and State-supported special education schools serving blind and deaf pupils (\$1 million).
- SUNY Aid payments to community colleges (\$104 million higher than expected): Reflects earlier than projected payments to community colleges.
- General State Charges (\$106 million higher than planned): Reflects an earlier than projected payment of the Judiciary pension bill (\$133 million) in May rather than July.
- Capital (\$71 million higher than projected): Reflects earlier than expected spending for a variety of economic development programs.
- Non-Personal Service (\$140 million higher than planned) due to variations from the anticipated spending patterns across all agencies.

### **Annual Change (First Quarter)**

Through June 2007, General Fund receipts totaled \$14.8 billion, a decrease of \$196 million or 1.3 percent, compared to the same period in 2006-07. This small annual decrease is largely attributable to declines in business taxes and miscellaneous receipts and a slowdown in personal income tax growth.

General Fund spending through June 2007 was \$1.2 billion, or 8.7 percent, higher than actual results through the same period for fiscal year 2006-07.

The causes of annual growth by program include:

- Education: \$295 million of higher school aid “tail” payments for the 2006-07 school year augmented by growth in special education spending attributable to the timing of spending on claims-based preschool education (\$55 million);
- Welfare: \$180 million in growth driven by the timing of the public assistance offset transaction;
- CUNY: \$107 million for subsidy payments to New York City, reflecting discontinuation of the deferral provided in 2006-07;
- SUNY: \$100 million due to earlier than expected payments to community colleges;
- Medicaid Administration: Initial implementation of the Medicaid cap which resulted in lower spending in the first quarter of the prior year (\$89 million); and
- State Operations: Negotiated salary increases and inflation.



**ALL GOVERNMENTAL FUNDS****Year-to-Date Results vs. Enacted Budget Projections**

<b>2007-08 Fiscal Year</b>				
<b>Year-to-Date Results Through June 2007</b>				
<b>All Governmental Funds vs. Enacted Budget Projection</b>				
<b>(millions of dollars)</b>				
	<b>Enacted Budget Projection</b>	<b>Actual Results</b>	<b>Favorable/ (Unfavorable) vs. Plan</b>	<b>Increase/ (Decrease) from Prior Year</b>
<b>Total Receipts</b>	<b><u>29,120</u></b>	<b><u>28,507</u></b>	<b><u>(613)</u></b>	<b><u>649</u></b>
Personal Income Tax	9,769	9,882	113	213
User Taxes and Fees	3,595	3,630	35	183
Business Taxes	2,035	1,824	(211)	(74)
Other Taxes	502	532	30	(30)
Miscellaneous Receipts	4,565	4,593	28	664
Federal Grants	8,654	8,046	(608)	(307)
<b>Total Disbursements</b>	<b><u>26,295</u></b>	<b><u>26,971</u></b>	<b><u>(676)</u></b>	<b><u>1,480</u></b>
General Fund*	13,109	14,186	(1,077)	1,253
Special Revenue Funds*	11,038	10,671	367	91
Capital Projects Funds*	1,440	1,343	97	146
Debt Service Funds*	708	771	(63)	(10)

\* Excludes Transfers

Through June 2007, All Funds receipts totaled \$28.5 billion, or \$613 million lower than the Enacted Budget forecast. Tax receipts totaled \$15.9 billion, or \$33 million lower than the Enacted Budget forecast. This is primarily a result of lower than anticipated collections in business taxes (\$211 million) offset by higher than expected collections in the personal income tax (\$113 million), user taxes and fees (\$35 million) and other taxes (\$30 million). Federal grants fell below the estimated forecast due to the inherent difficulty in predicting the timing of Federal aid.

Through June 2007, All Funds disbursements totaled \$27.0 billion, \$676 million above the Enacted Budget Financial Plan projection. General Fund overspending of \$1.1 billion was offset by lower than projected Special Revenue Funds spending (\$367 million,) and capital projects spending (\$97 million).

**Annual Change (First Quarter)**

Through June 2007, total taxes increased by \$292 million, or 2.0 percent, compared to the same period in 2006-07. This decrease is largely attributable to two factors. First, there were large audit recoveries in business taxes in 2006 and the timing of receipts in the current fiscal year. Second, the child credit enacted in 2006 significantly increased income tax refunds.

Compared to the same period in 2006-07, Special Revenue funds disbursements were \$91 million higher, due primarily to increases for STAR (\$232 million) and State Operations (\$80 million), offset by a decrease in social service spending. The Capital Projects Funds increase of \$146 million from the prior year is primarily driven by increased transportation project spending.

## **CASH FLOW FORECAST**

In 2007-08, the General Fund is projected to have quarterly-ending balances of \$3.5 billion in September 2007, \$1.4 billion in December 2007 (the lowest projected month-end cash flow balance), and \$3.0 billion at the end of March 2008.

State Funds quarterly-ending balances are expected to be \$7.5 billion in September 2007, \$3.9 billion in December 2007, and \$5.8 billion at the end of March 2008. In addition to the General Fund cash flow, the State Funds cash flow includes the operations and resulting balances in State Special Revenue Funds, State Capital Projects Funds, and Debt Service Funds. State Funds excludes Federal Aid, which is generally received and disbursed in the same month.

The 2007-08 closing fund balance in the Special Revenue Funds is expected to total \$2.9 billion and primarily reflects the timing of receipts that often occur prior to spending. The largest fund balances appear in accounts that are dedicated to finance State University programs (\$644 million), mass transportation programs (\$507 million), HCRA programs (\$243 million), and school aid (\$101 million). The remaining fund balances are held in numerous funds and accounts that support a variety of programs including industry regulation, public health, and public safety.

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## **ECONOMIC FORECAST**

### **THE NATIONAL ECONOMY**

Consistent with the estimates contained in the 2007-08 Enacted Budget Financial Plan forecast, the national economy was substantially weakened during the first quarter of 2007 by falling business inventories and the continued decline in residential construction. Though DOB expects the housing market to continue to contract through early 2008, the overall economy is estimated to have rebounded during the second quarter, growing at approximately its long-term trend rate of about 3 percent. Economic growth in the 3 percent range is expected for the remainder of 2007. DOB currently projects growth of 2.2 percent for this year, slightly below the enacted budget forecast. A weaker rebound in inventory growth and less robust net export growth account for most of this revision.

Though job growth has weakened since last year, the national labor market remains healthy as expected. Nonagricultural employment added an average of 145,000 jobs during the first six months of 2007, compared to average gains of about 189,000 in 2006 and 212,000 in 2005. DOB continues to project a slight deceleration in job growth for the remainder of 2007, accompanied by a gradual rise in the unemployment rate over the course of this year. Personal income growth has been revised up slightly to 5.8 percent for 2007, due primarily to upward revisions to non-wage income. U.S. corporate profits have remained strong, particularly for those firms benefiting from strong global growth. Nevertheless, profits growth for 2007 is still expected to be far below its 2006 peak, with growth of 5.6 percent now expected for this year.

Volatility in both food and energy prices remains a threat to overall price stability. Rising global demand for energy, combined with political turmoil, has sent oil prices back up to levels near last year's peak. Moreover, diversification into alternative fuels such as ethanol-based products is raising corn and other food prices. Thus, whereas global forces have traditionally been a source of downward pressure on domestic inflation, they have more recently been working in the opposite direction. Inflation of 2.6 percent, as measured by growth in the Consumer Price Index, is now projected for 2007, representing an upward revision from the Enacted Budget Financial Plan. Mounting inflation risks reinforce DOB's view that the Federal Reserve will maintain its short-term interest rate target for the foreseeable future. Consistent with the Enacted Budget, the 10-year Treasury yield is expected to gradually rise over the course of the year.

DOB's outlook for a quick return to long-term trend growth and a stable monetary policy stance through the end of 2007 remains unchanged from the Enacted Budget Financial Plan. However, there are a number of risks to the forecast. Persistently high energy and food prices, combined with a generally tight labor market, could serve to unanchor inflation expectations and result in even higher inflation than expected. That risk would be compounded by lower productivity growth than currently projected. Higher inflation, in turn, would likely induce the Federal Reserve to raise its short-term interest rate target, resulting in weaker profits and equity prices, further delays in the recovery of the housing market, and lower economic growth. Although DOB's outlook assumes that the turbulence in the subprime mortgage market will remain reasonably well contained, increased interest rate volatility could increase the risks originating from that source. On the other hand, lower energy prices or stronger than anticipated global growth could result in stronger economic growth than expected.

<b>U.S. Economic Indicators</b> (Percent change from prior calendar year)			
	<b>2006</b> <b>(Actual)</b>	<b>2007</b> <b>(Forecast)</b>	<b>2008</b> <b>(Forecast)</b>
Real U.S. Gross Domestic Product	3.3	2.2	3.0
Consumer Price Index	3.2	2.6	2.4
Personal Income	6.4	5.8	5.7
Nonagricultural Employment	1.9	1.4	1.3

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

## **THE NEW YORK STATE ECONOMY**

The New York economy has continued to grow as anticipated in the Enacted Budget forecast. Total New York nonfarm employment is projected to grow 0.8 percent for 2007, a marginal improvement from the Enacted Budget, with private sector job growth now projected at 0.9 percent. In contrast to the decline in construction jobs expected for the nation as a whole, construction employment in New York is actually projected to grow above 2 percent in 2007 due largely to demand generated by large commercial and public works projects. DOB's forecast for growth in State wages and salaries has been marginally lowered to 6.1 percent for 2007, due to a modest downward revision to bonus wages. However, growth in total New York personal income has been revised up to 5.9 percent, due to upward revisions in the non-wage components.

<b>New York State Economic Indicators</b> (Percent change from prior calendar year)			
	<b>2006</b> <b>(Estimate)</b>	<b>2007</b> <b>(Forecast)</b>	<b>2008</b> <b>(Forecast)</b>
Personal Income	6.7	5.9	5.5
Wages	7.5	6.1	5.4
Nonagricultural Employment	0.9	0.8	0.8

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

All of the risks to the forecast for the national economy apply to the State forecast as well, although interest rate risk and equity market volatility pose a particularly large degree of uncertainty for New York. Although ripple effects from the subprime mortgage market are not expected to have a significant impact on the national economy as a whole, the risks to New York are disproportionately great due to the importance of the finance industry to the State economy. However, these risks are expected to be balanced by continued growth in corporate earnings and continued strong demand for financial services, which disproportionately benefit New York firms. Should the Federal Reserve revert to a tight monetary policy earlier than anticipated, the negative impact would also disproportionately affect New York due to the impact on the finance industry. On the other hand, if national and global growth are stronger than expected, the State economy could expand faster than projected.

## **UPDATE ON RISKS TO THE FINANCIAL PLAN**

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

As discussed in the 2007-08 Enacted Budget report, the most significant short-term risks include the potential cost of collective bargaining agreements for State employees (each 1 percent increase is valued at \$86 million in the General Fund and \$135 million in All Funds) and salary increases for the Judiciary (and possibly other elected officials) in 2007-08 and beyond; potential Federal disallowances arising from audits related to Medicaid claims under the School Supportive Health Services program; the pending approval of a VLT expansion plan by 2010-11; proposed Federal rule changes concerning Medicaid payments; and under-performance of the national and State economies that can affect State revenues and increase the demand for means-tested programs such as Medicaid and welfare.

Although the profile of risks has not changed materially since the 2007-08 Enacted Budget, there have been some changes in particular risks that are highlighted below. In addition, the financial plan estimates now reflect a prior risk by assuming that Aqueduct will open in 2009-10. The Updated Financial Plan does not include the fiscal impact of outstanding legislation that has yet to be delivered to the Governor for his action. The most significant bills that could increase costs by a total of \$50 million in 2007-08 if all were approved include a revision to Medicaid eligibility calculations that would exclude income from moneys deposited in a trust fund for disabled individuals residing in a State facility; establishment of a waiting list for adult community housing and development of roughly 7,000 beds over the next five years through provider rental agreements; allowing a personal income tax credit for replacing home heating systems, from July 1, 2007 to July 1, 2009 and corporate franchise and personal income tax credits for certain clean heating fuels "bioheat" from July 1, 2007 to July 1, 2010.

### **Proposed Federal Rules on Medicaid Funding**

On May 25, 2007, CMS issued a final rule that, if implemented, would significantly curtail Federal Medicaid funding to public hospitals (including New York City's Health and Hospital Corporation (HHC)) and programs operated by both the State OMRDD and the State OMH.

The rule seeks to restrict State access to Federal Medicaid resources by changing the upper payment limit that established institutional rates are subject to from one based on Medicare payment principles to actual facility reported costs. It is estimated that this rule could result in a loss of \$350 million annually in Federal funds for HHC and potentially larger losses in aid for the State Mental Hygiene System.

On May 23, 2007, CMS issued another rule that would eliminate Medicaid funding for graduate medical education (GME). The proposed rule clarifies that costs and payments associated with GME programs are not expenditures of Medicaid for which Federal reimbursement is available. This rule could result in a Financial Plan impact of up to \$600 million since the State would be legally obligated to pay the lost non-Federal share.

The states affected by these regulations are challenging such adoption on the basis that CMS is overstepping its authority and ignoring the intent of Congress. As a result, Congress passed a one year moratorium barring implementation of these proposed rule changes.

Another regulation CMS has proposed could also pose a risk to the State's Financial Plan that is not covered by the aforementioned moratorium. On May 23, 2007, CMS proposed changes to the rules that regulate State taxation of healthcare entities. The proposal would essentially undo current authorized State flexibility and render a tax invalid if there is any "linkage" between the tax and a Medicaid payment. The State currently uses a substantial amount of provider tax receipts to finance various healthcare programs that serve the State's most vulnerable populations. While the State strongly believes that our imposed taxes are in full compliance, the vagueness of the new rules provides no assurance that these funding streams are adequately protected.

### **Video Lottery Terminal Expansion**

The State's four-year Financial Plan includes VLT revenue estimates from currently operating gaming facilities and from new facilities that have not yet been authorized by the Legislature. The current Financial Plan counts on VLT revenues from existing facilities totaling \$503 million in 2007-08 and \$570 million in 2008-09. Revenues are projected to increase to \$758 million in 2009-10 and \$1.4 billion in 2010-11, reflecting the expected opening of new facilities. VLT revenues support K-12 education spending and any shortfall is expected to be covered by the General Fund.

## **GAAP - BASIS FINANCIAL PLANS**

### **SUMMARY**

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

In 2007-08, the General Fund GAAP Financial Plan shows total revenues of \$45.2 billion, total expenditures of \$55.9 billion, and net other financing sources of \$10.2 billion, resulting in an operating deficit of \$611 million and a projected accumulated surplus of \$1.8 billion. These changes are due primarily to the use of a portion of the prior-and current-year surplus to support 2007-08 operations.

The GAAP basis results for 2006-07 showed the State in a net positive asset condition of \$48.9 billion.

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## Updated Multi-Year HCRA Financial Plan

<b>HCRA Financial Plan 2007-08 through 2010-11 (millions of dollars)</b>				
	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
<b>Opening Balance</b>	<b>706</b>	<b>243</b>	<b>(10)</b>	<b>(778)</b>
<b>Total Receipts</b>	<b>4,793</b>	<b>4,770</b>	<b>4,269</b>	<b>4,369</b>
Surcharges	1,926	2,070	2,122	2,175
Covered Lives Assessment	850	850	850	850
Cigarette Tax Revenue	601	625	616	607
Conversion Proceeds	999	834	284	334
Hospital Assessment (1 percent)	268	285	292	299
All Other	149	106	105	104
<b>Total Disbursements</b>	<b>5,256</b>	<b>5,023</b>	<b>5,037</b>	<b>4,952</b>
Medicaid Assistance Account	1,959	1,644	1,645	1,662
<i>Pharmacy Costs</i>	617	275	275	275
<i>Family Health Plus</i>	490	598	611	628
<i>Workforce Recruitment &amp; Retraining</i>	317	304	292	292
<i>All Other</i>	535	467	467	467
HCRA Program Account	1,160	1,174	1,226	1,226
Hospital Indigent Care	841	841	841	841
Elderly Prescription Insurance Coverage	471	422	422	422
Child Health Plus	349	379	399	404
Public Health Programs	150	138	137	137
Mental Health Programs	92	92	92	92
Stem Cell Research	0	50	50	50
All Other	234	283	225	118
<b>Annual Operating Surplus/(Deficit)</b>	<b>(463)</b>	<b>(253)</b>	<b>(768)</b>	<b>(583)</b>
<b>Closing Balance</b>	<b>243</b>	<b>(10)</b>	<b>(778)</b>	<b>(1,361)</b>

- Statutory authorization for HCRA expires on March 31, 2008 at which time a closing balance of \$243 million is projected.
- Since the Enacted Budget, the multi-year operational forecast has declined slightly as a result of additional revenues totaling \$196 million (primarily in surcharges), which is partially offset by an increase of \$162 million in estimated spending.
- Spending increases from the initial forecast include additional spending from prior year authorizations on discretionary programs funded from the Commissioner and legislative priority pools, Health Care Stabilization program, Bad Debt and Charity Care payments to clinics, Avian flu preparedness, Rural Hospital rate adjustments, and additional costs for marketing and outreach to expand Child Health Plus participation. In addition, spending has been increased for a technical revision to workforce recruitment and retention savings attributable to cost containment actions included in the Enacted Budget. Previously, these savings were fully budgeted as a State General Fund offset rather than directly affecting the General Fund as a result of the cap on local Medicaid costs.

- Consistent with the Enacted Budget assumptions, additional health insurance conversions are expected to result in \$284 million in proceeds in 2009-10 and \$334 million in proceeds in 2010-11.
- Based on revised projections, DOB projects HCRA will have a negative cash balance of \$10 million by the end of 2008-09. Annual operating gaps are projected in the range of \$600 million to \$800 million in 2009-10 and 2010-11, prior to any actions taken pursuant to reauthorization in 2008.
- Under the current HCRA appropriation structure, spending reductions will occur if resources are insufficient to meet spending levels. These spending reductions could potentially impact core HCRA programs and the fiscal status of the General Fund. The reauthorization of HCRA in prior years has maintained HCRA's solvency without the need for automatic spending reductions.

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## DEBT/CAPITAL UPDATE

### CAPITAL AND DEBT SUMMARY

The Updated Financial Plan reflects re-estimates to spending from capital authorizations provided in the Enacted Budget. These re-estimates reflect the impacts of first quarter actual spending and more recent program information for the anticipated activity levels over the next few fiscal years.

Transportation re-estimates are primarily for projects financed through the Dedicated Highway and Bridge Trust Fund, Federal grants, and the 2005 Rebuild/Renew New York General Obligation Bonds. Also included is revised spending for the World Trade Center area roadways. Revisions to economic development and higher education/education for the State University and State Education Department spending reflect differences from the paces at which spending was originally anticipated to occur and apply to projects across the State. The remaining re-estimates result from more recent information on program activity to date.

	<b>All Funds Projected Capital Projects Spending</b>				
	<b>(millions of dollars)</b>				
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
<b>Projected Capital Projects Funds Spending Enacted Budget</b>	<b>\$7,352</b>	<b>\$7,818</b>	<b>\$7,764</b>	<b>\$7,379</b>	<b>\$6,965</b>
<b>Total Spending Reestimates</b>	<b>(\$436)</b>	<b>(\$128)</b>	<b>(\$176)</b>	<b>(\$83)</b>	<b>\$88</b>
Economic Development/Government Oversight	(\$131)	(\$110)	(\$110)	(\$76)	\$21
Transportation (includes World Trade Center Roadways)	(\$183)	(\$38)	(\$22)	(\$53)	(\$78)
Education/Higher Education	(\$96)	(\$32)	(\$93)	(\$3)	\$145
Public Protection	(\$10)	\$73	\$51	\$50	\$0
All Other	(\$16)	(\$21)	(\$2)	(\$1)	\$0
<b>Projected Capital Projects Funds Spending First Quarter</b>	<b>\$6,916</b>	<b>\$7,690</b>	<b>\$7,588</b>	<b>\$7,296</b>	<b>\$7,053</b>

The Updated Financial Plan reflects reduced projected capital spending – both on-budget and off - by a total of approximately \$1 billion throughout the five-year plan period. These are primarily related to the areas of education (\$425 million) for SUNY and CUNY, economic development (\$592 million) which reflects slower than anticipated spending on a variety of projects, and general obligation programs (\$42 million), as partially offset by increases for correctional facilities (\$150 million).

The following tables summarize the net impact of these changes on State debt levels and debt service spending. The decreases in debt outstanding, debt issuances and debt service costs detailed below are consistent with the capital spending changes noted in the previous chart.

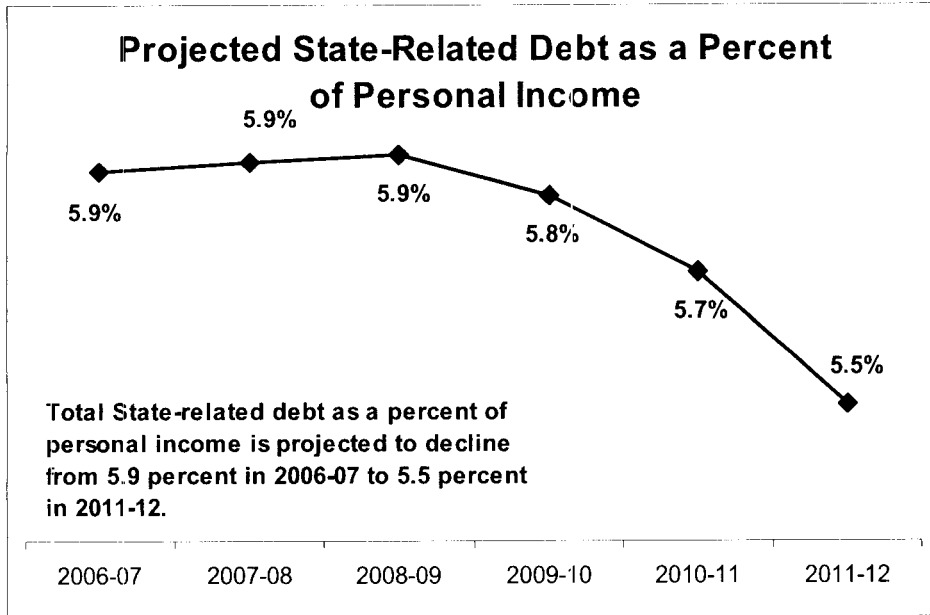
<b>Projected Debt Outstanding</b> (millions of dollars)					
	2007-08	2008-09	2009-10	2010-11	2011-12
Enacted Budget State-Related Debt Outstanding	51,975	55,043	57,140	58,501	58,652
SUNY / CUNY	(426)	(421)	(417)	(412)	(408)
Economic Development Initiatives	(60)	(118)	(200)	(258)	(248)
Regional Economic Growth	(57)	(95)	(132)	(129)	(88)
Semiconductor Manufacturing Facility	(102)	(145)	(133)	(120)	(55)
High Technology & Development	(10)	(43)	(69)	(76)	(66)
Correctional Facilities	0	51	101	151	148
All Other Reestimates	(182)	(343)	(326)	(209)	(107)
Subtotal	(837)	(1,114)	(1,176)	(1,053)	(824)
1st Quarter Update State-Related Debt Outstanding	\$ 51,138	\$ 53,929	\$ 55,964	\$ 57,448	\$ 57,828

<b>Projected Debt Issuances</b> (millions of dollars)					
	2007-08	2008-09	2009-10	2010-11	2011-12
Enacted Budget State-Related Debt Issuances	6,426	5,823	5,253	4,687	4,146
SUNY / CUNY	(432)	0	0	0	0
Economic Development Initiatives	(60)	(62)	(89)	(70)	(6)
Regional Economic Growth	(53)	(37)	(39)	(1)	38
Semiconductor Manufacturing Facility	(102)	(51)	0	0	51
High Technology & Development	(10)	(34)	(28)	(11)	5
Correctional Facilities	0	51	51	51	0
All Other Reestimates	(144)	(183)	(12)	88	91
Subtotal	(801)	(316)	(117)	57	179
1st Quarter Update State-Related Debt Issuances	\$ 5,625	\$ 5,507	\$ 5,136	\$ 4,744	\$ 4,325

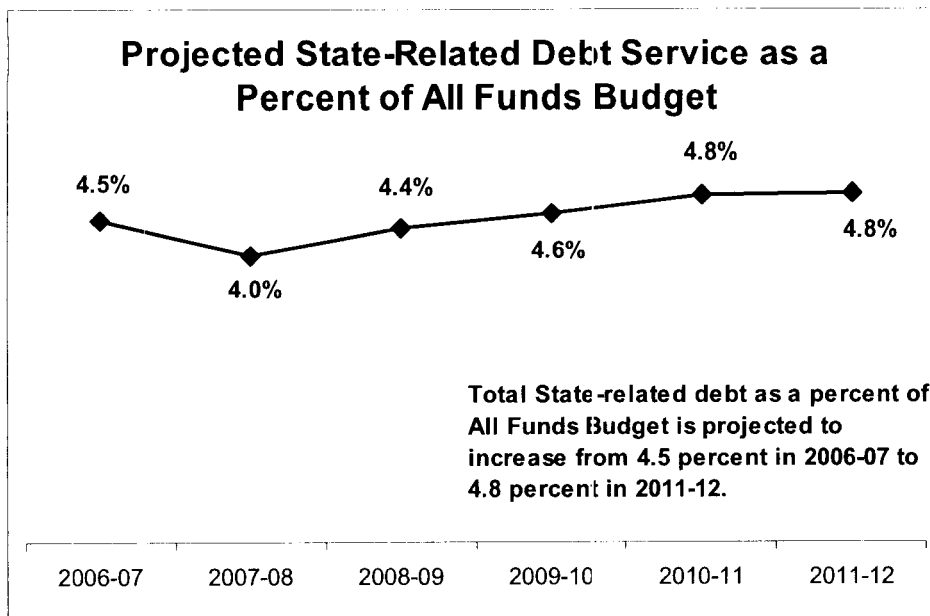
<b>Projected Debt Service</b> (millions of dollars)					
	2007-08	2008-09	2009-10	2010-11	2011-12
Enacted Budget State-Related Debt Service	4,745	5,469	5,928	6,541	6,815
SUNY / CUNY	(24)	(27)	(28)	(29)	(30)
Economic Development Initiatives	0	(6)	(13)	(23)	(31)
Regional Economic Growth	6	(2)	(6)	(11)	(11)
Semiconductor Manufacturing Facility	0	(13)	(21)	(20)	(20)
High Technology & Development	0	(1)	(5)	(8)	(9)
Correctional Facilities	0	1	5	8	10
All Other Reestimates	12	(11)	10	9	36
Subtotal	(6)	(59)	(58)	(74)	(55)
1st Quarter Update State-Related Debt Service	\$ 4,739	\$ 5,410	\$ 5,870	\$ 6,467	\$ 6,760

**DEBT AFFORDABILITY**

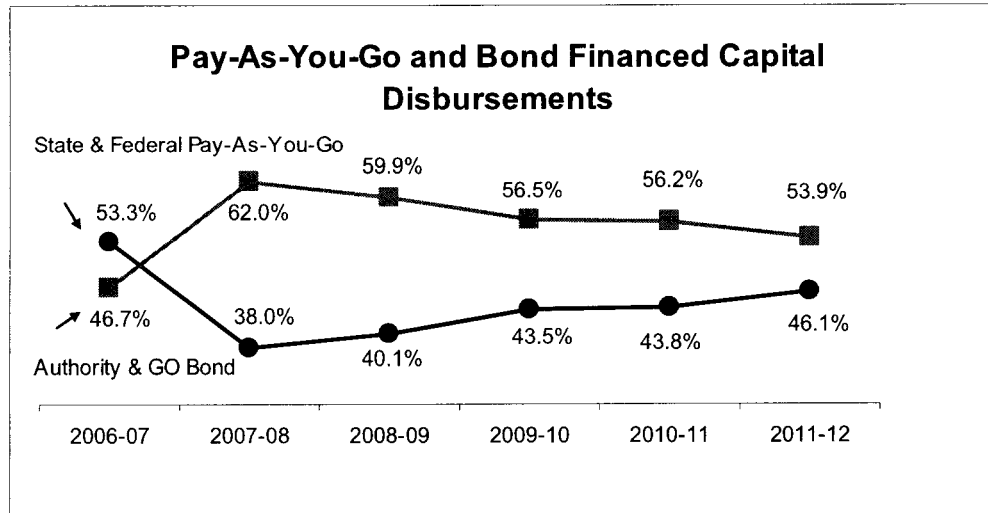
State debt levels and costs continue to remain affordable, based on a variety of debt measures commonly used by the financial community. Some key measures are summarized below. All measures reflect the total level of State-related debt issued or anticipated to be issued for all State purposes.



The projections from 2006-07 to 2011-12 reflect a roughly 4 percent average annual increase in debt levels and a roughly 5 percent annual average increase in statewide personal income.



Debt service costs are projected to increase by an average of 6.2 percent annually from 2006-07 levels, while All Funds receipts are projected to grow by 4.4 percent annually. The greater debt service costs primarily reflect the increased costs for transportation financed by the Dedicated Highway and Bridge Trust Fund, economic development and housing costs (regional economic development initiatives and high technology projects), education (primarily EXCEL and the expanding SUNY and CUNY capital programs), and health and mental hygiene (mental health services bonds and HEAL NY).



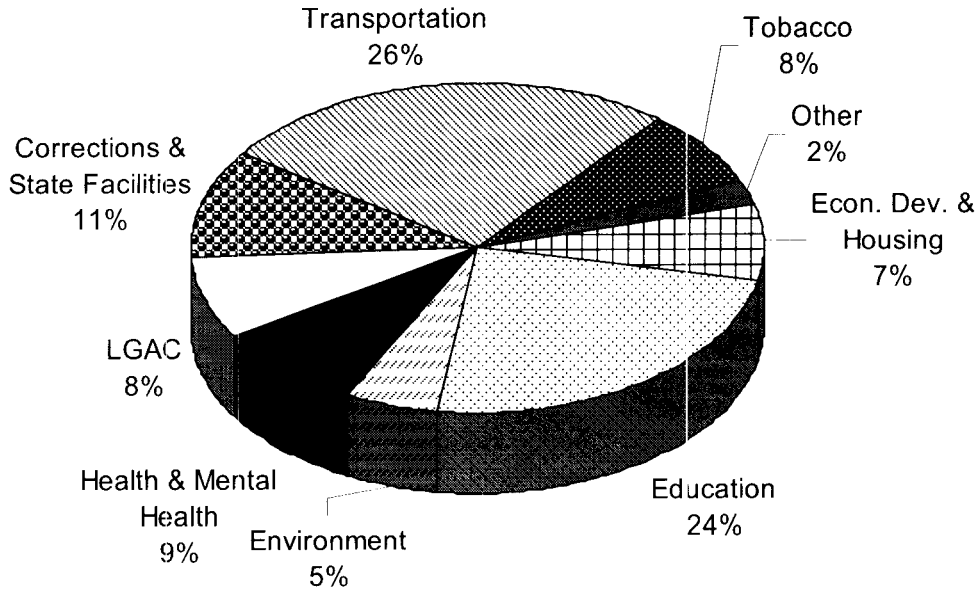
The level of projects financed with cash from both State and Federal sources (i.e., pay-as-you-go) is expected to average roughly 42 percent for the five years.

**DEBT OUTSTANDING**

The State’s debt levels are the result of three factors: (i) the amount of debt issued in prior years, (ii) the amount of capital spending that will be financed with new debt during the forecast period, and (iii) the amount of debt that is planned to be retired (paid off) during the forecast period.

The \$51 billion of projected State-related debt in 2007-08 consists of debt issued for each of the major programmatic areas as summarized below. The debt of the Local Government Assistance Corporation (LGAC) (issued to eliminate seasonal borrowing) and Tobacco bonds (issued to stabilize finances after September 11<sup>th</sup>) are not allocable to any specific functional area since they served a statewide purpose.

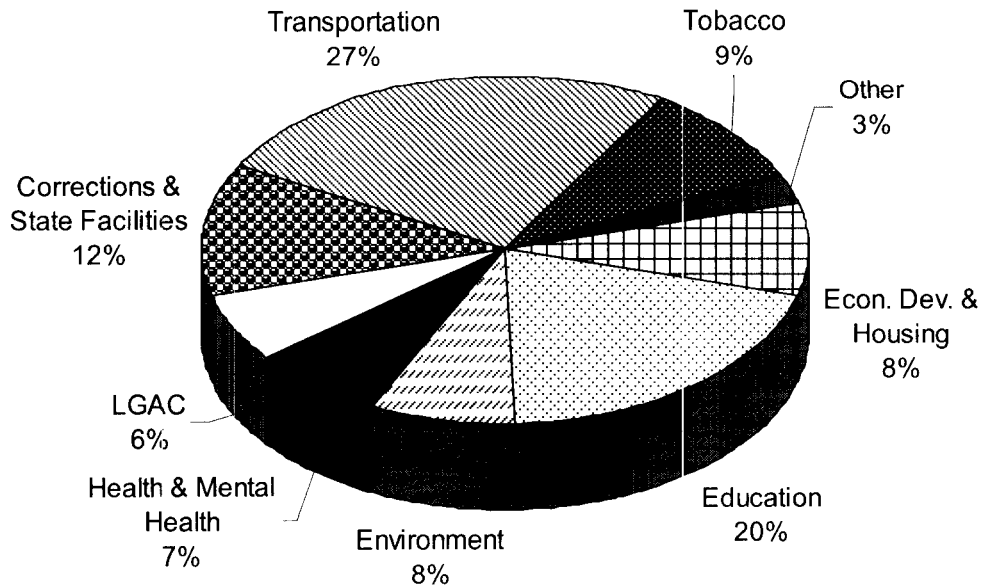
**Debt Outstanding by Function**  
**\$51 Billion Projected at March 31, 2008**



**DEBT SERVICE**

The following chart provides a summary of the major debt service costs by function. Significant bond-financed capital investments, primarily for transportation, education, corrections, economic development, mental hygiene facilities, and the environment, drive more than 80 percent of the State's debt service costs.

**Debt Service by Function**  
**\$4.7 Billion Projected in 2007-08 Budget**



<b>Capital Off-Budget Spending</b> (thousands of dollars)			
	<b>2006-07</b>	<b>2007-08</b>	
	<b>Actuals</b>	<b>First</b>	<b>Annual</b>
		<b>Quarterly</b>	<b>Change</b>
		<b>Update</b>	
<b>ECONOMIC DEVELOPMENT AND GOVERNMENTAL OVERSIGHT</b>			
Economic Development	117,581	104,450	(13,131)
<b>Empire State Development Corporation</b>	<u>11,634</u>	<u>31,800</u>	<u>20,166</u>
<b>Functional Total</b>	<u>129,215</u>	<u>136,250</u>	<u>7,035</u>
<b>TRANSPORTATION</b>			
Transportation, Department of	<u>349,484</u>	<u>347,250</u>	<u>(2,234)</u>
<b>Functional Total</b>	<u>349,484</u>	<u>347,250</u>	<u>(2,234)</u>
<b>HEALTH AND SOCIAL WELFARE</b>			
Health All Other	<u>17,956</u>	<u>8,750</u>	<u>(9,206)</u>
<b>Functional Total</b>	<u>17,956</u>	<u>8,750</u>	<u>(9,206)</u>
<b>MENTAL HEALTH</b>			
Mental Health, Office of	84,851	85,759	908
Mental Retardation and Developmental Disabilities, Office of	52,507	49,584	(2,923)
Alcohol and Substance Abuse Services, Office of	<u>1,960</u>	<u>2,879</u>	<u>919</u>
<b>Functional Total</b>	<u>139,318</u>	<u>138,222</u>	<u>(1,096)</u>
<b>EDUCATION</b>			
City University of New York	198,520	311,400	112,880
Education, Department of	299,217	1,455,210	1,155,723
<i>School Aid</i>	296,863	1,450,000	1,153,137
<i>All Other</i>	2,354	5,210	2,586
State University of New York	<u>116,581</u>	<u>140,000</u>	<u>23,419</u>
<b>Functional Total</b>	<u>614,318</u>	<u>1,906,610</u>	<u>1,292,022</u>
<b>ALL OTHER CATEGORIES</b>			
State Equipment	<u>41,097</u>	<u>0</u>	<u>(41,097)</u>
<b>Functional Total</b>	<u>41,097</u>	<u>0</u>	<u>(41,097)</u>
<b>TOTAL OFF-BUDGET CAPITAL SPENDING</b>	<u>1,291,388</u>	<u>2,537,082</u>	<u>1,245,424</u>

## Special Considerations

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

### *Davis v. Kentucky*

On May 21, 2007, the United States Supreme Court agreed to review the decision of the Court of Appeals of Kentucky in *Davis v. Kentucky Dep't of Revenue of the Finance and Admin. Cabinet*, 97S.W.3d557 (2007), which held that the disparate state tax treatment of interest income on obligations issued by the State of Kentucky or its political subdivisions and obligations issued by other states or their political subdivisions violated the Commerce Clause of the United States Constitution. Currently, the vast majority of states employ a tax system that provides a preferential treatment that exempts the interest income earned on in-state municipal bonds from state taxation while subjecting the interest income earned on extraterritorially-issued bonds to state taxation.

If the Kentucky decision is affirmed by the United States Supreme Court, a state, including New York State, could be required to eliminate any disparity between the tax treatment of obligations issued by such state and its political subdivisions or instrumentalities and the tax treatment of obligations issued by other states and their respective political subdivisions or instrumentalities. The Supreme Court decision could result in an estimated potential impact of up to \$200 million in claims for tax refunds arising out of income tax payments made in prior years. The preliminary estimate of the financial impact on the State of New York of discontinuing the practice of subjecting extraterritorially-issued municipal bonds to state income taxation is approximately \$70 million of lost tax revenues annually.

### *GASBS 45*

The net positive asset condition is before the State reflects the impact of GASBS 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions." GASBS 45 requires State and local governments to reflect the value of post-employment benefits, predominantly health care, for current employees and retirees beginning with the financial statements for the 2007-08 fiscal year.

The State used an independent actuarial consulting firm to calculate retiree health care liabilities. Assuming there is no pre-funding of this liability, the updated preliminary valuation indicates that the present value of the actuarial accrued total liability for benefits as of April 1, 2006 would be roughly \$49.7 billion, using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method. This is the actuarial methodology recommended to be used to implement GASBS 45. The actuarial accrued liability was calculated using a 4.1 percent annual discount rate.

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

determined required annual contribution under GASBS 45 would reduce the State's currently positive net asset condition of roughly \$48.9 billion at the end of 2006-07.

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

<b>New York State Employee Health Insurance (millions of dollars)</b>			
<b>Year</b>	<b>Active Employees</b>	<b>Retirees</b>	<b>Total</b>
2001-02	937	565	1,502
2002-03	1,023	634	1,657
2003-04	1,072	729	1,801
2004-05	1,216	838	2,054
2005-06	1,331	885	2,216
2006-07	1,518	913	2,431
2007-08	1,508	1,064	2,572
2008-09	1,695	1,205	2,900
2009-10	1,834	1,357	3,191
2010-11	1,972	1,526	3,498

1. The amounts for 2001-02 to 2006-07 are actuals. The remainder are estimates. The Retiree estimates for 2007-08 and the outyears are taken from the GASBS 45 Actuarial Valuation report completed by Buck Consultants and issued on May 15, 2007.

2. All numbers reflect the cost of Health Insurance for General State Charges (Executive and Legislative branches) and the Office of Court Administration; actuals through 2005-06.

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

## **GAAP-Basis Results for Prior Fiscal Years**

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



requirements, see the section in the AIS dated May 8, 2007 entitled "State Organization—Accounting, Financial Reporting and Budgeting."

Both the Basic Financial Statements and Comprehensive Annual Financial Reports for prior fiscal years can be obtained from the Office of the State Comptroller, 110 State Street, Albany, NY 12236 or at the OSC website at [www.osc.state.ny.us](http://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, 2007	202	(840)	92	501	(45)	2,384
March 31, 2006	1,636	3,128	(664)	(251)	3,849	2,182
March 31, 2005	827	833	361	89	2,110	546

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

**Summary of Net Assets  
(millions of dollars)**

<u>Fiscal Year Ended</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
March 31, 2007	45,327	3,599	48,926
March 31, 2006	45,997	3,136	49,133
March 31, 2005	41,190	2,645	43,835

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## **State Organization** \_\_\_\_\_

### **State Retirement Systems**

#### **Contributions**

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

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

The State paid, in full, its employer contributions for the fiscal year ending March 31, 2008. The payment of \$1,032.7 million was paid on June 1, 2007. This amount included the Judiciary bill and the amortization payments for the 2005 and 2006 bills.

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## Authorities and Localities

### Public Authorities

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

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

<b>Public Authority</b>	<b>State- Related Conduit (4)</b>	<b>Authority Revenue Bonding</b>	<b>Other Conduit Bonding</b>	<b>Total</b>
Dormitory Authority (5)	15,319	0	18,421	<b>33,740</b>
Metropolitan Transportation Authority	2,289	14,343	0	<b>16,632</b>
Port Authority of NY & NJ	0	12,330	0	<b>12,330</b>
Thruway Authority	8,942	1,861	0	<b>10,803</b>
Housing Finance Agency	1,365	6,485	0	<b>7,850</b>
Environmental Facilities Corporation	689	6,647	250	<b>7,586</b>
Triborough Bridge and Tunnel Authority	181	7,026	0	<b>7,207</b>
Long Island Power Authority (6)	0	7,117	0	<b>7,117</b>
UDC/ESDC	5,771	457	0	<b>6,228</b>
Local Government Assistance Corporation	4,204	0	0	<b>4,204</b>
Tobacco Settlement Financing Corporation	4,084	0	0	<b>4,084</b>
Energy Research and Development Authority (6)	9	0	3,655	<b>3,664</b>
State of New York Mortgage Agency	0	2,902	0	<b>2,902</b>
Power Authority	0	2,142	0	<b>2,142</b>
Battery Park City Authority	0	1,041	0	<b>1,041</b>
Convention Center Development Corporation	0	700	0	<b>700</b>
Municipal Bond Bank Agency	484	50	0	<b>534</b>
Niagara Frontier Transportation Authority	0	185	0	<b>185</b>
United Nations Development Corporation	0	128	0	<b>128</b>
<b>TOTAL OUTSTANDING</b>	<b>43,337</b>	<b>63,414</b>	<b>22,326</b>	<b>129,077</b>

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.

## **Other Localities**

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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 2007, the State Legislature authorized 14 bond issuances to finance local government operating deficits. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's 2007-08 fiscal year or thereafter.

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# Litigation

## Real Property Claims

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

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

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

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

In the *Canadian St. Regis Band of Mohawk Indians* case, plaintiffs seek ejection and monetary damages with respect to their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. By decision dated July 28, 2003, the District Court granted, in most respects, a motion by plaintiffs to strike defenses and dismiss counterclaims contained in defendants' answers. By decision dated October 20, 2003, the District Court denied the State's motion for reconsideration of that portion of the July 28, 2003 decision which struck a counterclaim against the United States for contribution. On February 10, 2006, after renewed efforts at settlement failed to resolve this action,

and recognizing the potential significance of the *Sherrill* and *Cayuga* appeals, the District Court stayed all further proceedings in this case until 45 days after the United States Supreme Court issued a final decision in the *Cayuga Indian Nation of New York* Case. On November 6, 2006, after certiorari was denied in *Cayuga*, the defendants moved for judgment on the pleadings.

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

## **West Valley Litigation**

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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.

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

	<u>2007-2008 Projected</u>	<u>2008-2009 Projected</u>	<u>2009-2010 Projected</u>	<u>2010-2011 Projected</u>
<b>Receipts:</b>				
Taxes:				
Personal income tax	23,071	24,426	26,025	27,841
User taxes and fees	8,527	8,900	9,271	9,634
Business taxes	6,679	6,707	6,913	6,928
Other taxes	1,135	1,211	1,342	1,425
Miscellaneous receipts	2,355	1,862	2,061	2,061
Federal grants	75	59	59	59
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,507	8,904	9,307	9,826
Sales tax in excess of LGAC debt service	2,321	2,363	2,468	2,579
Real estate taxes in excess of CW/CA debt service	636	614	594	597
All other transfers	690	407	380	414
<b>Total receipts</b>	<u>53,996</u>	<u>55,453</u>	<u>58,420</u>	<u>61,364</u>
<b>Disbursements:</b>				
Grants to local governments	37,279	41,544	45,457	48,865
State operations	9,613	10,016	10,407	10,663
General State charges	4,525	4,969	5,282	5,585
Transfers to other funds:				
Debt service	1,578	1,703	1,692	1,721
Capital projects	39	400	534	945
Other purposes	911	903	846	854
<b>Total disbursements</b>	<u>53,995</u>	<u>59,535</u>	<u>64,218</u>	<u>68,633</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>76</u>	<u>(63)</u>	<u>(62)</u>	<u>(151)</u>
<b>Deposit to/(use of) Rainy Day Reserve Fund</b>	<u>175</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Deposit to/(use of) Debt Reduction Reserve Fund</b>	<u>250</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Deposit to/(use of) Prior Year Reserves</b>	<u>(512)</u>	<u>(401)</u>	<u>(401)</u>	<u>(401)</u>
<b>Deposit to/(use of) Current Year Reserves</b>	<u>12</u>	<u>(4)</u>	<u>(4)</u>	<u>(4)</u>
<b>Margin</b>	<u>0</u>	<u>(3,614)</u>	<u>(5,331)</u>	<u>(6,713)</u>

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Source: NYS DOB

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

	<u>Enacted</u>	<u>Change</u>	<u>First Quarter</u>
<b>Opening fund balance</b>	<u>3,045</u>	<u>0</u>	<u>3,045</u>
<b>Receipts:</b>			
Taxes:			
Personal income tax	22,885	186	23,071
User taxes and fees	8,565	(38)	8,527
Business taxes	6,679	0	6,679
Other taxes	1,135	0	1,135
Miscellaneous receipts	2,485	(130)	2,355
Federal Grants	59	16	75
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,445	62	8,507
Sales tax in excess of LGAC debt service	2,320	1	2,321
Real estate taxes in excess of CW/CA debt service	561	75	636
All other	538	152	690
<b>Total receipts</b>	<u>53,672</u>	<u>324</u>	<u>53,996</u>
<b>Disbursements:</b>			
Grants to local governments	37,158	121	37,279
State operations	9,620	(7)	9,613
General State charges	4,530	(5)	4,525
Transfers to other funds:			
Debt service	1,579	(1)	1,578
Capital projects	82	7	89
Other purposes	715	196	911
<b>Total disbursements</b>	<u>53,684</u>	<u>311</u>	<u>53,995</u>
<b>Change in fund balance</b>	<u>(12)</u>	<u>13</u>	<u>1</u>
<b>Closing fund balance</b>	<u>3,033</u>	<u>13</u>	<u>3,046</u>
<b>Reserves</b>			
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	353	1	354
Debt Reduction Reserve Fund	250	0	250
Prior Year Reserves	1,203	0	1,203
Reserve From Current Year Operations	0	12	12

Source: NYS DOB



**CASH FINANCIAL PLAN  
GENERAL FUND  
2008-2009  
(millions of dollars)**

	<u>Enacted</u>	<u>Change</u>	<u>First Quarter</u>
<b>Receipts:</b>			
Taxes:			
Personal income tax	24,128	298	24,426
User taxes and fees	8,900	0	8,900
Business taxes	6,807	(100)	6,707
Other taxes	1,211	0	1,211
Miscellaneous receipts	2,054	(192)	1,862
Federal Grants	59	0	59
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,765	139	8,904
Sales tax in excess of LGAC debt service	2,363	0	2,363
Real estate taxes in excess of CW/CA debt service	614	0	614
All other	278	129	407
<b>Total receipts</b>	<u><u>55,179</u></u>	<u><u>274</u></u>	<u><u>55,453</u></u>
<b>Disbursements:</b>			
Grants to local governments	40,951	593	41,544
State operations	9,999	17	10,016
General State charges	4,949	20	4,969
Transfers to other funds:			
Debt service	1,709	(6)	1,703
Capital projects	277	123	400
Other purposes	865	38	903
<b>Total disbursements</b>	<u><u>58,750</u></u>	<u><u>785</u></u>	<u><u>59,535</u></u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u><u>(65)</u></u>	<u><u>2</u></u>	<u><u>(63)</u></u>
<b>Deposit to/(use of) Prior Year Reserves</b>	<u><u>(401)</u></u>	<u><u>0</u></u>	<u><u>(401)</u></u>
<b>Deposit to/(use of) Current Year Reserves</b>	<u><u>0</u></u>	<u><u>(4)</u></u>	<u><u>(4)</u></u>
<b>Margin</b>	<u><u>(3,105)</u></u>	<u><u>(509)</u></u>	<u><u>(3,614)</u></u>

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Source: NYS DOB

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

	<u>Enacted</u>	<u>Change</u>	<u>First Quarter</u>
<b>Receipts:</b>			
Taxes:			
Personal income tax	25,576	449	26,025
User taxes and fees	9,213	58	9,271
Business taxes	7,113	(200)	6,913
Other taxes	1,342	0	1,342
Miscellaneous receipts	2,456	(395)	2,061
Federal Grants	59	0	59
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,133	174	9,307
Sales tax in excess of LGAC debt service	2,469	(1)	2,468
Real estate taxes in excess of CW/CA debt service	670	(76)	594
All other	227	153	380
<b>Total receipts</b>	<u>58,258</u>	<u>162</u>	<u>58,420</u>
<b>Disbursements:</b>			
Grants to local governments	44,762	695	45,457
State operations	10,398	9	10,407
General State charges	5,342	(60)	5,282
Transfers to other funds:			
Debt service	1,706	(14)	1,692
Capital projects	489	45	534
Other purposes	798	48	846
<b>Total disbursements</b>	<u>63,495</u>	<u>723</u>	<u>64,218</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>(65)</u>	<u>3</u>	<u>(62)</u>
<b>Deposit to/(use of) Prior Year Reserves</b>	<u>(401)</u>	<u>0</u>	<u>(401)</u>
<b>Deposit to/(use of) Current Year Reserves</b>	<u>0</u>	<u>(4)</u>	<u>(4)</u>
<b>Margin</b>	<u>(4,771)</u>	<u>(560)</u>	<u>(5,331)</u>

Source: NYS DOB

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

	<u>Enacted</u>	<u>Change</u>	<u>First Quarter</u>
<b>Receipts:</b>			
Taxes:			
Personal income tax	26,979	862	27,841
User taxes and fees	9,539	95	9,634
Business taxes	7,392	(464)	6,928
Other taxes	1,425	0	1,425
Miscellaneous receipts	2,459	(398)	2,061
Federal Grants	59	0	59
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,505	321	9,826
Sales tax in excess of LGAC debt service	2,579	0	2,579
Real estate taxes in excess of CW/CA debt service	672	(75)	597
All other	259	155	414
<b>Total receipts</b>	<u><u>60,868</u></u>	<u><u>496</u></u>	<u><u>61,364</u></u>
<b>Disbursements:</b>			
Grants to local governments	48,347	518	48,865
State operations	10,644	19	10,663
General State charges	5,646	(61)	5,585
Transfers to other funds:			
Debt service	1,740	(19)	1,721
Capital projects	862	83	945
Other purposes	806	48	854
<b>Total disbursements</b>	<u><u>68,045</u></u>	<u><u>588</u></u>	<u><u>68,633</u></u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u><u>(151)</u></u>	<u><u>0</u></u>	<u><u>(151)</u></u>
<b>Deposit to/(use of) Prior Year Reserves</b>	<u><u>(401)</u></u>	<u><u>0</u></u>	<u><u>(401)</u></u>
<b>Deposit to/(use of) Current Year Reserves</b>	<u><u>0</u></u>	<u><u>(4)</u></u>	<u><u>(4)</u></u>
<b>Margin</b>	<u><u>(6,625)</u></u>	<u><u>(88)</u></u>	<u><u>(6,713)</u></u>

Source: NYS DOB

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

	<u>2006-2007 Actuals</u>	<u>2007-2008 First Quarter</u>	<u>Annual Change</u>
<b>Opening fund balance</b>	<u>3,257</u>	<u>3,045</u>	<u>(212)</u>
<b>Receipts:</b>			
Taxes:			
Personal income tax	22,939	23,071	132
User taxes and fees	8,186	8,527	341
Business taxes	6,468	6,679	211
Other taxes	1,075	1,135	60
Miscellaneous receipts	2,268	2,355	87
Federal grants	151	75	(76)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,136	8,507	1,371
Sales tax in excess of LGAC debt service	2,093	2,321	228
Real estate taxes in excess of CW/CA debt service	753	636	(117)
All other transfers	310	690	380
<b>Total receipts</b>	<u>51,379</u>	<u>53,996</u>	<u>2,617</u>
<b>Disbursements:</b>			
Grants to local governments	34,302	37,279	2,977
State operations	9,319	9,613	294
General State charges	4,403	4,525	122
Transfers to other funds:			
Debt service	1,906	1,578	(328)
Capital projects	389	89	(300)
Other purposes	1,272	911	(361)
<b>Total disbursements</b>	<u>51,591</u>	<u>53,995</u>	<u>2,404</u>
<b>Change in fund balance</b>	<u>(212)</u>	<u>1</u>	<u>213</u>
<b>Closing fund balance</b>	<u>3,045</u>	<u>3,046</u>	<u>1</u>
<b>Reserves</b>			
Tax Stabilization Reserve Fund	1,031	1,031	0
Statutory Rainy Day Reserve Fund	0	175	175
Contingency Reserve Fund	21	21	0
Community Projects Fund	278	354	76
Debt Reduction Reserve Fund	0	250	250
Prior Year Reserves	1,715	1,203	(512)
Reserve From Current Year Operations	0	12	12

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Source: NYS DOB

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

	<b>2006-2007 Actuals</b>	<b>2007-2008 First Quarter</b>	<b>Annual Change</b>
<b>Personal income tax</b>	22,939	23,071	132
<b>User taxes and fees</b>	8,186	8,527	341
Sales and use tax	7,539	7,867	328
Cigarette and tobacco taxes	411	429	18
Motor vehicle fees	(16)	(21)	(5)
Alcoholic beverages taxes	194	200	6
Alcoholic beverage control license fees	58	52	(6)
<b>Business taxes</b>	6,468	6,679	211
Corporation franchise tax	3,676	3,904	228
Corporation and utilities tax	626	618	(8)
Insurance taxes	1,142	1,176	34
Bank tax	1,024	981	(43)
<b>Other taxes</b>	1,075	1,135	60
Estate tax	1,063	1,114	51
Gift tax	(10)	0	10
Real property gains tax	0	0	0
Pari-mutuel taxes	21	20	(1)
Other taxes	1	1	0
<b>Total taxes</b>	38,668	39,412	744
<b>Miscellaneous receipts</b>	2,268	2,355	88
<b>Federal Grants</b>	151	75	(76)
<b>Total</b>	41,087	41,842	756

Source: NYS DOB

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

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

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
<b>Opening fund balance</b>	3,045	3,671	(228)	233	6,721
<b>Receipts:</b>					
Taxes	39,412	7,915	2,042	12,659	62,028
Miscellaneous receipts	2,355	13,609	3,408	671	20,043
Federal grants	75	1	0	0	76
<b>Total receipts</b>	<u>41,842</u>	<u>21,525</u>	<u>5,450</u>	<u>13,330</u>	<u>82,147</u>
<b>Disbursements:</b>					
Grants to local governments	37,279	16,645	451	0	54,375
State operations	9,613	5,787	0	60	15,460
General State charges	4,525	621	0	0	5,146
Debt service	0	0	0	4,128	4,128
Capital projects	0	3	4,560	0	4,563
<b>Total disbursements</b>	<u>51,417</u>	<u>23,056</u>	<u>5,011</u>	<u>4,188</u>	<u>83,672</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	12,154	1,365	300	5,446	19,265
Transfers to other funds	(2,578)	(869)	(929)	(14,548)	(18,924)
Bond and note proceeds	0	0	298	0	298
<b>Net other financing sources (uses)</b>	<u>9,576</u>	<u>496</u>	<u>(331)</u>	<u>(9,102)</u>	<u>639</u>
<b>Change in fund balance</b>	<u>1</u>	<u>(1,035)</u>	<u>108</u>	<u>40</u>	<u>(886)</u>
<b>Closing fund balance</b>	<u>3,046</u>	<u>2,636</u>	<u>(120)</u>	<u>273</u>	<u>5,835</u>

Source: NYS DOB

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

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Debt Service Funds</b>	<b>(MEMO) Total</b>
<b>Opening fund balance</b>	0	2,636	(120)	273	2,789
<b>Receipts:</b>					
Taxes	41,244	8,633	2,116	13,408	65,401
Miscellaneous receipts	1,862	13,705	3,453	680	19,700
Federal grants	59	1	0	0	60
<b>Total receipts</b>	<u>43,165</u>	<u>22,339</u>	<u>5,569</u>	<u>14,088</u>	<u>85,161</u>
<b>Disbursements:</b>					
Grants to local governments	41,544	16,830	452	0	58,826
State operations	10,016	5,859	0	60	15,935
General State charges	4,969	624	0	0	5,593
Debt service	0	0	0	4,739	4,739
Capital projects	0	3	5,165	0	5,168
<b>Total disbursements</b>	<u>56,529</u>	<u>23,316</u>	<u>5,617</u>	<u>4,799</u>	<u>90,261</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	12,288	1,361	654	5,707	20,010
Transfers to other funds	(3,006)	(660)	(1,024)	(14,969)	(19,659)
Bond and note proceeds	0	0	457	0	457
<b>Net other financing sources (uses)</b>	<u>9,282</u>	<u>701</u>	<u>87</u>	<u>(9,262)</u>	<u>808</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>(63)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(63)</u>
<b>Deposit to/(use of) Prior Year Reserves</b>	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
<b>Deposit to/(use of) Current Year Reserves</b>	<u>(4)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4)</u>
<b>Change in fund balance</b>	<u>(3,614)</u>	<u>(276)</u>	<u>39</u>	<u>27</u>	<u>(3,824)</u>
<b>Closing fund balance</b>	<u>(3,614)</u>	<u>2,360</u>	<u>(81)</u>	<u>300</u>	<u>(1,035)</u>

Source: NYS DOB



**CASH FINANCIAL PLAN  
STATE 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>
<b>Opening fund balance:</b>	0	2,360	(81)	300	2,579
<b>Receipts:</b>					
Taxes	43,551	9,157	2,187	14,178	69,073
Miscellaneous receipts	2,061	13,543	3,270	682	19,556
Federal grants	59	1	0	0	60
<b>Total receipts</b>	<u>45,671</u>	<u>22,701</u>	<u>5,457</u>	<u>14,860</u>	<u>88,689</u>
<b>Disbursements:</b>					
Grants to local governments	45,457	17,637	466	0	63,610
State operations	10,407	5,806	0	60	16,273
General State charges	5,282	639	0	0	5,921
Debt service	0	0	0	5,193	5,193
Capital projects	0	3	5,113	0	5,116
<b>Total disbursements</b>	<u>61,146</u>	<u>24,135</u>	<u>5,579</u>	<u>5,253</u>	<u>96,113</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	12,749	1,308	718	5,856	20,631
Transfers to other funds	(3,072)	(570)	(1,117)	(15,458)	(20,217)
Bond and note proceeds	0	0	608	0	608
<b>Net other financing sources (uses)</b>	<u>9,677</u>	<u>738</u>	<u>209</u>	<u>(9,602)</u>	<u>1,022</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>(62)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(62)</u>
<b>Deposit to/(use of) Prior Year Reserves</b>	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
<b>Deposit to/(use of) Current Year Reserves</b>	<u>(4)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4)</u>
<b>Change in fund balance</b>	<u>(5,331)</u>	<u>(696)</u>	<u>87</u>	<u>5</u>	<u>(5,935)</u>
<b>Closing fund balance</b>	<u>(5,331)</u>	<u>1,664</u>	<u>6</u>	<u>305</u>	<u>(3,356)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN  
STATE 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>
<b>Opening fund balance</b>	0	1,664	6	305	1,975
<b>Receipts:</b>					
Taxes	45,828	9,521	2,186	14,995	72,530
Miscellaneous receipts	2,061	14,434	3,119	683	20,297
Federal grants	59	1	0	0	60
<b>Total receipts</b>	<u>47,948</u>	<u>23,956</u>	<u>5,305</u>	<u>15,678</u>	<u>92,887</u>
<b>Disbursements:</b>					
Grants to local governments	48,865	18,638	442	0	67,945
State operations	10,663	5,910	0	61	16,634
General State charges	5,585	648	0	0	6,233
Debt service	0	0	0	5,803	5,803
Capital projects	0	2	4,980	0	4,982
<b>Total disbursements</b>	<u>65,113</u>	<u>25,198</u>	<u>5,422</u>	<u>5,864</u>	<u>101,597</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	13,416	1,315	1,001	6,262	21,994
Transfers to other funds	(3,520)	(486)	(1,458)	(16,090)	(21,554)
Bond and note proceeds	0	0	655	0	655
<b>Net other financing sources (uses)</b>	<u>9,896</u>	<u>829</u>	<u>198</u>	<u>(9,828)</u>	<u>1,095</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>(151)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(151)</u>
<b>Deposit to/(use of) Prior Year Reserves</b>	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
<b>Deposit to/(use of) Current Year Reserves</b>	<u>(4)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4)</u>
<b>Change in fund balance</b>	<u>(6,713)</u>	<u>(413)</u>	<u>81</u>	<u>(14)</u>	<u>(7,059)</u>
<b>Closing fund balance</b>	<u>(6,713)</u>	<u>1,251</u>	<u>87</u>	<u>291</u>	<u>(5,084)</u>

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Source: NYS DOB

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

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

Source: NYS DOB

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

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Debt Service Funds</b>	<b>(MEMO) Total</b>
<b>Opening fund balance</b>	<u>3,045</u>	<u>4,007</u>	<u>(432)</u>	<u>233</u>	<u>6,853</u>
<b>Receipts:</b>					
Taxes	39,412	7,915	2,042	12,659	62,028
Miscellaneous receipts	2,355	13,764	3,408	671	20,198
Federal grants	75	34,986	1,879	0	36,940
<b>Total receipts</b>	<u>41,842</u>	<u>56,665</u>	<u>7,329</u>	<u>13,330</u>	<u>119,166</u>
<b>Disbursements:</b>					
Grants to local governments	37,279	47,948	593	0	85,820
State operations	9,613	9,056	0	60	18,729
General State charges	4,525	866	0	0	5,391
Debt service	0	0	0	4,128	4,128
Capital projects	0	4	6,323	0	6,327
<b>Total disbursements</b>	<u>51,417</u>	<u>57,874</u>	<u>6,916</u>	<u>4,188</u>	<u>120,395</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	12,154	3,864	300	5,446	21,764
Transfers to other funds	(2,578)	(3,726)	(943)	(14,548)	(21,795)
Bond and note proceeds	0	0	298	0	298
<b>Net other financing sources (uses)</b>	<u>9,576</u>	<u>138</u>	<u>(345)</u>	<u>(9,102)</u>	<u>267</u>
<b>Change in fund balance</b>	<u>1</u>	<u>(1,071)</u>	<u>68</u>	<u>40</u>	<u>(962)</u>
<b>Closing fund balance</b>	<u>3,046</u>	<u>2,936</u>	<u>(364)</u>	<u>273</u>	<u>5,891</u>

Source: NYS DOB

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

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Debt Service Funds</b>	<b>(MEMO) Total</b>
<b>Opening fund balance</b>	0	2,936	(364)	273	2,845
<b>Receipts:</b>					
Taxes	41,244	8,633	2,116	13,408	65,401
Miscellaneous receipts	1,862	13,853	3,453	680	19,848
Federal grants	59	36,712	2,095	0	38,866
<b>Total receipts</b>	<u>43,165</u>	<u>59,198</u>	<u>7,664</u>	<u>14,088</u>	<u>124,115</u>
<b>Disbursements:</b>					
Grants to local governments	41,544	49,732	618	0	91,894
State operations	10,016	9,165	0	60	19,241
General State charges	4,969	876	0	0	5,845
Debt service	0	0	0	4,739	4,739
Capital projects	0	4	7,072	0	7,076
<b>Total disbursements</b>	<u>56,529</u>	<u>59,777</u>	<u>7,690</u>	<u>4,799</u>	<u>128,795</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	12,288	3,857	654	5,707	22,506
Transfers to other funds	(3,006)	(3,550)	(1,038)	(14,969)	(22,563)
Bond and note proceeds	0	0	457	0	457
<b>Net other financing sources (uses)</b>	<u>9,282</u>	<u>307</u>	<u>73</u>	<u>(9,262)</u>	<u>400</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>(63)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(63)</u>
<b>Deposit to/(use of) Prior Year Reserves</b>	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
<b>Deposit to/(use of) Current Year Reserves</b>	<u>(4)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4)</u>
<b>Change in fund balance</b>	<u>(3,614)</u>	<u>(272)</u>	<u>47</u>	<u>27</u>	<u>(3,812)</u>
<b>Closing fund balance</b>	<u>(3,614)</u>	<u>2,664</u>	<u>(317)</u>	<u>300</u>	<u>(967)</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>
<b>Opening fund balance</b>	0	2,664	(317)	300	2,647
<b>Receipts:</b>					
Taxes	43,551	9,157	2,187	14,178	69,073
Miscellaneous receipts	2,061	13,690	3,270	682	19,703
Federal grants	59	37,737	2,031	0	39,827
<b>Total receipts</b>	<u>45,671</u>	<u>60,584</u>	<u>7,488</u>	<u>14,860</u>	<u>128,603</u>
<b>Disbursements:</b>					
Grants to local governments	45,457	51,596	632	0	97,685
State operations	10,407	9,085	0	60	19,552
General State charges	5,282	895	0	0	6,177
Debt service	0	0	0	5,193	5,193
Capital projects	0	4	6,956	0	6,960
<b>Total disbursements</b>	<u>61,146</u>	<u>61,580</u>	<u>7,588</u>	<u>5,253</u>	<u>135,567</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	12,749	3,800	718	5,856	23,123
Transfers to other funds	(3,072)	(3,498)	(1,130)	(15,458)	(23,158)
Bond and note proceeds	0	0	608	0	608
<b>Net other financing sources (uses)</b>	<u>9,677</u>	<u>302</u>	<u>196</u>	<u>(9,602)</u>	<u>573</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>(62)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(62)</u>
<b>Deposit to/(use of) Prior Year Reserves</b>	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
<b>Deposit to/(use of) Current Year Reserves</b>	<u>(4)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4)</u>
<b>Change in fund balance</b>	<u>(5,331)</u>	<u>(694)</u>	<u>96</u>	<u>5</u>	<u>(5,924)</u>
<b>Closing fund balance</b>	<u>(5,331)</u>	<u>1,970</u>	<u>(221)</u>	<u>305</u>	<u>(3,277)</u>

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Source: NYS DOB

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

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Debt Service Funds</b>	<b>(MEMO) Total</b>
<b>Opening fund balance</b>	<u>0</u>	<u>1,970</u>	<u>(221)</u>	<u>305</u>	<u>2,054</u>
<b>Receipts:</b>					
Taxes	45,828	9,521	2,186	14,995	72,530
Miscellaneous receipts	2,061	14,578	3,119	683	20,441
Federal grants	59	39,347	1,922	0	41,328
<b>Total receipts</b>	<u>47,948</u>	<u>63,446</u>	<u>7,227</u>	<u>15,678</u>	<u>134,299</u>
<b>Disbursements:</b>					
Grants to local governments	48,865	54,074	608	0	103,547
State operations	10,663	9,252	0	61	19,976
General State charges	5,585	910	0	0	6,495
Debt service	0	0	0	5,803	5,803
Capital projects	0	3	6,688	0	6,691
<b>Total disbursements</b>	<u>65,113</u>	<u>64,239</u>	<u>7,296</u>	<u>5,864</u>	<u>142,512</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	13,416	3,808	1,001	6,262	24,487
Transfers to other funds	(3,520)	(3,428)	(1,472)	(16,090)	(24,510)
Bond and note proceeds	0	0	655	0	655
<b>Net other financing sources (uses)</b>	<u>9,896</u>	<u>380</u>	<u>184</u>	<u>(9,828)</u>	<u>632</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>(151)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(151)</u>
<b>Deposit to/(use of) Prior Year Reserves</b>	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
<b>Deposit to/(use of) Current Year Reserves</b>	<u>(4)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4)</u>
<b>Change in fund balance</b>	<u>(6,713)</u>	<u>(413)</u>	<u>115</u>	<u>(14)</u>	<u>(7,025)</u>
<b>Closing fund balance</b>	<u>(6,713)</u>	<u>1,557</u>	<u>(106)</u>	<u>291</u>	<u>(4,971)</u>

Source: NYS DOB

CASHFLOW  
GENERAL FUND  
2007-2008  
(dollars in millions)

	2007		2008		December Projected	November Projected	October Projected	September Projected	August Projected	July Projected	June Actuals	May Actuals	April Actuals	Total
	Actuals	Projected	January Projected	February Projected										
<b>OPENING BALANCE</b>	3,045	2,881	1,351	6,469	1,491	2,539	3,548	2,361	3,356	2,881	3,136	6,902	4,835	3,045
<b>RECEIPTS:</b>														
Personal Income Tax	4,017	1,377	5,437	1,942	915	480	764	1,942	1,307	1,377	2,414	748	4,017	23,071
User Taxes and Fees	679	667	672	885	920	627	637	885	635	667	877	623	679	8,527
Business Taxes	58	112	114	1,332	1,597	54	166	1,332	95	112	1,103	146	58	6,879
Other Taxes	81	97	96	98	96	96	98	98	98	97	107	80	81	1,135
Total Taxes	4,835	2,253	6,319	4,257	3,528	1,257	1,662	4,257	2,135	2,253	4,501	1,597	4,835	39,412
Licenses, fees, etc.	37	59	39	45	33	124	54	45	59	21	20	98	37	636
Abandoned Property	5	9	30	53	39	190	9	53	9	13	0	0	5	684
Reimbursement	6	17	30	21	15	44	9	17	17	6	25	7	6	199
Investment Income	70	22	15	14	25	10	14	25	10	22	7	14	70	190
Other transactions	13	(4)	25	(6)	1	21	1	(4)	27	23	167	15	13	646
Total Miscellaneous Receipts	131	108	129	161	143	350	113	161	108	85	237	127	131	2,355
Federal Grants	0	1	1	7	7	1	1	7	0	1	22	12	0	75
PIT in excess of Revenue Bond Debt Service	1,338	886	1,785	934	794	234	573	934	366	492	886	198	1,338	8,507
Sales Tax in Excess of LCAC Debt Service	137	233	203	280	286	190	193	280	191	233	360	41	137	2,321
Real Estate Taxes in Excess of CWICA Debt Service	55	49	49	50	39	49	39	50	45	49	95	61	55	636
All Other	3	31	0	80	39	6	39	80	9	31	120	1	3	690
Total Transfers from Other Funds	1,533	805	2,037	1,344	1,158	479	815	1,344	611	805	1,461	301	1,533	12,154
<b>TOTAL RECEIPTS</b>	<b>6,489</b>	<b>3,144</b>	<b>8,486</b>	<b>5,769</b>	<b>4,836</b>	<b>2,087</b>	<b>2,591</b>	<b>5,769</b>	<b>2,854</b>	<b>3,144</b>	<b>6,221</b>	<b>2,037</b>	<b>6,489</b>	<b>53,996</b>
<b>DISBURSEMENTS:</b>														
School Aid	236	1,512	404	1,360	1,498	837	627	1,360	613	36	1,512	2,143	236	16,170
Higher Education	18	335	31	212	225	23	347	212	210	92	335	10	18	2,398
All Other Education	26	124	223	144	67	95	84	144	60	131	124	124	26	1,738
Medicaid	869	1,267	855	589	636	644	610	589	1,164	553	918	1,267	869	9,576
Public Health	16	35	102	45	37	57	65	45	27	60	117	35	16	668
Mental Hygiene	45	62	274	233	213	74	115	233	81	120	62	58	45	1,858
Children and Families	5	91	101	100	88	88	89	100	114	226	91	130	5	1,600
Temporary & Disability Assistance	55	252	101	178	178	(143)	158	178	158	157	248	252	55	1,392
Transportation	0	45	0	0	7	15	0	0	15	0	45	0	0	106
All Other	22	70	94	154	278	68	25	154	51	55	444	70	22	1,773
Total Local Assistance Grants	1,292	4,103	2,091	3,015	3,384	1,858	2,120	3,015	2,493	1,430	4,117	4,103	1,292	37,279
Personal Service	633	814	528	591	440	542	706	591	733	591	599	814	633	6,679
Non-Personal Service	203	239	254	288	237	221	249	288	231	208	275	239	203	2,934
Total State Operations	836	1,053	782	859	677	763	955	859	964	799	874	1,053	836	9,613
General State Charges	263	429	345	311	300	277	415	276	311	308	1,218	429	263	4,525
Debt Service	45	144	4	295	409	141	32	295	38	42	210	144	45	1,578
Capital Projects	89	55	4	15	107	32	56	15	15	8	8	55	89	(563)
Other Purposes	117	19	109	101	99	64	99	101	28	78	49	19	117	911
Total Transfers to Other Funds	251	218	150	432	615	237	110	432	81	132	267	218	251	2,576
<b>TOTAL DISBURSEMENTS</b>	<b>2,642</b>	<b>5,803</b>	<b>3,368</b>	<b>4,592</b>	<b>4,976</b>	<b>3,135</b>	<b>3,600</b>	<b>4,592</b>	<b>3,849</b>	<b>2,669</b>	<b>6,476</b>	<b>5,803</b>	<b>2,642</b>	<b>53,995</b>
Excess/(Deficiency) of Receipts over Disbursements	3,857	(3,766)	5,118	1,167	(140)	(1,046)	(1,009)	1,167	(995)	475	(255)	(3,766)	3,857	1
<b>CLOSING BALANCE</b>	<b>6,902</b>	<b>3,136</b>	<b>6,469</b>	<b>3,548</b>	<b>1,351</b>	<b>6,442</b>	<b>2,539</b>	<b>3,548</b>	<b>2,361</b>	<b>3,356</b>	<b>2,881</b>	<b>3,136</b>	<b>6,902</b>	<b>3,045</b>

Source: NYS DOB



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

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
	Actuals	Projected	Projected	Projected	Projected
<b>ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT</b>					
Agriculture and Markets, Department of	94,967	103,907	136,531	104,788	104,739
Alcoholic Beverage Control	11,696	12,948	13,287	13,849	13,911
Banking Department	57,224	61,413	61,952	62,734	63,531
Consumer Protection Board	2,792	3,055	3,090	3,125	3,159
Economic Development, Department of	88,458	128,893	340,127	278,286	155,547
Empire State Development Corporation	169,786	691,185	485,395	259,395	184,716
Energy Research and Development Authority	28,865	28,623	27,950	27,950	27,950
Housing and Community Renewal, Division of	272,073	306,915	299,530	279,750	278,803
Insurance Department	145,590	262,421	262,594	263,718	264,860
Olympic Regional Development Authority	8,250	14,126	9,009	9,217	9,437
Public Service, Department of	50,931	56,884	58,427	59,765	61,705
Science, Technology and Academic Research, Office of	52,263	57,576	48,423	44,491	43,813
University Broadband	4,840	5,625	8,200	14,000	14,000
<b>Functional Total</b>	<b>987,735</b>	<b>1,733,571</b>	<b>1,754,515</b>	<b>1,421,068</b>	<b>1,226,171</b>
<b>PARKS AND THE ENVIRONMENT</b>					
Adirondack Park Agency	4,599	5,740	5,929	5,935	5,942
Environmental Conservation, Department of	818,004	921,906	883,244	901,551	910,197
Environmental Facilities Corporation	8,416	11,760	11,815	6,760	6,760
Parks, Recreation and Historic Preservation, Office of	284,161	275,208	269,649	250,917	242,062
<b>Functional Total</b>	<b>1,115,180</b>	<b>1,214,614</b>	<b>1,170,637</b>	<b>1,165,163</b>	<b>1,164,961</b>
<b>TRANSPORTATION</b>					
Motor Vehicles, Department of	257,839	288,051	298,568	302,683	308,455
Thruway Authority	1,775	1,734	1,778	1,822	1,868
Metropolitan Transportation Authority	0	93,700	188,550	258,700	278,922
Transportation, Department of	5,553,463	6,302,072	6,537,170	6,738,179	6,775,780
<b>Functional Total</b>	<b>5,813,077</b>	<b>6,685,557</b>	<b>7,026,066</b>	<b>7,301,384</b>	<b>7,365,025</b>
<b>HEALTH AND SOCIAL WELFARE</b>					
Advocate for Persons with Disabilities, Office of	0	0	0	0	0
Aging, Office for the	197,862	228,969	237,759	237,704	236,693
Blind, Office for the	0	0	0	0	0
Children and Family Services, Office of	2,711,049	2,966,999	3,218,844	3,347,820	3,484,076
Health, Department of	37,770,678	38,622,409	41,823,943	45,271,171	48,062,419
Medical Assistance	32,388,167	32,403,932	35,353,292	38,741,206	41,541,132
Medicaid Administration	745,408	820,000	853,000	887,000	922,500
All Other	4,637,103	5,398,477	5,617,651	5,642,965	5,598,787
Human Rights, Division of	16,226	15,166	15,677	15,677	15,677
Labor, Department of	518,146	525,927	524,123	524,119	522,828
Medicaid Inspector General, Office of	34,842	74,556	91,816	93,149	94,268
Prevention of Domestic Violence, Office of	2,315	2,556	2,584	2,584	2,577
Stem Cell Initiatives	0	25,000	125,000	50,000	0

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

	2006-2007 Actuals	2007-2008 Projected	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected
<b>HEALTH AND SOCIAL WELFARE (Continued)</b>					
Temporary and Disability Assistance, Office of <i>Welfare Assistance</i>	4,458,278	4,667,356	4,621,268	4,621,040	4,623,894
<i>Welfare Administration</i>	3,016,154	3,188,923	3,132,074	3,126,743	3,122,456
<i>All Other</i>	380,349	376,933	377,933	377,933	377,933
Welfare Inspector General, Office of Workers' Compensation Board	1,061,775	1,101,500	1,111,261	1,116,364	1,123,505
	1,074	1,295	1,321	1,347	1,374
<b>Functional Total</b>	<b>45,858,747</b>	<b>47,292,479</b>	<b>50,814,345</b>	<b>54,318,737</b>	<b>57,200,187</b>
<b>MENTAL HEALTH</b>					
Mental Health, Office of	2,335,339	2,544,287	2,725,574	2,867,820	2,932,626
Mental Hygiene, Department of	8,473	7,800	7,800	7,800	7,800
Mental Retardation and Developmental Disabilities, Office of	3,168,254	3,424,897	3,606,674	3,727,548	3,842,948
Alcohol and Substance Abuse Services, Office of	521,906	595,117	659,794	708,932	692,275
Developmental Disabilities Planning Council	4,129	3,621	3,617	3,617	3,617
Quality of Care for the Mentally Disabled, Commission on	12,605	15,532	16,354	16,655	16,625
<b>Functional Total</b>	<b>6,050,706</b>	<b>6,591,254</b>	<b>7,019,813</b>	<b>7,332,372</b>	<b>7,495,891</b>
<b>PUBLIC PROTECTION</b>					
Capital Defenders Office	1,558	1,300	1,303	1,309	1,315
Correction, Commission of	2,621	2,629	2,674	2,674	2,674
Correctional Services, Department of	2,736,338	2,718,090	2,869,400	2,910,874	2,991,207
Crime Victims Board	60,073	62,709	62,248	62,269	62,294
Criminal Justice Services, Division of	267,326	254,005	265,162	245,525	235,356
Homeland Security	29,562	411,155	550,242	347,259	353,380
Investigation, Temporary State Commission of	3,551	3,929	4,152	4,219	4,242
Judicial Commissions	2,785	4,785	4,819	4,850	4,884
Military and Naval Affairs, Division of	401,627	442,449	358,810	146,845	166,777
Parole, Division of	194,729	205,978	220,361	233,189	250,269
Probation and Correctional Alternatives, Division of	72,752	74,649	74,702	74,726	73,484
Public Security, Office of	0	0	0	0	0
State Police, Division of	644,506	635,780	676,754	688,761	683,065
<b>Functional Total</b>	<b>4,417,428</b>	<b>4,817,458</b>	<b>5,030,627</b>	<b>4,722,500</b>	<b>4,828,947</b>
<b>EDUCATION</b>					
Arts, Council on the	49,244	55,766	54,665	54,845	54,826
City University of New York	1,064,544	1,196,740	1,259,760	1,314,914	1,346,661
Education, Department of	26,657,044	29,346,168	31,300,132	33,710,912	36,355,352
<i>School Aid (includes EXCEL)</i>	20,088,579	21,794,505	23,143,777	25,056,911	27,295,916
STAR Property Tax Relief	3,993,970	4,730,450	5,358,402	5,837,916	6,141,480
Handicapped	1,620,800	1,719,600	1,788,490	1,849,790	1,914,590
<i>All Other</i>	953,695	1,101,613	1,009,463	966,295	1,003,366
Higher Education Services Corporation	956,737	979,712	975,422	976,822	978,251
State University Construction Fund	13,157	12,493	12,628	12,756	12,884
State University of New York	5,447,926	5,814,289	5,959,243	6,067,116	6,127,560
<b>Functional Total</b>	<b>34,188,652</b>	<b>37,405,168</b>	<b>39,561,850</b>	<b>42,137,365</b>	<b>44,875,534</b>

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

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
	Actuals	Projected	Projected	Projected	Projected
<b>GENERAL GOVERNMENT</b>					
Audit and Control, Department of	244,078	245,462	247,821	252,679	253,678
Budget, Division of the	54,817	94,137	109,900	112,400	115,800
Civil Service, Department of	24,363	23,653	23,857	24,037	24,270
Elections, State Board of	13,037	91,119	171,699	9,215	94,475
Employee Relations, Office of	3,852	4,000	4,025	4,062	4,103
Executive Chamber	14,517	20,320	20,930	21,560	22,200
General Services, Office of	255,060	229,594	231,955	223,064	234,375
Inspector General, Office of	5,933	6,908	6,980	7,059	7,127
Law, Department of	193,461	211,763	213,781	216,561	218,744
Lieutenant Governor, Office of the	360	1,378	1,420	1,460	1,500
Lottery, Division of	177,360	182,527	183,147	187,318	191,393
Racing and Wagering Board, State	16,899	18,738	18,746	19,216	19,397
Real Property Services, Office of	47,620	52,558	53,394	54,256	55,141
Regulatory Reform, Governor's Office of	3,509	3,781	3,825	3,871	3,895
State Labor Relations Board	3,376	4,077	4,118	4,156	4,198
State, Department of	148,140	207,873	159,816	155,085	141,270
Tax Appeals, Division of	3,228	3,233	3,228	3,263	3,298
Taxation and Finance, Department of	355,452	367,658	364,362	368,490	372,691
Technology, Office for	19,258	34,299	53,588	82,050	25,450
TSC Lobbying	2,338	2,314	2,324	2,351	2,370
Veterans Affairs, Division of	14,117	15,368	17,174	16,274	14,351
<b>Functional Total</b>	<b>1,600,775</b>	<b>1,820,760</b>	<b>1,896,090</b>	<b>1,768,427</b>	<b>1,809,726</b>
<b>ALL OTHER CATEGORIES</b>					
Legislature	213,118	220,319	223,168	225,841	225,887
Judiciary (excluding fringe benefits)	1,731,791	1,859,488	1,980,944	2,134,111	2,129,205
World Trade Center	37,020	70,000	100,000	70,000	30,000
Local Government Assistance	1,156,176	943,098	1,323,576	1,363,874	1,419,739
Long-Term Debt Service	4,450,737	4,127,629	4,736,298	5,189,785	5,795,931
General State Charges	5,222,834	5,390,675	5,845,387	6,177,579	6,495,140
Miscellaneous	(80,058)	222,930	251,684	236,361	442,996
<b>Functional Total</b>	<b>12,731,618</b>	<b>12,834,139</b>	<b>14,461,057</b>	<b>15,397,551</b>	<b>16,538,898</b>
<b>TOTAL ALL GOVERNMENTAL FUNDS SPENDING</b>	<b>112,763,918</b>	<b>120,395,000</b>	<b>128,795,000</b>	<b>135,564,567</b>	<b>142,505,340</b>

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

	<u>2006-2007 Results</u>	<u>2007-2008 First Quarter</u>	<u>Annual Change</u>
<b>Revenues:</b>			
Taxes:			
Personal income tax	22,496	22,756	260
User taxes and fees	8,131	8,673	542
Business taxes	6,330	7,011	681
Other taxes	1,011	1,304	293
Miscellaneous revenues	6,224	5,344	(880)
Federal grants	67	75	8
<b>Total revenues</b>	<u>44,259</u>	<u>45,163</u>	<u>904</u>
<b>Expenditures:</b>			
Grants to local governments	36,495	39,809	3,314
State operations	11,303	12,183	880
General State charges	4,138	3,931	(207)
Debt service	0	0	0
Capital projects	0	1	1
<b>Total expenditures</b>	<u>51,936</u>	<u>55,924</u>	<u>3,988</u>
<b>Other financing sources (uses):</b>			
Transfers from other funds	13,914	15,128	1,214
Transfers to other funds	(6,386)	(5,345)	1,041
Proceeds from financing arrangements/ advance refundings	351	367	16
<b>Net other financing sources (uses)</b>	<u>7,879</u>	<u>10,150</u>	<u>2,271</u>
<b>(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses</b>	<u>202</u>	<u>(611)</u>	<u>(813)</u>
<b>Accumulated Surplus/(Deficit)</b>	<u>2,384</u>	<u>1,773</u>	<u>(611)</u>

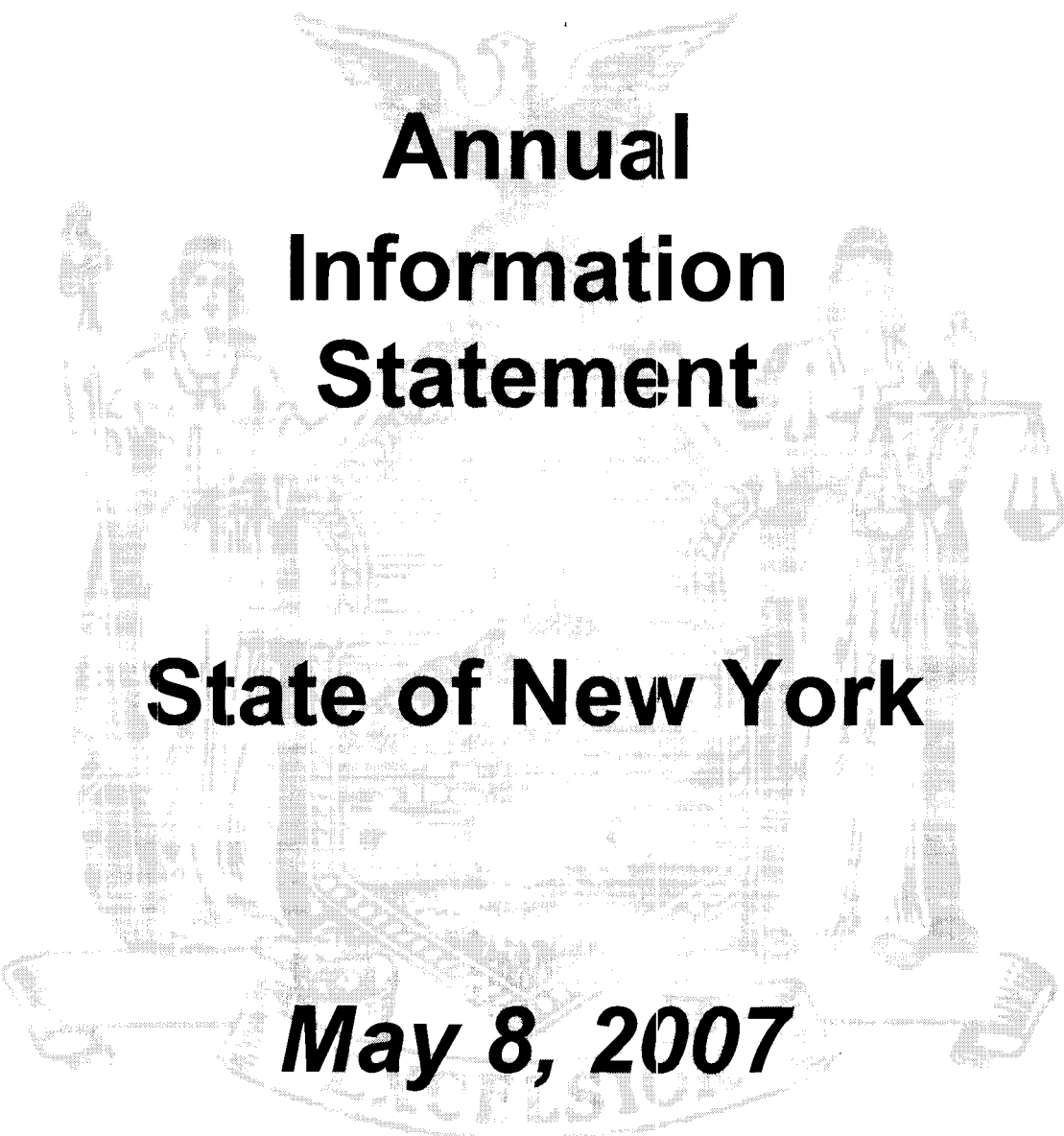
Source: NYS DOB

**GAAP FINANCIAL PLAN  
ALL GOVERNMENTAL FUNDS  
FIRST QUARTER UPDATE  
2007-2008  
(millions of dollars)**

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Debt Service Funds</b>	<b>(MEMO) Total</b>
<b>Revenues:</b>					
Taxes	39,744	7,896	2,042	12,708	62,390
Patient fees	0	0	0	326	326
Miscellaneous revenues	5,344	5,009	428	24	10,805
Federal grants	75	37,491	1,879	0	39,445
<b>Total revenues</b>	<b>45,163</b>	<b>50,396</b>	<b>4,349</b>	<b>13,058</b>	<b>112,966</b>
<b>Expenditures:</b>					
Grants to local governments	39,809	47,955	592	0	88,356
State operations	12,183	1,823	0	60	14,066
General State charges	3,931	346	0	0	4,277
Debt service	0	0	0	3,403	3,403
Capital projects	1	3	8,140	0	8,144
<b>Total expenditures</b>	<b>55,924</b>	<b>50,127</b>	<b>8,732</b>	<b>3,463</b>	<b>118,246</b>
<b>Other financing sources (uses):</b>					
Transfers from other funds	15,128	3,016	274	5,446	23,864
Transfers to other funds	(5,345)	(3,933)	(960)	(14,952)	(25,190)
Proceeds of general obligation bonds	0	0	298	0	298
Proceeds from financing arrangements/ advance refundings	367	0	4,379	0	4,746
<b>Net other financing sources (uses)</b>	<b>10,150</b>	<b>(917)</b>	<b>3,991</b>	<b>(9,506)</b>	<b>3,718</b>
<b>(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses</b>	<b>(611)</b>	<b>(648)</b>	<b>(392)</b>	<b>89</b>	<b>(1,562)</b>

Source: NYS DOB

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The background of the page features a large, faint, and semi-transparent seal of the State of New York. The seal depicts an eagle with its wings spread, perched atop a shield. The shield is supported by two female figures: Liberty on the left, holding a tablet and a staff, and Justice on the right, holding a scale of justice. Below the shield is a banner with the motto 'EUREKA'. The entire seal is rendered in a light gray, dotted or halftone pattern.

**Annual  
Information  
Statement**

**State of New York**

***May 8, 2007***

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# Annual Information Statement

## State of New York

*Dated: May 8, 2007*

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# Annual Information Statement of the State of New York

## Introduction

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

In this AIS, readers will find:

1. A section entitled the "Current Fiscal Year" that contains (a) extracts from the 2007-08 Enacted Budget Financial Plan dated April 19, 2007 (the "Financial Plan") prepared by the Division of the Budget ("DOB"), including the State's official Financial Plan projections, and (b) a discussion of potential risks that may affect the Financial Plan during the State's current fiscal year under the heading "Special Considerations." The first part of the section entitled "Current Fiscal Year" summarizes the major components of the 2007-08 Enacted Budget and the projected impact on operations, annual spending growth, and the magnitude of future potential budget gaps; the second part provides detailed information on projected total receipts and disbursements in the State's governmental funds in 2007-08.
2. Information on other subjects relevant to the State's fiscal condition, including: (a) operating results for the three prior fiscal years, (b) the State's revised economic forecast and a profile of the State economy, (c) debt and other financing activities, (d) governmental organization, and (e) activities of public authorities and localities.
3. The status of significant litigation that has the potential to adversely affect the State's finances.

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

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

The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS in Official Statements or related disclosure documents for State or State-supported debt issuance. The State has filed this AIS directly

with the Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) and with the Central Post Office. Disclosure USA. The Municipal Advisory Council of Texas established this internet-based disclosure filing system, approved by the Securities and Exchange Commission, to facilitate the transmission of disclosure-related information to the NRMSIRs. An official copy of this AIS may be obtained by contacting Mr. Louis Raffaele, Chief Budget Examiner, New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705 or from any NRMSIR. OSC expects to issue the Basic Financial Statements for the 2006-07 fiscal year in July 2007. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and will be available on its website at [www.osc.state.ny.us](http://www.osc.state.ny.us).

## Usage Notice

The AIS has been supplied by the State to provide updated information about the financial condition of the State in connection with financings of certain issuers, including public authorities of the State, that may depend in whole or in part on State appropriations as sources of payment of their respective bonds, notes or other obligations and for which the State has contractually obligated itself to provide such information pursuant to an applicable continuing disclosure agreement (a "CDA").

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

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

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## Current Fiscal Year

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

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

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

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

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

### 2007-08 Enacted Budget Financial Plan Overview

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

<b>2007-08 Enacted Budget at a Glance: Impact on Key Measures</b>			
	<b>2006-07 Results*</b>	<b>2007-08 Executive</b>	<b>2007-08 Enacted</b>
<b>Size of the Budget (millions)</b>			
General Fund	\$51,591	\$53,248	\$53,684
State Funds	\$77,311	\$83,545	\$83,779
All Funds	\$112,764	\$120,635	\$120,675
<b>Annual Spending Growth</b>			
General Fund	11.0%	4.2%	4.1%
State Funds	10.9%	7.8%	8.4%
All Funds	8.1%	6.3%	7.0%
<b>Capital Spending</b>			
Capital Projects State Funds	\$3,822	\$5,628	\$5,354
Capital Projects All Funds	\$5,559	\$7,604	\$7,352
State Funds Growth (excl. Capital)	10.8%	6.2%	6.7%
All Funds Growth (excl. Capital)	8.1%	5.1%	5.7%
<b>Receipts (All Funds) (millions)</b>			
Taxes	\$58,739	\$60,961	\$61,960
Miscellaneous Receipts	\$18,073	\$20,058	\$20,402
Federal Grants	\$35,579	\$37,313	\$37,128
Underlying Tax Growth	12.8%	6.5%	7.8%
<b>Outyear Gap Forecast (billions)</b>			
2008-09	n/ap	\$2.3	\$3.1
2009-10	n/ap	\$4.5	\$4.8
2010-11	n/ap	\$6.3	\$6.6
<b>Total General Fund Reserves (billions)</b>	\$3.0	\$3.0	\$3.0
<b>State Workforce</b>	195,526	197,068	198,413
<b>Debt (billions)</b>			
Debt Service as % All Funds	4.4%	4.2%	4.0%
State Related Debt Outstanding	\$48.1	\$52.6	\$52.0

\* Preliminary, unaudited results.

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

<sup>1</sup> Hereafter "All Funds." Comprises the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds.

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

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

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

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

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

During budget negotiations, the Executive and Legislature agreed that additional net resources were available to finance changes to the 2007-08 Executive Budget. The resources included \$1 billion in higher projected tax revenues; \$50 million in additional abandoned property receipts; \$50 million in savings in State programs based on updated information on program trends; new spending cuts and proposed spending not accepted by the Legislature totaling roughly \$92 million in addition to \$69 million in savings (such as retroactive Judicial salary increases) that affected 2006-07 estimated disbursements; and approximately \$187 million in available fund balances. Planned payments from New York City of \$428 million in 2007-08 and \$350 million in 2008-09, which were originally added to the State's receipts forecast in 2005, have been removed from the Financial Plan, partially offsetting the increase in available

resources. New York City did not make similar planned payments in 2005-06 or 2006-07 and, accordingly, any such payments in the current or future years are no longer counted in the Financial Plan.

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

- **School Aid:** A new Foundation Aid formula is enacted in permanent law that bases the amount of School Aid on a district's educational needs and its ability to provide local support for education. Under the Foundation Aid formula, approximately 72 percent of the aid increase will go to high-needs districts.
- **School Tax Relief (STAR):** The Enacted Budget expands the STAR program, providing a new benefit that is targeted to middle class taxpayers.
- **Expanded access to health care for children:** Access to health insurance coverage is made available for the 400,000 children that are without coverage in New York State.
- **Investment in stem cell research:** Provides initial funding for stem cell research.
- **Increased deposits in reserves:** The Enacted Budget finances deposits of \$250 million to the Debt Reduction Reserve and \$175 million to the new Rainy Day Reserve.

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

- Savings of \$2.0 billion in spending restraint of which more than \$1 billion will slow growth in Health, Medicaid and Mental Hygiene spending.
- Approximately \$450 million in loophole-closing revenue actions, which is partially offset by \$150 million in revenue reductions from broad-based business tax cuts.
- About \$1.0 billion from the use of prior year surplus moneys.

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

## Size of the Enacted Budget and impact by major program

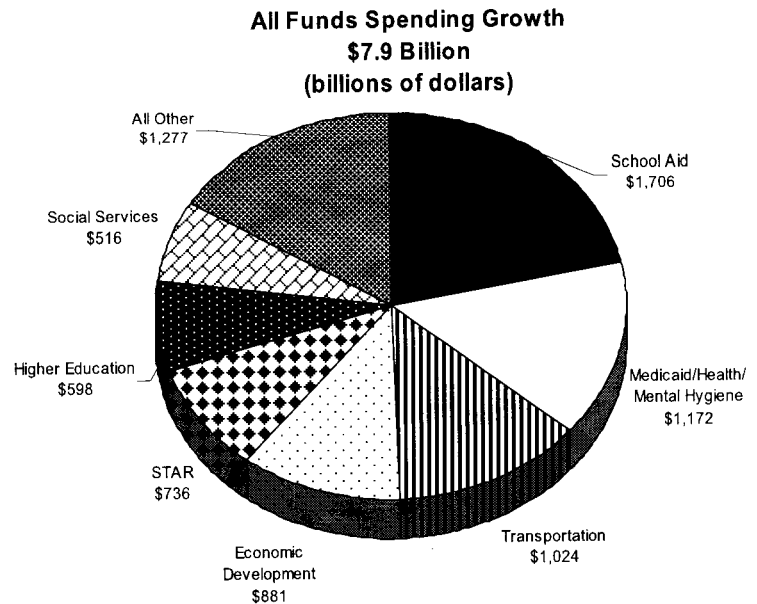
Total Disbursements (millions of dollars)					
	2006-07 Results*	2007-08 Enacted	Annual \$ Change	Annual % Change	Adjusted % Change**
General Fund	51,591	53,684	2,093	4.1%	n/a
State Funds	77,311	83,779	6,468	8.4%	6.7%
All Funds	112,764	120,675	7,911	7.0%	5.7%

\* Unaudited year-end results.

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

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

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





<b>Enacted Budget Disbursement Projections</b>			
<b>Major Sources of Annual Change</b>			
<b>(millions of dollars)</b>			
	<b>General Fund</b>	<b>State Funds</b>	<b>All Funds</b>
<b>2006-07 Year-End Results</b>	<b>51,591</b>	<b>77,311</b>	<b>112,764</b>
School Aid	1,506	1,660	1,706
Transportation	46	867	1,024
Economic Development	148	876	881
Public Health	145	410	731
STAR	0	736	736
Higher Education	266	556	598
Social Services	322	336	516
Mental Hygiene	231	332	461
Homeland Security	47	47	378
Other Education Aid	132	212	265
General State Charges	127	147	163
Medicaid (inc. takeover)	161	21	(20)
Capital/Other Transfers	(865)	0	0
All Other	(253)	268	472
<b>2007-08 Enacted Budget Estimate</b>	<b>53,634</b>	<b>83,779</b>	<b>120,675</b>
<i>Dollar Change</i>	<i>2,093</i>	<i>6,468</i>	<i>7,911</i>
<i>Percent Change</i>	<i>4.1%</i>	<i>8.4%</i>	<i>7.0%</i>
<i>Percent Change Excluding Capital Spending</i>	<i>n/a</i>	<i>6.7%</i>	<i>5.7%</i>

## Projected 2007-08 Year-End Balances

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

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

\* Unaudited year-end results.

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

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

## **Risks to the Financial Plan**

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

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## Changes to the Executive Budget

### Recap of Multi-Year General Fund Operating Forecast: Initial Budget through Enactment

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

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

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

## Executive Budget Proposals vs. Enacted Budget

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

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

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

<sup>(1)</sup> VLT expansion legislation was not a part of the Enacted Budget, but is assumed to be addressed at a later date.

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

## New Initiatives

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

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

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

## Savings

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

## Health Care

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

Specific savings initiatives include:

- **Reduce Rates/Redirect Subsidies:** The Enacted Budget reduces the automatic inflationary rate increases for hospitals and nursing homes by 25 percent, freezes managed care premium payments, and revises subsidy payments to redirect funding to high-need facilities.
- **Pharmaceutical Savings:** Reduces reimbursement rates for pharmacies; increases enrollment in the Medicare Part D program; and expands the applicability of the Preferred Drug Program to the Elderly Pharmaceutical Insurance Coverage (EPIC) program.
- **Enhanced Management of High-Cost Beneficiaries:** Implements a series of new demonstration projects to help provide cost-effective and coordinated care to high-cost beneficiaries.

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

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

## Other Savings

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

The key Enacted Budget actions include the following initiatives:

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

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

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

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

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

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

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

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

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

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

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

## Revenue Loophole Closing Initiatives

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

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

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

## Non-Recurring Resources

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

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

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

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



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

## 2007-08 Receipts and Disbursements Forecast

### Introduction

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

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

### Receipts Forecast

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

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

### 2007-08 Receipts Overview

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

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

## 2007-08

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

## Fiscal Years 2007-08 through 2010-11

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

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

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

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

## Base Tax Receipts Growth

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

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

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

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

## Personal Income Tax

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

All Funds income tax receipts for 2007-08 are projected to increase \$2.2 billion over the prior-year to total \$36.8 billion. Gross receipts are projected to increase 7.5 percent and reflect projected growth for tax year 2007 liabilities in withholding of 6.7 percent (\$1.8 billion) and in estimated taxes of 9.9 percent (\$750 million). Estimated taxes also include \$6 million of receipts from Enacted Budget legislation that

will extend statutory tools used by the Tax Department to address the use of abusive tax shelters. Payments from extensions and final returns for tax year 2006 are projected to increase in total by 8.4 percent, or by \$242 million and \$169 million, respectively. Receipts from delinquencies are projected to increase by 9.3 percent or \$77 million over the prior year. Net receipts, which include refunds on tax year 2006 payments and liabilities, are projected to grow 6.5 percent. Refunds, which are projected to increase by a robust 13.7 percent or \$753 million, reflect the impact of the Empire State Child Credit (a refundable credit for resident taxpayers with children ages 4 to 16) that was enacted in 2006 and is applicable to tax years beginning in 2006 and thereafter.

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

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

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

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

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

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

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

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

## User Taxes and Fees

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

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

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

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

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

## Business Taxes

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

All Funds business tax receipts for 2007-08 of more than \$8.9 billion are estimated to increase by nearly \$313 million or 3.6 percent over the prior year. The estimates reflect a net increase in receipts of \$362 million from enacted provisions that will close corporate tax loopholes that have allowed bank and corporate franchise taxpayers to use complex tax shelter techniques to avoid tax (\$516 million) and certain business tax cuts. The loophole provisions include: a five-year phase out of the deduction for subsidiary capital received by certain corporations from closely-held real estate investment trusts (\$102



million), combined filing requirements for corporations which conduct substantial inter-corporate transactions with one another to file a combined corporate franchise tax return (\$381 million), eliminating the use of certain grandfathered corporations by banks to shelter income from tax (\$22 million), and extending for two years the authorization for the Department of Taxation and Finance to require the reporting of abusive tax shelters (\$17 million).

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

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

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

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

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

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

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

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

## Other Taxes

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

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

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

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

## Miscellaneous Receipts

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

General Fund miscellaneous receipts collections in 2007-08 are projected to reach approximately \$2.5 billion, up \$218 million from 2006-07 results, reflecting license and fee collections and expected

receipts from the New York Power Authority, partially offset by decreases in receipts from investment income.

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

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

## 2007-08 DISBURSEMENTS FORECAST

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

\* Unaudited year-end results.

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

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

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

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

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

The current services estimates are based on agency staffing levels, program caseloads, formulas contained in State and Federal law, inflation and other factors. The factors that affect spending estimates vary by program. For example, welfare spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends, projected economic conditions, and changes in Federal law. In correctional services, spending estimates are based in part on estimates of the State's prison population, which in turn depend on forecasts of incarceration rates, release rates, and conviction rates. All

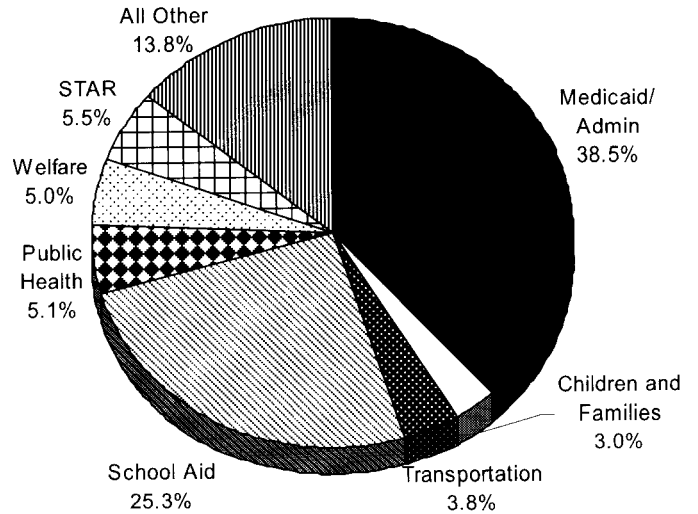
projections account for the timing of payments, since not all the amounts appropriated in the budget are disbursed in the same fiscal year.

## Grants to Local Governments

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

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

**2007-08 All Funds Local Assistance Spending  
\$85.7 Billion**



<b>Local Assistance Spending Projections</b> (millions of dollars)				
	<b>2006-07 Results</b>	<b>2007-08 Enacted</b>	<b>Annual Change</b>	<b>Percent Change</b>
<b>General Fund</b>	<b>34,302</b>	<b>37,158</b>	<b>2,856</b>	<b>8.3</b>
Other State Support	15,575	16,984	1,409	8.9
<b>State Funds</b>	<b>49,877</b>	<b>54,142</b>	<b>4,265</b>	<b>8.5</b>
Federal Funds	30,848	31,512	664	2.2
<b>All Funds</b>	<b>80,725</b>	<b>85,654</b>	<b>4,929</b>	<b>6.1</b>

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

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

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

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

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<b>Local Assistance</b>				
<b>Sources of Annual Spending Increase/(Decrease) from 2006-07 to 2007-08</b>				
<b>(millions of dollars)</b>				
	<u>General Fund</u>	<u>Other State Funds</u>	<u>Federal Funds</u>	<u>All Funds</u>
<b>Current Services:</b>	<b>2,902</b>	<b>36</b>	<b>852</b>	<b>3,790</b>
Medicaid (incl Admin)	938	(383)	459	1,014
School Aid	768	154	46	968
Homeland Security	0	0	325	325
Mental Hygiene	255	30	1	286
Public Health	88	205	19	312
Children and Families	173	1	92	266
Temporary and Disability Assistance	156	6	95	257
Other Education	108	13	53	174
Transportation	45	237	(280)	2
STAR	0	(275)	0	(275)
All Other	371	48	42	461
<b>Enacted Savings:</b>	<b>(1,206)</b>	<b>15</b>	<b>(581)</b>	<b>(1,772)</b>
Medicaid Actions	(834)	219	(574)	(1,189)
Public Health	(49)	(185)	0	(234)
Local Government Assistance	(213)	0	0	(213)
Temporary and Disability Assistance	(37)	0	0	(37)
Children and Families	(27)	0	0	(27)
All Other	(46)	(19)	(7)	(72)
<b>New Initiatives:</b>	<b>1,160</b>	<b>1,358</b>	<b>393</b>	<b>2,911</b>
Middle Class STAR	0	1,011	0	1,011
School Aid	738	0	0	738
Public Health/F-SHRP	93	24	311	428
MTA/Transit Assistance	1	297	0	298
Other Education	97	0	0	97
Medicaid	57	24	74	73
Mental Hygiene	37	5	0	42
Children and Families	29	0	0	29
Community College Base Aid	26	0	0	26
All Other	82	(3)	8	87
<b>Total Annual Change</b>	<b>2,856</b>	<b>1,409</b>	<b>664</b>	<b>4,929</b>



## **Current Services**

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

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

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

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

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

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

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

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

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

**Transportation:** Largely reflects timing of transit aid.

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

## **Enacted Savings**

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

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

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

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

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

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

## **New Initiatives**

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

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

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

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

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

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

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

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

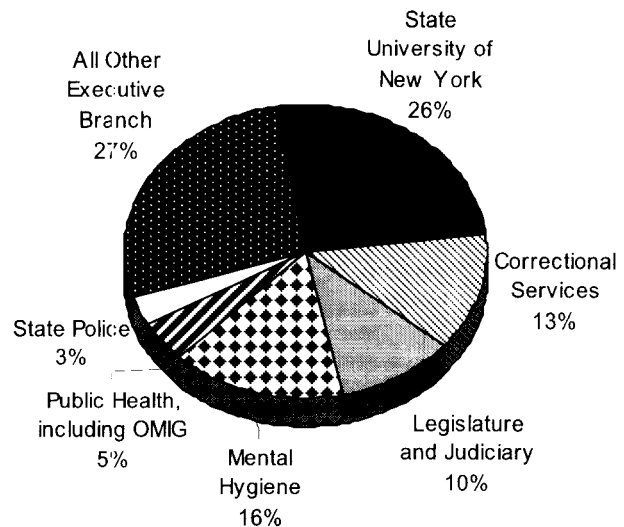
**Children and Families:** The Enacted Budget provides additional funding for programs serving children and families.

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

## State Operations

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

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



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

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

The State workforce, which reflects full-time employees of the Executive Branch, excluding the Legislature, Judiciary, and contractual labor, is projected to total 198,413 in 2007-08, an increase of 2,887 FTEs over 2006-07 levels. Increases are expected in Mental Hygiene agencies (504 FTEs) primarily due to staffing related to the Sex Offender Management and Treatment Act and the NYS-CARES II program; the Office of the Medicaid Inspector General (284 FTEs), reflecting staffing growth needed for Medicaid audit and fraud prevention activities; Health (427 FTEs) and Labor (415 FTEs) reflecting authorized fill levels for 2007-08; Law (277 FTEs) due to several initiatives including Medicaid Fraud Investigation, the

sex offender initiative, and Project Sunlight; Tax and Finance (158 FTEs) for enhanced compliance; and OCFS (215 FTEs) primarily for the addition of direct-care staff to improve the health and safety of youth and staff at youth facilities, offset by other changes.

<b>State Operations Spending Projections</b> (millions of dollars)				
	<b>2006-07 Results</b>	<b>2007-08 Enacted</b>	<b>Annual Change</b>	<b>Percent Change</b>
<b>General Fund</b>	<b>9,319</b>	<b>9,620</b>	<b>301</b>	<b>3.2%</b>
Other State Support	5,195	5,821	626	12.1%
<b>State Funds</b>	<b>14,514</b>	<b>15,441</b>	<b>927</b>	<b>6.4%</b>
Federal Funds	3,013	3,285	272	9.0%
<b>All Funds</b>	<b>17,527</b>	<b>18,726</b>	<b>1,199</b>	<b>6.8%</b>

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

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

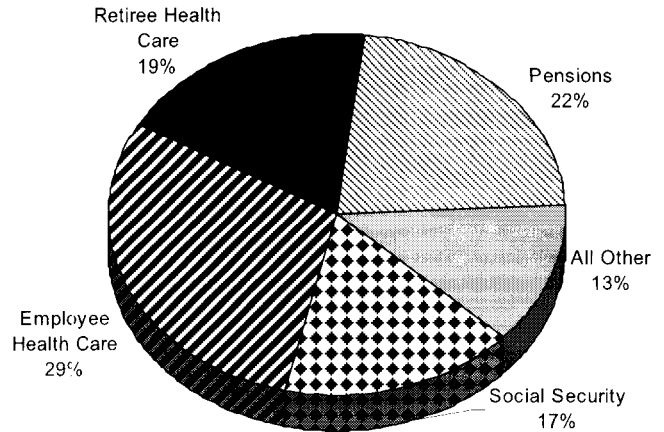
<b>All Funds State Operations Spending Projections</b> <b>Major Sources of Annual Change</b> (millions of dollars)			
	<b>Personal Service</b>	<b>Non-Personal Service</b>	<b>State Operations</b>
<b>2006-07 Results (unaudited)</b>	<b>11,555</b>	<b>5,972</b>	<b>17,527</b>
State University of New York	168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

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

## General State Charges

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

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



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

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

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

## Debt Service

The State pays debt service on all outstanding State-supported bonds. These include general obligation bonds, for which the State is constitutionally obligated to pay debt service, as well as bonds issued by State public authorities (e.g., Empire State Development Corporation, Dormitory Authority of the State of New York, Thruway Authority) for which the State is contractually obligated to pay debt service, subject to an appropriation. Depending on the credit structure, debt service is financed through

transfers from the General Fund, dedicated taxes and fees, and other resources, such as patient income revenues.

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

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

## Capital Projects

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

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

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

other areas (9 percent). For more information, see the "Debt and Other Financing Activities" section later in this AIS

## **Other Financing Sources/(Uses)**

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

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

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

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

## **General Fund Financial Plan Outyear Projections**

### **Impact of Enacted Budget on Gap Forecast**

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

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

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

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

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

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



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

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

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

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

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

## **Outyear General Fund Disbursement Projections**

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

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

## Grants to Local Governments

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

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

## School Aid

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

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

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

## Medicaid

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

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

This growth results, in part, from the combination of modest growth in recipients, service utilization, and medical care cost inflation. These factors are projected to add roughly \$1.1 billion in costs annually. In 2009-10, an extra weekly payment to providers adds \$300 million in spending. In addition, the State cap on local Medicaid costs and takeover of local FHP costs is projected to increase spending by \$374 million in 2008-09, \$550 million in 2009-10, and \$555 million in 2010-11. The remaining growth is primarily attributed to certain nursing home delinquent payor assessment collections in 2007-08 that are

not expected to recur in 2008-09 and lower levels of HCRA financing beginning in 2008-09, both of which are used to lower General Fund costs.

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

## **Mental Hygiene**

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

## **Children and Family Services**

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

## **Temporary and Disability Assistance**

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

## **Other Local**

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

## State Operations

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

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

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

## General State Charges (GSCs)

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

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

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

active employees and \$1.2 billion for retired employees), \$3.3 billion in 2009-10 (\$2.0 billion for active employees and \$1.3 billion for retired employees), and \$3.5 billion in 2010-11 (\$2.1 billion for active employees and \$1.4 billion for retired employees).

<b>Forecast of New York State Employee Health Insurance</b> (millions of dollars)			
<b>Health Insurance</b>			
<b>Year</b>	<b>Active Employees</b>	<b>Retirees</b>	<b>Total State</b>
<b>2006-07</b>	1,492	940	2,432
<b>2007-08</b>	1,586	1,007	2,593
<b>2008-09</b>	1,808	1,148	2,956
<b>2009-10</b>	1,972	1,255	3,227
<b>2010-11</b>	2,152	1,373	3,525

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

## Transfers to Other Funds

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

## Financial Plan Reserves

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

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



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

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

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

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

## Cash Flow Forecast

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

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

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

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

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

Source: NYS DOB

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

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

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

Source: NYS DOB

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

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

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

Source: NYS DOB

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

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

Source: NYS DOB



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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

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

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

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

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

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

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
<b>Opening fund balance</b>	0	3,083	(393)	272	2,962
<b>Receipts:</b>					
Taxes	41,046	8,684	2,200	13,307	65,237
Miscellaneous receipts	2,054	14,334	3,560	680	20,628
Federal grants	59	37,156	2,037	0	39,252
<b>Total receipts</b>	<u>43,159</u>	<u>60,174</u>	<u>7,797</u>	<u>13,987</u>	<u>125,117</u>
<b>Disbursements:</b>					
Grants to local governments	40,951	50,599	630	0	92,180
State operations	9,999	9,139	0	61	19,199
General State charges	4,949	875	0	0	5,824
Debt service	0	0	0	4,798	4,798
Capital projects	0	4	7,189	0	7,193
<b>Total disbursements</b>	<u>55,899</u>	<u>60,617</u>	<u>7,819</u>	<u>4,859</u>	<u>129,194</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	12,020	3,805	530	5,734	22,089
Transfers to other funds	(2,851)	(3,428)	(1,019)	(14,835)	(22,133)
Bond and note proceeds	0	0	545	0	545
<b>Net other financing sources (uses)</b>	<u>9,169</u>	<u>377</u>	<u>56</u>	<u>(9,101)</u>	<u>501</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>(65)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(65)</u>
<b>Deposit to/(use of) 2006-07 Surplus</b>	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
<b>Change in fund balance</b>	<u>(3,105)</u>	<u>(66)</u>	<u>34</u>	<u>27</u>	<u>(3,576)</u>
<b>Closing fund balance</b>	<u>(3,105)</u>	<u>3,017</u>	<u>(359)</u>	<u>299</u>	<u>(614)</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>
<b>Opening fund balance</b>	<u>0</u>	<u>3,017</u>	<u>(359)</u>	<u>299</u>	<u>2,957</u>
<b>Receipts:</b>					
Taxes	43,244	9,248	2,246	14,102	68,840
Miscellaneous receipts	2,456	14,152	3,342	682	20,632
Federal grants	59	38,348	2,024	0	40,431
<b>Total receipts</b>	<u>45,759</u>	<u>61,748</u>	<u>7,612</u>	<u>14,784</u>	<u>129,903</u>
<b>Disbursements:</b>					
Grants to local governments	44,762	52,693	632	0	98,087
State operations	10,398	9,102	0	61	19,561
General State charges	5,342	888	0	0	6,230
Debt service	0	0	0	5,250	5,250
Capital projects	0	4	7,132	0	7,136
<b>Total disbursements</b>	<u>60,502</u>	<u>62,687</u>	<u>7,764</u>	<u>5,311</u>	<u>136,264</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	12,499	3,737	672	5,896	22,804
Transfers to other funds	(2,993)	(3,351)	(1,117)	(15,365)	(22,826)
Bond and note proceeds	0	0	638	0	638
<b>Net other financing sources (uses)</b>	<u>9,506</u>	<u>386</u>	<u>193</u>	<u>(9,469)</u>	<u>616</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>(65)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(65)</u>
<b>Deposit to/(use of) 2006-07 Surplus</b>	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
<b>Change in fund balance</b>	<u>(4,771)</u>	<u>(553)</u>	<u>41</u>	<u>4</u>	<u>(5,279)</u>
<b>Closing fund balance</b>	<u>(4,771)</u>	<u>2,464</u>	<u>(318)</u>	<u>303</u>	<u>(2,322)</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>
<b>Opening fund balance</b>	0	2,464	(318)	303	2,449
<b>Receipts:</b>					
Taxes	45,335	9,627	2,280	14,782	72,024
Miscellaneous receipts	2,459	14,762	3,068	683	20,972
Federal grants	59	40,203	2,052	0	42,314
<b>Total receipts</b>	<u>47,853</u>	<u>64,592</u>	<u>7,400</u>	<u>15,465</u>	<u>135,310</u>
<b>Disbursements:</b>					
Grants to local governments	48,347	55,183	608	0	104,138
State operations	10,644	9,282	0	61	19,987
General State charges	5,646	899	0	0	6,545
Debt service	0	0	0	5,877	5,877
Capital projects	0	3	6,771	0	6,774
<b>Total disbursements</b>	<u>64,637</u>	<u>65,367</u>	<u>7,379</u>	<u>5,938</u>	<u>143,321</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	13,015	3,744	918	6,307	23,984
Transfers to other funds	(3,408)	(3,278)	(1,459)	(15,849)	(23,994)
Bond and note proceeds	0	0	578	0	578
<b>Net other financing sources (uses)</b>	<u>9,607</u>	<u>466</u>	<u>37</u>	<u>(9,542)</u>	<u>568</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>(151)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(151)</u>
<b>Deposit to/(use of) 2006-07 Surplus</b>	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
<b>Change in fund balance</b>	<u>(6,625)</u>	<u>(309)</u>	<u>58</u>	<u>(15)</u>	<u>(6,891)</u>
<b>Closing fund balance</b>	<u>(6,625)</u>	<u>2,155</u>	<u>(260)</u>	<u>288</u>	<u>(4,442)</u>

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Source: NYS DOB

**CASHFLOW  
GENERAL FUND  
2007-2008**  
(dollars in millions)

	2007		2008											
	April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	January Projected	February Projected	March Projected	Total	
<b>OPENING BALANCE</b>	3,045	6,990	3,765	4,185	4,380	3,887	5,045	3,469	2,652	2,449	7,465	7,090	3,045	
<b>RECEIPTS:</b>														
Personal Income Tax	4,012	738	2,345	1,493	1,625	1,954	342	474	906	5,387	1,909	1,700	22,885	
User Taxes and Fees	629	627	877	671	638	889	647	638	927	678	570	774	8,565	
Business Taxes	248	25	1,236	177	136	1,269	167	60	1,271	157	139	1,794	6,679	
Other Taxes	94	95	95	96	96	96	94	94	94	94	94	94	1,135	
Total Taxes	4,983	1,485	4,553	2,436	2,495	4,208	1,250	1,266	3,198	6,316	2,712	4,362	39,264	
Licenses, fees, etc.	64	60	59	140	57	70	57	54	60	54	65	89	829	
Abandoned Property	12	20	35	15	16	48	23	190	55	23	27	220	684	
Reimbursement	21	14	25	19	18	21	8	8	22	4	5	35	200	
Investment income	13	12	12	12	12	12	12	13	12	12	13	14	150	
Other transactions	10	29	139	20	20	39	20	20	39	20	20	246	622	
Total Miscellaneous Receipts	120	135	270	206	124	190	120	285	188	113	130	604	2,485	
Federal Grants	1	1	13	1	1	13	1	1	13	1	0	13	59	
PIT in excess of Revenue Bond Debt Service	1,336	195	859	498	384	936	568	238	790	1,740	143	758	8,445	
Sales Tax in Excess of LGAC Debt Service	184	20	441	199	191	256	194	190	287	204	2	152	2,320	
Real Estate Taxes in Excess of CW/CA Debt Service	64	60	40	40	42	47	42	47	47	42	44	46	561	
All Other	0	0	159	5	1	87	10	6	21	0	0	249	538	
Total Transfers from Other Funds	1,584	275	1,499	742	618	1,326	814	481	1,145	1,986	189	1,205	11,864	
<b>TOTAL RECEIPTS</b>	6,688	1,896	6,335	3,385	3,238	5,737	2,185	2,033	4,544	8,416	3,031	6,184	53,672	
<b>DISBURSEMENTS:</b>														
School Aid	127	1,817	1,711	96	410	1,549	601	697	1,336	468	846	6,512	16,170	
Higher Education	18	11	228	211	230	87	447	23	198	55	339	541	2,388	
All Other Education	32	98	91	220	93	116	137	86	128	240	141	356	1,738	
Medicaid	856	1,279	738	746	1,030	609	645	598	593	810	763	829	9,496	
Public Health	114	52	16	52	13	31	65	57	36	101	(4)	186	719	
Mental Hygiene	63	78	77	135	81	232	115	74	212	259	165	367	1,858	
Children and Families	47	62	69	88	226	90	93	96	220	88	84	367	1,530	
Temporary & Disability Assistance	139	142	243	156	160	177	156	(143)	176	6	125	56	1,393	
Transportation	0	15	45	0	15	0	0	15	0	7	0	1	106	
All Other	26	47	414	41	53	157	22	61	317	96	65	461	1,760	
Total Local Assistance Grants	1,422	3,601	3,632	1,745	2,311	3,048	2,281	1,564	3,223	2,123	2,532	9,676	37,158	
Personal Service	650	819	605	645	750	587	716	537	381	546	306	167	6,709	
Non-Personal Service	147	224	205	215	249	248	244	222	232	247	243	435	2,911	
Total State Operations	797	1,043	810	860	999	831	964	759	613	793	549	602	9,620	
General State Charges	336	281	1,187	450	310	275	414	277	299	345	150	206	4,530	
Debt Service	48	144	216	43	38	295	32	141	409	4	24	185	1,579	
Capital Projects	33	25	23	53	44	50	41	47	101	90	127	(547)	82	
Other Purposes	107	27	47	39	29	80	29	62	102	45	24	119	715	
Total Transfers to Other Funds	188	196	286	135	111	425	102	280	612	139	175	(243)	2,376	
<b>TOTAL DISBURSEMENTS</b>	2,743	5,121	5,915	3,190	3,731	4,579	3,761	2,850	4,747	3,400	3,406	10,241	53,684	
Excess/(Deficiency) of Receipts over Disbursements	3,945	(3,225)	420	195	(493)	1,158	(1,576)	(817)	(203)	5,016	(375)	(4,057)	(12)	
<b>CLOSING BALANCE</b>	6,990	3,765	4,185	4,380	3,887	5,045	3,469	2,652	2,449	7,465	7,090	3,033	3,033	

Source: NYS DOB



**ALL GOVERNMENTAL FUNDS**  
(thousands of dollars)

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

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

	2005-2006 Actuals	2006-2007 Actuals	2007-2008 Projected	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected
<b>HEALTH AND SOCIAL WELFARE (Continued)</b>						
Temporary and Disability Assistance, Office of						
Welfare Assistance	4,391,625	4,458,289	4,686,998	4,636,779	4,636,392	4,636,080
Welfare Administration	2,979,052	3,110,913	3,284,923	3,228,074	3,222,743	3,218,456
All Other	368,537	380,495	377,933	377,933	377,933	377,933
Welfare Inspector General, Office of	1,044,036	966,881	1,024,142	1,030,772	1,035,716	1,039,691
Workers' Compensation Board	1,004	1,074	1,295	1,321	1,347	1,374
Functional Total	140,892	148,277	162,246	152,010	154,126	156,381
	43,710,577	45,790,190	47,265,103	51,238,461	54,850,724	57,902,428
<b>MENTAL HEALTH</b>						
Mental Health, Office of	2,199,159	2,335,339	2,520,224	2,692,453	2,830,816	2,894,995
Mental Hygiene, Department of	9,370	8,442	7,800	7,800	7,800	7,800
Mental Retardation and Developmental Disabilities, Office of	2,930,056	3,168,254	3,369,167	3,560,454	3,676,258	3,788,938
Alcohol and Substance Abuse Services, Office of	484,034	521,906	596,007	655,669	704,897	687,400
Developmental Disabilities Planning Council	4,081	4,129	3,621	3,617	3,617	3,617
Quality of Care for the Mentally Disabled, Commission on	12,770	12,605	15,492	15,373	15,424	15,394
Functional Total	5,639,470	6,050,675	6,511,311	6,935,366	7,238,812	7,398,144
<b>PUBLIC PROTECTION</b>						
Capital Defenders Office	4,572	1,558	1,300	1,303	1,309	1,315
Correctional, Commission of	2,515	2,621	2,629	2,674	2,674	2,674
Crime Victims Board	2,316,062	2,736,338	2,715,169	2,782,450	2,849,374	2,922,707
Criminal Justice Services, Division of	55,565	60,073	62,709	62,248	62,269	62,294
Homeland Security	193,492	267,326	254,005	265,162	245,525	235,356
Investigation, Temporary State Commission of	19,586	29,562	407,925	539,937	347,937	354,184
Judicial Commissions	3,586	3,551	3,929	4,152	4,219	4,242
Military and Naval Affairs, Division of	2,714	2,785	4,785	4,819	4,850	4,884
Parole, Division of	209,562	401,610	396,929	291,930	146,845	166,777
Probation and Correctional Alternatives, Division of	193,231	194,729	205,978	220,361	233,189	250,269
Public Security, Office of	72,254	72,752	74,649	74,702	74,726	73,484
State Police, Division of	0	0	0	0	0	0
Functional Total	598,904	644,506	635,780	676,038	697,900	691,810
	3,672,043	4,417,411	4,765,787	4,925,776	4,670,817	4,769,996
<b>EDUCATION</b>						
Arts, Council on the	42,825	49,244	55,766	54,665	54,845	54,826
City University of New York	619,871	1,064,544	1,186,315	1,245,860	1,301,014	1,332,761
Education, Department of	24,250,119	26,662,215	29,354,589	31,295,132	33,706,912	36,355,352
School Aid (includes EXCEL)	18,549,341	20,088,579	21,794,505	23,143,777	25,056,911	27,295,916
STAR Property Tax Relief	3,213,204	3,993,970	4,730,450	5,358,402	5,837,916	6,141,460
Handicapped	1,560,076	1,620,800	1,719,600	1,788,490	1,849,790	1,914,590
All Other	927,498	958,866	1,110,034	1,004,463	962,295	1,003,366
Higher Education Services Corporation	1,018,291	956,737	981,212	975,422	976,822	978,251
State University Construction Fund	10,013	13,157	12,493	12,628	12,756	12,884
State University of New York	4,964,540	5,447,926	5,901,289	5,996,243	6,164,116	6,130,560

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

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

Source: NYS DOB

## **GAAP-Basis Financial Plans/GASB Statement 45**

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

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

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

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

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

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

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

The current Financial Plan does not assume pre-funding of the GASB 45 liability. The State's Health Insurance Council, which consists of GOER, Civil Service, and DOB will continue to review this

matter, seek input from the State Comptroller, the legislative fiscal committees and outside parties, and provide options for consideration.

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

<b>History and Forecast of New York State Employee Health Insurance</b> (millions of dollars)			
<b>Health Insurance</b>			
<b>Year</b>	<b>Active Employees</b>	<b>Retirees</b>	<b>Total State</b>
<b>2001-02</b>	937	565	1,502
<b>2002-03</b>	1,023	634	1,657
<b>2003-04</b>	1,072	729	1,801
<b>2004-05</b>	1,216	838	2,054
<b>2005-06</b>	1,331	885	2,216
<b>2006-07</b>	1,492	940	2,432
<b>2007-08</b>	1,586	1,007	2,593
<b>2008-09</b>	1,808	1,148	2,956
<b>2009-10</b>	1,972	1,255	3,227
<b>2010-11</b>	2,152	1,373	3,525

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

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

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

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

Source: NYS DOB

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

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

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

Source: NYS DOB

## Special Considerations

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

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

### Risks to the U.S. Economic Forecast

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

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

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

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



## **Risks to the New York Forecast**

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

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

## **Labor Contracts/Salary Increases**

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

## **School Supportive Health Services**

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

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

## **Proposed Federal Rule on Medicaid Funding**

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

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

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

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

## **Video Lottery Terminal Expansion**

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

## **School Aid Database Updates**

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

**SUMMARY OF CERTAIN PROVISIONS  
OF THE SERVICE CONTRACT**

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**SUMMARY OF CERTAIN PROVISIONS OF THE SERVICE CONTRACT**

This Appendix C contains a summary of certain provisions of the Service Contract pursuant to which the State will be obligated to make periodic payments at times and in amounts sufficient to pay debt service on the Bonds when due. This Appendix is not intended to be a comprehensive or complete summary of such provisions, and reference is made to the Service Contract for the full and complete provisions thereof.

## Appendix C

### **Financial Obligations of State**

Subject to the applicable provisions of the Service Contract, the State shall pay to the Authority so long as any of the Bonds are Outstanding, on each December 20 and June 20 (or on any other date specified in a supplement to the Service Contract with respect to the issuance of additional series of Bonds), an amount equal to the principal and Sinking Fund Installments of and interest payable with respect to the Bonds on the next succeeding January 1 or July 1 (or on any other date specified in a supplement to the Service Contract with respect to the issuance of additional series of Bonds) less the amount paid or provided for under the Resolution on account thereof on such January 1 or July 1 (or on any other date specified in a supplement to the Service Contract with respect to the issuance of additional series of Bonds) without duplication (i) from the proceeds of Bonds designated therefor by the Authority, and (ii) from amounts on deposit with the Trustee and available for the payment of principal and Sinking Fund Installments of and interest payable with respect to the Bonds under the Resolution, as certified by the Authority to the Director. The term of the Service Contract with respect to each Series of Bonds shall commence on the date of the original issuance of such Series of Bonds and shall expire on the earlier of (i) the date on which all such Series of Bonds shall be paid or deemed paid within the meaning of the Resolution or (ii) thirty (30) years from the date of the original issuance of such Series of Bonds.

Subject to the applicable provisions of the Service Contract, the State shall also pay to the Authority, so long as any of the Bonds are Outstanding, as additional Contract Payments all amounts as authorized by the Director which may become due to the issuer of any surety bond, insurance policy, letter of credit or similar obligation securing the Bonds, if and to the extent such obligation arises as a result of the State's failure to make any payment described in the immediately preceding paragraph.

Subject to the applicable provisions of the Service Contract, the State shall also pay to the Authority, so long as any of the Bonds are Outstanding, as additional Contract Payments, all fees and expenses of the Trustee or other fiduciaries incurred or payable under the Resolution.

If at any time(s) any payment in respect of the Bonds is rescinded, avoided, or must otherwise be returned pursuant to a court order, decree or directive, whether appealable or not, rendered in connection with the insolvency, bankruptcy or reorganization with respect to the Authority, and the Trustee gives the State notice thereof, the State will, within ten (10) Business Days of the date of receipt of such notice, pay directly to the Trustee as additional Contract Payments under the Service Contract, such additional amount(s) as shall equal the amount of the rescinded, avoided or returned payment for which such notice was given.

*(Section 2.01)*

### **Redemption or Purchase at the Option of the State**

There is expressly reserved to the State the right, and the State is authorized and permitted, at any time or from time to time, as it may choose, subject to and in accordance with the provisions contained in the Bond Resolution or Series Certificate relating to the redemption or purchase of Bonds at the election of the Authority, to make payments in addition to the Contract Payments otherwise payable under the Service Contract. The State has the right to stipulate that all sums paid by it pursuant to the Service Contract be applied to the purchase or redemption of Bonds in accordance with the terms of the Resolution and (provided that such amount is equal to the "Redemption Price," or "Purchase Price," as such term is defined in the Resolution, of such Bonds) that amounts be transferred from the Debt Service Fund for such purposes. Such amounts shall then be so transferred and applied to the redemption or purchase of Bonds in the manner and to the extent permitted under the Resolution.

*(Section 2.01)*

### **Nature of State's Obligation**

Except as provided in the Service Contract, the obligation of the State to pay Contract Payments shall be absolute and unconditional, and such Contract Payments shall be payable without any rights of abatement, deduction, deferment, reduction, set-off, recoupment or counterclaim the State might have against the Authority or

any assignee thereof or any other Person, whether or not this Service Contract shall have been terminated and whether or not the Authority shall be in default of its obligations under the Service Contract. Subject to the provisions of the Service Contract, the State, however, shall not be precluded from bringing any action it may otherwise have against the Authority.

Notwithstanding anything in the Service Contract to the contrary, (i) the obligation of the State to fund or to pay the amounts provided for in the Service Contract is subject to annual appropriation by the State Legislature, and (ii) the obligation of the State to fund or to pay the amounts provided for in the Service Contract shall not constitute a debt of the State within the meaning of any constitutional or statutory provision and shall be deemed executory only to the extent of monies appropriated and available to the State and no liability shall be incurred by the State beyond moneys appropriated and available to the State for the purpose.

*(Sections 2.02 and 2.03)*

### **Events of Default and Remedies**

If, for any reason other than a failure by the State Legislature to appropriate moneys for such purpose, the State shall fail to pay when due any of the payments provided for in the Service Contract or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Authority shall, if such default has not been cured, have the right to institute any action in the nature of mandamus or take whatever action at law or in equity as may appear necessary or desirable to collect the payment then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the State under the Service Contract.

The remedies conferred upon or reserved to the Authority described above in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of this Service Contract, nor may they include any amendment, change, modification or alteration of the Service Contract that is prohibited by the Service Contract.

If the Authority shall fail to observe or perform any covenant, condition or agreement on its part to be observed or performed and such failure to observe or perform shall have continued for 60 days after written notice, specifying such failure and requesting that it be remedied, is given to the Authority by the State, the State shall, if the default has not been cured, have the right to institute an action in the nature of mandamus or take whatever action at law or in equity as may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Authority under the Service Contract.

The remedies conferred upon or reserved to the State described above in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of this Service Contract or of the obligations of the State to make the payments provided for in the Service Contract, nor may they include any amendment, change, modification or alteration of the Service Contract that is prohibited by the Service Contract.

*(Section 6.01)*

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**SUMMARY OF CERTAIN PROVISION OF THE RESOLUTION**

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## SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary of certain provisions of the Resolution. This summary does not purport to be a full and complete summary of each provision of the Resolution and reference is made to the Resolution for full and complete statements of all such provisions. Defined terms used herein shall have the meanings ascribed to them in Appendix A or in the body of this Official Statement.

### **Resolution and Bonds Constitute a Contract**

With respect to the Bonds, in consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those who shall hold or own the same from time to time, the Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of such Bonds, and the pledge and assignment to the Trustee made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of any and all of such Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any such Bonds over any other Bonds except as expressly provided in the Resolution or permitted by the Resolution.

*(Section 1.03)*

### **Authorization of Bonds**

The Resolution authorizes the issuance of the Bonds of the Authority to be designated as “Dormitory Authority of the State of New York State of New York Consolidated Service Contract Refunding Revenue Bonds”, and there is by the Resolution created a continuing pledge and lien as provided by the Resolution to secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all the Bonds. The Bonds shall be special obligations of the Authority payable solely from the Revenues, all in the manner more particularly provided in the Resolution. The aggregate principal amount of Bonds which may be executed, authenticated and delivered is not limited except as provided in the Resolution.

The Bonds of the Authority shall not be a debt of the State, nor shall the State be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Authority by the Resolution pledged to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all of the Bonds.

The Bonds may, if and when authorized by the Authority pursuant to the Resolution and to one or more Series Resolutions, if applicable, be issued in one or more Series and the Bonds of each Series shall contain an appropriate Series designation.

Nothing contained in the Resolution shall be deemed to preclude or restrict the consolidation pursuant to a Series Resolution of any Bonds of any two or more separate Series authorized pursuant to the Resolution and to any such Series Resolution to be issued pursuant to any of the provisions of the Resolution into a single Series of Bonds for purposes of sale and issuance; provided, however, that each of the tests, conditions and other requirements contained in the Resolution as applicable to each such separate Series shall be met and complied with. Except as otherwise provided in the Resolution or in such Series Resolution, such a consolidated Series shall be treated as a single Series of Bonds for all purposes in the Resolution.

*(Section 2.01)*

## Appendix D

### **Provisions for Issuance of Bonds.**

The issuance of Bonds shall be authorized by a Series Resolution or Series Resolutions adopted at the time of or subsequent to the adoption of the Resolution. The Bonds of a Series authorized to be issued shall be executed by the Authority and delivered to the Trustee. Such Bonds shall from time to time and in such amounts as are directed by the Authority be authenticated by the Trustee and by it delivered to or upon the order of the Authority upon receipt of the consideration therefor and upon delivery to the Trustee of:

- (a) A copy of the Resolution and the Series Resolution authorizing such Bonds, certified by an Authorized Officer of the Authority;
- (b) A copy of the Service Contract, certified by an Authorized Officer of the Authority;
- (c) A copy of the Series Certificate executed in connection with such Bonds;
- (d) A written order as to the delivery of such Bonds, signed by an Authorized Officer of the Authority, describing the Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered and stating the consideration for such Bonds;
- (e) Except in the case of Refunding Bonds, a certificate of an Authorized Officer of the Authority stating that the Authority is not, and, as a result of the issuance of such Bonds, shall not be, in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution;
- (f) Except in the case of Refunding Bonds, a certificate of an Authorized Officer of the State stating that the State is not, and, as a result of the issuance of such Bonds, shall not be, in default in the performance of any covenants, conditions, agreements or provisions contained in the Service Contract;
- (g) If Bonds of such Series are Book Entry Bonds, unless the Trustee is a party thereto, a copy of the agreement, if any, between the Authority and the Depository for such Bonds;
- (h) If any Bonds of such Series are Option Bonds, and a Credit Facility or Liquidity Facility in such an amount as would provide sufficient moneys for the purchase or redemption of all Option Bonds of such Series if the Holders thereof elected to tender for purchase or redemption the entire aggregate Outstanding principal amount of the Option Bonds of such Series; and
- (i) An opinion of Bond Counsel stating, in the opinion of Bond Counsel, that the Resolution and the applicable Series Resolution authorizing the Series of Bonds have been duly and lawfully adopted by the Authority; that the Resolution is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms; that the Resolution creates the valid pledge and the valid lien which it purports to create, subject only to the provisions of the Resolution permitting the withdrawal, payment, setting apart or appropriation of the moneys pledged thereby for the purposes and on the terms and conditions set forth in the Resolution; and that the Authority is duly authorized and entitled to issue such Series of Bonds and, upon the execution and delivery thereof and upon authentication by the Trustee, such Series of Bonds will be duly and validly issued and will constitute valid and binding special obligations of the Authority entitled to the benefits of the Resolution; provided, however, that such opinion may be qualified to the extent that enforceability of rights and remedies may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally or as to the availability of any particular remedy.

*(Section 2.02)*

### **Additional Obligations**

The Authority reserves the right to issue bonds, notes or any other obligations pursuant to other and separate resolutions of the Authority, so long as such bonds, notes or other obligations are not entitled to a charge, lien or right prior or equal to the charge or lien created by the Resolution, or prior or equal to the rights of the Authority and Holders of Bonds as provided by the Resolution or with respect to the money pledged by the Resolution.

*(Section 2.05)*

### **Authorization of Redemption or Purchase**

Bonds subject to redemption or purchase prior to maturity pursuant to a Series Resolution or a Series Certificate shall be redeemable or purchasable, in accordance with the Resolution, at such times, at such Redemption Prices, or purchase prices, and upon such terms as may otherwise be specified in the Resolution or in the Series Resolution authorizing such Series or the applicable Series Certificate.

*(Section 4.01)*

### **Redemption at the Election or Direction of the Authority**

In the case of any redemption of Bonds other than as provided in the Resolution, the Authority shall give written notice to the Trustee and each applicable Facility Provider of its election or direction to redeem, of the Series and of the principal amounts of the Bonds of each Sub-Series and maturity of such Series to be redeemed. The Series, Sub-Series, maturities and principal amounts thereof to be redeemed at the election or direction of the Authority shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Resolution or in the Series Resolution authorizing such Series or the applicable Series Certificate. Such notice shall be given to the Trustee and each applicable Facility Provider at least forty-five (45) days prior to the date on which such Bonds are to be redeemed, or such lesser number of days as shall be acceptable to the Trustee. The Authority by the Resolution covenants that in the event notice of redemption shall have been published as provided in Resolution, it shall, on or prior to the redemption date, pay to the Trustee the amount of moneys which shall equal the Redemption Price of and the interest accrued and to accrue on the Bonds to be redeemed to the redemption date, less any moneys held by the Trustee and the Paying Agent available therefor, unless the notice of redemption expressly provides that the redemption is conditioned upon money being available on the redemption date for payment of the Redemption Price.

*(Section 4.02)*

### **Selection of Bonds to Be Redeemed**

In the event of redemption of less than all of the Outstanding Bonds of like Series, Sub-Series and maturity, the Trustee shall assign to each Outstanding Bond of the Series and maturity to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series, Sub-Series are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw the Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as provided in this paragraph) which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Bonds drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of Bonds and select part of any Bond for redemption. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of each such Bond of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued

## Appendix D

shall be redeemed as shall equal the lowest denomination in which the Bonds of such Series are authorized to be issued for each number assigned to it and so selected.

For purposes of the Resolution, the lowest denomination in which a Capital Appreciation Bond is authorized to be issued shall be the lowest Accreted Value authorized to be due at maturity on such Bonds and the lowest denomination in which a Deferred Income Bond is authorized to be issued shall be the lowest Appreciated Value on the Interest Commencement Date authorized for such Bonds.

*(Section 4.04)*

### **Notice of Redemption**

Whenever Bonds are to be redeemed, the Trustee shall give notice of the redemption of the Bonds in the name of the Authority.

Such notice shall be given by mailing a copy of such notice not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date or, in the case of Variable Interest Rate Bonds or Option Bonds, such shorter period as shall be established by the Series Resolution authorizing such Bonds or the Bond Series Certificate relating thereto, but in no event less than fifteen (15) days prior to the redemption date. Such notice shall be sent by first class mail, postage prepaid, to the registered owners of the Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books not more than ten (10) Business Days prior to the date such notice is given. Upon giving such notice the Trustee shall promptly certify to the Authority that it has mailed or caused to be mailed such notice to the Holders of the Bonds to be redeemed in the manner provided in the Resolution. Such certificate shall be conclusive evidence that such notice was given in the manner required by the Resolution. The failure of any Holder of a Bond to be redeemed to receive such notice shall not affect the validity of the proceedings for the redemption of the Bonds.

*(Section 4.05)*

Payment of Redeemed Bonds Notice having been given by mail in the manner provided in the Resolution, the Bonds or portions thereof so called for redemption shall become due and payable, on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender of such Bonds, other than Book Entry Bonds of like Series, Sub-Series, maturity, and tenor to be redeemed in part, at the office or offices specified in such notice, together with, in the case of Bonds presented by other than the registered owner, a written instrument of transfer duly executed by the registered owner or his duly authorized attorney, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. Payment of the Redemption Price shall be made, upon the request of the registered owner of one million dollars, \$1,000,000 or more in principal amount of Bonds to be redeemed, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has, at time such Bond is surrendered to the Trustee, directed in writing the Trustee to wire such Redemption Price. If there shall be drawn for redemption less than all of the principal amount of a Bond, the Authority shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of like Series, Sub-Series, maturity and tenor in any of the authorized denominations. If, on the redemption date, moneys for the redemption of all Bonds or portions thereof of any like Series, Sub-Series, maturity and tenor to be redeemed, together with interest accrued and unpaid thereon to the redemption date, shall be held by the Trustee and Paying Agents so as to be available therefor on such date and if notice of redemption shall have been mailed as aforesaid, and the conditions, if any, to such redemption have been satisfied or waived by the Authority, then, from and after the redemption date, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds shall no longer be considered to be Outstanding under the Resolution. If such moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

*(Section 4.06)*

### **Pledge of Revenues**

The proceeds from the sale of any Bonds, the Revenues and all funds and accounts established by the Resolution and by any Series Resolution, other than the Arbitrage Rebate Fund, are pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds and as security for the performance of any other obligation of the Authority under the Resolution and under each Series Resolution, all in accordance with the provisions of the Resolution and thereof. The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of any Bonds, the Revenues and all funds and accounts established by the Resolution and by any Series Resolution which are pledged by the Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of any Bonds, the Revenues and all funds and accounts established by the Resolution and by any Series Resolution and which are pledged by the Resolution, which pledge shall constitute a first lien thereon.

Notwithstanding anything to the contrary contained in the Resolution, the Authority may incur obligations or indebtedness to any Facility Provider providing a Credit Facility or Liquidity Facility or an Interest Rate Exchange Agreement which are payable from the Revenues on a parity with the Bonds and which are secured by a lien on and pledge of the Revenues equal to the lien and pledge made by the Resolution, without preference, priority or distinction over the rights of the Holders of the Bonds.

*(Section 5.01)*

### **Establishment of Funds and Accounts**

The following funds and separate accounts within funds are established by the Resolution and, except for the Project Fund which shall be held and maintained by the Authority, and shall be held and maintained by the Trustee:

Project Fund; Debt Service Fund; and  
Arbitrage Rebate Fund.

All moneys at any time deposited in any Fund, account or subaccount created and pledged by the Resolution or by any Series Resolution or required by the Resolution or thereby to be created shall be held in trust for the benefit of the Bondholders, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Resolution; provided, however, that the proceeds derived from the remarketing of Option Bonds tendered or deemed to have been tendered for purchase or redemption in accordance with the Series Resolution authorizing the issuance of such Bonds or the Series Certificate relating to such Bonds or derived from a Liquidity Facility or a Credit Facility relating to such Bonds, and any fund or account established by or pursuant to such Series Resolution for the payment of the purchase price or Redemption Price of Option Bonds so tendered or deemed to have been tendered, shall not be held in trust for the benefit of the Holders of Bonds other than such Option Bonds and are pledged by the Resolution for the payment of the purchase price or Redemption Price of such Option Bonds.

*(Section 5.02)*

## Appendix D

### **Application of Proceeds and Allocation Thereof**

Upon the receipt of proceeds from the sale of a Series of Bonds, the Authority shall apply such proceeds as specified in the Resolution and in the Series Resolution authorizing such Series of Bonds or in the Series Certificate relating to such Series of Bonds.

Accrued interest, if any, received, upon the delivery of a Series of Bonds shall be deposited in the Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Series Resolution authorizing such Series or in the Series Certificate relating to such Series.

*(Section 5.03)*

### **Application of Moneys in the Project Fund**

Except as otherwise provided in the Resolution and any applicable Series Resolution or Series Certificate, moneys in the Project Fund shall be applied only to pay the Costs, the Costs of Issuance and the Costs of Refunding. For purposes of internal accounting, the Project Fund may contain a separate account with respect to each Series of State Supported Debt to be refunded or repaid in connection with which Bonds have been issued and may contain one or more other accounts and such subaccounts as the Authority may deem proper.

Payments for Costs of Issuance shall be made by the Authority upon the written approval of an Authorized Officer of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment.

Payments for Costs of a Refunding shall be made by the Authority upon the written approval of an Authorized Officer of the Authority.

Upon the filing in the offices of the Authority of a certificate signed by an Authorized Officer of the Authority which states that the moneys then remaining in an account established within the Project Fund with respect to the refunding or repayment of a Series of State Supported Debt exceeds the amount necessary to pay the costs of Refunding, the moneys, if any, then remaining in such account, after making provision for the payment of any Costs of Issuance and Costs of Refunding then unpaid, shall be applied by the Trustee in the following order of priority:

- (a) To the Arbitrage Rebate Fund, the amount determined by the Authority to be required to be deposited therein; and
- (b) To the Debt Service Fund for application in accordance with the Resolution any balance remaining.

*(Section 5.04)*

### **Deposit and Allocation of Revenues**

The Revenues and any other moneys, which, by any of the provisions of the Service Contract, are required to be paid to the Trustee, shall be deposited or paid by the Trustee upon receipt thereof as follows and in the following order of priority:

First: To the credit of the Debt Service Fund, the amount, if any, necessary to make the amount on deposit in the Debt Service Fund equal to (a) the interest payable on the next succeeding interest payment date, (b) the principal and Sinking Fund Installments of Outstanding Bonds payable on the next succeeding principal or Sinking Fund Installment payment date, (c) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased pursuant to the Resolution or called for redemption pursuant to the Resolution, plus accrued interest thereon to the date of purchase or redemption on the next succeeding purchase or redemption date;



Second: To reimburse or pay, pro rata, each Facility Provider of a Credit Facility or Liquidity Facility or Interest Rate Exchange Agreement for Provider Payments which are then unpaid, in proportion to the respective Provider Payments then unpaid to such Facility Provider; and

Third: To or upon the order of the Authority, such amounts as are then required to pay or reimburse the Authority for: (i) fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required by Resolution, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the Projects, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Service Contract in accordance with the terms thereof, and (iii) any fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts then due and owing to the Authority pursuant to the Service Contract and payable pursuant to this paragraph Third.

After making the payments required by paragraphs First, Second and Third, the balance, if any, of the Revenues shall, upon the direction of an Authorized Officer of the Authority, be deposited by the Trustee to the credit of the Arbitrage Rebate Fund or the Debt Service Fund for application as summarized below under "Debt Service Fund," or to both, in the respective amounts set forth in such direction. The Trustee shall notify the Authority and the State promptly after making the payments required by paragraphs First, Second and Third of any balance remaining from such Revenues after payment as provided above.

*(Section 5.05)*

#### **Debt Service Fund**

The Trustee shall on or before each interest payment date, Sinking Fund Installment payment date, redemption date or purchase date pay to itself and any other Paying Agent the amount of:

- (a) the interest due on all Outstanding Bonds on such interest payment date;
- (b) the principal and Sinking Fund Installments due on all Outstanding Bonds on such interest payment date; and
- (c) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption plus accrued interest thereon to the date of purchase or redemption.

The amount paid out pursuant to (a), (b) and (c) above shall continue to be subject to the pledge made by the Resolution and shall be held by the Trustee and Paying Agents subject to such pledge and applied to the payments due on such interest payment date to the Holders of Bonds in accordance with the Resolution.

Notwithstanding the foregoing, the Authority may, at any time subsequent to the first day of January of any Bond Year during which a Sinking Fund Installment is payable but in no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds to be redeemed from such Sinking Fund Installment. Any Term Bond so purchased and any Term Bond purchased by the Director and delivered to the Trustee in accordance with the Service Contract shall be cancelled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so cancelled shall be credited against the next Sinking Fund Installment due on the Term Bonds so purchased; provided, however, that such Term Bond is cancelled by the Trustee prior to the date on which notice of redemption is given.

Moneys remaining in the Debt Service Fund after application as described in paragraphs (a), (b) and (c) above shall in each case be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Outstanding Bonds of any Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued and unpaid

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interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority shall direct. If fifty (50) days prior to any interest payment date on which Bonds of any Series are subject to redemption the amount of such excess not required to pay the purchase price or Redemption Price of Bonds theretofore contracted to be purchased or called for redemption is fifty thousand dollars (\$50,000.00) or more, the Trustee shall, to the extent such moneys are sufficient therefor, apply such moneys in accordance with the direction of an Authorized Officer of the Authority given pursuant to the Resolution to the redemption of Bonds as provided in the Resolution, at the Redemption Prices specified in the applicable Series Resolution or Series Certificate.

*(Section 5.06)*

### **Arbitrage Rebate Fund**

The Trustee shall deposit to the Arbitrage Rebate Fund any moneys delivered to it by the State for deposit therein or transferred by it or paid to it by the Authority in accordance with the provisions of the Resolution for deposit therein. Notwithstanding any other provisions of the Resolution, the Trustee shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Authority, moneys on deposit in any other funds held by the Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions, and the Authority may withdraw from the Project Fund and pay to the Trustee for deposit to the Arbitrage Rebate Fund, such amounts as shall be determined by the Authority to be necessary to comply with the Code.

Moneys on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which an Authorized Officer of the Authority determines to be in excess of the amount required to be so rebated shall be deposited to the Debt Service Fund in accordance with the written direction of such Authorized Officer.

If and to the extent required by the Code, the Authority shall periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to each Series of Bonds and direct the Trustee to (i) transfer from any other of the funds and accounts held by the Trustee under the Resolution and deposit to the Arbitrage Rebate Fund all or a portion of the Excess Earnings with respect to each Series of Bonds and (ii) pay out of the Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

*(Section 5.08)*

### **Application of Moneys in Certain Funds for Retirement of Bonds**

Notwithstanding any other provisions of the Resolution, if at any time the amounts held in the Debt Service Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds and the interest accrued and to accrue on such Bonds to the next date of redemption when all such Bonds are redeemable, the Trustee shall so notify the Authority and the Director. Upon receipt of such notice, the Authority may direct the Trustee to redeem all such Outstanding Bonds. The Trustee shall, upon receipt of such request in writing by the Authority, proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Resolution and by each Series Resolution as provided in the Resolution.

*(Section 5.09)*

### **Transfer of Investments**

Whenever moneys in any fund or account established by the Resolution or by any Series Resolution are to be paid in accordance with the Resolution or therewith to another such fund or account, such payment may be made, in whole or in part, by transferring to such other fund or account investments held as part of the fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least

equal to the amount of the payment then to be made; provided, however, that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such fund.

*(Section 5.10)*

### **Security for Deposits**

All moneys held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of the Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with them pursuant to the Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions of the Resolution as an investment of such moneys.

*(Section 6.01)*

### **Investment of Funds and Accounts**

Moneys held under the Resolution in any fund or account established by the Resolution or by a Series Resolution, if permitted by law, shall, as nearly as may be practicable, be invested, in Government Obligations, Federal Agency Obligations, or Exempt Obligations and, if not inconsistent with the investment guidelines of a Rating Service applicable to funds held under the Resolution, any other Permitted Investment; provided, however, that each such investment shall permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such moneys will be required for the purposes of the Resolution, provided, further, (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person. Moneys held under the Resolution by the Trustee shall be invested by the Trustee upon the direction of an Authorized Officer of the Authority given or confirmed in writing, which direction shall specify the amount to be so invested.

In lieu of the investments of moneys in obligations authorized in the preceding paragraph, the Trustee shall, to the extent permitted by law, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority, the Authority may to the extent permitted by law, invest moneys in the Project Fund in (i) interest-bearing time deposits, certificates of deposit or other similar investment arrangements including, but not limited to, written repurchase agreements relating to Government Obligations, with banks, trust companies, savings banks, savings and loan associations, or securities dealers approved by the Authority the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, (ii) Exempt Obligations or (iii) Investment Agreements; provided, however, that (w) each such investment shall permit the moneys so deposited or invested to be available for use at the times at, and in the amounts in, which the Authority reasonably believes such moneys will be required for the purposes of the Resolution, (x) all moneys in each such interest-bearing time deposit, certificate of deposit, repurchase agreement or other similar investment arrangement shall be continuously and fully secured by ownership of or a security interest in obligations of a market value determined by the Trustee or its agent on a daily valuation equal to the amount deposited or invested including interest accrued thereon, (y) the obligations securing such interest-bearing time deposit or certificate of deposit or which are the subject of such other similar investment arrangement shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the obligations securing such time deposit or certificate of deposit or which are the subject of such other similar investment arrangement shall be free and clear of claims of any other person

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Permitted Investments purchased or other investments made as an investment of moneys in any fund or account held by the Trustee or the Authority under the provisions of the Resolution shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged to, as the case may be, such fund or account.

In computing the amount in any fund or account held by the Trustee under the provisions of the Resolution each Permitted Investment therein shall be valued at the market value thereof, plus accrued interest.

*(Section 6.02)*

### **Payment of Principal and Interest**

The Authority shall pay or cause to be paid the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on every Bond of each Series on the date and at the places and in the manner provided in the Bonds according to the true intent and meaning thereof.

*(Section 7.01)*

### **Accounts and Reports**

The Authority shall keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to each Series of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the State, the Trustee or of any Holder of a Bond or his representative duly authorized in writing. The Trustee shall prepare a report which shall be furnished to the Authority, to each Facility Provider and to the State. Such report shall include at least: a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions of the Resolution and of each Series Resolution; a statement of the Revenues collected in connection with the Resolution and with each Series Resolution; and a statement that, in making such report, no knowledge of any default in the fulfillment of any of the terms, covenants or provisions of the Resolution or of each Series Resolution was obtained, or if knowledge of any such default was obtained, a statement thereof; and complete and correct entries of the Authority's transactions relating to each Series of Bonds. A copy of such report shall, upon written request therefor, and payment of any reasonable fee or charge made in connection therewith, be furnished to the registered owner of a Bond or any beneficial owner of a Book Entry Bond requesting the same.

*(Section 7.05)*

### **Creation of Liens**

The Authority shall not create, cause to be created or suffer or permit the creation of any lien or charge prior or equal to that of the Bonds on the proceeds from the sale of the Bonds, the Revenues or the funds and accounts established by the Resolution or by any Series Resolution which are pledged by the Resolution; provided, however, that nothing contained in the Resolution shall prevent the Authority from (i) issuing bonds, notes or other obligations or otherwise incurred indebtedness under another and separate resolution so long as the charge or lien created by such resolution is not prior to the charge or lien created by the Resolution and (ii) incurring obligations or indebtedness to any person providing a Credit Facility or a Liquidity Facility or an Interest Rate Exchange Agreement which are secured by a lien on and pledge of the Revenues which are equal to the lien and pledge thereon made by the Resolution.

*(Section 7.06)*

### **Enforcement of Duties and Obligations of the State**

The Authority shall take all legally available action to cause the applicable governmental agency utilizing a Project to perform fully all duties and acts and comply fully with the covenants of the State required by the Service Contract in the manner and at the times provided in the Service Contract; provided, however, that the Authority may delay or defer enforcement of one or more provisions of the Service Contract (other than provisions requiring the payment of moneys to the Trustee for deposit to any fund or account established under the Resolution) if the Authority determines such delay or deferment will not materially adversely affect the interests of the Holders of the Bonds.

*(Section 7.07)*

### **Offices for Payment and Registration of Bonds**

The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for payment. The Authority may, pursuant to a Supplemental Resolution or a Series Resolution or pursuant to a resolution adopted in accordance with the Resolution, designate an additional Paying Agent or Paying Agents where Bonds of the Series authorized thereby or referred to therein may be presented for payment. The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for registration, transfer or exchange and the Trustee is by the Resolution appointed as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds. The provisions of this Section shall be subject to the provisions of the Resolution.

*(Section 7.09)*

### **Amendment of Service Contract**

The Service Contract may not be amended, changed, modified, altered or terminated so as to materially adversely affect the interest of the Holders of Outstanding Bonds without the prior written consent of (a) the Holders of at least a majority in principal amount of the Bonds then Outstanding, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modifications or amendments, the Holders of a majority in principal amount of the Bonds of each Series so affected then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section; provided, further, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment to be made by the State under the Service Contract which is required to be deposited with the Trustee or extend the time of payment thereof. The Service Contract may be amended, changed, modified or altered with the consent of the Trustee but without the consent of the Holders of Outstanding Bonds to provide necessary changes in connection with the refunding or repayment of State Supported Debt, or the issuance of Bonds, to cure any ambiguity, or to correct or supplement any provisions contained in the Service Contract which may be defective or inconsistent with any other provisions contained in the Resolution or in the Service Contract. No amendment to the Service Contract shall become effective until an executed copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

For the purposes of the Resolution, a Series shall be deemed to be adversely affected by an amendment, change, modification or alteration of the Service Contract if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series would be adversely affected by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the State, the Authority and all Holders of Bonds.

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For all purposes of the Resolution, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee, with respect to the extent, if any, as to which action adversely affects the interests of any Holders of Bonds then Outstanding.

*(Section 7.10)*

### **Notice of Default under Agreement**

The Authority shall notify the Trustee in writing that the State is in default under the Service Contract, which default is continuing, which notice shall be given within five (5) days after the Authority has obtained actual knowledge thereof.

*(Section 7.11)*

### **Modification and Amendment Without Consent**

The Authority may adopt at any time or from time to time Series Resolution or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolutions or Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority:

- (a) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;
- (b) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;
- (c) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;
- (d) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;
- (e) To confirm, as further assurance, any pledge under the Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution, of the Revenues, or any pledge of any other moneys or funds;
- (f) To modify any of the provisions of the Resolution or of any previously adopted Series Resolution in any other respect, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution or Series Resolution shall cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent Resolutions;
- (g) To modify the provisions of the Resolution in any respect, provided that such modification shall not permit the investment of moneys in the Debt Service Fund in any manner inconsistent with the provisions of the Resolution and shall not result in the reduction by a Rating Service of the ratings assigned thereby to any of the Outstanding Bonds; or
- (h) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the

Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Bondholders in any material respect.

*(Section 9.01)*

#### **Supplemental Resolutions Effective With Consent of Bondholders**

The provisions of the Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of the Bondholders in accordance with and subject to the provisions of the Resolution summarized under "Powers of Amendment" herein, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority.

*(Section 9.02)*

#### **General Provisions Relating to Series Resolutions and Supplemental Resolutions**

The Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of the Resolution.

Nothing contained in the Resolution shall affect or limit the rights or obligations of the Authority to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions of the Resolution or the right or obligation of the Authority to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere provided in the Resolution or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Series Resolution and Supplemental Resolution adopted by the Authority, when filed with the Trustee, shall be accompanied by an opinion of Bond Counsel stating that such Series Resolution or Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution and is valid and binding upon the Authority and enforceable in accordance with its terms.

The Trustee is authorized to accept delivery of a certified copy of any Series Resolution or Supplemental Resolution permitted or authorized pursuant to the provisions of the Resolution and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Series Resolution or Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No Series Resolution or Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent shall become effective without the written consent of the Trustee or the Paying Agent affected thereby.

*(Section 9.03)*

#### **Powers of Amendment**

Any modification or amendment of the Resolution and of the rights and obligations of the authority and of the Holders of the Bonds under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as summarized in "Consent of Bondholders" below, (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment, Outstanding at the time such consent is given; provided, however,

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that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds for purposes of providing consent. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of the Resolution, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Resolution.

*(Section 10.01)*

### **Consent of Bondholders**

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Resolution to take effect when and as provided in the Resolution. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to the Bondholders (but failure to mail such copy and request to any particular Bondholder shall not affect the validity of the Supplemental Resolution when consented to as provided in the Resolution). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds as summarized under "Power of Amendment" above and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as provided in the Resolution. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds described in the certificate or certificates of the Trustee. Any consent given by a Bondholder shall be binding upon the Bondholder giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any subsequent Bondholder and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee provided in the Resolution for is filed, such revocation. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive evidence that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this paragraph, shall be given to the Bondholders by the Authority by mailing such notice to the Bondholders and, at the discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee provided in the paragraph above for is filed. The Authority shall file with the Trustee proof of the mailing of such notice, and, if the same shall have been published, of the publication thereof (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in provided in this paragraph). A



transcript, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Trustee, each Paying Agent, and the Holders of all Bonds upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such publication is required, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Authority, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

For the purposes of the Resolution, the purchasers of the Bonds of a Series, whether purchasing in connection with a primary offering or a reoffering of Bonds or as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to a modification or amendment permitted by the Resolution in the manner provided in the Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering or reoffering of the Bonds of such Series by the Authority.

*(Section 10.02)*

#### **Modifications by Unanimous Consent**

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of a Supplemental Resolution certified by an Authorized Officer of the Authority and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Resolution, except that no notice to the Bondholders either by mailing or publication shall be required.

*(Section 10.03)*

#### **Events of Default**

An event of default shall exist under the Resolution and under each Series Resolution if:

(a) Payment of the principal, Sinking Fund Installments or Redemption Price of any Bond shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) Payment of an installment of interest on any Bond shall not be made by the Authority when the same shall become due and payable; or

(c) With respect to the Bonds of any Series, the Authority shall default in the due and punctual performance of any covenants contained in the Series Resolution authorizing the issuance thereof to the effect that the Authority shall comply with the provisions of the Code applicable to such Bonds necessary to maintain the exclusion of interest therein from gross income under Section 103 of the Code and shall not take any action which would adversely affect the exclusion of interest on such Bonds from gross income under Section 103 of the Code and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

(d) The Authority shall default in the due and punctual performance of any of the other covenants, conditions, agreements and provisions contained in the Resolution or in the Bonds or in any

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Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds, or if such default is not capable of being cured within thirty (30) days, if the Authority fails to commence within said thirty (30) days and diligently prosecute the cure thereof.

*(Section 11.02)*

### **Acceleration of Maturity**

Upon the happening and continuance of any event of default specified in the section of the Resolution summarized above under "Events of Default", other than an event of default specified in paragraph (c) summarized above under "Events of Default", then and in every such case the Trustee may, and, upon the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds, shall, by a notice in writing to the Authority, declare the principal of all of the Outstanding Bonds and the interest accrued thereon to be due and payable immediately. At the expiration of thirty (30) days from the giving of notice of such declaration, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in the Bonds or in any Series Resolution to the contrary notwithstanding. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee shall, with the written consent of the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds not then due by their terms and then Outstanding annul such declaration and its consequences if (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in the Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this paragraph) shall have been remedied to the reasonable satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

*(Section 11.03)*

### **Enforcement of Remedies**

Upon the happening and continuance of any event of default specified in the section of the Resolution summarized above under "Events of Default", then and in every such case, the Trustee may proceed, or of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds or, in the case of a happening and continuance of an event of default specified in paragraph (c) above summarized under the heading "Events of Default", upon the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall proceed (subject to the provisions of the Resolution) to protect and enforce its rights and the rights of the Bondholders under the Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or in aid or execution of any power in the Resolution or therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

*(Section 11.04)*

### **Limitation of Rights of Individual Bondholders**

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds or, in the case of an event of default specified in the Resolution, the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time.

*(Section 11.08)*

### **Defeasance**

If the Authority shall pay or cause to be paid to the Holders of Bonds of a Series the principal, Sinking Fund Installments, if any, or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, in the Resolution, and in the applicable Series Resolution and Series Certificate, then the pledge of the Revenues or other moneys and securities pledged by the Resolution to such Bonds and all other rights granted by the Resolution to such Series of Bonds shall be discharged and satisfied.

Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed above. All Outstanding Bonds of any Series or any Sub-Series or any maturity within a Series or Sub-Series or a portion of a maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed above if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Resolution notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the holders of said Bonds at their last known address appearing on the registration books, and directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds at their last known address appearing on the registration books that the deposit required by clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this paragraph and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds. The Authority shall give written notice to the Trustee of its selection of the Series, Sub-Series and maturity the payment of which is to be made in accordance with this paragraph. The Trustee shall select the Bonds of like Series, Sub-Series and maturity payment of which shall be made in accordance with this paragraph in the manner provided in the Resolution.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds of a Series or the interest thereon which remain unclaimed for two (2) years after the date when all of the Bonds of such Series have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee or

## Appendix D

Paying Agent after said date when all of the Bonds of such Series become due and payable, shall, at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Bonds shall look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than forty (40) nor more than ninety (90) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

*(Section 12.01)*

### **No Recourse under Resolution or on the Bonds**

All covenants, stipulations, promises, agreements and obligations of the Authority contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any member, officer or employee of the Authority in his or her individual capacity, and no recourse shall be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on the Bonds or for any claims based thereon, or on the Resolution against any member, officer or employee of the Authority, the Director or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of Bonds by the acceptance of the Bonds.

*(Section 14.04)*

### **Certain Provisions Relating to Capital Appreciation Bonds and Deferred Income Bonds**

For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, (ii) receiving payment of a Capital Appreciation Bond if the principal of all Bonds is declared immediately due and payable following an "event of default", as provided in the Resolution or (iii) computing the principal amount of Bonds held by the registered owner of a Capital Appreciation Bond in giving to the Authority or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the then current Accreted Value of such Bond shall be deemed to be its principal amount.

For the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed, or (ii) receiving payment of a Deferred Income Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default, as provided in the Resolution or (iii) computing the principal amount of Bonds held by the registered owner of a Deferred Income Bond in giving to the Authority or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the then current Appreciated Value of such Bond shall be deemed to be its principal amount.

*(Section 14.10)*

**TABLE OF REFUNDED BONDS**

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**TABLE OF REFUNDED BONDS**

The following tables show the bonds of the Dormitory Authority of the State of New York that are to be refunded with the proceeds of the Series 2007 Bonds. Set forth in each table are the series and maturities within such series to be refunded, the principal amount of each such maturity to be refunded and, if applicable, the dates on and redemption prices at which such bonds are to be redeemed.

**SERIES: Dormitory Authority of The State of New York, Service Contract Revenue Bonds (Child Care Facilities Development Program), Series 2002A**

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Outstanding</u>	<u>Principal to Be Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
4/1/2014	5.375%	\$1,630,000	\$1,630,000	4/1/2012	100%
4/1/2015	5.375%	1,715,000	1,715,000	4/1/2012	100%
4/1/2016	5.375%	1,810,000	1,810,000	4/1/2012	100%
4/1/2017	5.375%	1,905,000	1,905,000	4/1/2012	100%
4/1/2018	5.375%	2,010,000	2,010,000	4/1/2012	100%
4/1/2019	5.375%	2,115,000	2,115,000	4/1/2012	100%
4/1/2020	5.375%	2,230,000	2,230,000	4/1/2012	100%
4/1/2021	5.375%	2,350,000	2,350,000	4/1/2012	100%

**SERIES: Dormitory Authority of The State of New York Office Facilities Lease Revenue Bonds (Department of Audit And Control), Series 1999**

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Outstanding</u>	<u>Principal to Be Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
4/1/2011	5.250%	\$1,310,000	\$1,310,000	4/1/2009	101%
4/1/2013	5.250%	1,440,000	1,440,000	4/1/2009	101%
4/1/2014	5.250%	1,515,000	1,515,000	4/1/2009	101%
4/1/2015	4.800%	1,595,000	1,595,000	4/1/2009	101%
4/1/2016	4.875%	1,670,000	1,670,000	4/1/2009	101%
4/1/2017	4.900%	1,755,000	1,755,000	4/1/2009	101%
4/1/2018	4.900%	1,840,000	1,840,000	4/1/2009	101%
4/1/2019	4.900%	1,930,000	1,930,000	4/1/2009	101%

**SERIES: Dormitory Authority of The State of New York, Fashion Institute of Technology Revenue Bonds, Series 2000**

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Outstanding</u>	<u>Principal to Be Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
7/1/2013	5.125%	\$665,000	\$400,000	7/1/2010	101%
7/1/2014	5.250%	700,000	420,000	7/1/2010	101%
7/1/2015	5.300%	735,000	440,000	7/1/2010	101%
7/1/2016	5.375%	770,000	465,000	7/1/2010	101%
7/1/2017	5.400%	820,000	495,000	7/1/2010	101%
7/1/2018*	5.375%	860,000	515,000	7/1/2010	101%
7/1/2019*	5.375%	905,000	545,000	7/1/2010	101%
7/1/2020*	5.375%	335,000	215,000	7/1/2010	101%
7/1/2021**	5.500%	595,000	395,000	7/1/2010	101%
7/1/2022**	5.500%	625,000	415,000	7/1/2010	101%
7/1/2023**	5.500%	660,000	440,000	7/1/2010	101%
7/1/2024**	5.500%	695,000	465,000	7/1/2010	101%
7/1/2025**	5.500%	735,000	490,000	7/1/2010	101%

\* Sinking Fund Installment or maturity date of a Term Bond maturing July 1, 2020

\*\* Sinking Fund Installment of a Term Bond maturing July 1, 2030

Appendix E

**SERIES: Dormitory Authority of The State of New York, Library Facilities Service Contract Bonds, Series 1996**

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Outstanding</u>	<u>Principal to Be Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
7/1/2012*	5.250%	\$ 995,000	\$ 995,000	11/17/2007	101%
7/1/2013*	5.250%	1,055,000	1,055,000	11/17/2007	101%

\* Sinking Fund Installment of a Term Bond maturing July 1, 2019

**SERIES: Dormitory Authority of The State of New York, Office of General Services Issue, Revenue Bonds, Series 1998**

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Outstanding</u>	<u>Principal to Be Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
4/1/2011	5.250%	\$1,100,000	\$1,100,000	4/1/2009	101%
4/1/2013	4.750%	1,215,000	1,215,000	4/1/2009	101%
4/1/2014*	5.000%	1,275,000	1,275,000	4/1/2009	101%
4/1/2015*	5.000%	1,335,000	1,335,000	4/1/2009	101%
4/1/2016*	5.000%	1,405,000	1,405,000	4/1/2009	101%
4/1/2017*	5.000%	1,475,000	1,475,000	4/1/2009	101%
4/1/2018*	5.000%	1,550,000	1,550,000	4/1/2009	101%
4/1/2019**	5.000%	1,625,000	1,625,000	4/1/2009	101%

\* Sinking Fund Installment or maturity date of a Term Bond maturing April 1, 2018

\*\* Sinking Fund Installment of a Term Bond maturing April 1, 2028

**SERIES: Dormitory Authority of The State of New York State, Judicial Institute at Pace University, Insured Lease Revenue Bonds, Series 2000**

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Outstanding</u>	<u>Principal to Be Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
7/1/2013	5.200%	\$ 875,000	\$ 875,000	7/1/2010	101%
7/1/2014	5.300%	920,000	920,000	7/1/2010	101%
7/1/2015	5.375%	970,000	970,000	7/1/2010	101%
7/1/2016*	5.500%	1,020,000	1,020,000	7/1/2010	101%
7/1/2017*	5.500%	1,080,000	1,080,000	7/1/2010	101%
7/1/2018*	5.500%	1,135,000	1,135,000	7/1/2010	101%
7/1/2019*	5.500%	1,200,000	1,200,000	7/1/2010	101%
7/1/2020*	5.500%	1,265,000	1,265,000	7/1/2010	101%

\* Sinking Fund Installment or maturity date of a Term Bond maturing July 1, 2020



**FORM OF APPROVING OPINION OF BOND COUNSEL**

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FORM OF APPROVING OPINION  
OF WINSTON & STRAWN LLP, BOND COUNSEL

October , 2007

Dormitory Authority of the  
State of New York  
515 Broadway  
Albany, New York 12207

Ladies and Gentlemen:

We have examined a record of proceedings relating to the sale and issuance of \$50,115,000 aggregate principal amount of State of New York Consolidated Service Contract Refunding Revenue Bonds, Series 2007 (the "Series 2007 Bonds") of the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State"), organized and existing under and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, being Title 4 of Article 8 of the Public Authorities Law of the State, as amended to the date hereof including, without limitation, by the Healthcare Finance Consolidation Act, being Title 4-B of the Public Authorities Law of the State as amended to the date hereof (the "Act"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth. Capitalized terms used herein without other definition have the meanings set forth in the Resolutions (hereinafter defined).

The Series 2007 Bonds are issued under and pursuant to (i) the Constitution and laws of the State, particularly the Act, (ii) Chapter 57, Pt. T, Section 34 of the Laws of the State of New York, 2007 (the "Program Act"), (iii) the State of New York Consolidated Service Contract Refunding Revenue Bond Resolution duly adopted by the Authority on July 25, 2007 (the "General Resolution"), and (iv) a Series 2007 Resolution Authorizing Up To \$138,000,000 State of New York Consolidated Service Contract Refunding Revenue Bonds, Series 2007, duly adopted by the Authority on July 25, 2007 (the "Series 2007 Resolution"; such resolution, together with the General Resolution, are herein collectively referred to as the "Resolutions").

The Series 2007 Bonds are being issued for the purposes set forth in the Resolutions. The Authority is authorized to issue Bonds, in addition to the Series 2007 Bonds, only upon the terms and conditions set forth in the Program Act and the Resolutions, and such Bonds, when issued, will, together with the Series 2007 Bonds, be entitled to the equal benefit, protection and security of the provisions, covenants and agreement of the Resolutions.

The Series 2007 Bonds are issuable only in the form of fully registered Bonds in denominations of \$5,000 or integral multiples thereof. Interest on the Series 2007 Bonds is to be payable on January 1 and July 1 of each year commencing January 1, 2008. The Series 2007 Bonds are dated and bear interest from their date of delivery and mature on July 1 in each of the years in the respective principal amounts, and bear interest at the respective rates set forth in the related Bond Series Certificate executed and delivered pursuant to the Resolutions concurrently with the issuance of the Series 2007 Bonds.

The Series 2007 Bonds are numbered consecutively from one upward in order of issuance.

The Series 2007 Bonds are subject to redemption prior to maturity in the manner and upon the terms and conditions as set forth in the Resolutions and in the Bond Series Certificate executed on behalf of the Authority in connection with the issuance of the Series 2007 Bonds.

## Appendix F

The Authority and the People of the State, acting by and through the Director of Budget of the State, have entered into a Service Contract, dated as of July 25, 2007 (the "Service Contract"), pursuant to which the payment of principal and Sinking Fund Installments of and interest on the Bonds, as well as certain other amounts, are to be paid by the State to the Authority as Contract Payments (the "Contract Payments"). The Contract Payments and the Authority's right to receive the same have been pledged by the Authority to Deutsche Bank Trust Company Americas, New York, New York (the "Trustee") for the benefit of the owners of the Series 2007 Bonds.

In rendering the opinions set forth herein, we have reviewed the Resolutions, the Service Contract, the Tax Certificate of the Authority dated as of the date hereof (the "Tax Certificate"), an opinion of counsel to the Authority, an opinion of the Attorney General of the State, certificates of the Authority, the Trustee and others, and such other agreements, documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have not undertaken an independent audit or investigation of the matters and opinions described or contained in the foregoing agreements, certificates, opinions and documents.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Series 2007 Bonds in order that interest on the Series 2007 Bonds will be and remain not includable in gross income under Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of proceeds and other amounts, and the timely rebate to the United States of certain earnings with respect to investments. Failure to comply with the continuing requirements may cause interest on the Series 2007 Bonds to be includable in gross income for federal income tax purposes retroactive to the date of their issuance irrespective of the date on which such noncompliance occurs. The Authority, the State and others have made certain covenants, representations and certifications designed to assure satisfaction of the requirements of the Code. Bond Counsel will not independently verify the accuracy of those representations and certifications, nor will it verify ongoing compliance with such covenants.

Certain requirements and procedures contained or referred to in the Resolutions and other relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally-recognized bond counsel. Winston & Strawn LLP expresses no opinion as to any Series 2007 Bond or the interest thereon if any such change occurs or action is taken upon the advice or approval of bond counsel other than Winston & Strawn LLP.

Based upon our examination of existing laws, such legal proceedings and such other documents as we deem necessary to render this opinion, we are of the opinion as of the date hereof that:

(1) The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York, with the right and lawful authority and power to adopt the Resolutions and to issue the Bonds, including the Series 2007 Bonds, thereunder.

(2) The Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect, and constitute legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

(3) The Series 2007 Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of New York, including the Act and the Program Act, and in accordance with the Resolutions. The Series 2007 Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Resolutions, are enforceable in accordance with their terms and the terms of the Resolutions and are entitled to the equal benefits of the Resolutions, the Act and the Program Act.

(4) The Authority has the right and lawful authority and power to enter into the Service Contract, and the Service Contract has been duly authorized and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

(5) The Series 2007 Bonds are payable solely from the sources described in the Resolutions and do not constitute a debt of the State.

(6) Under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by Authority, the State and certain other entities benefiting from the Series 2007 Bonds with the covenants, and the accuracy of the representations and certifications, referenced above, interest on the Series 2007 Bonds is not includable in gross income for federal income tax purposes and is not a "item of tax preference" for purposes of federal alternative minimum tax on individuals and corporations. However, interest on the Series 2007 Bonds owned by corporations (other than S corporations, Regulated Investment Companies, Real Estate Investment Trusts, Real Estate Mortgage Investment Conduits and Financial Asset Securitization Investment Trusts) will be included in the calculation of alternative minimum taxable income for purposes of calculating the alternative minimum tax imposed on corporations but not individuals.

(7) Certain maturities of the Series 2007 Bonds are initially offered to the public at prices less than the principal amount thereof payable to maturity. If the first price at which a substantial amount of the Series 2007 Bonds of the same maturity is sold in the initial offering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) is less than the principal amount thereof payable at maturity, the difference between such price and principal amount constitutes original issue discount in respect of each Series 2007 Bond of the same maturity (the "Discount Bonds"). We are of the opinion that original issue discount, as it accrues, is not includable in gross income for federal income tax purposes, and is subject to the federal alternative minimum tax, to the same extent as interest on the Series 2007 Bonds. The owner of a Discount Bond who purchases it in the initial offering at the initial offering price is deemed to accrue in each taxable year original issue discount over the term of such bond under the "constant yield method" described in regulations interpreting Section 1272 of the Code with certain adjustments.

(8) Interest on the Series 2007 Bonds is exempt under existing statutes from personal income taxes imposed by the State of New York and its political subdivisions (including The City of New York and the City of Yonkers).

Except as set forth in paragraphs (6) through (8) above, we express no opinion regarding tax consequences arising with respect to the Series 2007 Bonds.

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**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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**FINANCIAL  
SECURITY  
ASSURANCE®**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners of, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer:

On the later of the day on which such principal and interest becomes Due for Payment on the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day, otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment

made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent" for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By \_\_\_\_\_

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.  
31 West 52<sup>nd</sup> Street, New York, N.Y. 10019

(212) 826-0100

Form 500NY (5/90)





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