NEW ISSUE – BOOK ENTRY ONLY

$270,915,000

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
STATE PERSONAL INCOME TAX REVENUE BONDS

$107,265,000	**$94,270,000**
(Economic Development and Housing),	**(Economic Development and Housing),**
Series 2008A	**Series 2008B (Federally Taxable)**

$69,380,000
(Healthcare),
Series 2008A

Dated: Date of Delivery | Due: As shown on the inside cover page

The Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2008A (the "Series 2008A Economic Development and Housing Bonds"), the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2008B (Federally Taxable) (the "Series 2008B Economic Development and Housing Bonds", and together with the Series 2008A Economic Development and Housing Bonds, the "Series 2008 Economic Development and Housing Bonds"), and the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Healthcare), Series 2008A (the "Series 2008A Healthcare Bonds", and together with the Series 2008 Economic Development and Housing Bonds, the "Series 2008 Bonds") are special obligations of the Dormitory Authority of the State of New York (the "Authority").

The Series 2008 Bonds are secured by a pledge of certain payments (the "Financing Agreement Payments") to be made to the Trustee on behalf of the Authority by the State of New York (the "State") under Financing Agreements between the Authority and the State. Financing Agreement Payments are payable from amounts legally required to be deposited into the Revenue Bond Tax Fund to provide for the payment of the Series 2008 Bonds and all other State Personal Income Tax Revenue Bonds (as hereinafter defined). The Revenue Bond Tax Fund receives a statutory allocation of 25 percent of State of New York personal income tax receipts imposed by Article 22 of the Tax Law (the "New York State Personal Income Tax Receipts") as more fully described herein.

The Authority is one of five Authorized Issuers (hereinafter defined) that can issue Personal Income Tax Revenue Bonds. All financing agreements entered into by the State to secure State Personal Income Tax Revenue Bonds shall be executory only to the extent of the revenues available in the Revenue Bond Tax Fund (as hereinafter defined). The obligation of the State to make financing agreement payments is subject to the State Legislature making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement. Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax.

The Series 2008 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2008 Bonds be payable out of any funds other than those of the Authority pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2008 Bonds. The Authority has no taxing power.

The Series 2008 Bonds will be issued as fixed rate obligations, fully registered, in denominations of $5,000 or any integral multiple thereof. The Series 2008 Bonds will bear interest at the rates and mature at the times shown on the inside cover page hereof. Interest on the Series 2008 Economic Development and Housing Bonds is payable each June 15 and December 15, commencing June 15, 2008. Interest on the Series 2008A Healthcare Bonds is payable each March 15 and September 15, commencing September 15, 2008.

The Series 2008 Bonds will be initially issued under a book-entry only system and will be registered in the name of Cede & Co., as Bondholder and nominee of The Depository Trust Company, New York, New York. See "PART 7 — BOOK-ENTRY ONLY SYSTEM" herein. Principal and premium, if any, and interest on the Series 2008 Bonds will be payable through Deutsche Bank Trust Company Americas, New York, New York, as Trustee and Paying Agent.

The Series 2008A Healthcare Bonds are subject to redemption prior to maturity as more fully described herein. The Series 2008 Economic Development and Housing Bonds are not subject to redemption prior to maturity.

In the opinion of Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, interest on the Series 2008A Economic Development and Housing Bonds and the Series 2008A Healthcare Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. In the opinion of Bond Counsel, under existing law, interest on the Series 2008B Economic Development and Housing Bonds is included in gross income for federal income tax purposes. Bond Counsel is also of the opinion that under existing law, interest on the Series 2008 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York and the City of Yonkers). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2008 Bonds. See, "PART 12 — TAX MATTERS" herein.

The Series 2008 Bonds are offered, when, as and if issued and delivered to the Underwriters. The issuance of the Series 2008 Bonds is subject to approval of legality by Sidley Austin LLP, New York, New York, Bond Counsel to the Authority, and to certain other conditions. Certain legal matters are subject to the approval of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York, Counsel to the Underwriters. It is expected that the Series 2008 Bonds will be available for delivery to The Depository Trust Company in New York, New York on or about March 12, 2008.

$176,645,000

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
STATE PERSONAL INCOME TAX REVENUE BONDS

$107,265,000		**$69,380,000**
(Economic Development and Housing)		**(Healthcare)**
Series 2008A		**Series 2008A**
Loop Capital Markets, LLC		**M.R. Beal & Company**
Citi	**Lehman Brothers**	**Merrill Lynch**
RBC Capital Markets	**Siebert Brandford Shank & Co., LLC**	**UBS Investment Bank**

$94,270,000

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
STATE PERSONAL INCOME TAX REVENUE BONDS
ECONOMIC DEVELOPMENT AND HOUSING
SERIES 2008B (TAXABLE)

M.R. Beal & Company		**Loop Capital Markets, LLC**
Bear, Stearns & Co. Inc.	**Raymond James & Associates, Inc.**	**Wachovia Securities**

February 26, 2008

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS OR PRICES

$107,265,000
State Personal Income Tax Revenue Bonds (Economic Development and Housing)
Series 2008A

Due December 15	Amount	Interest Rate	Yield	CUSIP Numbers†	Due December 15	Amount	Interest Rate	Yield	CUSIP Numbers†
2008	$9,810,000	3.50%	2.118%	649902NT6	2013	$1,725,000	3.75%	3.280%	649902PC1
2009	2,670,000	3.50	2.470	649902NU3	2013	9,000,000	5.00	3.280	649902PD9
2009	6,280,000	5.00	2.470	649902NV1	2014	1,260,000	4.50	3.450	649902PE7
2010	2,700,000	4.00	2.650	649902NW9	2014	9,975,000	5.00	3.450	649902PF4
2010	6,650,000	5.00	2.650	649902NX7	2015	800,000	3.375	3.620	649902PG2
2011	1,495,000	3.50	2.890	649902NY5	2015	10,990,000	5.00	3.620	649902PH0
2011	8,295,000	5.00	2.890	649902NZ2	2016	12,370,000	5.00	3.780	649902PJ6
2012	4,460,000	4.00	3.120	649902PA5	2017	2,715,000	4.25	3.950	649902PK3
2012	5,795,000	5.00	3.120	649902PB3	2017	10,275,000	5.00	3.950	649902PL1

$94,270,000
State Personal Income Tax Revenue Bonds (Economic Development and Housing)
Series 2008B (Federally Taxable)

Due December 15	Amount	Interest Rate	Price	CUSIP Numbers†	Due December 15	Amount	Interest Rate	Price	CUSIP Numbers†
2008	$8,810,000	3.058%	100%	649902NH2	2013	$ 9,345,000	4.511%	100%	649902NN9
2009	8,085,000	3.158	100	649902NJ8	2014	9,770,000	4.811	100	649902NP4
2010	8,340,000	3.458	100	649902NK5	2015	10,240,000	5.081	100	649902NQ2
2011	8,630,000	3.838	100	649902NL3	2016	10,760,000	5.281	100	649902NR0
2012	8,960,000	4.311	100	649902NM1	2017	11,330,000	5.361	100	649902NS8

$69,380,000
State Personal Income Tax Revenue Bonds (Healthcare)
Series 2008A

Due March 15	Amount	Interest Rate	Yield	CUSIP Numbers†	Due March 15	Amount	Interest Rate	Yield	CUSIP Numbers†
2009	$7,465,000	4.00%	2.22%	649902PM9	2014	$ 375,000	5.00%	3.39%	649902PT4
2010	7,800,000	4.00	2.53	649902PN7	2015	2,560,000	5.00	3.56	649902PV9
2011	5,620,000	4.00	2.79	649902PQ0	2016	2,525,000	3.50	3.72	649902PX5
2011	2,480,000	5.00	2.79	649902PP2	2016	160,000	5.00	3.72	649902PW7
2012	2,235,000	5.00	3.04	649902PR8	2017	2,785,000	5.00	3.89	649902PY3
2013	2,350,000	5.00	3.22	649902PS6	2018	2,925,000	5.00	4.03	649902PZ0
2014	2,090,000	3.50	3.39	649902PU1					

$5,155,000 5.00% Term Bonds due March 15, 2023, priced to yield 4.57% CUSIP Number† 649902QA4
$6,515,000 4.50% Term Bonds due March 15, 2028, priced to yield 4.87% CUSIP Number† 649902QB2
$8,190,000 5.00% Term Bonds due March 15, 2033, priced to yield 5.03% CUSIP Number† 649902QC0
$8,150,000 5.00% Term Bonds due March 15, 2037, priced to yield 5.06% CUSIP Number† 649902QD8

† CUSIP numbers have been assigned by an organization not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2008 Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2008 Bonds or as indicated above.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2008 Bonds by any person in any jurisdiction in which it is unlawful for the person to make such offer, solicitation or sale. The information set forth herein has been provided by the Authority, the State and other sources which are believed to be reliable by the Authority. 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. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the State. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2008 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH, TO THE EXTENT THEY ARE NOT RECITATIONS OF HISTORICAL FACT, CONSTITUTE "FORWARD LOOKING STATEMENTS." IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. A NUMBER OF IMPORTANT FACTORS AFFECTING THE AUTHORITY AND THE STATE'S FINANCIAL RESULTS COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE STATED IN THE FORWARD-LOOKING STATEMENTS.

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PART 1--SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the Series 2008 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Summary Statement and not defined in this Summary Statement will have the meanings given to such terms elsewhere in this Official Statement.

State Personal Income Tax Revenue Bond Financing Program	Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the "Enabling Act"), provides for the issuance of, and a source of payment for, State Personal Income Tax Revenue Bonds (the "State Personal Income Tax Revenue Bonds") by establishing the Revenue Bond Tax Fund (the "Revenue Bond Tax Fund") held separate and apart from all other moneys of the State in the joint custody of the Commissioner of Taxation and Finance and the Comptroller of the State (the "State Comptroller"). The Enabling Act authorizes the Dormitory Authority of the State of New York (the "Authority"), the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency, the New York State Thruway Authority and the New York State Urban Development Corporation (collectively, the "Authorized Issuers") to issue State Personal Income Tax Revenue Bonds for certain authorized purposes (the "Authorized Purposes"). All five Authorized Issuers have adopted one or more general resolutions and have executed financing agreements with the Director of the Division of the Budget of the State (the "Director of the Budget") pursuant to the Enabling Act. The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds issued by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including the Authority. State Personal Income Tax Revenue Bonds issued by an Authorized Issuer are secured by a pledge of (i) the payments made pursuant to a financing agreement entered into by such Authorized Issuer with the Director of the Budget and (ii) certain funds held by the applicable trustee or Authorized Issuer under a general resolution and the investment earnings thereon; which together constitute the pledged property under the applicable general resolution.
Purpose of Issue; Security for Series 2008 Bonds	The Series 2008 Bonds are being issued to provide the Authority with funds to enable the Authority to engage in certain projects relating to economic and healthcare activities. These include the financing of funds for various grant programs throughout the State under the Economic Development and Housing General Resolution and the financing of grants for capital expenditures to assist healthcare institutions under the Healthcare Efficiency and Affordability Law for New Yorkers Capital Grant Program ("HEAL NY Program"). In addition, proceeds of the Series 2008 Bonds will be used to pay all or a portion of the cost of issuance of the Series 2008 Bonds. See "PART 2—INTRODUCTION" and "PART 5—THE PROJECTS" for a more complete description of the application of proceeds of the Series 2008 Bonds.

Purpose of Issue; Security for Series 2008 Bonds (cont'd)	The Series 2008 Bonds are special obligations of the Authority, secured by a pledge of the financing agreement payments (the "Financing Agreement Payments") to be made by the State Comptroller to the Trustee pursuant to the applicable financing agreement entered into by the Authority with the Director of the Budget (the "Financing Agreements"). **The Series 2008 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2008 Bonds be payable out of any funds other than those of the Authority pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2008 Bonds. The Authority has no taxing power.** **The Series 2008 Bonds are not secured by the Projects (as hereinafter defined) or any interest therein.**
Sources of Payment and Security for State Personal Income Tax Revenue Bonds-Revenue Bond Tax Fund Receipts	The Enabling Act provides that 25 percent of the receipts from the New York State personal income tax, which exclude refunds owed to taxpayers (the "New York State Personal Income Tax Receipts"), shall be deposited in the Revenue Bond Tax Fund. Legislation, effective April 1, 2007, increased deposits to the Revenue Bond Tax Fund by amending the Enabling Act to provide that deposits to the Revenue Bond Tax Fund be calculated before the deposit of New York State personal income tax receipts to the School Tax Relief ("STAR") Fund. The State Comptroller is required by the Enabling Act to deposit in the Revenue Bond Tax Fund all of the receipts collected from payroll withholding taxes (the "Withholding Component") until an amount equal to 25 percent of the estimated monthly New York State Personal Income Tax Receipts has been deposited into the Revenue Bond Tax Fund (the "Revenue Bond Tax Fund Receipts"). New York State Personal Income Tax Receipts, the Withholding Component and the Revenue Bond Tax Fund Receipts for State Fiscal Years 2006-07 through 2008-09 are as follows:

State Fiscal Year	New York State Personal Income Tax Receipts	Withholding Component	Revenue Bond Tax Fund Receipts
($ in billions)			
2006-07	$30.6	$26.8	$7.6
2007-08*	36.4**	28.3	9.1**
2008-09*	38.5**	30.0	9.6**

* As estimated in the 2008-09 Executive Budget as Supplemented by the 21 Day Amendments.

** Reflects legislation effective April 1, 2007 that provides that Revenue Bond Tax Fund Receipts be calculated prior to the deposit of New York State personal income tax receipts to the STAR Fund.

Over the ten-year period beginning in State Fiscal Year 1997-98, the Withholding Component has, on average, accounted for approximately 90 percent of New York State Personal Income Tax Receipts.

Sources of Payment and Security for State Personal Income Tax Revenue Bonds-Revenue Bond Tax Fund Receipts (cont'd)	The Series 2008 Bonds are special obligations of the Authority, being secured by, among other things, a pledge of Financing Agreement Payments to be made by the State Comptroller to the Trustee on behalf of the Authority and certain funds held by the Trustee under the Authority's State Personal Income Tax Revenue Bonds (Economic Development and Housing) General Bond Resolution (the "Economic Development General Resolution") and the Authority's State Personal Income Tax Revenue Bonds (Healthcare) General Bond Resolution (the "Healthcare General Resolution" and, together with the Economic Development General Resolution and the Authority's other State Personal Income Tax Revenue Bonds general resolutions, the "General Resolutions"). The Series 2008 Bonds are issued on a parity with the \$4.849 billion of the Authority's State Personal Income Tax Revenue Bonds currently outstanding and all other bonds which may be issued under the General Resolutions. All State Personal Income Tax Revenue Bonds are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation from the State. Financing agreement payments are made from certain personal income taxes imposed by the State of New York on a statewide basis and deposited, as required by the Enabling Act, to the Revenue Bond Tax Fund. The financing agreement payments are to be paid by the State Comptroller to the applicable trustees on behalf of the Authorized Issuers from amounts deposited to the Revenue Bond Tax Fund. Financing agreement payments are to equal amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. **All payments required by financing agreements entered into by the State are executory only to the extent of the revenues available in the Revenue Bond Tax Fund. The obligation of the State to make financing agreement payments is subject to the State Legislature (the "State Legislature") making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement.** The Enabling Act provides that: (i) no person (including the Authorized Issuers or the holders of State Personal Income Tax Revenue Bonds) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax. For additional information, see "PART 3 - SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS" and "PART 4 - SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND". The Series 2008 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2008 Bonds be payable out of any funds other than those of the Authority pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of or interest on the Series 2008 Bonds. The Authority has no taxing power.

Set Aside for Purpose of Making Financing Agreement Payments	The Enabling Act, general resolutions and financing agreements provide procedures for setting aside Revenue Bond Tax Fund Receipts designed to ensure that sufficient amounts are available in the Revenue Bond Tax Fund to make financing agreement payments to the applicable trustees on behalf of all Authorized Issuers, subject to annual appropriation by the State Legislature. The Enabling Act requires the Director of the Budget to annually prepare a certificate (which may be amended as necessary or required) which estimates monthly Revenue Bond Tax Fund Receipts anticipated to be deposited to the Revenue Bond Tax Fund and the amount of all set-asides necessary to make all financing agreement payments of all the Authorized Issuers. The Director of the Budget has prepared such certificate for the 2007-08 and 2008-09 State Fiscal Years. See "PART 3 - SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS."
Availability of General Fund to Satisfy Set-Aside of Revenue Bond Tax Fund Receipts	If at any time the amount of Revenue Bond Tax Fund Receipts set aside, as certified by the Director of the Budget, is insufficient to make all appropriated financing agreement payments on all State Personal Income Tax Revenue Bonds, the State Comptroller is required by the Enabling Act, without further appropriation, to immediately transfer amounts from the General Fund of the State to the Revenue Bond Tax Fund sufficient to satisfy the cash requirements of the Authorized Issuers. Subject to annual appropriation, amounts so transferred to the Revenue Bond Tax Fund will be applied to pay the required financing agreement payments.
Moneys Held in Revenue Bond Tax Fund if State Fails to Appropriate or Pay Required Amounts	In the event that (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Personal Income Tax Revenue Bonds to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on any State Personal Income Tax Revenue Bonds, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be set aside in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of annual New York State Personal Income Tax Receipts or six billion dollars ($6,000,000,000). Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees, on behalf of each Authorized Issuer, including the Authority. After the required appropriations and financing agreement payments have been made, excess moneys in the Revenue Bond Tax Fund are paid over and distributed to the credit of the State's General Fund. See "PART 3 - SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS – Moneys Held in the Revenue Bond Tax Fund."

Additional Bonds and Debt Service Coverage	As provided in each of the general resolutions, additional bonds may be issued only if the amount of Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the Director of the Budget, is at least 2.0 times the maximum Calculated Debt Service on all outstanding State Personal Income Tax Revenue Bonds, additional State Personal Income Tax Revenue Bonds proposed to be issued and any additional amounts payable with respect to parity reimbursement obligations. Subject to (i) statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and (ii) the additional bonds test described above, the Authority and other Authorized Issuers may issue additional State Personal Income Tax Revenue Bonds. In accordance with the additional bonds test above, Revenue Bond Tax Fund Receipts of approximately $9.1 billion are available to pay financing agreement payments on a pro forma basis, which amount represents 8.8 times the maximum annual Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2008 Bonds. Assuming the issuance of approximately $170 million of State Personal Income Tax Revenue Bonds expected to be issued after the date of delivery of the Series 2008 Bonds by the New York State Environmental Facilities Corporation (the "Additional EFC PIT Bonds"), the Revenue Bond Tax Fund Receipts that would be available in Fiscal Year 2007-08 to pay financing agreement payments would be approximately 8.7 times the maximum aggregate Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2008 Bonds and the Additional EFC PIT Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been met. See "PART 3 - SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS – Additional Bonds." As of February 15, 2008, approximately $10.674 billion of State Personal Income Tax Revenue Bonds were outstanding.
Continuing Disclosure	In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, all Authorized Issuers, the State and each applicable trustee, including the Trustee, have entered into a Master Continuing Disclosure Agreement. See "PART 18 - CONTINUING DISCLOSURE".

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DORMITORY AUTHORITY – STATE OF NEW YORK 515 BROADWAY, ALBANY, N.Y. 12207
DAVID D. BROWN, IV – EXECUTIVE DIRECTOR GAIL GORDON, ESQ. – CHAIR

OFFICIAL STATEMENT

Relating to

$270,915,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
STATE PERSONAL INCOME TAX REVENUE BONDS

$107,265,000
(Economic Development and Housing),
Series 2008A

$94,270,000
(Economic Development and Housing),
Series 2008B (Federally Taxable)

$69,380,000
(Healthcare),
Series 2008A

PART 2—INTRODUCTION

The purpose of this Official Statement, including the cover page, the inside cover page and appendices, is to set forth certain information concerning the Dormitory Authority of the State of New York (the "Authority"), a public benefit corporation of the State of New York (the "State"), in connection with the offering by the Authority of its $107,265,000 State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2008A (the "Series 2008A Economic Development and Housing Bonds"), $94,270,000 State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2008B (Federally Taxable) (the "Series 2008B Economic Development and Housing Bonds," and together with the Series 2008A Economic Development and Housing Bonds, the "Series 2008 Economic Development and Housing Bonds") and $69,380,000 State Personal Income Tax Revenue Bonds (Healthcare), Series 2008A (the "Series 2008A Healthcare Bonds", and together with the Series 2008 Economic Development and Housing Bonds, the "Series 2008 Bonds"). The interest rates, maturity dates, and prices or yields of the Series 2008 Bonds being offered hereby are set forth on the inside cover page.

This Official Statement also summarizes certain information concerning the provisions of the State Finance Law with respect to the issuance of State Personal Income Tax Revenue Bonds (the "State Personal Income Tax Revenue Bonds"), including the Series 2008 Bonds, and the statutory allocation of 25 percent of the receipts from the New York State Personal Income Tax imposed by Article 22 of the New York State Tax Law ("Tax Law") which, pursuant to Section 171-a of the Tax Law (the "New York State Personal Income Tax Receipts"), are required to be deposited in the Revenue Bond Tax Fund to provide for the payment of State Personal Income Tax Revenue Bonds. Such New York State Personal Income Tax Receipts currently exclude refunds owed to taxpayers.

The State expects that State Personal Income Tax Revenue Bonds will continue to be the primary financing vehicle for a broad range of State-supported financing programs secured by service contract, financing agreement or lease-purchase payments subject to appropriation by the State Legislature.

The Authority is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational, governmental and not-for-profit institutions. The Authority has no taxing power. See "PART 10—THE AUTHORITY."

The Series 2008 Bonds are authorized to be issued pursuant to Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the "Enabling Act"), and the Dormitory Authority Act, constituting Title 4 of Article 8 of the Public Authorities Law of the State of New York, as amended and supplemented (the "Authority Act"), and other provisions of State law. The Enabling Act authorizes the Authority, the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency, the New York State Thruway Authority and the New York State Urban Development Corporation (collectively, the "Authorized Issuers") to issue State Personal Income Tax Revenue Bonds for certain purposes for which State-supported Debt (as defined by Section 67-a of the State Finance Law and as limited by the Enabling Act) may be issued ("Authorized Purposes").

The Series 2008 Economic Development and Housing Bonds are additionally authorized under (i) the Authority's State Personal Income Tax Revenue Bonds (Economic Development and Housing) General Bond Resolution, adopted by the Authority on January 22, 2003 (the "Economic Development General Resolution"), the Authority's Supplemental Resolution 2006-1 Authorizing State Personal Income Tax Revenue Bonds (Economic Development and Housing), adopted by the Authority on January 25, 2006 (the "Economic Development Supplemental Resolution"; together with the Economic Development General Resolution, except as the context otherwise indicates, collectively referred to as the "Economic Development Resolution," and any bonds issued pursuant to the Economic Development General Resolution, including the Series 2008 Economic Development and Housing Bonds, being herein referred to as the "Economic Development Bonds").

The Series 2008A Healthcare Bonds are additionally authorized under the Authority's State Personal Income Tax Revenue Bonds (Healthcare) General Bond Resolution, adopted by the Authority on January 23, 2008 (the "Healthcare General Resolution"), as supplemented by the Authority's Supplemental Resolution 2008-1 Authorizing State Personal Income Tax Revenue Bonds (Healthcare), adopted by the Authority on January 23, 2008 (the "Series 2008 State Healthcare Supplemental Resolution"; together with the Healthcare General Resolution, except as the context otherwise indicates, collectively referred to as the "Healthcare Resolution," and any bonds issued pursuant to the Healthcare General Resolution, including the Series 2008A Healthcare Bonds, being herein referred to as the "Healthcare Bonds").

The Series 2008 Bonds, and any additional series of Bonds which have heretofore been issued or may hereafter be issued under the General Resolutions, will be equally and ratably secured thereunder. The Series 2008 Bonds and all other State Personal Income Tax Revenue Bonds issued by an Authorized Issuer are secured by a pledge of (i) the payments made pursuant to one or more financing agreements entered into by such Authorized Issuer with the Director of the Division of the Budget of the State (the "Director of the Budget") and (ii) certain funds held by the applicable trustee or Authorized Issuer under a general resolution and the investment earnings thereon; collectively the "Pledged Property." The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds issued by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. The financing agreement payments are to equal amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. The making of financing agreement payments to the Authorized Issuers is subject to annual appropriation by the State Legislature.

References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including the Authority. Descriptions of the provisions of the Enabling Act contained in this Official Statement are of the Enabling Act as it exists on the date of this Official Statement.

All State Personal Income Tax Revenue Bonds are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation by the State. As of February 15, 2008, approximately $10.674 billion of State Personal Income Tax Revenue Bonds were outstanding. See "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Series 2008 Bonds" and "—Additional Bonds."

The Series 2008A Economic Development and Housing Bonds are being issued for the purposes of financing capital expenditures for the following programs: (i) Community Capital Assistance Program ("CCAP"); (ii) Rebuilding the Empire State Through Opportunities in Regional Economies ("RESTORE"); (iii) Community Enhancement Facilities Assistance Program ("CEFAP"); (iv) New York Economic Development Program ("NYEDP"); (v) New York Economic Development Capital Program ("NYEDCP"): (vi) New York State Regional Economic Development Program ("NYSRED"); (vii) New York State Technology and Development Program ("NYSTAD"); and (viii) Strategic Investment Program ("SIP"). Additionally, all or a portion of the costs of issuance of the Series 2008A Economic Development Bonds will be financed with the proceeds thereof. **The Series 2008A Economic Development and Housing Bonds are not secured by the Projects or any interest therein.**

The Series 2008B Economic Development and Housing Bonds are being issued for the purposes of financing capital expenditures for the following programs: (i) CEFAP; (ii) NYEDP; (iii) NYEDCP; and (iv) NYSTAD. Additionally, all or a portion of the cost of issuance of the Series 2008B Economic Development Bonds will be financed with the proceeds thereof. **The Series 2008B Economic Development and Housing Bonds are not secured by the Projects or any interest therein.**

The Series 2008A Healthcare Bonds are being issued to finance grants for capital expenditures to assist healthcare institutions under the Healthcare Efficiency and Affordability Law for New Yorkers Capital Grant Program ("HEAL NY Program"). Additionally, all or a portion of the cost of issuance of the Series 2008A Healthcare Bonds will be financed with the proceeds thereof. **The Series 2008A Healthcare Bonds are not secured by the Projects or any interest therein.**

The Series 2008 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2008 Bonds be payable out of any funds other than those of the Authority pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2008 Bonds. The Authority has no taxing power.

Capitalized terms used herein unless otherwise defined have the same meaning as ascribed to them in the General Resolution. See "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTIONS—Certain Defined Terms."

PART 3--SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS

The Revenue Bond Tax Fund

The Enabling Act provides a source of payment for State Personal Income Tax Revenue Bonds by establishing the Revenue Bond Tax Fund (the "Revenue Bond Tax Fund") for the purpose of setting aside New York State Personal Income Tax Receipts sufficient to make financing agreement payments to Authorized Issuers. The Enabling Act establishes the Revenue Bond Tax Fund to be held in the joint custody of the State Comptroller (the "State Comptroller") and the Commissioner of Taxation and Finance (the "Commissioner") and requires that all moneys on deposit in the Revenue Bond Tax Fund be held separate and apart from all other moneys in the joint custody of the State Comptroller and the Commissioner. The source of the financing agreement payments is a statutory allocation of 25 percent of the receipts from the New York State Personal Income Tax imposed by Article 22 of the New York State Tax Law which, pursuant to Section 171-a of the Tax Law, are deposited in the Revenue Bond Tax Fund. Legislation, effective April 1, 2007, increased deposits to the Revenue Bond Tax Fund by amending the Enabling Act to provide that deposits to the Revenue Bond Tax Fund be calculated before the deposit of New York State personal income tax receipts to the School Tax Relief ("STAR") Fund. Prior to such date, New York State personal income tax receipts were net of refunds and deposits to the STAR Fund. See "PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND—Revenue Bond Tax Fund Receipts."

Financing agreement payments made from amounts set aside in the Revenue Bond Tax Fund are subject to annual appropriation for such purpose by the State Legislature. The Enabling Act provides that: (i) no person (including the Authorized Issuers or the holders of State Personal Income Tax Revenue Bonds) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed by Article 22 of the Tax Law.

Series 2008 Bonds

The Series 2008 Bonds are special obligations of the Authority, secured by and payable solely from Financing Agreement Payments payable by the State Comptroller to Deutsche Bank Trust Company Americas, as Trustee and Paying Agent (the "Trustee" or "Paying Agent") on behalf of the Authority in accordance with the terms and provisions of the Financing Agreements by and between the Authority and the Director of the Budget, subject to annual appropriation by the State Legislature, and the Funds and accounts established under the General Resolutions (other than the Rebate Fund and other Funds as provided in such Resolution). Copies of the forms of Financing Agreements relating to the Series 2008 Bonds are included as Appendix C hereto. The Series 2008 Bonds are entitled to a lien, created by a pledge under the applicable General Resolution, on the Pledged Property.

The Enabling Act permits the Authority and the other Authorized Issuers to issue additional State Personal Income Tax Revenue Bonds subject to statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and the additional bonds test described herein included in each of the general resolutions authorizing State Personal Income Tax Revenue Bonds. In accordance with the additional bonds test, Revenue Bond Tax Fund Receipts of approximately $9.1 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 8.8 times the maximum annual Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2008 Bonds. Assuming the issuance of approximately $170 million of State Personal Income Tax Revenue Bonds expected to be issued shortly after the date of delivery of the Series 2008 Bonds by the New York State Environmental Facilities Corporation (the "Additional EFC PIT Bonds"), the Revenue Bond Tax Fund Receipts that would be available in Fiscal Year 2007-08 to pay financing agreement payments would be approximately 8.7 times the maximum aggregate Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2008 Bonds and the Additional EFC PIT Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been met. See "—Additional Bonds" below.

The revenues, facilities, properties and any and all other assets of the Authority of any name and nature, other than the Pledged Property, may not be used for, or, as a result of any court proceeding or otherwise applied to, the payment of State Personal Income Tax Revenue Bonds, any redemption premium therefor or the interest thereon or any other obligations under the General Resolutions, and under no circumstances shall these be available for such purposes. See "PART 10—THE AUTHORITY" for a further description of the Authority.

Certification of Payments to be Set Aside in Revenue Bond Tax Fund

The Enabling Act, the general resolutions and the financing agreements provide procedures for setting aside amounts from the New York State Personal Income Tax Receipts deposited to the Revenue Bond Tax Fund to ensure that sufficient amounts will be available to make financing agreement payments, when due, to the applicable trustees on behalf of the Authority and the other Authorized Issuers.

The Enabling Act provides that:

1. No later than October 1 of each year, each Authorized Issuer must submit its State Personal Income Tax Revenue Bond cash requirements (which shall include financing agreement payments) for the following State Fiscal Year and, as required by the financing agreements, each of the subsequent four State Fiscal Years to the Division of the Budget.

2. No later than thirty (30) days after the submission of the Executive Budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate which sets forth an estimate of:

   (a) 25 percent of the amount of the estimated monthly New York State Personal Income Tax Receipts to be deposited in the Revenue Bond Tax Fund pursuant to the Enabling Act during that State Fiscal Year; and

   (b) the monthly amounts necessary to be set aside in the Revenue Bond Tax Fund to make the financing agreement payments required to meet the cash requirements of the Authorized Issuers.

3. In the case of financing agreement payments due semi-annually, Revenue Bond Tax Fund Receipts shall be set aside monthly until such amount is equal to not less than the financing agreement payments for State Personal Income Tax Revenue Bonds of all Authorized Issuers in the following month as certified by the Director of the Budget.

4. In the case of financing agreement payments due on a more frequent basis, monthly Revenue Bond Tax Fund Receipts shall be set aside monthly until such amount is, in accordance with the certificate of the Director of the Budget, sufficient to pay the required payment on each issue on or before the date such payment is due.

In addition, the general resolutions and the financing agreements require the State Comptroller to set aside, monthly, in the Revenue Bond Tax Fund, amounts such that the combined total of the (i) amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) amount of estimated monthly New York State Personal Income Tax Receipts required to be deposited to the Revenue Bond Tax Fund as provided in 2(a) above, are not less than 125 percent of the financing agreement payments required to be paid by the State Comptroller to the trustees on behalf of the Authorized Issuers in the following month.

The Director of the Budget may amend such certification as shall be necessary, *provided* that the Director of the Budget shall amend such certification no later than thirty (30) days after the issuance of any State Personal Income Tax Revenue Bonds, including refunding bonds, or after the execution of any interest rate exchange (or "swap") agreements or other financial arrangements which may affect the cash requirements of any Authorized Issuer.

The Enabling Act provides that on or before the twelfth day of each month, the Commissioner shall certify to the State Comptroller the actual New York State Personal Income Tax Receipts for the prior month and, in addition, no later than March 31 of each State Fiscal Year, the Commissioner shall certify such amounts relating to the last month of the State Fiscal Year. At such times, the Enabling Act provides that the State Comptroller shall adjust the amount of estimated New York State Personal Income Tax Receipts deposited to the Revenue Bond Tax Fund from the Withholding Component to the actual amount certified by the Commissioner.

Set Aside of Revenue Bond Tax Fund Receipts

As provided by the Enabling Act, the general resolutions, the financing agreements and the certificate of the Director of the Budget, the State Comptroller is required to:

1. Beginning on the first day of each month, deposit all of the daily receipts from the Withholding Component to the Revenue Bond Tax Fund until there is on deposit in the Revenue Bond Tax Fund an amount equal to 25 percent of estimated monthly New York State Personal Income Tax Receipts.

2. Set aside, monthly, amounts on deposit in the Revenue Bond Tax Fund, such that the combined total of the (i) amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) amount of estimated monthly New York State Personal Income Tax Receipts required to be deposited to the Revenue Bond Tax Fund in such month, are not less than 125 percent of the financing agreement payments required to be paid by the State Comptroller to the trustees on behalf of all the Authorized Issuers in the following month.

The Enabling Act provides that Revenue Bond Tax Fund Receipts which have been set aside in sufficient amounts to pay, when due, the financing agreement payments of all Authorized Issuers shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments.

Subject to appropriation by the State Legislature, upon receipt of a request for payment from any Authorized Issuer pursuant to a financing agreement, the State Comptroller shall pay over to the trustee, on behalf of such Authorized Issuer, such amount. In the event that Revenue Bond Tax Fund Receipts are insufficient to meet the debt service and other cash requirements of all the Authorized Issuers as set forth in the certificate of the Director of the Budget, the State Comptroller is required by the Enabling Act, without further appropriation, to immediately transfer amounts from the General Fund of the State to the Revenue Bond Tax Fund. Amounts so transferred to the Revenue Bond Tax Fund can only be used to pay financing agreement payments (except, if necessary, for payments authorized to be made to the holders of State general obligation debt).

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Flow of Revenue Bond Tax Fund Receipts

The following chart summarizes the flow of Revenue Bond Tax Fund Receipts.

On or Before October 1

Authorized Issuers submit State Personal Income Tax Revenue Bond cash requirements (which include financing agreement payments) for the following State Fiscal Year and four subsequent State Fiscal Years to the Division of the Budget

No later than 30 Days after Budget Submission (Mid-February)

Director of the Budget submits certificate to State Comptroller which estimates for the following fiscal year:*

- 25% of monthly State Personal Income Tax Receipts to be deposited in Revenue Bond Tax Fund
- Monthly set-asides for financing agreement payments and other cash requirements (for outstanding bonds and projected issuances)

Beginning on the First Day of Each Month

100% of daily receipts from the Withholding Component flow to Revenue Bond Tax Fund until 25% of estimated monthly New York State Personal Income Tax Receipts has been deposited**

State Personal Income Tax Receipts, which have been set aside to make financing agreement payments and meet other cash requirements, are required to remain in Revenue Bond Tax Fund until appropriated and paid to the Trustee on behalf of the Authorized Issuers

After the monthly amounts necessary to make financing agreement payments and meet other cash requirements have been set aside, and assuming appropriations have been enacted and any required payments have been made by the State Comptroller, excess moneys in Revenue Bond Tax Fund flow to the General Fund

12th Day of the following Month

Commissioner of Taxation and Finance certifies to the State Comptroller 25% of actual New York State Personal Income Tax Receipts for prior month and the State Comptroller adjusts deposits to the Revenue Bond Tax Fund accordingly

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* The Director of the Budget can amend the certification at any time to more precisely account for a revised New York State Personal Income Tax Receipts estimate or actual debt service and other cash requirements, and to the extent necessary, shall do so not later than thirty days after the issuance of any State Personal Income Tax Revenue Bonds.

** The State can certify and set aside New York State Personal Income Tax Receipts in excess of the next month's financing agreement payment requirements to ensure amounts previously set aside and on deposit in the Revenue Bond Tax Fund together with 25 percent of estimated monthly New York State Personal Income Tax Receipts to be deposited such month are not less than 125 percent of all financing agreement payments due in the following month.

Moneys Held in the Revenue Bond Tax Fund

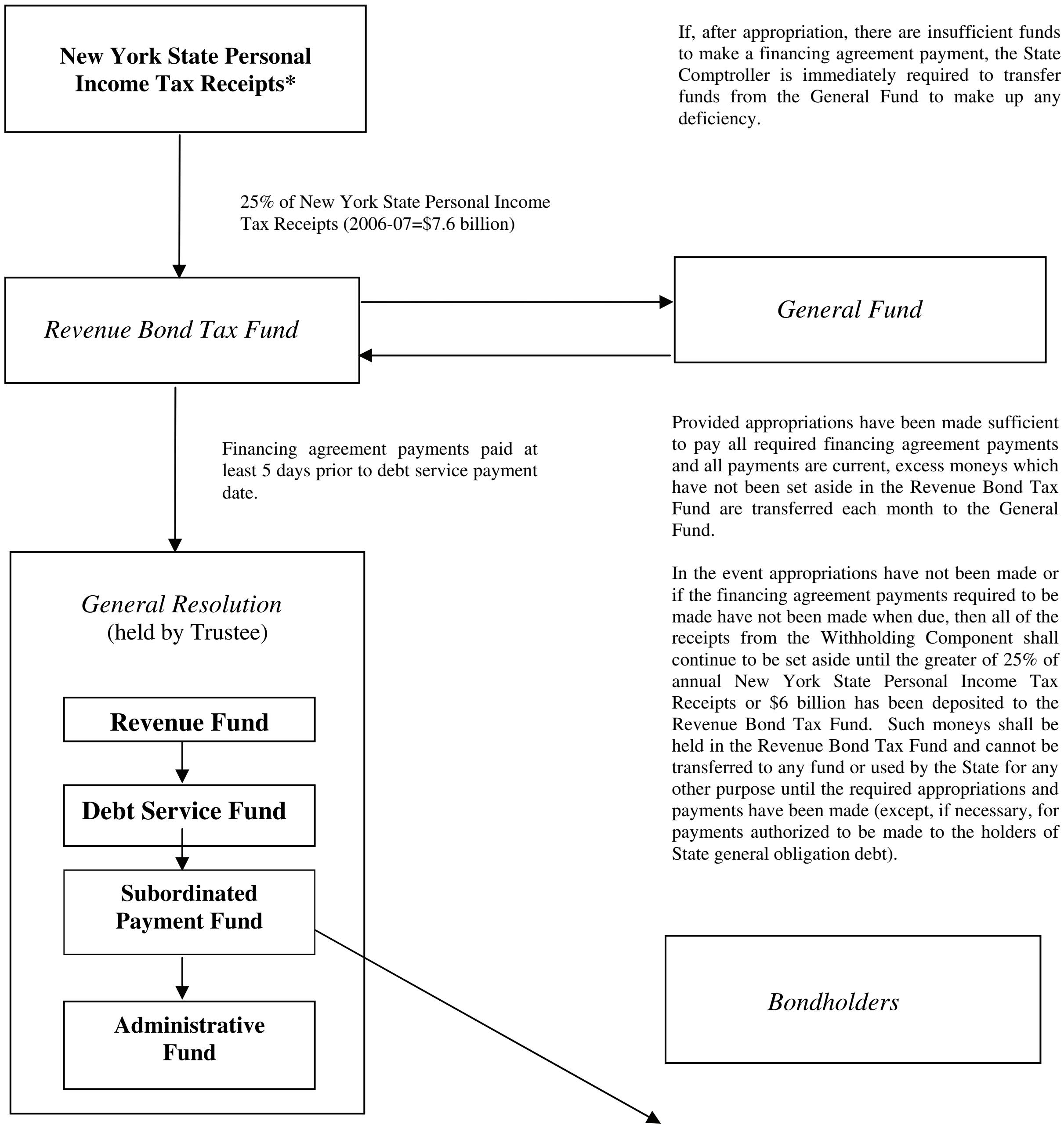
The Enabling Act prohibits the State Comptroller from paying over or distributing any amounts deposited in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) other than to the Authority and other Authorized Issuers (which are paid to the applicable trustees on behalf of the Authority and the other Authorized Issuers), unless two requirements are met. First, all payments as certified by the Director of the Budget for a State Fiscal Year must have been appropriated to the Authority and other Authorized Issuers for the payment of financing agreement payments (including debt service) in the full amount specified in the certificate of the Director of the Budget. Second, each certified and appropriated payment for which moneys are required to be set aside as provided in the Enabling Act must have been made to the trustees on behalf of the Authority and other Authorized Issuers when due.

If such appropriations have been made to pay all annual amounts specified in the certificate of the Director of the Budget as being required by the Authority and all other Authorized Issuers for a State Fiscal Year and all such payments to the applicable trustees on behalf of the Authority and all other Authorized Issuers are current, then the State Comptroller is required by the Enabling Act to pay over and distribute to the credit of the General Fund of the State (the "General Fund"), at least once a month, all amounts in the Revenue Bond Tax Fund, if any, in excess of the aggregate amount required to be set aside. The Enabling Act also requires the State Comptroller to pay to the General Fund all sums remaining in the Revenue Bond Tax Fund on the last day of each State Fiscal Year, but only if the State has appropriated and paid to the applicable trustees on behalf of the Authority and all other Authorized Issuers the amounts necessary for the Authority and all other Authorized Issuers to meet their cash requirements for the current State Fiscal Year and, to the extent certified by the Director of the Budget, set aside any cash requirements required for the next State Fiscal Year.

In the event that (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Personal Income Tax Revenue Bonds to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, any financing agreement payments have not been made when due on State Personal Income Tax Revenue Bonds, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be set aside in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of annual New York State Personal Income Tax Receipts or six billion dollars ($6,000,000,000). Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees on behalf of each Authorized Issuer, including the Authority.

The Enabling Act provides that no person (including the Authorized Issuers or the holders of State Personal Income Tax Revenue Bonds) shall have any lien on moneys on deposit in the Revenue Bond Tax Fund and that the State's agreement to make financing agreement payments shall be executory only to the extent such payments have been appropriated.

Flow of Revenues



* Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax.

Appropriation by the State Legislature

The State may not expend money without an appropriation, except for the payment of debt service on general obligation bonds or notes issued by the State. An appropriation is an authorization approved by the State Legislature to expend money. The State Constitution requires all appropriations of State funds, including funds in the Revenue Bond Tax Fund, to be approved by the State Legislature at least every two years. In addition, the State Finance Law generally provides that appropriations shall cease to have force and effect, except as to liabilities incurred thereunder, at the close of the State Fiscal Year for which they were enacted and that to the extent of liabilities incurred thereunder, such appropriations shall lapse on the succeeding June 30th or September 15th depending on the nature of the appropriation. See "—Moneys Held in the Revenue Bond Tax Fund" in this section.

The Authority expects that the State Legislature will make an appropriation from amounts on deposit in the Revenue Bond Tax Fund sufficient to pay financing agreement payments when due. Revenue Bond Tax Fund Receipts are expected to exceed the amounts necessary to pay financing agreement payments. In addition, in the event that the State Legislature fails to provide an appropriation, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be deposited in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of the annual New York State Personal Income Tax Receipts or six billion dollars ($6,000,000,000). The Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or the use of such moneys by the State for any other purpose (other than to make financing agreement payments from appropriated amounts, and except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees on behalf of each Authorized Issuer. The State Legislature may not be bound in advance to make an appropriation, and there can be no assurances that the State Legislature will appropriate the necessary funds as anticipated. Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Article 22 of the Tax Law.

All payments required by financing agreements entered into by the State shall be executory only to the extent of the revenues available in the Revenue Bond Tax Fund. The obligation of the State to make financing agreement payments is subject to the State Legislature making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement.

State Personal Income Tax Revenue Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall State Personal Income Tax Revenue Bonds be payable out of any funds other than those pledged therefor. Neither the full faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on State Personal Income Tax Revenue Bonds.

Pursuant to the Enabling Act, Revenue Bond Tax Fund Receipts which have been set aside to pay when due the financing agreement payments of all Authorized Issuers shall remain in the Revenue Bond Tax Fund until they are appropriated and used to make financing agreement payments. However, the Enabling Act also provides that the use of such Revenue Bond Tax Fund Receipts by the State Comptroller is "subject to the rights of holders of debt of the state" (i.e., general obligation bondholders who benefit from the full faith and credit pledge of the State). Pursuant to Article VII Section 16 of the State Constitution, if at any time the State Legislature fails to make an appropriation for general obligation debt service, the State Comptroller is required to set apart from the first revenues thereafter received, applicable to the General Fund, sums sufficient to pay debt service on such general obligation debt. In the event that such revenues and other amounts in the General Fund are insufficient to so pay general obligation bondholders, the State may also use amounts on deposit in the Revenue Bond Tax Fund to pay debt service on general obligation bonds.

The Division of the Budget is not aware of any existing circumstances that would cause Revenue Bond Tax Fund Receipts to be used to pay debt service on general obligation bonds in the future. The Director of the Budget believes that any failure by the State Legislature to make annual appropriations as contemplated would have a serious impact on the ability of the State and the Authorized Issuers to issue State-supported bonds to raise funds in the public credit markets and, as a result, on the ability of the State to meet its non-debt obligations.

Additional Bonds

Pursuant to each general resolution, additional bonds may be issued by the related Authorized Issuer, *provided* that the amount of Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the Director of the Budget, is at least 2.0 times the maximum Calculated Debt Service on all Outstanding State Personal Income Tax Revenue Bonds, the State Personal Income Tax Revenue Bonds proposed to be issued, and any additional amounts payable with respect to parity reimbursement obligations, as certified by the Director of the Budget.

For additional information, see "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTIONS—Summary of Certain Provisions of the Standard Resolution Provisions—Special Provisions for Additional Bonds" and "—Refunding Bonds."

Parity Reimbursement Obligations

An Authorized Issuer, including the Authority, may incur Parity Reimbursement Obligations pursuant to the terms of the general resolution which, subject to certain exceptions, would be secured by a pledge of, and a lien on, the pledged property on a parity with the lien created by the related general resolution with respect to bonds issued thereunder. A Parity Reimbursement Obligation may be incurred in connection with obtaining a Credit Facility and represents the obligation to repay amounts advanced under the Credit Facility. It may include interest calculated at a rate higher than the interest rate on the related State Personal Income Tax Revenue Bond and may be secured by a pledge of, and a lien on, pledged property on a parity with the lien created by the general resolution for the State Personal Income Tax Revenue Bonds only to the extent that principal amortization requirements of the Parity Reimbursement Obligation are equal to the amortization requirements for the related State Personal Income Tax Revenue Bonds, without acceleration. See "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTIONS."

Certain Covenants of the State

Pursuant to the general resolutions, the State pledges and agrees with the holders of State Personal Income Tax Revenue Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred thereunder that the State will not in any way impair the rights and remedies of holders of such State Personal Income Tax Revenue Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations until such State Personal Income Tax Revenue Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred thereunder, together with interest thereon, with interest, if any, on any unpaid installments of interest and all costs and expenses in connection with any action or proceeding by or on behalf of the holders are fully met and discharged.

Pursuant to the Enabling Act and the general resolutions, nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the State personal income taxes imposed pursuant to Article 22 of the Tax Law. An Event of Default under the general resolutions would not occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter the statutes imposing or relating to such taxes. However, the Director of the Budget believes that any materially adverse amendment, modification or alteration of, or the repeal of, statutes imposing or related to the State personal income tax imposed pursuant to Article 22 of the Tax Law could have a serious impact on the flow of New York State Personal Income Tax Receipts to the Revenue Bond Tax Fund, the ability of the Authorized Issuers to issue Additional Bonds and the marketability of outstanding State Personal Income Tax Revenue Bonds.

Reservation of State's Right to Substitute Credit

Pursuant to the Enabling Act, the State reserves the right, upon amendment of the State Constitution to permit the issuance of State Revenue Bonds, which may be payable from or secured by revenues that may include the Revenues pledged under the general resolutions, (i) to assume, in whole or in part, State Personal Income Tax Revenue Bonds, (ii) to extinguish the existing lien on the pledged property created under the general resolutions, and (iii) to substitute security for State Personal Income Tax Revenue Bonds, in each case only so long as the assumption, extinguishment and substitution is accomplished in accordance with either of two provisions of the general resolutions. (For these purposes, any State Personal Income Tax Revenue Bonds paid or deemed to have been paid in accordance with the applicable general resolution on or before the date of any assumption, extinguishment and substitution are not to be taken into account in determining compliance with those provisions.) The first provision of the general resolutions is intended to permit an assumption, extinguishment and substitution, without any right of consent of Bondholders or other parties, if certain conditions are satisfied. The second provision of the general resolutions permitting such an assumption, extinguishment and substitution is intended to permit a broader range of changes with the consent of issuers of Credit Facilities and the consent of certain Bondholders. It provides that any such assumption, extinguishment and substitution may be effected if certain conditions are satisfied.

In the event a constitutional amendment becomes a part of the State Constitution, there can be no assurance that the State will exercise its rights of assumption, extinguishment, and substitution with respect to State Personal Income Tax Revenue Bonds. There can be no assurance that the Authority or any other Authorized Issuer would be the issuer of any such State Revenue Bonds upon any such assumption, extinguishment and substitution and, if not the Authority or any other Authorized Issuer, the issuer of such State Revenue Bonds could be the State or another public entity.

See "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTIONS—Summary of Certain Provisions of the Standard Resolution Provisions—Reservation of State Rights of Assumption, Extinguishment and Substitution."

PART 4--SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND

General History of the State Personal Income Tax

In 1919, New York State became the seventh state to enact a personal income tax. The present system of conformity to Federal Law with respect to income and deductions was adopted in 1960. The personal income tax is New York's largest source of tax revenue and consistently accounts for more than one-half of all State tax receipts.

The State's personal income tax structure adheres closely to the definitions of adjusted gross income and itemized deductions used for Federal personal income tax purposes, with certain modifications, such as: (1) the inclusion of investment income from debt instruments issued by other states and municipalities and the exclusion of income on certain Federal obligations; and (2) the exclusion of pension income received by Federal, New York State and local government employees, private pension and annuity income up to $20,000 ($40,000 for married couples filing jointly), and any Social Security income and refunds otherwise included in Federal adjusted gross income.

Changes in Federal tax law from time to time may positively or negatively affect the amount of personal income tax receipts collected by the State. State Tax Law changes may also impact personal income tax receipts by authorizing a wide variety of credits against the personal income tax liability of taxpayers.

Major tax credits include: Empire State Child Credit (enacted and effective in 2006); Earned Income Credit; Child and Dependent Care Credit; Household Credit; College Tuition Credit; Long-term Care Insurance Credit; Investment Credits; and, Empire Zone Credits.

Personal Income Tax Rates

Taxable income equals New York adjusted gross income ("AGI") less deductions and exemptions. The tax provides separate rate schedules for married couples, single individuals and heads of households. For the 1989 through 1994 tax years, the State income tax was imposed at rates ranging from 4.0 percent to 7.875 percent on the taxable income of individuals, estates and trusts. For taxpayers with $100,000 or more of AGI, the benefit of the marginal tax rates in the lower brackets was recaptured through a supplementary mechanism in effect since 1991. Beginning in 1995, a major personal income tax cut program was phased in over three years which cut the top State personal income tax rate from 7.875 to 6.85 percent. For tax years 1997 through 2002, New York imposed a graduated income tax with rates ranging between 4.0 and 6.85 percent of taxable income. Legislation enacted with the 2003-04 Budget temporarily added two additional top brackets for the 2003 through 2005 tax years. Beginning in the 2006 tax year and thereafter, the rate schedules reverted to those in effect for the 2002 tax year. Set forth below are the rate schedules for tax year 2006 and thereafter.

New York State Personal Income Tax Rates for Tax Years 2006 and Thereafter

	Tax*
Married Filing Jointly	
Taxable Income:	
Not over $16,000	4% of taxable income
Over $16,000 but not over $22,000	$640 plus 4.50% of excess over $16,000
Over $22,000 but not over $26,000	$910 plus 5.25% of excess over $22,000
Over $26,000 but not over $40,000	$1,120 plus 5.90% of excess over $26,000
Over $40,000	$1,946 plus 6.85% of excess over $40,000
Single, Married Filing Separately, Estates and Trusts	
Taxable Income:	
Not over $8,000	4% of taxable income
Over $8,000 but not over $11,000	$320 plus 4.50% of excess over $8,000
Over $11,000 but not over $13,000	$455 plus 5.25% of excess over $11,000
Over $13,000 but not over $20,000	$560 plus 5.90% of excess over $13,000
Over $20,000	$973 plus 6.85% of excess over $20,000
Head of Household	
Taxable Income:	
Not over $11,000	4% of taxable income
Over $11,000 but not over $15,000	$440 plus 4.50% of excess over $11,000
Over $15,000 but not over $17,000	$620 plus 5.25% of excess over $15,000
Over $17,000 but not over $30,000	$725 plus 5.90% of excess over $17,000
Over $30,000	$1,492 plus 6.85% of excess over $30,000

*A supplemental income tax for the purpose of recapturing the benefits conferred to taxpayers through tax brackets with rates lower than the maximum rate applies to all taxpayers with New York AGI over $100,000. The benefit of the lower brackets begins to be recaptured at $100,000 of New York AGI and is totally recaptured at $150,000. Once a taxpayer's New York AGI exceeds $150,000, all taxable income becomes effectively subject to a flat 6.85 percent tax rate.

Components of the Personal Income Tax

The components of personal income tax liability include withholding, estimated payments, final returns, delinquencies and refunds. Taxpayers prepay their tax liability through payroll withholding taxes imposed by Section 671 of Article 22 of the Tax Law (the "Withholding Component") and estimated taxes imposed by Section 685 of Article 22 of the Tax Law. The New York State Department of Taxation and Finance collects the personal income tax from employers and individuals and reports the amount collected to the State Comptroller, who deposits collections net of overpayments and administrative costs.

Initiated in 1959, withholding tax is the largest component of income tax collections. New York requires employers to withhold and remit personal income taxes on wages, salaries, bonuses, commissions and similar income. The amount of withholding varies with the rates, deductions and exemptions. Under current law, employers must remit withholding liability within three business days after each payroll once the cumulative amount of liability reaches $700. Certain small businesses and educational and health care organizations may make their withholding remittance within five business days, and employers with less than $700 of withheld tax can remit it on a quarterly basis. Large employers (aggregate tax of more than $100,000 per year) must make timely payment by electronic funds transfer or by certified check.

Revenue Bond Tax Fund Receipts

The Enabling Act provides that 25 percent of the receipts from the New York State personal income tax imposed by Article 22 of the New York State Tax Law which are deposited pursuant to Section 171-a of the Tax Law ("New York State Personal Income Tax Receipts") shall be deposited in the Revenue Bond Tax Fund. Such New York State Personal Income Tax Receipts currently exclude refunds paid to taxpayers. Legislation enacted in 2007 and effective April 1, 2007 increased deposits to the

Revenue Bond Tax Fund by amending the Enabling Act to provide that deposits to the Revenue Bond Tax Fund be calculated before the deposit of New York State personal income tax receipts to the STAR Fund. Moneys in the STAR Fund are used to reimburse school districts for school tax reductions and property tax rebates provided to homeowners and to reimburse The City of New York for personal income tax reductions enacted as part of the School Tax Relief program. The Debt Reduction Reserve Fund was established in State Fiscal Year 1998-99 to reserve onetime available resources to defease certain State-supported debt, pay debt service costs or pay cash for capital projects that would otherwise be financed with State-supported debt. In State Fiscal Year 2000-01, $250 million was deposited from New York State Personal Income Tax Receipts to the Debt Reduction Reserve Fund, and together with previous deposits to such fund, was used to defease State-supported debt in State Fiscal Years 2000-01 and 2001-02. New York State Personal Income Tax Receipts for State Fiscal Years 2000-01 and 2001-02 exclude deposits to the Debt Reduction Reserve Fund. There were no deposits of New York State Personal Income Tax Receipts to the Debt Reduction Reserve Fund thereafter.

Beginning on the first day of each month, the Enabling Act requires the State Comptroller to deposit in the Revenue Bond Tax Fund all of the receipts from the Withholding Component until an amount equal to 25 percent of estimated monthly New York State Personal Income Tax Receipts has been deposited into the Revenue Bond Tax Fund (the "Revenue Bond Tax Fund Receipts").

In State Fiscal Year 2006-07, New York State Personal Income Tax Receipts were approximately $30.6 billion and accounted for approximately 58 percent of State tax receipts in all State Funds. The 2008-09 Executive Budget as Supplemented by the 21 Day Amendments estimates New York State Personal Income Tax Receipts at $36.4 billion for State Fiscal Year 2007-08 and $38.5 billion for State Fiscal Year 2008-09.

The following table sets forth certain historical and projected information concerning New York State Personal Income Tax Receipts, the Withholding Component, and deposits to the Revenue Bond Tax Fund from State Fiscal Years 1997-98 through 2007-08. For State Fiscal Years 1997-98 through 2002-03, the table provides a pro forma estimate equivalent to 25 percent of New York State Personal Income Tax Receipts that would have been deposited to the Revenue Bond Tax Fund had the Enabling Act been in effect during the entirety of those State Fiscal Years. The Withholding Component can exceed New York State Personal Income Tax Receipts since such Receipts equal total personal income tax collections less (i) refunds and (ii) through State Fiscal Year 2006-07, deposits into the STAR Fund. For example, in State Fiscal Year 2003-04, refunds and STAR Fund deposits were greater than the aggregate personal income tax collections from components other than the Withholding Component.

NYS Personal Income Tax Receipts, Withholding Components and State Revenue Bonds Tax Fund Receipts State Fiscal Years 1997-98 through 2007-08

State Fiscal Year	New York State Personal Income Tax Receipts	Withholding Component	Withholding/State Personal Income Tax Receipts	Revenue Bond Tax Fund Receipts*
1997-98	$18,289,070,099	$15,284,538,902	83.6%	$4,572,267,525
1998-99	19,993,911,578	16,520,651,172	82.6	4,998,477,895
1999-00	21,999,634,064	18,460,534,313	83.9	5,499,908,516
2000-01	23,116,012,541	20,955,093,052	90.7	5,779,003,135
2001-02	24,013,593,585	20,261,325,030	84.4	6,003,398,396
2002-03	19,984,262,417	19,959,388,350	99.9	4,996,065,604
2003-04	21,827,770,700	21,985,657,770	100.7	5,456,942,675
2004-05	25,040,965,404	23,374,513,925	93.3	6,260,241,351
2005-06	27,599,721,585	24,760,667,777	89.7	6,899,930,396
2006-07	30,586,000,000	26,802,000,000	87.6	7,646,500,000
2007-08 (est.)	36,401,000,000**	28,251,000,000	77.6	9,100,300,000**

* 25 percent of New York State Personal Income Tax Receipts shown on an annualized and pro forma basis for State Fiscal Years 1997-98 through 2002-03.
** Reflects legislation enacted in 2007 and effective April 1, 2007 that calculates Revenue Bond Tax Fund Receipts prior to the deposit of New York State personal income tax receipts to the STAR Fund.

In State Fiscal Year 2006-07, New York State Personal Income Tax Receipts increased by about 11 percent to approximately $30.6 billion. The 2008-09 Executive Budget as Supplemented by the 21 Day Amendments projects that total State Personal Income Tax Receipts (net of refunds to taxpayers but before deposits to the STAR Fund) will increase by 19 percent to $36.4 billion in 2007-08.

Total State personal income tax receipts (as distinguished from New York State Personal Income Tax Receipts as defined herein and presented in the table above) estimates are based on the State personal income tax liability estimated by the State Division of the Budget ("DOB") for each of the relevant tax years and the patterns of receipts and refunds for each tax year. Such tax year liabilities are, in turn, based largely on forecasts of State adjusted gross income, with adjustments made for legislative changes (see "—General History of the State Personal Income Tax" above) that will affect each year's tax liability. The level of total State personal income tax receipts is necessarily dependent upon economic and demographic conditions in the State, and therefore there can be no assurance that historical data with respect to total State personal income tax receipts will be indicative of future receipts. Since the institution of the modern income tax in New York in 1960, total personal income tax receipts have fallen six times on a year-over-year basis, in 1964-65, 1971-72, 1977-78, 1990-91, 2001-02 and 2002-03.

The following table shows the pattern of State adjusted gross income growth and personal income tax liability for 1998 through 2007.

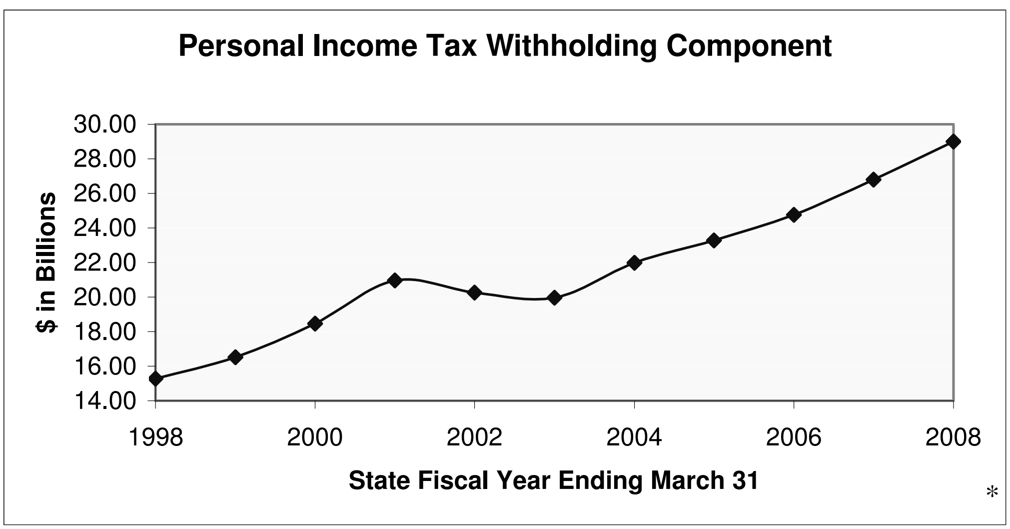
NYS Adjusted Gross Income (AGI) and Personal Income Tax Liability 1998 to 2007*

Tax Year	NYS AGI	Percent Change	Personal Income Tax Liability	Percent Change
		($ in millions)		
1998	$413,128	9.0%	$18,986	12.0%
1999	448,531	8.6	20,977	10.5
2000	508,934	13.5	24,494	16.8
2001	481,001	(5.5)	22,406	(8.5)
2002	459,919	(4.4)	20,729	(7.5)
2003	473,778	3.0	22,456	8.3
2004	525,964	11.0	25,769	14.8
2005	571,916	8.7	28,484	10.5
2006 (est.)	631,672	10.4	29,838	4.8
2007 (proj.)	686,077	8.6	33,382	11.9

* NYS AGI and Personal Income Tax Liability reflect amounts reported on timely filed individual returns, and therefore do not include tax paid by fiduciaries or through audits.

The table indicates that under the State's progressive income tax structure with graduated tax rates, tax liability generally changes at a faster percentage rate than adjusted gross income, absent major law changes or economic events. Except for the recession and September 11 related years of 2001 and 2002, both have increased each year over the past ten years. Tax liabilities for tax years 2003 through 2005 reflect a temporary tax rate surcharge on high-income taxpayers, which increased overall liabilities by about 7 percent, while the low 4.8 percent estimated growth in tax liability for tax year 2006 reflects the expiration of the surcharge at the end of 2005.

The following graph shows the history of withholding receipts since the 1997-98 fiscal year. Like overall adjusted gross incomes and tax liabilities, withholding has steadily increased each year except the recession-related fiscal years 2001-02 and 2002-03, due to overall growth in employment and wages, as well as the aforementioned temporary tax surcharge which applied during the 2003-04 through 2005-06 fiscal years.



*Estimated.

For a discussion of the general economic and financial condition of the State, see "APPENDIX A — INFORMATION CONCERNING THE STATE OF NEW YORK".

PART 5--THE PROJECTS

The Series 2008A Economic Development and Housing Bonds are being issued for the purposes of financing capital expenditures for the following programs: (i) CCAP; (ii) RESTORE; (iii) CEFAP; (iv) NYEDP; (v) NYEDCP: (vi) NYSRED; (vii) NYSTAD; and (viii) SIP. Additionally, all or a portion of the costs of issuance of the Series 2008A Economic Development and Housing Bonds will be financed with the proceeds thereof.

The Series 2008B Economic Development and Housing Bonds are being issued for the purposes of financing capital expenditures for the following programs: (i) CEFAP; (ii) NYEDP; (iii) NYEDCP; and (iv) NYSTAD. Additionally, all or a portion of the cost of issuance of the Series 2008B Economic Development and Housing Bonds will be financed with the proceeds thereof.

The Series 2008A Healthcare Bonds are being issued to finance grants for capital expenditures to assist healthcare institutions under the HEAL NY Program. Additionally, all or a portion of the cost of issuance of the Series 2008A Healthcare Bonds will be financed with the proceeds thereof.

PART 6--DESCRIPTION OF THE SERIES 2008 BONDS

General

The Series 2008 Economic Development and Housing Bonds will bear interest from their date of delivery payable June 15, 2008, and on each December 15 and June 15 thereafter at the rates set forth on the inside cover page of this Official Statement. The Series 2008A Healthcare Bonds will bear interest from their date of delivery payable September 15, 2008, and on each March 15 and September 15 thereafter at the rates set forth on the inside cover page of this Official Statement. The Series 2008 Bonds will be issued in denominations of $5,000 or any integral multiple thereof.

The Series 2008 Bonds will be issued under a book-entry only system, and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as bond depository for the Series 2008 Bonds. Principal or redemption price of and interest on the Series 2008 Bonds are payable by Deutsche Bank Trust Company Americas, New York, New York, as Trustee and Paying Agent, to Cede & Co., so long as Cede & Co. is the registered owner of the Series 2008 Bonds, as nominee for DTC, which will, in turn, remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners (See "PART 7—BOOK-ENTRY ONLY SYSTEM" below).

Optional Redemption

The Series 2008A Healthcare Bonds are subject to redemption prior to maturity on or after March 15, 2018, in any order, at the option of the Authority, as a whole or in part at any time, at par, plus accrued interest to the redemption date.

The Series 2008 Economic Development and Housing Bonds are not subject to redemption prior to maturity.

Mandatory Sinking Fund Redemption

The Series 2008A Healthcare Bonds maturing March 15, 2023, March 15, 2028, March 15, 2033 and March 15, 2037 are subject to mandatory redemption in part, by lot, on March 15 in the years shown below, at a Redemption Price equal to the principal amount thereof, plus accrued interest, if any, to the date of redemption in an amount equal to the Sinking Fund Installments for such Bonds for such date:

Series 2008A Healthcare Bonds, maturing, March 15, 2023

Year	Sinking Fund Installment
2019	$930,000
2020	980,000
2021	1,030,000
2022	1,080,000
2023†	1,135,000

† Stated Maturity

Series 2008A Healthcare Bonds, maturing, March 15, 2028

Year	Sinking Fund Installment
2024	$1,190,000
2025	1,245,000
2026	1,300,000
2027	1,360,000
2028†	1,420,000

† Stated Maturity

Series 2008A Healthcare Bonds, maturing, March 15, 2033

Year	Sinking Fund Installment
2029	$1,485,000
2030	1,555,000
2031	1,635,000
2032	1,715,000
2033†	1,800,000

† Stated Maturity

Series 2008A Healthcare Bonds, maturing, March 15, 2037

Year	Sinking Fund Installment
2034	$1,890,000
2035	1,985,000
2036	2,085,000
2037†	2,190,000

† Stated Maturity

Selection of Bonds to be Redeemed; Notice of Redemption

In the case of redemptions of Series 2008A Healthcare Bonds at the option of the Authority, the Authority will select the maturities of the Series 2008A Healthcare Bonds to be redeemed. If less than all of the Series 2008A Healthcare Bonds are to be redeemed, the Paying Agent shall assign to each Outstanding Bond to be redeemed a distinctive number for each unit of the principal amount of such Series 2008A Healthcare Bond equal to the lowest denomination in which the Series 2008A Healthcare Bonds 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 Series 2008A Healthcare Bonds, as many numbers as, at such unit amount equal to the lowest denomination in which the Series 2008A Healthcare Bonds are authorized to be issued for each number, shall equal the principal amount of such Series 2008A Healthcare Bonds to be redeemed.

Any notice of optional redemption of the Series 2008A Healthcare Bonds may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price of such Series 2008A Healthcare Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such Redemption Price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Trustee to affected Bondholders as promptly as practicable upon the failure of such condition or the occurrence of such other event.

When the Trustee shall have received notice from the Authority that Series 2008A Healthcare Bonds are to be redeemed, the Trustee shall give notice, in the name of the Authority, of the redemption of such Series 2008A Healthcare Bonds, which notice shall specify the Series 2008A Healthcare Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2008A Healthcare Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2008A Healthcare Bonds to be redeemed, if applicable, that such notice is conditional and the conditions that must be satisfied, and in the case of Series 2008A Healthcare Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed.

Such notice shall further state that on the redemption date there shall become due and payable upon each Series 2008A Healthcare Bond or portion thereof to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable on the Series 2008A Healthcare Bonds or portions thereof to be redeemed.

Notice of any redemption shall be mailed by the Trustee, postage prepaid, no less than thirty (30) days before the redemption date, to the Owners of any Series 2008A Healthcare Bonds or portions of Series 2008A Healthcare Bonds which are to be redeemed, at their last address, if any, appearing upon the registry books.

PART 7--BOOK-ENTRY ONLY SYSTEM

The following information concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the Underwriters believe to be reliable, but neither the Authority nor the Underwriters take responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2008 Bonds. The Series 2008 Bonds will be issued as fully-registered bonds 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 2008 Bond of each series will be issued for each stated maturity of the applicable series of Bonds and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2008 BONDS, AS NOMINEE FOR DTC, REFERENCES HEREIN TO BONDHOLDERS OR OWNERS OF THE SERIES 2008 BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2008 Bonds.

DTC 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, 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 its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2008 Bonds of each series under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008 Bonds on DTC's records. The ownership interest of each actual purchaser of a Series 2008 Bond of a series ("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 2008 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 the applicable series of Series 2008 Bonds, except in the event that use of the book-entry system for the Series 2008 Bonds is discontinued.

To facilitate subsequent transfers, the Series 2008 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 the Series 2008 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 2008 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008 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 shall be sent to DTC. If less than all of any series of the Series 2008 Bonds within a stated maturity 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 2008 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an 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 2008 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments and redemption payments on the Series 2008 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 Paying Agent or the Authority, on a 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 Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent or the Authority, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to any series of the Series 2008 Bonds at any time by giving reasonable notice to the Authority or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2008 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2008 Bond certificates will be printed and delivered to DTC.

NEITHER THE AUTHORITY NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2008 BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2008 BONDHOLDERS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES 2008 BONDHOLDER; OR (V) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2008 BONDS.

Each person for which a Participant acquires an interest in the Series 2008 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2008 Bonds.

For every transfer and exchange of beneficial ownership of the Series 2008 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to any series of the Series 2008 Bonds if the Authority determines that (i) DTC is unable to discharge its responsibility with respect to such series of Bonds or (ii) a continuation of the requirement that all of Outstanding Series 2008 Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute securities depository is found by the Authority or restricted registration is no longer in effect, Bond certificates will be delivered as described in the applicable General or Supplemental Resolution.

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PART 8--DEBT SERVICE REQUIREMENTS

The following schedule sets forth, for each 12-month period ending March 31 of the years shown, the amounts required for the payment of debt service on the Series 2008 Bonds and outstanding State Personal Income Tax Revenue Bonds during each such period.

12-Month Period Ending March 31	Total Debt Service on Series 2008 Bonds	Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service(1), (2), (3)	Estimated Aggregate Debt Service(1)(2)(3)
2008	$ -	$ 935,688,765	$ 935,688,765
2009	36,200,029	901,560,706	937,760,735
2010	36,220,926	895,836,254	932,057,180
2011	36,201,151	829,858,576	866,059,727
2012	29,988,454	830,261,512	860,249,966
2013	29,988,410	802,459,003	832,447,413
2014	29,986,494	750,304,760	780,291,254
2015	29,988,354	698,016,314	728,004,668
2016	29,984,869	641,382,961	671,367,830
2017	29,991,699	617,371,631	647,363,330
2018	29,995,714	577,269,357	607,265,071
2019	2,297,925	578,224,585	580,522,510
2020	2,301,425	577,987,633	580,289,058
2021	2,302,425	577,546,538	579,848,963
2022	2,300,925	577,515,926	579,816,851
2023	2,301,925	550,008,030	552,309,955
2024	2,300,175	494,924,929	497,225,104
2025	2,301,625	461,594,086	463,895,711
2026	2,300,600	430,234,520	432,535,120
2027	2,302,100	384,049,929	386,352,029
2028	2,300,900	343,698,346	345,999,246
2029	2,302,000	343,763,527	346,065,527
2030	2,297,750	343,782,665	346,080,415
2031	2,300,000	343,870,552	346,170,552
2032	2,298,250	343,884,671	346,182,921
2033	2,297,500	304,044,891	306,342,391
2034	2,297,500	263,909,093	266,206,593
2035	2,298,000	238,193,115	240,491,115
2036	2,298,750	171,353,600	173,652,350
2037	2,299,500	62,991,350	65,290,850
Total(3)	$362,245,374	$15,871,587,822	$16,233,833,196

(1) Interest on $437,430,000 principal amount of outstanding State Personal Income Tax Revenue Bonds that bear interest at variable rates is calculated based on assumed rates equal to the fixed swap rates paid by the applicable Authorized Issuers on the related interest rate exchange agreements and interest on $76,235,000 principal amount of outstanding taxable State Personal Income Tax Revenue Bonds that bear interest at variable rates is calculated based on an assumed rate of 5.38 percent. In addition, interest on $561,260,000 principal amount of outstanding fixed rate State Personal Income Tax Revenue Bonds, with respect to which Authorized Issuers entered into interest rate exchange agreements pursuant to which they will pay a variable rate of interest commencing after a future date, is calculated based on the fixed rate on such bonds to maturity and the net payments under such interest rate exchange agreements commencing on future dates (March 15, 2014, in the case of $300,485,000 principal amount and March 15, 2017, in the case of $260,775,000 principal amount), whereby the Authorized Issuers receive a fixed rate and pay a variable rate based on the SIFMA index (assumed at 3.96 percent per annum).

(2) The information set forth under the column captioned "Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service" reflects debt service on outstanding State Personal Income Tax Revenue Bonds and on State Personal Income Tax Revenue Bonds contractually obligated to be issued and delivered by Authorized Issuers as of the date of this Official Statement. The State expects that Authorized Issuers will be issuing State Personal Income Tax Revenue Bonds from time to time and to the extent that such other State Personal Income Tax Revenue Bonds are either issued or contractually obligated to be issued and delivered pursuant to one or more executed bond purchase agreements after the date of this Official Statement, this Official Statement will not be supplemented to reflect such updated information.

(3) Totals may not add due to rounding.

PART 9--ESTIMATED SOURCES AND USES OF FUNDS

Series 2008A Economic Development and Housing Bonds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2008A Economic Development and Housing Bonds:

Sources of Funds	
Principal amount of Series 2008A Economic Development and Housing Bonds	$107,265,000.00
Net Original Issue Premium	7,131,798.10
Total Sources	$114,396,798.10
Uses of Funds	
Deposit to Bond Proceeds Fund	$113,000,000.00
Deposit to Debt Service Fund	16,276.74
Costs of Issuance*	833,752.03
Underwriters' Discount	546,769.33
Total Uses	$114,396,798.10

* Includes New York State Bond Issuance Charge.

Series 2008B Economic Development and Housing Bonds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2008B Economic Development and Housing Bonds:

Sources of Funds	
Principal amount of Series 2008B Economic Development and Housing Bonds	$94,270,000.00
Total Sources	$94,270,000.00
Uses of Funds	
Deposit to Bond Proceeds Fund	$93,000,000.00
Deposit to Debt Service Fund	8,730.73
Costs of Issuance*	728,292.66
Underwriters' Discount	532,976.61
Total Uses	$94,270,000.00

* Includes New York State Bond Issuance Charge.

Series 2008A Healthcare Bonds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2008A Healthcare Bonds:

Sources of Funds	
Principal amount of Series 2008A Healthcare Bonds	$69,380,000.00
Net Original Issue Premium	1,536,948.80
Total Sources	$70,916,948.80
Uses of Funds	
Deposit to Bond Proceeds Fund	$70,000,000.00
Deposit to Debt Service Fund	6,718.29
Costs of Issuance*	537,877.75
Underwriters' Discount	372,352.76
Total Uses	$70,916,948.80

* Includes New York State Bond Issuance Charge.

PART 10--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 December 31, 2007, the Authority had approximately $34.6 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 moneys 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 moneys 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.

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 December 31, 2007 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
State University of New York Dormitory Facilities	$ 2,120,821,000	$ 873,355,000	$ 0	$ 873,355,000
State University of New York Educational and Athletic Facilities	11,757,912,999	5,060,675,745	0	5,060,675,745
Upstate Community Colleges of the State University of New York	1,397,910,000	593,095,000	0	593,095,000
Senior Colleges of the City University of New York	8,609,563,549	3,005,421,270	0	3,005,421,270
Community Colleges of the City University of New York	2,194,081,563	529,738,730	0	529,738,730
BOCES and School Districts	1,693,231,208	1,253,000,000	0	1,253,000,000
Judicial Facilities	2,161,277,717	738,632,717	0	738,632,717
New York State Departments of Health and Education and Other	3,362,370,000	2,054,770,000	0	2,054,770,000
Mental Health Services Facilities	5,682,130,000	3,650,920,000	0	3,650,920,000
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
Totals Public Programs	$40,666,668,036	$18,587,498,462	$ 0	$18,587,498,462

Non-Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
Independent Colleges, Universities and Other Institutions	$14,796,041,020	$ 7,000,083,940	$198,125,000	$ 7,198,208,940
Voluntary Non-Profit Hospitals	12,567,404,309	7,771,100,000	0	7,771,100,000
Facilities for the Aged	1,979,275,000	1,048,545,000	0	1,048,545,000
Supplemental Higher Education Loan Financing Program	95,000,000	0	0	0
Totals Non-Public Programs	$29,437,720,329	$15,819,728,940	$198,125,000	$16,017,853,940
Grand Totals Bonds and Notes	$70,104,388,365	$34,407,227,402	$198,125,000	$34,605,352,402

Outstanding Indebtedness of the Agency Assumed by the Authority

At December 31, 2007, the Agency had approximately $578 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 moneys 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 December 31, 2007 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding
Mental Health Services Improvement Facilities	$ 3,817,230,725	$ 0

Non-Public Programs	Bonds Issued	Bonds Outstanding
Hospital and Nursing Home Project Bond Program	$ 226,230,000	$ 3,605,000
Insured Mortgage Programs	6,625,079,927	541,824,927
Revenue Bonds, Secured Loan and Other Programs	2,414,240,00	32,510,000
Total Non-Public Programs	$ 9,265,549,927	$ 577,939,927
Total MCFFA Outstanding Debt	$ 13,082,780,652	$ 577,939,927

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 shall be chosen and qualified.

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 is the former Deputy Secretary of the New York State Assembly Committee on Ways and Means. Dr. Hedges served on the Legislative Advisory Task Force on Demographic Research and Reapportionment. He has also 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.

LAURA L. ANGLIN, *Budget Director of the State of New York,* Albany*; ex-officio.*

Ms. Anglin was appointed Budget Director on January 1, 2008. As Budget Director, she 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. Ms. Anglin previously served as First Deputy Budget Director from January 2007 to December 2007. She was appointed Deputy Comptroller of the Division of Retirement Services in January 2003 and was responsible for overseeing the administration and managing the operations of the New York State and Local Retirement System. From 1996-2003, Ms. Anglin worked in the New York State Assembly where she served as Director of Budget Studies for the Assembly Ways and Means Committee and as First Deputy Fiscal Director for the Committee. Ms. Anglin has also held the position of Econometrician in the Department of Taxation and Finance from 1992-1996 and began her career as an Economist for the Department of Environmental Conservation. Ms. Anglin holds a Bachelor of Arts degree and a Masters degree in Economics from the State University of New York at Albany.

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 and Portfolio Monitoring. 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; overseeing the Authority's compliance with continuing disclosure requirements and monitoring the financial condition of existing Authority clients. 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.

STEPHEN D. CURRO, P.E. 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. Mr. Curro joined the Authority in 2001 as Director of Technical Services, and most recently served as Director of Construction Support Services. He is a registered Professional Engineer in New York and Rhode Island and has worked in the construction industry for over 20 years as a consulting structural engineer and a technology solutions provider. Mr. Curro is also an Adjunct Professor at Hudson Valley Community

College and Bryant & Stratton College. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

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 2008 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 11--AGREEMENT OF THE STATE

The Authority Act provides that the State pledges and agrees 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, among other things, fulfill the terms of any agreements made 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 and bonds until such notes and 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 and bonds are fully met and discharged. The General Resolutions include such pledge to the fullest extent enforceable under applicable Federal and State law. Nevertheless, nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax imposed pursuant to Article 22 of the Tax Law. An Event of Default under a General Resolution would not occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter such taxes and fees.

PART 12--TAX MATTERS

Series 2008A Economic Development and Housing Bonds and Series 2008A Healthcare Bonds

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 2008A Economic Development and Housing Bonds and the Series 2008A Healthcare Bonds (collectively the "Tax-Exempt Bonds") for interest thereon to be and remain not includable in gross income under Section 103 of the Code. Non-compliance with such requirements could cause the interest on the Tax-Exempt 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 has covenanted in the Economic Development Supplemental Resolution and the Series 2008 State Healthcare Supplemental Resolution and will covenant in its Tax Certificate to be executed and delivered in connection with the issuance of the Tax-Exempt Bonds to comply with applicable requirements of the Code in order to maintain the exclusion of the interest on the Tax-Exempt Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. The State has agreed in the Financing Agreements that if the Authority is required to pay over or rebate to the United States any investment earnings with respect to the Tax-Exempt Bonds, the State will pay to the Authority on a timely basis such amount as is necessary to maintain the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes. In addition, the Authority and certain other entities benefiting from the Tax-Exempt Bonds, including the State, have in their respective certificates made certain representations and certifications relating to compliance with certain federal income tax matters. Bond Counsel will not independently verify the accuracy of those certifications and representations.

In the opinion of Sidley Austin LLP, Bond Counsel, based on existing law and except as provided in the next sentence, interest on the Tax-Exempt Bonds is not includable in gross income for purposes of federal income taxation. Interest on the Tax-Exempt Bonds will be includable in gross income for purposes of federal income taxation retroactive to their date of issuance if the Authority or another entity benefiting from the Tax-Exempt Bonds, as described above, fails to comply subsequent to the issuance of the Tax-Exempt Bonds with the covenant, agreement, representations and certifications described above relating to compliance with certain federal income tax matters, including requirements of the Code and covenants regarding the use, expenditure and investment of the Tax-Exempt Bond proceeds and the timely payment of certain investment earnings to the U.S. Treasury.

The above opinion with respect to the exclusion from gross income of the interest on the Tax-Exempt Bonds for federal income tax purposes may not be relied upon to the extent that such exclusion is adversely affected as a result of any action taken in reliance upon the opinion of counsel other than Sidley Austin LLP delivered subsequent to the issuance of the Tax-Exempt Bonds.

Interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum tax. Such interest will, however, be included in the calculation of the alternative minimum tax liabilities of corporations. The Code contains provisions (some of which are noted below) that could result in tax consequences, upon which no opinion will be rendered by Bond Counsel, as a result of (i) ownership of the Tax-Exempt Bonds or (ii) the inclusion in certain computations (including, without limitation, those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S-corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebted to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Prospective purchasers of the Tax-Exempt Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Under existing law, the interest on the Tax-Exempt Bonds is exempt from existing personal income taxes of the State of New York and its political subdivisions, including The City of New York and the City of Yonkers.

The excess, if any, of the amount payable at maturity of any maturity of the Tax-Exempt Bonds purchased as part of the initial public offering over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Tax-Exempt Bonds with original issue discount (the "Discount Bonds"), will be excluded from gross income for federal income tax purposes to the same extent as interest on the Tax-Exempt Bonds. In general, the issue price of a maturity of the Tax-Exempt Bonds is the first price at which a substantial amount of Tax-Exempt Bonds of that maturity was sold (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and the amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest. A purchaser's adjusted basis in a Discount Bond is increased by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bond for federal income tax purposes. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of the corporation's federal alternative minimum tax liability. In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of a Discount Bond that is not purchased in the initial offering at the first price at which a substantial amount of such substantially identical Tax-Exempt Bonds is sold to the public may be determined according to rules that differ from those described above.

Owners of Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such Discount Bonds and with respect to State of New York and local tax consequences of owning and disposing of Discount Bonds.

The excess, if any, of the tax adjusted basis of the Tax-Exempt Bonds purchased as part of the initial public offering to a purchaser (other than a purchaser who holds such Tax-Exempt Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is "bond premium." Bond premium is amortized over the term of such Tax-Exempt Bonds for federal income tax purposes (or, in the case of a bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). Owners of such Tax-Exempt Bonds are required to decrease their adjusted basis in such Tax-Exempt Bonds by the amount of amortizable bond premium attributable to each taxable year such Tax-Exempt Bonds are held. The amortizable bond premium on such Tax-Exempt Bonds attributable to a taxable year is not deductible for federal income tax purposes; however, bond premium is treated as an offset to qualified stated interest received on such Tax-Exempt Bonds. Owners of such Tax-Exempt Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the treatment of bond premium upon sale or other disposition of such Tax-Exempt Bonds and with respect to the state and local tax consequences of owning and disposing of such Tax-Exempt Bonds.

Legislation affecting municipal securities is constantly being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issue of the Tax-Exempt Bonds will not have an adverse impact on the tax exempt status of the Tax-Exempt Bonds. Legislative or regulatory actions and proposals may also affect the economic value of the tax exemption or market price of the Tax-Exempt Bonds. See also "—Future Developments."

Backup Withholding

Interest paid on the Tax Exempt Bonds will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in an of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Tax Exempt Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the IRS.

Series 2008B Economic Development and Housing Bonds

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Circular 230 Notice

Any discussion of U.S. federal tax issues set forth in this Official Statement relating to the Series 2008B Economic Development and Housing Bonds was written in connection with the promotion and marketing of the transactions described in this Official Statement. Such discussion is not intended or written to be legal or tax advice with respect to the Series 2008B Economic Development and Housing Bonds to any person and is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U. S. federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

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In General

Interest on the Series 2008B Economic Development and Housing Bonds will be includable in the gross income of the owners thereof for purposes of U.S. federal income taxation. See, "Certain U.S. Federal Income Tax Considerations," below. Under existing law, interest on the Series 2008B Economic Development and Housing Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including The City of New York and the City of Yonkers.

Certain U.S. Federal Income Tax Considerations

The following summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Series 2008B Economic Development and Housing Bonds is based upon the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations promulgated thereunder, regulations, rulings and decisions now in effect, all of which are subject to change (including changes in effective dates and retroactive changes) or possible differing interpretations. It deals only with Series 2008B Economic Development and Housing Bonds held as capital assets and does not purport to deal with persons in special tax situations, such as financial institutions, insurance companies, regulated investment companies, entities classified as partnerships, dealers in securities or currencies, persons holding Series 2008B Economic Development and Housing Bonds as a hedge against currency risks or as a part of a "straddle", "hedge", "conversion", or other integrated transaction for tax purposes, or persons whose functional currency is not the U.S. dollar. It also does not deal with holders other than original purchasers (except where otherwise specifically noted). Persons considering the purchase of the Series 2008B Economic Development and Housing Bonds should consult their own tax advisors concerning the application of U.S. federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Series 2008B Economic Development and Housing Bonds arising under the laws of any other taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a Series 2008B Economic Development and Housing Bond and that is for U.S. federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (v) any other person whose income or gain in respect of a Series 2008B Economic Development and Housing Bond is effectively connected with the conduct of a United States trade or business. Notwithstanding the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons under the Code and applicable Treasury regulations thereunder prior to such date, that elect to continue to be treated as United States persons under the Code or applicable Treasury regulations thereunder also will be U.S. Holders. If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) is the beneficial owner of a Series 2008B Economic Development and Housing Bond, the treatment of a partner in that partnership will generally depend upon the status of such partner and the activities of such partnership.

Payments of Interest. Payments of interest on a Series 2008B Economic Development and Housing Bond generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting).

Original Issue Discount. The following summary is a general discussion of the U.S. federal income tax consequences to U.S. Holders of the purchase, ownership and disposition of Series 2008B Economic Development and Housing Bonds issued with original issue discount ("Discount Bonds"), if any. The following summary is based upon final Treasury regulations (the "OID Regulations") released by the Internal Revenue Service ("IRS") under the original issue discount provisions of the Code.

For U.S. federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a bond over its issue price, if such excess equals or exceeds a *de minimis* amount (generally 1/4 of 1% of the bond's stated redemption price at maturity multiplied by the number of complete years to its maturity from its issue date or, in the case of a bond providing for the payment of any amount other than qualified stated interest (as defined below) prior to maturity, multiplied by the weighted average maturity of such bond). The issue price of each maturity of Series 2008B Economic Development and Housing Bonds in an issue of Series 2008B Economic Development and Housing Bonds equals the first price at which a substantial amount of such maturity of Series 2008B Economic Development and Housing Bonds has been sold (ignoring sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The stated redemption price at maturity of a Series 2008B Economic Development and Housing Bond is the sum of all payments provided by the Series 2008B Economic Development and Housing Bond other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. Payments of qualified stated interest on a Series 2008B Economic Development and Housing Bond are taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting). A U.S. Holder of a Discount Bond must include original issue discount in income as ordinary interest for U.S. federal income tax purposes as it accrues under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder's regular method of tax accounting. In general, the amount of original issue discount included in income by the initial U.S. Holder of a Discount Bond is the sum of the daily portions of original issue discount with respect to such Discount Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such Discount Bond. The "daily portion" of original issue discount on any Discount Bond is determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that accrual period. An "accrual period" may be of any length and the accrual periods may vary in length over the term of the Discount Bond, *provided* that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of original issue discount allocable to each accrual period is generally equal to the difference between (i) the product of the Discount Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Bond at the beginning of any accrual period is the sum of the issue price of the Discount Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Bond that were not qualified stated interest payments. Under these rules, U.S. Holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder who purchases a Discount Bond for an amount that is greater than its adjusted issue price as of the purchase date and less than or equal to the sum of all amounts payable on the Discount Bond after the purchase date, other than payments of qualified stated interest, will be considered to have purchased the Discount Bond at an "acquisition premium." Under the acquisition premium rules, the amount of original issue discount which such U.S. Holder must include in its gross income with respect to such Discount Bond for any taxable year (or portion thereof in which the U.S. Holder holds the Discount Bond) will be reduced (but not below zero) by the portion of the acquisition premium properly allocable to the period.

U.S. Holders may generally, upon election, include in income all interest (including stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) that accrues on a debt instrument by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions. This election will generally apply only to the debt instrument with respect to which it is made and may be revoked only with the consent of the IRS.

Short-Term Series 2008B Economic Development and Housing Bonds. Series 2008B Economic Development and Housing Bonds that have a fixed maturity of one year or less ("Short-Term Series 2008B Bonds") will be treated as having been issued with original issue discount. In general, an individual or other cash method U.S. Holder is not required to accrue such original issue discount unless the U.S. Holder elects to do so. If such an election is not made, any gain recognized by the U.S. Holder on the sale, exchange or maturity of the Short-Term Series 2008B Bond will be ordinary income to the extent of the original issue discount accrued on a straight-line basis, or upon election under the constant yield method (based on daily compounding), through the date of sale or maturity, and a portion of the deductions otherwise allowable to the U.S. Holder for interest on borrowings allocable to the Short-Term Series 2008B Bonds will be deferred until a corresponding amount of income is realized. U.S. Holders who report income for U.S. federal income tax purposes under the accrual method, and certain other holders, including banks and dealers in securities, are required to accrue original issue discount on a Short-Term Series 2008B Bond on a straight-line basis unless an election is made to accrue the original issue discount under a constant yield method (based on daily compounding).

Market Discount. If a U.S. Holder purchases a Series 2008B Economic Development and Housing Bond, other than a Discount Bond, for an amount that is less than its issue price (or, in the case of a subsequent purchaser, its stated redemption price at maturity) or, in the case of a Discount Bond, for an amount that is less than its revised issue price as of the purchase date, such U.S. Holder will be treated as having purchased such Series 2008B Economic Development and Housing Bond at a "market discount," unless the amount of such market discount is less than a specified *de minimis* amount.

Under the market discount rules, a U.S. Holder will be required to treat any partial principal payment (or, in the case of a Discount Bond, any payment that does not constitute qualified stated interest) on, or any gain realized on the sale, exchange, retirement or other disposition of, a Series 2008B Economic Development and Housing Bond as ordinary income to the extent of the lesser of (i) the amount of such payment or realized gain or (ii) the market discount which has not previously been included in gross income and is treated as having accrued on such Series 2008B Economic Development and Housing Bond at the time of such payment or disposition. Market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the Series 2008B Economic Development and Housing Bond, unless the U.S. Holder elects to accrue market discount on the basis of semiannual compounding.

A U.S. Holder may be required to defer the deduction of all or a portion of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry a Series 2008B Economic Development and Housing Bond with market discount until the maturity of the Series 2008B Economic Development and Housing Bond or certain earlier dispositions, because a current deduction is only allowed to the extent the interest expense exceeds an allocable portion of market discount. A U.S. Holder may elect to include market discount in income currently as it accrues (on either a ratable or constant yield basis), in which case the rules described above regarding the treatment as ordinary income of gain upon the disposition of the Series 2008B Economic Development and Housing Bond and upon the receipt of certain cash payments and regarding the deferral of interest deductions will not apply. Generally, such currently included market discount is treated as ordinary interest income for U.S. federal income tax purposes. Such an election will apply to all debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Premium. If a U.S. Holder purchases a Series 2008B Economic Development and Housing Bond for an amount that is greater than the sum of all amounts payable on the Series 2008B Economic Development and Housing Bond after the purchase date, other than payments of qualified stated interest, such U.S. Holder will be considered to have purchased the Series 2008B Economic Development and Housing Bond with "amortizable bond premium" equal in amount to such excess. A U.S. Holder may elect to amortize such premium using a constant yield method over the remaining term of the Series 2008B Economic Development and Housing Bond and may offset interest otherwise required to be included in respect of the Series 2008B Economic Development and Housing Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Series 2008B Economic Development and Housing Bond held by a U.S. Holder that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the disposition of the Series 2008B Economic Development and Housing Bond. However, if the Series 2008B Economic Development and Housing Bond may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity, special rules would apply which could result in a deferral of the amortization of some bond premium until later in the term of the Series 2008B Economic Development and Housing Bond. Any election to amortize bond premium applies to all taxable debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Disposition of a Series 2008B Economic Development and Housing Bond. Except as discussed above, upon the sale, exchange or retirement of a Series 2008B Economic Development and Housing Bond, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (other than amounts representing accrued and unpaid interest) and such U.S. Holder's adjusted tax basis in the Series 2008B Economic Development and Housing Bond. A U.S. Holder's adjusted tax basis in a Series 2008B Economic Development and Housing Bond generally will equal such U.S. Holder's initial investment in the Series 2008B Economic Development and Housing Bond increased by any original issue discount included in income (and accrued market discount, if any, if the U.S. Holder has included such market discount in income) and decreased by the amount of any payments, other than qualified stated interest payments, received and amortizable bond premium taken with respect to such Series 2008B Economic Development and Housing Bond. Such gain or loss generally will be long-term capital gain or loss if the Series 2008B Economic Development and Housing Bond has been held by the U.S. Holder at the time of disposition for more than one year. If the U.S. Holder is an individual, long-term capital gains will be subject to reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

Backup Withholding. Backup withholding of U.S. federal income tax may apply to payments made in respect of the Series 2008B Economic Development and Housing Bonds to registered holders who are not "exempt recipients" and who fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Payments made in respect of the Series 2008B Economic Development and Housing Bonds to a U.S. Holder must be reported to the IRS, unless the U.S. Holder is an exempt recipient or otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's U.S. federal income tax provided the required information is furnished to the IRS.

Legal Defeasance of Series 2008B Economic Development and Housing Bonds. Under the Economic Development General Resolution, the Series 2008B Economic Development and Housing Bonds may be legally defeased. Owners of the Series 2008B Economic Development and Housing Bonds should be aware that for U.S. federal income tax purposes, the deposit by the Authority of moneys or securities with the Trustee in such amount and such manner as to cause any Series 2008B Economic Development and Housing Bonds to be deemed to be legally defeased could result in a deemed exchange under Section 1001 of the Code and a recognition by such owners of taxable income, without any corresponding receipt of moneys. In addition, for U.S. federal income tax purposes, the character and timing of receipt of payments on Series 2008B Economic Development and Housing Bonds subsequent to any such defeasance could also be affected. Purchasers of Series 2008B Economic Development and Housing Bonds should consult their own tax advisors with respect to the more detailed consequences to them of such defeasance, including the applicability and effect of tax laws other than U.S. federal income tax laws.

Future Developments

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Tax-Exempt Bonds to be subject, directly or indirectly, to U.S. federal income taxation or interest on the Series 2008 Bonds to be subject, directly or indirectly, to State or local income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of, in the case of the Tax-Exempt Bonds, the exclusion of such interest from gross income for U.S. federal income tax purposes, and in the case of the Series 2008 Bonds, from taxation by the State and its political subdivisions. On November 5, 2007, the United States Supreme Court heard oral argument in the matter of Kentucky v. Davis, in which the Court of Appeals of Kentucky held that it was a violation of the Commerce Clause of the United States Constitution for the Commonwealth of Kentucky to grant a state income tax exemption to the interest on bonds issued by or on behalf of the Commonwealth of Kentucky and its political subdivisions while subjecting interest on bonds issued by or on behalf of other states and their political subdivisions to Kentucky state income tax. It is not possible to know at this time how the Supreme Court will decide Kentucky v. Davis. If the Kentucky v. Davis decision is affirmed by the United States Supreme Court, states such as the State may be required to eliminate the disparity between the income tax treatment of out-of-state bonds and the income tax treatment of in-state bonds, such as the Series 2008 Bonds. The impact of this decision may also affect the market price for, or the marketability of, the Series 2008 Bonds.

PART 13--LITIGATION

There is no litigation or other proceeding pending or, to the knowledge of the Authority, threatened in any court, agency or other administrative body (either State or Federal) restraining or enjoining the issuance, sale or delivery of the Series 2008 Bonds, or in any way questioning or affecting (i) the proceedings under which the Series 2008 Bonds are to be issued, (ii) the pledge effected under the General Resolutions, or (iii) the validity of any provision of the Enabling Act, the Series 2008 Bonds, the General Resolutions, or the Financing Agreements.

PART 14--CERTAIN LEGAL MATTERS

All legal matters incident to the authorization, issuance, sale and delivery of the Series 2008 Bonds are subject to the approval of Sidley Austin LLP, New York, New York, Bond Counsel to the

Authority, and to certain other conditions. The approving opinions of Bond Counsel will be delivered with the Series 2008 Bonds. The proposed forms of such opinions are included in this Official Statement as Appendix D.

Certain legal matters will be passed upon for the Underwriters by their counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York.

PART 15--UNDERWRITING

Loop Capital Markets LLC, on behalf of the Underwriters for the Tax-Exempt Bonds, and M.R. Beal & Company, on behalf of the Underwriters for the Series 2008B Economic Development and Housing Bonds, have agreed, subject to the terms of a Contract of Purchase with the Authority with respect to each of the Tax-Exempt Bonds and the Series 2008B Economic Development and Housing Bonds, to purchase the applicable series of Series 2008 Bonds from the Authority. The Underwriters propose initially to offer the Series 2008 Bonds at the initial offering prices set forth on the inside cover page of this Official Statement. The Underwriters may offer and sell the Series 2008 Bonds to certain dealers (including dealers depositing such Series 2008 Bonds into investment trusts) at prices lower than such initial offering prices. The Contract of Purchase for the Tax-Exempt Bonds provides, in part, that the Underwriters of the Tax-Exempt Bonds, subject to certain conditions, will purchase from the Authority (i) $107,265,000 aggregate principal amount of the Series 2008A Economic Development and Housing Bonds at an aggregate purchase price of $113,850,028.77 (which price reflects an Underwriters' discount of $546,769.33 and a net original issue premium of $7,131,798.10) and (ii) $69,380,000 aggregate principal amount of Series 2008A Healthcare Bonds at an aggregate purchase price of $70,544,596.04 (which price reflects an Underwriters' discount of $372,352.76 and a net original issue premium of $1,536,948.80). The Contract of Purchase for the Series 2008B Economic Development and Housing Bonds provides, in part, that the Underwriters of the Series 2008B Economic Development and Housing Bonds, subject to certain conditions, will purchase from the Authority $94,270,000 aggregate principal amount of Series 2008B Economic Development and Housing Bonds at an aggregate purchase price of $93,737,023.39 (which price reflects an Underwriters' discount of $532,976.61). Delivery of the Tax-Exempt Bonds is not conditioned upon delivery of the Series 2008B Economic Development and Housing Bonds. Delivery of the Series 2008B Economic Development and Housing Bonds is not conditioned upon delivery of the Tax-Exempt Bonds.

PART 16--LEGALITY OF INVESTMENT

Under New York State law, the Series 2008 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 in the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual authorities and public benefit corporations of the State may limit the investment of funds of such authorities and corporations in the Series 2008 Bonds.

PART 17--RATINGS

The Series 2008 Bonds are expected to be rated AAA by Standard & Poor's and AA- by Fitch Ratings. An explanation of the significance of each such rating should be obtained from the rating agency furnishing the same. There is no assurance that such rating will prevail for any given period of time or that it will not be changed or withdrawn by such rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2008 Bonds.

PART 18--CONTINUING DISCLOSURE

In order to assist the Underwriters of the Series 2008 Bonds to comply with Rule 15c2-12 ("Rule 15c2-12") promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), each of the Authorized Issuers, the State, and each of the trustees under the general resolutions have entered into a written agreement (the "Master Disclosure Agreement") for the benefit of all holders of State Personal Income Tax Revenue Bonds, including the holders of the Series 2008 Bonds, to provide continuing disclosure. The State will undertake for the benefit of all holders of State Personal Income Tax Revenue Bonds, including holders of the Series 2008 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, financial information and operating data referred to herein as "Annual Information" and the sources of the Revenue Bond Tax Fund Receipts, as described in more detail below. 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 Authorized Issuers have undertaken, for the benefit of all holders of the State Personal Income Tax Revenue Bonds, including holders of Series 2008 Bonds, to provide to each such Repository or the Municipal Securities Rulemaking Board ("MSRB") and to the State Information Depository, in a timely manner, the notices described below (the "Notices"). Filings pursuant to Rule 15c2-12 may be made either directly with the repositories or through a central information repository approved in accordance with Rule 15c2-12.

The Annual Information shall consist of: (a) financial information and operating data of the type included in this Official Statement under the headings "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS" and "PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND," including information relating to: (1) a description of the personal income tax imposed by Article 22 of the New York State Tax Law, which shall include a description of the tax rate, the tax base and the components of the State personal income tax (unless the personal income tax has been materially changed or modified, in which case similar information about the changed or modified tax will be provided); (2) a historical summary of New York State Personal Income Tax Receipts for a period of at least the five most recent completed State Fiscal Years then available, together with an explanation of the factors affecting collection levels; and (b) financial information and operating data of the type included in the Annual Information Statement of the State set forth or referred to in Appendix A hereto, under the headings 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 then-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 a material impact on the financial status of the State; and (4) material information regarding State government employment and retirement systems; together with (c) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning, and in judging the financial condition of, the State and the collection of New York State Personal Income Tax Receipts.

The Notices include notices of any of the following events with respect to all State Personal Income Tax Revenue Bonds, including holders of the Series 2008 Bonds, if material (each of which is described in the Master Disclosure Agreement): (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the security; (7) modifications to rights of security holders; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the securities; and (11) rating changes. In addition, the Authorized Issuers have undertaken for the benefit of the holders of State Personal Income Tax Revenue Bonds, including holders of the Series 2008 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.

If any party to the Master Disclosure Agreement fails to comply with any provisions thereof, then each of the other parties to the Master Disclosure Agreement and, as a direct or third party beneficiary, as the case may be, any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2008 Bonds, may enforce, for the equal benefit and protection of all holders similarly situated, by mandamus or other suit or proceeding at law or in equity, the Master Disclosure Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties thereunder. The sole and exclusive remedy for breach or default under the Master Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertakings of the State and/or the applicable Authorized Issuer contained therein, and no person or other entity, including any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2008 Bonds, may recover monetary damages thereunder under any circumstances. Any holder of State Personal Income Tax Revenue Bonds, including the holders of Series 2008 Bonds, including any beneficial owner, may enforce the Master Disclosure Agreement to the equal and proportionate benefit of all holders similarly situated to the extent provided in the Master Disclosure Agreement. A breach or default under the Master Disclosure Agreement shall not constitute an Event of Default under the general resolutions. 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 Master Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided. The obligations of the State under the Master Disclosure Agreement may be terminated if the State ceases to be an obligated person as defined in Rule 15c2-12.

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 or is no longer relevant because the operations to which it is related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the Master Disclosure Agreement do not anticipate that it often will be necessary to amend the information undertakings. The Master Disclosure Agreement, however, may be amended or modified without Bondholders' consent under certain circumstances set forth therein.

Copies of the Master Disclosure Agreement are on file at the respective offices of each Authorized Issuer.

PART 19--MISCELLANEOUS

Certain information concerning the State (which is either included in or appended to this Official Statement) has been furnished or reviewed and authorized for use by the Authority by such sources as described in this Official Statement. While the Authority believes that these sources are reliable, the Authority has not independently verified this information and does not guarantee the accuracy or completeness of the information furnished by the respective sources.

The State provided the information relating to the State in "APPENDIX A—INFORMATION CONCERNING THE STATE OF NEW YORK."

The Underwriters have not provided any information contained in this Official Statement except for the information contained under the caption "PART 15—UNDERWRITING" and except for certain financial and statistical information relating to the Series 2008 Bonds.

The Director of the Budget of the State of New York is to certify that the statements and information appearing (i) under the headings "PART 1—SUMMARY STATEMENT" (except under the subcaption "Purpose of Issue; Security for Series 2008 Bonds" as to which no representation is made), "PART 2—INTRODUCTION" (the second, third, fifth, eighth, ninth, tenth and fourteenth paragraphs only), "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS," (ii) under the heading "PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND," (iii) under the heading captioned "PART 8—DEBT SERVICE REQUIREMENTS" as to the column "Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service" and (iv) in the "Annual Information Statement of the State of New York," including any updates or supplements, included in Appendix A to this Official Statement are true, correct and complete in all material respects, and that no facts have come to her attention that would lead her to believe that such statements and information contain any untrue statement of a material fact or omit to state any material facts necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; *provided*, *however*, that while the information and statements contained under such headings and in Appendix A 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 she believes to be reliable and she has no reason to 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 light of the circumstances under which they were made, not misleading; *provided, further, however*, that with regard to the statements and information in Appendix A hereto under the caption "Litigation," such statements and information as to legal matters are given to the best of her information and belief, having made such inquiries as she deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation. The certification is to apply both as of the date of this Official Statement and as of the date of delivery of the Series 2008 Bonds.

The references herein to the Authority Act, the Enabling Act, other laws of the State, the General Resolutions and the Financing Agreements are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference should be made to each for a full and complete statement of its provisions. The agreements of the Authority with the registered Owners of the Series 2008 Bonds are fully set forth in the applicable General Resolution (including any supplemental resolutions thereto), and neither any advertisement of the Series 2008 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2008 Bonds. So far as any statements are made in this Official Statement involving matters of opinion, forecasts or estimates, whether or not expressly stated, are intended merely as expressions of opinion, forecasts or estimates and not as representations of fact. Copies of the documents mentioned in this paragraph are available for review at the corporate headquarters of the Authority located at 515 Broadway, Albany, New York 12207.

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
Authorized Officer

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APPENDIX A

INFORMATION CONCERNING THE STATE OF NEW YORK

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APPENDIX A

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 A 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 A 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 A is dated May 8, 2007. It was updated on January 30, 2008 and supplemented on February 14, 2008. 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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Supplement to the Annual Information Statement (AIS)
State of New York
February 14, 2008

Introduction

On February 12, 2008, the Governor submitted amendments to the 2008-09 Executive Budget (the "21-day Amendments"), as authorized by the State Constitution. On the same day, the Division of the Budget issued an updated Executive Budget Financial Plan (the "Updated Executive Financial Plan") that reflects the fiscal impact of (a) the Governor's 21-day amendments and (b) revisions to the revenue and spending forecasts based on actual operating results through January 2008 and updated information on economic, revenue, and spending trends. The Updated Executive Financial Plan for 2008-09 is balanced on a cash basis in the General Fund, as required by the State Constitution. Except as noted herein, the current projections (and the assumptions upon which they are based) are consistent with the Financial Plan projections set forth in the Governor's Executive Budget of January 22, 2008. This Supplement should be read in conjunction with the Update to the Annual Information Statement dated January 30, 2008 for a complete explanation of the receipts and disbursements projections for the 2007-08 through 2011-12 fiscal years.

Impact of Recent Economic Events on Financial Plan

Since the Division of the Budget (DOB) finalized its Executive Budget forecast in January, the national economic situation has continued to deteriorate and the risk of a recession has increased. A weaker national economy and more severe financial sector woes are projected to negatively affect the New York State economy as well. In light of recent events, DOB has lowered its U.S. forecasts for corporate profits, equity market prices, employment growth, and wages in calendar year 2008. DOB has also modified its forecast for the State economy, based on continuing write-downs related to mortgage-backed securities, credit tightening, and other events that are likely to affect the State's financial services industry. In particular, DOB now projects finance and insurance sector bonuses will remain essentially flat in 2008-09 (compared to 8.6 percent growth at the time of the Executive Budget) and that the volume of taxable capital gains realized by State taxpayers in 2008 will decline by 9.4 percent from 2007 levels (compared to 1.8 percent growth projected at the time of the Executive Budget).

DOB does not expect the impact of revisions to the economic outlook to materially affect the overall General Fund revenue forecast in the current year, based on tax collections to-date and the relatively strong economic performance over much of calendar year 2007 (on which certain tax payments are based). In 2008-09, however, DOB has reduced its General Fund revenue forecast from $56.3 billion to $56.0 billion, a reduction of $358 million, with the most significant reductions taken in the projections for the personal income tax and business taxes. The revenue forecasts for subsequent years have also been lowered by roughly $500 million annually, from $58.7 billion to $58.2 billion in 2009-10, from $61.3 billion to $60.8 billion in 2010-11, and from $64.5 billion to $64.0 billion in 2011-12.

2008-09 Executive Budget

In response to the deterioration in the revenue forecast, the Governor is recommending a package of savings actions that, along with reestimates in certain program spending based on updated information, will maintain a balanced budget in 2008-09 without the use of additional reserves and hold the projected future budget gaps at manageable levels. General Fund spending in 2008-09 is now recommended to total $56.4 billion, a reduction of $358 million from the Executive Budget. The table below and the following paragraphs summarize the revisions to the Executive Budget forecast.

General Fund Projections Updated for 21-Day Revisions
Savings/(Costs)
(millions of dollars)

	2007-08	2008-09	2009-10	2010-11	2011-12
Executive Budget Gaps	**0**	**0**	**(3,287)**	**(5,687)**	**(6,821)**
Revenue Reestimates	**(1)**	**(384)**	**(519)**	**(523)**	**(527)**
Personal Income Tax*	(150)	(275)	(450)	(450)	(450)
Corporate Franchise Tax	0	(50)	(56)	(60)	(64)
Other Revenue Reestimates	149	(59)	(13)	(13)	(13)
21-Day Actions/Savings Plan	**(88)**	**237**	**130**	**129**	**129**
Covered Lives Assessment	0	50	50	50	50
EPIC Mandatory Generic and Prior-Drug Authorization	0	19	45	45	45
Medicaid Trend Factor Reductions	0	18	21	21	21
Finance Health Programs from Insurance Assessments	0	25	25	25	25
Sweep Excess EPF Fund Balance (revenue)	0	25	25	25	25
State Operations/Management Efficiencies	4	36	28	28	28
Pension Prepayment	(86)	88	0	0	0
NYRA Land Acquisition/VLT Facility Construction	0	(6)	(47)	(47)	(47)
State Support for Federal Reduction in Byrne/JAG Funding	0	(6)	(6)	(6)	(6)
NYC School Cafeteria Ventilation Projects	0	(5)	0	0	0
High-Need Nursing Program	0	(2)	(3)	(3)	(3)
Roosevelt School District	(6)	(4)	(6)	(6)	(6)
Local Government Efficiency Grants	0	(1)	(2)	(3)	(3)
Reestimates:	**89**	**147**	**100**	**(58)**	**39**
Medicaid	50	50	50	50	50
Family Health Plus Enrollment	10	0	0	0	0
Drug Rebate Revenue	0	60	62	64	66
Berger Commission	0	10	14	14	14
HCRA Spending Revisions	40	40	0	(137)	(18)
Lottery/VLT	(20)	5	(9)	(32)	(53)
Dedicated Highway Fund Subsidy	0	(16)	(15)	(15)	(15)
All Other	9	(2)	(2)	(2)	(5)
Net Savings/(Costs)	**0**	**0**	**(289)**	**(452)**	**(359)**
21-Day Surplus/(Gaps)	**0**	**0**	**(3,576)**	**(6,139)**	**(7,180)**

**Excludes STAR and Debt Service Reestimates*

The downward revision to personal income tax receipts largely reflects lower withholdings. The downward revision to corporate franchise taxes, beginning in 2008-09, reflects the expected impact of lower projected corporate profits. Other revenue revisions, which include upward revisions in 2007-08 and lower revenue projections beginning in 2008-09, largely reflect year-to-date operating results and the reevaluation of certain assumptions.

Savings actions reflected with the 21-day amendments to the 2008-09 Executive Budget include a proposed increase in the covered lives assessment (a regionally calculated assessment on insurance carriers), requiring the use of generic drugs where available and prior authorization of certain prescription drugs that are not covered by Medicare Part D, revised assumptions with respect to Medicaid trend factors, financing certain health programs by assessments on the insurance industry, additional environmental protection fund balances available to the General Fund, and a range of management efficiencies. The State will also prepay a portion of the 2008-09 pension bill in 2007-08, resulting in interest savings of $1.4 million.

Out-Year Budget Gaps

In the Updated Executive Financial Plan, DOB projects General Fund budget gaps of $3.6 billion in 2009-10, $6.1 billion in 2010-11, and $7.2 billion in 2011-12, assuming enactment of all proposed Executive Budget recommendations. Since the January 30, 2008 Update to the AIS, DOB has increased its gap estimates by $289 million in 2009-10, $452 million in 2010-11 and $359 million in 2011-12.

General Fund Closing Balances

DOB projects the State will end the 2007-08 fiscal year with a General Fund balance of $2.6 billion, unchanged from the Executive Budget. The balance consists of $1.0 billion in the Tax Stabilization Reserve (to cover unanticipated operating deficits), $175 million in the new Rainy Day Reserve (after a planned deposit at the end of fiscal year 2007-08), $21 million in the Contingency Reserve for litigation, $1.0 billion to finance new labor settlements and $354 million in the Community Projects Fund to support existing spending commitments. In 2008-09, DOB projects to end the fiscal year with a balance of $2.2 billion in the General Fund, also unchanged from the Executive Budget estimate. The projected closing balance for 2008-09 is $400 million below the level estimated for 2007-08, which reflects the partial use of planned reserves set aside for labor settlements ($337 million) and the partial use of the Community Projects Fund ($63 million).

General Fund Operating Results to Date

Through January 2008 preliminary results, General Fund receipts, including transfers from other funds, totaled $44.0 billion, $142 million higher than the Executive Budget forecast. The largest component of this variance was in the personal income tax ($103 million), which is timing-related and primarily due to later-than-expected payment of personal income tax refunds. General Fund disbursements through January 2008 preliminary results totaled $40.2 billion, $47 million higher than projected in the Executive Budget. Higher spending in Welfare, Mental Retardation, and Capital Projects was substantially offset by lower spending in other programs. The impact of cash-flow experience to date is reflected in the Updated Executive Financial Plan.

Budget Process: Next Steps

Pursuant to State law, the Legislature and the Executive must meet in February with the purpose of reaching a consensus by March 1 on the tax revenues, lottery receipts, and miscellaneous receipts that are expected to be available in 2007-08 and 2008-09. In the event the Executive and Legislature fail to reach consensus by March 1, 2008, the State Comptroller must provide a revenue forecast by March 5, 2008 for the current and the ensuing State fiscal year. The State's new fiscal year begins on April 1, 2008.

Special Consideration

In recent days, a significant number of auction rate municipal bonds have failed to attract buyers, including certain bonds backed by the State, resulting in "failed auctions" and a resetting of the periodic rates to rates in excess of that which would otherwise prevail in the short term market. The auction failures have affected municipal issuers throughout the nation and it is important to note that the failed auctions generally do not reflect the credit strength of individual issuers, but reflect concerns relating to bond insurers that have insured such auction rate bonds as well as changes in the operation of the auction rate market itself. As an outcome of these failed auctions, governmental issuers are experiencing significantly higher debt service costs on auction rate bonds and bondholders are experiencing significantly less liquidity than had been anticipated. The likely duration of the disruption in the auction rate securities market cannot be predicted at this time.

The State is evaluating the financial impact of the recent failed auctions and related increased debt service costs on its Financial Plan projections. On the basis of preliminary estimates, the State is not projecting that the higher interest rate costs on its auction rate bonds arising from failed auctions will have a material adverse impact on the Financial Plan in the current year. Furthermore, in 2008-09, DOB estimates that the State could incur higher debt service costs if (a) all of the approximately $4 billion of auction rate bonds constituting State-supported and State-related debt reset at the maximum auction rate in every upcoming auction, (b) offsetting savings in other parts of the State's debt portfolio are not realized, and (c) the State took no steps to mitigate its exposure to auction rate bonds. However, the State believes that these conditions are not likely to exist throughout 2008-09, particularly since it is initiating steps to limit its exposure to auction rate bonds. Accordingly, at this time, DOB does not expect that any increased debt service costs arising from failed auctions will materially and adversely affect current Financial Plan projections for 2008-09. DOB is continuing to evaluate the impact of current market events on the State debt service costs and plans to update its debt service forecast as part of the Enacted Budget for 2008-09.

CASH FINANCIAL PLAN
GENERAL FUND
UPDATED FOR 21-DAY REVISIONS
2007-2008
(millions of dollars)

	Executive	Change	21-Day
Opening fund balance	3,045	0	3,045
Receipts:			
Taxes:			
Personal income tax	22,735	(97)	22,638
User taxes and fees	8,503	(14)	8,489
Business taxes	6,300	0	6,300
Other taxes	1,030	51	1,081
Miscellaneous receipts	2,444	46	2,490
Federal Grants	71	0	71
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,441	(38)	8,403
Sales tax in excess of LGAC debt service	2,305	0	2,305
Real estate taxes in excess of CW/CA debt service	667	50	717
All other	673	0	673
Total receipts	53,169	(2)	53,167
Disbursements:			
Grants to local governments	36,667	(93)	36,574
State operations	9,677	(4)	9,673
General State charges	4,487	76	4,563
Transfers to other funds:			
Debt service	1,557	0	1,557
Capital projects	93	0	93
Other purposes	1,107	19	1,126
Total disbursements	53,588	(2)	53,586
Change in fund balance	(419)	0	(419)
Closing fund balance	2,626	0	2,626
Reserves			
Tax Stabilization Reserve Fund	1,031	0	1,031
Statutory Rainy Day Reserve Fund	175	0	175
Contingency Reserve Fund	21	0	21
Community Projects Fund	354	0	354
Debt Reduction Reserve Fund	0	0	0
Labor Settlement Reserve/Other Risks	1,045	0	1,045
Prior Year Reserves	*1,063*	*0*	*1,063*
Increase/(Decrease) From Current Year Operations	*(18)*	*0*	*(18)*

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
UPDATED FOR 21-DAY REVISIONS
2008-2009
(millions of dollars)

	Executive	Change	21-Day
Receipts:			
Taxes:			
Personal income tax	24,391	(186)	24,205
User taxes and fees	8,832	0	8,832
Business taxes	7,254	(127)	7,127
Other taxes	1,194	0	1,194
Miscellaneous receipts	2,238	4	2,242
Federal Grants	41	0	41
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,769	(75)	8,694
Sales tax in excess of LGAC debt service	2,314	(4)	2,310
Real estate taxes in excess of CW/CA debt service	615	0	615
All other	694	30	724
Total receipts	56,342	(358)	55,984
Disbursements:			
Grants to local governments	41,860	(252)	41,608
State operations	8,863	(12)	8,851
General State charges	3,136	(103)	3,033
Transfers to other funds:			
Debt service	1,692	0	1,692
Capital projects	366	15	381
Other purposes	825	(6)	819
Total disbursements	56,742	(358)	56,384
Deposit to/(use of) Community Projects Fund	(63)	0	(63)
Deposit to/(use of) Prior Year Reserves	(337)	0	(337)
Margin	0	0	0

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
UPDATED FOR 21-DAY REVISIONS
2009-2010
(millions of dollars)

	Executive	Change	21-Day
Receipts:			
Taxes:			
Personal income tax	25,897	(317)	25,580
User taxes and fees	8,913	0	8,913
Business taxes	7,816	(94)	7,722
Other taxes	1,325	0	1,325
Miscellaneous receipts	2,186	7	2,193
Federal Grants	0	0	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,199	(160)	9,039
Sales tax in excess of LGAC debt service	2,331	0	2,331
Real estate taxes in excess of CW/CA debt service	596	0	596
All other	461	25	486
Total receipts	58,724	(539)	58,185
Disbursements:			
Grants to local governments	45,919	(245)	45,674
State operations	9,236	(9)	9,227
General State charges	3,806	(15)	3,791
Transfers to other funds:			
Debt service	1,680	0	1,680
Capital projects	574	15	589
Other purposes	858	4	862
Total disbursements	62,073	(250)	61,823
Deposit to/(use of) Community Projects Fund	(62)	0	(62)
Margin	(3,287)	(289)	(3,576)

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
UPDATED FOR 21-DAY REVISIONS
2010-2011
(millions of dollars)

	Executive	Change	21-Day
Receipts:			
Taxes:			
Personal income tax	27,415	(317)	27,098
User taxes and fees	9,251	0	9,251
Business taxes	7,866	(97)	7,769
Other taxes	1,408	0	1,408
Miscellaneous receipts	2,261	7	2,268
Federal Grants	0	0	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,647	(160)	9,487
Sales tax in excess of LGAC debt service	2,436	0	2,436
Real estate taxes in excess of CW/CA debt service	599	0	599
All other	460	25	485
Total receipts	61,343	(542)	60,801
Disbursements:			
Grants to local governments	49,833	(88)	49,745
State operations	9,780	(9)	9,771
General State charges	4,087	(15)	4,072
Transfers to other funds:			
Debt service	1,706	0	1,706
Capital projects	930	16	946
Other purposes	845	6	851
Total disbursements	67,181	(90)	67,091
Deposit to/(use of) Community Projects Fund	(151)	0	(151)
Margin	(5,687)	(452)	(6,139)

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
UPDATED FOR 21-DAY REVISIONS
2011-2012
(millions of dollars)

	Executive	Change	21-Day
Receipts:			
Taxes:			
Personal income tax	29,315	(317)	28,998
User taxes and fees	9,620	0	9,620
Business taxes	8,218	(102)	8,116
Other taxes	1,498	0	1,498
Miscellaneous receipts	2,060	6	2,066
Federal Grants	0	0	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	10,154	(159)	9,995
Sales tax in excess of LGAC debt service	2,556	0	2,556
Real estate taxes in excess of CW/CA debt service	608	0	608
All other	498	26	524
Total receipts	64,527	(546)	63,981
Disbursements:			
Grants to local governments	53,013	(187)	52,826
State operations	10,046	(9)	10,037
General State charges	4,386	(15)	4,371
Transfers to other funds:			
Debt service	1,673	0	1,673
Capital projects	997	17	1,014
Other purposes	1,312	7	1,319
Total disbursements	71,427	(187)	71,240
Deposit to/(use of) Community Projects Fund	(79)	0	(79)
Margin	(6,821)	(359)	(7,180)

Source: NYS DOB

CASHFLOW
GENERAL FUND
UPDATED FOR 21-DAY REVISIONS
2007-2008
(dollars in millions)

	2007 April Actuals	May Actuals	June Actuals	July Actuals	August Actuals	September Actuals	October Actuals	November Actuals	December Actuals	2008 January Preliminary Actuals	February Projected	March Projected	Total
OPENING BALANCE	3,045	6,903	3,136	2,881	3,448	2,854	4,142	2,836	1,320	1,677	6,843	6,651	3,045
RECEIPTS:													
Personal Income Tax	4,017	748	2,414	1,396	1,376	1,971	745	91	1,152	5,322	1,490	1,916	22,638
User Taxes and Fees	679	623	877	671	645	872	632	673	868	662	543	744	8,489
Business Taxes	58	146	1,103	98	139	1,209	123	63	1,145	113	563	1,540	6,300
Other Taxes	81	80	107	100	64	81	80	82	118	105	92	91	1,081
Total Taxes	4,835	1,597	4,501	2,265	2,224	4,133	1,580	909	3,283	6,202	2,688	4,291	38,508
Licenses, fees, etc.	37	98	20	45	66	50	33	70	45	55	40	103	662
Abandoned Property	5	0	0	19	9	33	22	135	25	190	53	193	684
Reimbursement	6	7	25	11	10	20	14	6	22	11	14	38	184
Investment income	70	7	25	22	(11)	6	53	15	3	23	5	7	225
Other transactions	13	15	167	41	45	47	27	30	216	33	31	70	735
Total Miscellaneous Receipts	131	127	237	138	119	156	149	256	311	312	143	411	2,490
Federal Grants	0	12	22	1	5	0	10	10	0	5	6	0	71
PIT in excess of Revenue Bond Debt Service	1,338	198	886	499	401	951	593	79	879	1,597	130	852	8,403
Sales Tax in Excess of LGAC Debt Service	137	41	360	232	196	270	192	205	269	198	1	204	2,305
Real Estate Taxes in Excess of CW/CA Debt Service	55	61	95	62	75	66	44	60	38	41	41	79	717
All Other	3	1	120	29	8	1	19	1	35	146	0	310	673
Total Transfers from Other Funds	1,533	301	1,461	822	680	1,288	848	345	1,221	1,982	172	1,445	12,098
TOTAL RECEIPTS	6,499	2,037	6,221	3,226	3,028	5,577	2,587	1,520	4,815	8,501	3,009	6,147	53,167
DISBURSEMENTS:													
School Aid	236	2,143	1,512	17	504	1,284	511	961	1,365	605	648	6,458	16,244
Higher Education	18	10	335	100	186	77	458	30	214	57	332	507	2,324
All Other Education	26	124	345	161	72	112	175	21	137	68	184	312	1,737
Medicaid - DOH	869	1,267	918	538	1,040	710	673	587	370	754	606	606	8,938
Public Health	16	35	117	32	35	23	131	45	52	5	92	99	682
Mental Hygiene	45	58	62	153	67	135	251	62	180	226	205	394	1,838
Children and Families	5	130	91	223	98	125	73	72	252	68	108	364	1,609
Temporary & Disability Assistance	55	252	248	150	152	184	140	(142)	207	134	40	(29)	1,391
Transportation	0	14	45	1	13	1	0	15	7	0	8	2	106
All Other	22	70	444	50	56	135	63	57	265	81	27	435	1,705
Total Local Assistance Grants	1,292	4,103	4,117	1,425	2,223	2,786	2,475	1,708	3,049	1,998	2,250	9,148	36,574
Personal Service	633	814	599	589	749	546	699	546	417	541	297	380	6,810
Non-Personal Service	203	239	275	208	255	209	219	181	222	252	247	353	2,863
Total State Operations	836	1,053	874	797	1,004	755	918	727	639	793	544	733	9,673
General State Charges	262	430	1,218	258	269	268	285	319	260	367	337	290	4,563
Debt Service	45	144	210	49	40	292	60	163	360	3	26	165	1,557
Capital Projects	89	55	8	51	56	66	133	105	24	152	25	(671)	93
Other Purposes	117	19	49	79	30	122	22	14	126	22	19	507	1,126
Total Transfers to Other Funds	251	218	267	179	126	480	215	282	510	177	70	1	2,776
TOTAL DISBURSEMENTS	2,641	5,804	6,476	2,659	3,622	4,289	3,893	3,036	4,458	3,335	3,201	10,172	53,586
Excess/(Deficiency) of Receipts over Disbursements	3,858	(3,767)	(255)	567	(594)	1,288	(1,306)	(1,516)	357	5,166	(192)	(4,025)	(419)
CLOSING BALANCE	6,903	3,136	2,881	3,448	2,854	4,142	2,836	1,320	1,677	6,843	6,651	2,626	2,626

Source: NYS DOB

CASHFLOW
GENERAL FUND
UPDATED FOR 21-DAY REVISIONS
2008-2009
(dollars in millions)

	2008 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2009 January Projected	February Projected	March Projected	Total
OPENING BALANCE	2,626	6,263	1,792	2,872	2,876	2,783	4,044	2,615	1,126	1,505	6,518	6,020	2,626
RECEIPTS:													
Personal Income Tax	4,570	687	2,372	1,559	1,598	2,102	660	245	1,489	5,371	1,613	1,939	24,205
User Taxes and Fees	672	647	908	694	665	905	658	702	901	667	559	854	8,832
Business Taxes	264	50	1,237	183	150	1,283	220	76	1,331	206	236	1,891	7,127
Other Taxes	99	99	100	100	101	101	99	99	99	99	99	99	1,194
Total Taxes	5,605	1,483	4,617	2,536	2,514	4,391	1,637	1,122	3,820	6,343	2,507	4,783	41,358
Licenses, fees, etc.	28	61	44	26	61	41	51	48	32	37	49	60	538
Abandoned Property	20	0	18	12	8	53	9	167	34	41	39	249	650
Reimbursement	4	11	24	5	14	22	13	10	23	7	12	27	172
Investment income	60	7	25	22	(11)	6	53	15	3	14	0	6	200
Other transactions	26	32	151	43	53	54	38	30	53	34	30	138	682
Total Miscellaneous Receipts	138	111	262	108	125	176	164	270	145	133	130	480	2,242
Federal Grants	0	11	4	0	4	0	9	9	0	4	0	0	41
PIT in excess of Revenue Bond Debt Service	1,522	158	920	539	366	960	620	136	919	1,545	160	849	8,694
Sales Tax in Excess of LGAC Debt Service	196	24	448	207	200	212	197	211	273	200	1	141	2,310
Real Estate Taxes in Excess of CW/CA Debt Service	65	57	45	49	59	59	55	40	53	55	41	37	615
All Other	0	0	96	3	1	5	8	5	122	3	1	480	724
Total Transfers from Other Funds	1,783	239	1,509	798	626	1,236	880	392	1,367	1,803	203	1,507	12,343
TOTAL RECEIPTS	7,526	1,844	6,392	3,442	3,269	5,803	2,690	1,793	5,332	8,283	2,840	6,770	55,984
DISBURSEMENTS:													
School Aid	175	2,320	1,670	135	430	1,790	675	763	1,251	463	635	7,133	17,440
Higher Education	17	11	483	118	113	95	468	24	287	42	349	466	2,473
All Other Education	86	100	92	189	141	143	127	66	79	223	141	318	1,705
Medicaid - DOH	1,608	1,357	1,148	949	1,056	666	1,097	1,006	1,001	948	784	859	12,479
Public Health	16	38	63	68	34	54	53	42	38	103	28	92	629
Mental Hygiene	129	127	132	141	131	249	136	127	240	244	124	274	2,054
Children and Families	79	85	98	291	87	127	79	86	307	83	83	356	1,761
Temporary & Disability Assistance	157	157	258	157	157	176	157	(135)	176	(143)	106	(54)	1,169
Transportation	0	11	45	0	14	0	0	17	10	0	8	0	105
All Other	15	37	414	39	48	204	4	50	402	57	71	452	1,793
Total Local Assistance Grants	2,282	4,243	4,403	2,087	2,211	3,504	2,796	2,046	3,791	2,020	2,329	9,896	41,608
Personal Service	685	566	535	619	533	488	630	463	460	542	447	460	6,428
Non-Personal Service	178	182	177	193	207	246	169	167	178	227	217	282	2,423
Total State Operations	863	748	712	812	740	734	799	630	638	769	664	742	8,851
General State Charges	355	1,115	(80)	442	294	(121)	408	284	(64)	325	144	(69)	3,033
Debt Service	228	139	201	36	46	278	22	175	404	3	19	141	1,692
Capital Projects	29	33	30	31	30	42	64	77	136	123	157	(371)	381
Other Purposes	132	37	46	30	41	105	30	70	48	30	25	225	819
Total Transfers to Other Funds	389	209	277	97	117	425	116	322	588	156	201	(5)	2,892
TOTAL DISBURSEMENTS	3,889	6,315	5,312	3,438	3,362	4,542	4,119	3,282	4,953	3,270	3,338	10,564	56,384
Excess/(Deficiency) of Receipts over Disbursements	3,637	(4,471)	1,080	4	(93)	1,261	(1,429)	(1,489)	379	5,013	(498)	(3,794)	(400)
CLOSING BALANCE	6,263	1,792	2,872	2,876	2,783	4,044	2,615	1,126	1,505	6,518	6,020	2,226	2,226

Source: NYS DOB

State-Related Debt Outstanding, 1998-99 through 2006-07 (millions of dollars)					
	1998-99	1999-00	2000-01	2001-02	2002-03
Personal Income	$591,847	$619,659	$663,005	$679,886	$677,605
State-Related Debt Outstanding	$37,699	$38,582	$38,661	$38,601	$40,531
State-Related Debt Outstanding as a % of Personal Income	6.4%	6.2%	5.8%	5.7%	6.0%
		2003-04	2004-05	2005-06	2006-07
Personal Income		$693,533	$739,795	$790,330	$848,745
State-Related Debt Outstanding		$46,773	$46,744	$46,927	$48,095
State-Related Debt Outstanding as a % of Personal Income		6.7%	6.3%	5.9%	5.7%

Projected State-Related Debt Outstanding, 2007-08 through 2012-13 (millions of dollars)						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Personal Income	$912,373	$951,766	$991,266	$1,041,136	$1,094,735	$1,151,470
State-Related Debt Outstanding	$49,991	$53,681	$56,657	$58,985	$60,270	$61,184
State-Related Debt Outstanding as a % of Personal Income	5.5%	5.6%	5.7%	5.7%	5.5%	5.3%

State-Related Debt Per Capita, 1998-99 through 2006-07 (millions of dollars)					
	1998-99	1999-00	2000-01	2001-02	2002-03
State-Related Debt Outstanding	$37,699	$38,582	$38,661	$38,601	$40,531
State Population (millions)	18.8	18.9	19.0	19.1	19.2
State-Related Debt Per Capita	$2,008	$2,042	$2,033	$2,021	$2,114
		2003-04	2004-05	2005-06	2006-07
State-Related Debt Outstanding		$46,773	$46,744	$46,927	$48,095
State Population (millions)		19.2	19.3	19.3	19.3
State-Related Debt Per Capita		$2,430	$2,423	$2,429	$2,491

Projected State-Related Debt Per Capita, 2007-08 through 2012-13 (millions of dollars)						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
State-Related Debt Outstanding	$49,991	$53,681	$56,657	$58,985	$60,270	$61,184
State Population (millions)	19.3	19.3	19.3	19.3	19.3	19.3
State-Related Debt Per Capita	$2,590	$2,779	$2,932	$3,050	$3,116	$3,165

State-Related Debt Service, 1998-99 through 2006-07 (millions of dollars)					
	1998-99	1999-00	2000-01	2001-02	2002-03
All Funds Budget	$72,551	$76,804	$83,527	$84,312	$88,274
State-Related Debt Service	$3,738	$3,887	$4,368	$4,437	$3,358
State-Related Debt Service as a % All Funds Budget	5.2%	5.1%	5.2%	5.3%	3.8%
		2003-04	2004-05	2005-06	2006-07
All Funds Budget		$99,698	$101,381	$107,027	$112,396
State-Related Debt Service		$3,847	$4,412	$4,264	$5,004
State-Related Debt Service as a % All Funds Budget		3.9%	4.4%	4.0%	4.5%

Projected State-Related Debt Service, 2007-08 through 2012-13 (millions of dollars)						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
All Funds Budget	$117,183	$123,498	$128,281	$133,406	$138,220	$143,639
State-Related Debt Service	$4,880	$5,287	$5,830	$6,450	$6,784	$7,102
State-Related Debt Service as a % All Funds Budget	4.2%	4.3%	4.5%	4.8%	4.9%	4.9%

Source: NYS DOB

STATE DEBT OUTSTANDING
SUMMARIZED BY FUNCTION AND FINANCING PROGRAM
2007-2008 THROUGH 2012-2013
(thousands of dollars)

	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
GENERAL OBLIGATION BONDS						
Economic Development & Housing	120,741	105,526	90,240	77,497	65,364	55,259
Environment	1,879,698	1,733,963	1,606,498	1,487,853	1,377,311	1,271,573
Transportation	1,250,226	1,517,700	1,910,716	2,325,869	2,581,345	2,773,508
REVENUE BONDS						
Personal Income Tax						
Economic Development & Housing	2,387,182	3,306,565	4,149,967	4,818,161	5,245,924	5,342,675
Education	4,332,365	5,842,632	7,382,029	8,461,868	9,544,209	10,727,650
Environment	675,275	983,300	1,159,809	1,277,551	1,384,904	1,471,277
Health Care	66,045	153,191	256,621	392,243	347,295	309,002
State Facilities & Equipment	1,908,085	2,758,665	3,088,774	3,445,543	3,715,922	3,960,257
Transportation	1,645,285	1,921,440	2,183,016	2,429,754	2,661,065	2,875,742
Other Revenue						
Education						
SUNY Dorms	873,355	964,725	1,032,870	1,075,981	1,124,986	1,162,641
Health & Mental Hygiene						
Health Income	339,800	327,055	313,740	299,760	285,095	270,440
Mental Health Services	3,920,705	4,267,222	4,601,516	4,835,826	5,081,234	5,307,549
Local Government Assistance						
Sales Tax	4,036,522	3,874,183	3,678,375	3,474,183	3,244,248	3,003,183
Transportation						
Dedicated Highway	6,559,957	7,071,192	7,633,637	8,306,956	8,815,892	9,337,295
SERVICE CONTRACT & LEASE-PURCHASE BONDS						
Economic Development & Housing	1,260,130	1,167,544	1,075,626	969,328	868,850	801,075
Education	6,017,394	5,715,991	5,363,212	5,048,655	4,625,972	4,203,791
Environment	193,412	171,662	148,817	126,427	107,721	92,992
Health & Mental Hygiene	53,645	50,570	47,365	44,000	40,485	36,970
State Facilities & Equipment	3,395,470	3,226,003	3,045,236	2,852,018	2,652,271	2,437,247
Transportation	3,936,350	3,764,935	3,554,825	3,356,500	3,107,705	2,870,160
TOTAL STATE-SUPPORTED						
Economic Development & Housing	3,768,053	4,579,635	5,315,833	5,864,987	6,180,138	6,199,009
Education	11,223,114	12,523,347	13,778,110	14,586,504	15,295,167	16,094,082
Environment	2,748,385	2,888,925	2,915,124	2,891,831	2,869,936	2,835,842
Health & Mental Hygiene	4,380,195	4,798,039	5,219,242	5,571,830	5,754,109	5,923,961
LGAC	4,036,522	3,874,183	3,678,375	3,474,183	3,244,248	3,003,183
State Facilities & Equipment	5,303,555	5,984,668	6,134,010	6,297,561	6,368,193	6,397,504
Transportation	13,391,818	14,275,267	15,282,193	16,419,079	17,166,007	17,856,704
SUBTOTAL STATE-SUPPORTED	44,851,641	48,924,064	52,322,887	55,105,973	56,877,798	58,310,285
OTHER STATE DEBT OBLIGATIONS						
Tobacco	3,839,480	3,521,110	3,178,205	2,809,835	2,414,020	1,988,710
All Other	1,300,286	1,236,098	1,156,314	1,069,612	978,520	884,565
SUBTOTAL OTHER STATE	5,139,766	4,757,208	4,334,519	3,879,447	3,392,540	2,873,275
GRAND TOTAL STATE-RELATED	49,991,407	53,681,272	56,657,406	58,985,420	60,270,338	61,183,560

Source: NYS DOB

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Update to Annual Information Statement (AIS)
State of New York

January 30, 2008

This quarterly update (the "AIS Update") is the third quarterly update to the Annual Information Statement of the State of New York, dated May 8, 2007 (the "AIS") and contains information only through January 30, 2008. This AIS Update should be read in its entirety, together with the AIS and the first and second quarterly updates to the AIS dated August 3, 2007 (the "First Quarterly Update") and November 15, 2007 (the "Mid-Year Update").

In this AIS Update, readers will find:

1. Extracts from the Governor's Executive Budget Financial Plan for 2008-09 (the "Current State Financial Plan") presented to the Legislature on January 22, 2008. The Current State Financial Plan includes estimates for the State's current fiscal year (2007-08) and detailed projections for fiscal years 2008-09 through 2011-12, which reflect the Executive Budget recommendations. The entire 2008-09 Executive Budget, including the Current State Financial Plan, a detailed forecast of the State's economy and revenues, and the proposed Capital Program and Financing Plan, is available on the Division of the Budget (DOB) website, www.budget.state.ny.us.

2. A discussion of special considerations related the Current State Financial Plan.

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

DOB is responsible for preparing the State's Financial Plan and presenting the information that appears in this AIS Update on behalf of the State. In preparing the AIS Update, DOB has utilized significant portions of the Current State Financial Plan, but has also relied 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 to facilitate the transmission of disclosure-related information to the NRMSIRs. An official copy of this AIS

Update may be obtained from the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705 or from any NRMSIR.

Usage Notice

The AIS Update 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 Update is available on the DOB website (www.budget.state.ny.us). The availability of this AIS Update in electronic form at DOB's website is being provided to you 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 Update on this website is not intended as a republication of the information therein on any date subsequent to its release date.

Neither this AIS Update 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 Update or any portion thereof in a Preliminary Official Statement, Official Statement, or other offering document or continuing disclosure filing or incorporated by reference therein 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 Update if so misused.

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Current State Financial Plan

Note: *DOB issued the Current State Financial Plan, extracts of which are set forth below, on January 22, 2008. The Current State Financial Plan includes updated estimates for 2007-08 and projections for 2008-09 through 2011-12. 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 Current State 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.

In addition to the General Fund, the State reports spending and revenue activity by other broad measures, including State Operating Funds, which includes the General Fund and funds specified for dedicated purposes, but excludes capital project funds and 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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Update to Annual Information Statement
State of New York

Contents

SUMMARY

The national and State economies have continued to perform below expectations in the second half of 2007. The slowdown in economic activity, which DOB expects to persist until at least the end of calendar year 2008, has begun to affect the State's revenue outlook. Since enactment of the Budget for 2007-08, DOB has reduced its General Fund revenue forecast by over $500 million for the current year and by over $700 million for 2008-09.

In the current year, the General Fund is kept in balance through offsetting reductions in spending, which reflect revised estimates for a number of programs based on actual results, as well as by the planned use of reserves to finance collective bargaining costs that have been added since budget enactment. The Financial Plan also includes a planned deposit of $175 million to the State's new rainy day reserve, as authorized in the Enacted Budget. At this time, DOB believes that any deterioration from the Financial Plan forecast in the remaining months of the current year would likely be manageable without the use of additional reserves, based on the best available information on tax collections and spending through the first week of January 2008.

In 2008-09, the revenue shortfall has widened the current services budget gap (the imbalance between expected receipts and disbursements assuming no change in current law) to $4.4 billion, up by roughly $1.3 billion from the Enacted Budget forecast. The current services gap is the largest that must be closed by an Executive Budget since 2005-06. And, unlike 2005, when the direction of the economy was favorable, the current Budget proposal is presented in a volatile economic environment that poses substantial risks to State revenues.

2008-09 Executive Budget Recommendations

The Executive Budget for 2008-09 eliminates the entire potential imbalance for fiscal year 2008-09, responding to the current fiscal uncertainties with a plan that emphasizes recurring savings. If enacted as proposed, the Executive Budget would cut the gap that must be addressed in 2009-10 by nearly one-half and reduce the combined structural imbalance by nearly $12 billion through 2011-12. The table below summarizes the multi-year impact of the Executive Budget recommendations.

General Fund Budget-Balancing Plan: 2008-09 Executive Budget (millions of dollars)

	2008-09	2009-10	2010-11	2011-12
Current Services Gaps	**(4,422)**	**(6,154)**	**(7,697)**	**(9,454)**
Savings Plan:	4,838	3,741	3,507	4,071
Savings Actions	2,253	2,495	2,274	2,832
Revenue Initiatives	1,109	1,267	1,254	1,260
Non-recurring Actions	1,139	(21)	(21)	(21)
Use of Reserves for Labor Settlements	337	0	0	0
New Initiatives:	**(416)**	**(874)**	**(1,497)**	**(1,438)**
Executive Budget Gaps	**0**	**(3,287)**	**(5,687)**	**(6,821)**

The Budget proposals address the structural imbalance by restraining growth in health care, adjusting the phase-in of the School Tax Relief (STAR) program, realigning program financing with the governmental entities responsible for service delivery, and instituting broad controls on State operations spending.

Additional revenues would be raised through a combination of tax equity and audit initiatives, including the classification of for-profit health maintenance organizations as insurance companies for Tax Law purposes, an increase in audits and recoveries, the elimination of certain tax loopholes, and modifications to the Quick Draw lottery game.

The Budget relies on $1.1 billion in resources that are not counted on to recur in future years, the largest of which are an expected payment for development rights at Belmont Park and a phased-in restoration of general aid to New York City. Non-recurring resources account for roughly one-quarter of the gap-closing plan. Consistent with the current year, the Financial Plan uses $337 million in reserves, as planned, to finance certain labor settlements that have been, or are expected to be, ratified in 2007-08.

The Budget finances just over $400 million in new initiatives in 2008-09, including aid for education; investments in health care, including rate increases for ambulatory care clinics and physicians; and extension through 2011-12 of the cost-of-living adjustment (COLA) for human service providers that is set to expire next year.

DOB projects the State will end the 2008-09 fiscal year with a General Fund balance of $2.2 billion (3.9 percent of General Fund spending) if the Legislature enacts the Executive Budget recommendations in their entirety. The balance consists of $1.2 billion in undesignated reserves and $1.0 billion in reserves designated to finance existing or planned commitments, including potential new labor settlements. The projected closing balance is $400 million below the level estimated for 2007-08, which reflects primarily the partial use of planned reserves set aside for existing collective bargaining agreements.

Discussion of the Current Services Forecast

The current services forecast for the General Fund formed the starting point for developing the 2008-09 Executive Budget, and therefore determined the scope of the recommendations that had to be advanced to achieve a balanced budget.

Since the Mid-Year Update, DOB has reviewed emerging data and trends and met with legislative fiscal committees in a public "Quick Start" process. As a result, DOB has revised its current services forecast for receipts and disbursements for 2008-09, 2009-10 and 2010-11 and calculated an estimate for 2011-12. The revised forecast reflects the impact of a slowing economy on State revenues, updated expenditure estimates for programs based on a review of actual operating results and trends, and the costs of tentative labor settlements with several of the large unions representing State employees.

Summary of Changes to General Fund Current Services Forecast Since the Mid-Year Update Savings/(Costs) (millions of dollars)				
	2008-09	**2009-10**	**2010-11**	**2011-12***
Mid-Year Current Services Surplus/(Gap)	**(4,265)**	**(6,178)**	**(7,931)**	
Change Since Mid-Year	**(157)**	**24**	**234**	
Revenue Revisions	(381)	(322)	(337)	
Spending Revisions	224	346	571	
School Aid/Lottery	188	390	679	
Medicaid	228	399	484	
Welfare	65	(2)	(2)	
Collective Bargaining Costs	(337)	(510)	(756)	
All Other	80	69	166	
CURRENT BUDGET SURPLUS/(GAP) ESTIMATE	**(4,422)**	**(6,154)**	**(7,697)**	**(9,454)**

** The 2011-12 gap estimates are published for the first time in the 2008-09 Executive Budget.*

DOB has decreased its estimate of General Fund revenues over the multi-year Financial Plan, based on actual results to date, and on slower than expected growth in the State economy and the financial services sector. Base receipts are now forecast to grow by 4.2 percent in 2008-09. Tax receipts are expected to be lower and account for most of the downward revision in estimated growth. The forecast for miscellaneous receipts has remained virtually unchanged.

Since the Mid-Year Update, DOB has decreased the General Fund current services spending forecast. The updated estimates include downward revisions to spending estimates in several areas including: School Aid, based on updated enrollment and other data reported by school districts to the State Education Department (SED) and revisions to estimated lottery revenues, which have been reduced by $24 million in 2008-09, but increased in later years to reflect game-cycle innovations and marketing improvements; Medicaid, reflecting price and utilization trends and lower costs for the cap on local Medicaid costs, and welfare, based on public assistance claiming trends ($65 million in 2008-09). Other significant changes include an updated spending estimate for the Judiciary, which submitted a budget request for 2008-09 that was $18 million higher than planned, but had lower-than-expected costs in subsequent years, and adjustments to estimated cash disbursements for several other programs, including summer school special education and the aid and incentives program for local governments.

The updated current services forecast includes the estimated costs of tentative labor settlements with the Civil Service Employees Association, United University Professions, District Council 37, and comparable pay and benefits changes extended to Management/Confidential employees. The contracts provide for a 3 percent annual salary increase in 2007-08, 2008-09, and 2009-10, and a 4 percent increase in 2010-11. A full discussion of the status of labor settlements and the impact on the Financial Plan appears later in this section.

Sources of the 2008-09 General Fund Budget Gap (“Zero-Based” Perspective)

The State is projected to move from a balanced General Fund budget in 2007-08 to an imbalance of $4.4 billion in 2008-09, prior to the impact of Executive Budget recommendations. Current services spending is projected to grow by $5.3 billion over 2007-08 compared to estimated net revenue growth of $1.3 billion. At this time, the State plans to use $370 million less in reserves in 2008-09 than in 2007-08 to help balance the budget. The following chart provides a "zero-based" look at the sources of the 2008-09 General Fund budget gap, followed by a brief summary of the assumptions behind the projections.

For a detailed explanation of the specific assumptions supporting the revenue and spending projections, see "2008-09 Financial Plan" and "General Fund Financial Plan Out-Year Projections" herein.

2008-09 General Fund "Current Services" Annual Change Savings/(Costs) (millions of dollars)	
RECEIPTS	**1,301**
Base Tax Receipts - "Constant Law" Growth	2,584
Change in STAR	(388)
Change in Debt Service	(295)
Miscellaneous Receipts/Federal Grants	(406)
Non-tax Transfers from Other Funds (primarily non-recurring fund sweeps)	(255)
All Other	61
DISBURSEMENTS	**(5,353)**
Local Assistance	**(4,033)**
Medicaid	(1,736)
Base Program Growth	*(1,370)*
Change in HCRA and Other Financing	*(366)*
School Aid	(1,363)
Local Government Assistance	(358)
City University	(199)
Mental Hygiene	(202)
Children and Family Services	(182)
All Other Local Assistance	7
State Operations	**(825)**
Personal Service	(568)
Collective Bargaining Settlement Costs	(197)
Judicial Salary Increase (in Judiciary's Budget Request)	(143)
All Other Salary Growth	(228)
Non-personal Service	(257)
General State Charges	**(281)**
Health Insurance	(209)
Pensions	(71)
All Other	(1)
Transfers to Other Funds	**(214)**
Debt Service	(135)
Capital Projects	(341)
All Other	262
Change in Planned Use of Reserves (net)	**(370)**
CURRENT SERVICES BUDGET GAP FOR 2008-09	**(4,422)**

The forecast for 2008-09 is based on assumptions of economic performance, revenue collections, spending patterns, and the estimated costs to maintain programs and activities at the level required by current law. 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.

Explanation of the 2008-09 Gap-Closing Plan

The General Fund Executive Budget savings plan is valued at $4.8 billion in 2008-09. The plan is sufficient to eliminate the current services gap of $4.4 billion and finance new initiatives of just over $400 million.

The gap-closing actions can be grouped into four categories: actions that reduce overall State current services spending on a recurring basis; actions that increase revenues on a recurring basis; transactions that increase revenues or lower spending in 2008-09, but that are not expected to recur; and the use of reserves. The section below provides details on the actions under each category that are recommended for 2008-09. It is followed by a discussion of the new initiatives and their impact on the General Fund Financial Plan. Additional information on the Budget recommendations for major programs and activities appears in the sections entitled "2008-09 Financial Plan" and "General Fund Financial Plan Outyear Projections" later in this AIS Update.

2008-09 Executive Budget -- General Fund Budget-Balancing Plan
(millions of dollars)

	2008-09	2009-10	2010-11	2011-12
Current Services Gaps	**(4,422)**	**(6,154)**	**(7,697)**	**(9,454)**
Savings Plan	**4,838**	**3,741**	**3,507**	**4,071**
Savings Actions	2,253	2,495	2,274	2,832
Health Care [1]	826	957	895	1,418
STAR	354	380	165	175
Welfare/TANF	204	204	204	204
Mental Hygiene	212	243	277	280
Criminal Justice	101	131	136	139
General State Charges	89	61	66	67
Higher Education	67	99	101	103
Other Education	66	73	76	79
Transportation/Transit	64	45	47	48
All Other	270	302	307	319
Revenue Actions	1,109	1,267	1,254	1,260
Improve Audit and Compliance Efforts	280	250	250	250
Conforming HMOs Taxation	215	250	250	250
LLC Minimum Partner Fees	75	75	75	75
Capital Base Rate Reduction/Cap Elimination	73	58	58	58
Modify Quick Draw Restrictions	36	60	60	60
All Other	430	574	561	567
Non-Recurring Actions	1,139	(21)	(21)	(21)
Belmont Development Rights	250	0	0	0
Phase in AIM Restoration for NYC	164	0	0	0
Bond Finance Certain Eligible Capital Costs	173	(21)	(21)	(21)
All Other	552	0	0	0
Use of Reserves to Finance Labor Settlements	337	0	0	0
New Initiatives:	**416**	**874**	**1,497**	**1,438**
School Aid	126	207	512	178
Health Care	120	281	373	443
Human Services COLA	0	88	180	278
All Other	170	298	432	539
Executive Budget Gaps	**0**	**(3,287)**	**(5,687)**	**(6,821)**

[1] *Includes Medicaid, Health, and Aging. Excludes certain non-recurring resources and HCRA savings.*

Recurring Savings (Spending)

Actions in this category total $2.3 billion in 2008-09, comprising slightly less than 50 percent of the overall gap-closing plan. The savings plan recommends continuing efforts to restrain health care costs; slowing the phase-in of the basic middle-class STAR rebate program; realigning costs, where appropriate, to the level of government responsible for service delivery; and enhancing operational controls on State agencies.

Health Care

The 2008-09 savings plan marks another step in a multi-year plan to reform the State's health care system that began in 2007-08. Recommended State-financed savings, including savings in Medicaid, HCRA programs, and Aging, total $980 million in 2008-09 from all sources, before accounting for reinvestments. In the General Fund, recurring savings total $826 million in 2008-09 and grow to over $1.4 billion by 2011-12. Proposals include intensifying audit activities to reduce fraud, expanding controls on pharmaceutical programs, adjusting reimbursement rates for prescription drugs, and enhancing management of high-cost beneficiaries. Other savings include a program to authorize the use of coordinated transportation services, a Diabetes Care Improvement Project in which Medicaid would reimburse for diabetes self-management education, and the implementation of payment auditing to deny ambulatory care claims submitted without the required procedure or diagnosis codes. Outside of Medicaid, health care savings include elimination of the planned COLA for Early Intervention (EI) providers and certain initiatives enacted in 2007-08.

School Tax Relief Program

The Executive Budget recommends a slower phase-in of the basic middle-class STAR rebate; a reduction in the STAR credit for New York City resident personal income taxpayers with incomes above $250,000; a change in the adjustment that limits annual reductions in the STAR exemption amount from 5 percent to 10 percent; and authorization for the State to offset middle-class STAR rebates owed to individuals who are delinquent on their taxes, child support, or other legal debt obligations. After recommendations, the State will finance $4.7 billion in total property tax relief in 2008-09 (nearly $5 billion on a commitment basis), growing to $6.2 billion over the next few years.

Welfare/Temporary Assistance for Needy Families

Savings in welfare take several forms. First, the level of the Temporary Assistance for Needy Families (TANF) resources available to offset the State's Earned Income Tax Credit (EITC) would be increased by proposed conversion of certain TANF-funded programs to a cash rather than commitment basis, a reduction of TANF funding to reflect 2004-05 program commitments that cost less than originally contemplated to complete, and elimination of several 2007-08 initiatives that are not essential to the agencies' core missions. The Budget also proposes altering the current financing shares for public assistance benefits, requiring local governments to finance more of the costs for certain categories of assistance.

Other Savings

These cover a broad range of State activities and agencies, including nearly $300 million in recurring savings in State Operations in the General Fund, with reductions in both personal service and non-personal service spending. Operational savings include hiring controls, including not filling vacancies for non-essential positions; overtime management; and energy and other utility savings. Other significant recommendations include closing three under-utilized correctional camps (Pharsalia, Mt. McGregor, and Gabriels) and the medium-security facility at Hudson; assessing a security fee on nuclear power plant operators for State costs; auditing activities to eliminate ineligible dependents from receiving health insurance coverage from the State; and eliminating certain initiatives enacted in 2007-08.

Recurring Savings (Revenues)

The Executive Budget recommends several tax law and administrative reforms to promote equity and ensure compliance, which will generate $1.1 billion in additional revenue in the General Fund. These include improving audit capabilities, reclassifying HMOs as insurance taxpayers, and other changes.

Non-Recurring Resources

The State typically uses some non-recurring resources each year to support its operations. The Executive Budget uses approximately $1.1 billion of non-recurring resources to balance the General Fund Financial Plan and another $337 million in labor reserves to finance expected collective bargaining costs. There are two significant non-recurring transactions in 2008-09. The first is a potential payment for the development rights at Belmont Park. The second is a partial restoration of an aid payment to New York City under the Aid and Incentives to Municipalities (AIM) program. The 2008-09 current services budget had included a full restoration of the payment that had been reduced to $20 million in 2007-08. Other one-time actions consist of bonding certain capital projects originally planned to be cash financed, and sweeps of excess balances from other funds. A complete list of the items included in this category is provided later in this AIS Update under the "2008-09 Financial Plan" section.

Recommended Initiatives

The Executive Budget proposes new initiatives totaling over $400 million in 2008-09, growing to $1.4 billion in 2011-12. The initiatives include additional School Aid, the re-investment of health care savings in ambulatory and primary care, and extension of COLA for human service providers through 2011-12.

In School Aid, the Budget recommends increasing aid to New York City and maintaining the total funding level for High Tax Aid. Additional resources are also recommended for the Healthy Schools Act. As part of the overall aid package, adjustments are proposed to the minimum guaranteed aid increase under Foundation Aid and the timing of reimbursement for certain expense-based aids.

Health care investments total over $100 million in 2008-09, annualizing to over $400 million by 2011-12. The most significant proposals would reinvest hospital savings to improve health care, particularly in primary care and increased physicians fees. Additional funding is also recommended for an array of programs, including the creation of a State Enrollment Portal to authorize the State to directly enroll individuals in Medicaid, Family Health Plus, and Child Health Plus (CHP); a three-year extension of COLA which was set to expire in 2008-09; and tobacco control initiatives intended to minimize tobacco use.

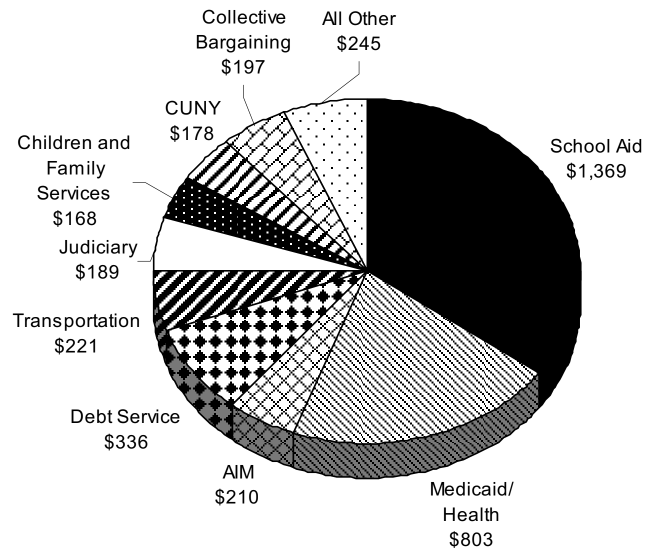
In social services, the Budget also recommends extending the COLA for human service providers through 2011-12. Other investments are made in economic development, Agriculture and Markets, Mental Hygiene, local government aid, and tax credits.

Executive Budget Impact on Spending Growth

In 2008-09, the Executive set a goal of holding State Operating Funds spending to less than the long-term growth rate in State personal income of 5.3 percent. Achieving a spending growth rate at or below the target rate is important because, in the long run, it should permit the State to increase reserves in economic expansions when State tax receipts tend to grow faster than personal income. In difficult years, when personal income and revenue growth is below the historical trend or even negative, sufficient reserves would be available to smooth the impact on spending and provide for a more stable long-term fiscal environment.

In 2008-09, the Executive Budget holds State Operating Funds spending to 5.0 percent, below the target rate of 5.3 percent. State Operating Funds spending, which excludes Federal operating aid and capital spending, is projected to total $81.8 billion in 2008-09, an increase of $3.9 billion over the current-year forecast. This growth is for local aid to public schools, Medicaid costs, support for transportation, local government aid programs and debt service, as well as roughly $800 million for agency operational costs (including fringe benefit costs).

State Operating Funds Spending Growth
$3.9 billion
(dollars in millions)



Total Disbursements (millions of dollars)				
	2007-08 Current	**2008-09 Proposed**	**Annual $ Change**	**Annual % Change**
State Operating Funds	**77,909**	**81,825**	**3,916**	**5.0%**
General Fund *	50,831	53,859	3,028	6.0%
Other State Funds	22,728	23,276	548	2.4%
Debt Service Funds	4,350	4,690	340	7.8%
All Governmental Funds	**118,314**	**124,329**	**6,015**	**5.1%**
State Operating Funds	77,909	81,825	3,916	5.0%
Capital Projects Funds	6,645	7,927	1,282	19.3%
Federal Operating Funds	33,760	34,577	817	2.4%

**Excludes transfers.*

State Operating Funds spending growth in 2008-09 is the product of numerous budget choices. The following table shows that growth is concentrated in a relatively small number of major programs, most significantly in School Aid and Medicaid. Outside of these major agencies, growth in overall State programs is nearly flat in the aggregate.

Main Sources of State Operating Funds Growth State Fiscal Year Basis (millions of dollars)						
		2008-09			Annual Change	
	2007-08 Revised	Current Services	Chg from Curr. Serv.	Exec. Proposed	Dollar	Percent
STATE OPERATING FUNDS	**77,909**	**83,830**	**(2,005)**	**81,825**	**3,916**	**5.0%**
School Aid	19,025	20,269	125	20,394	1,369	7.2%
Medicaid (excluding Local Cap)*	15,139	16,235	(544)	15,691	552	3.6%
Medicaid: Takeover Initiatives	235	486	0	486	251	106.8%
Debt Service	4,292	4,657	(29)	4,628	336	7.8%
Transportation	2,932	3,133	20	3,153	221	7.5%
Judiciary	1,821	2,010	0	2,010	189	10.4%
Children and Families	1,871	2,095	(56)	2,039	168	9.0%
CUNY	1,134	1,334	(22)	1,312	178	15.7%
AIM	707	1,076	(159)	917	210	29.7%
Collective Bargaining	140	337	0	337	197	140.7%
All Other	30,613	32,198	(1,340)	30,858	245	0.8%

** Medicaid spending total is for all State agencies including those outside of the Department of Health. This total does not include local cap payments. See further discussion in section entitled "Medicaid Transparency" later in this report.*

General Fund spending, which now accounts for roughly 65 percent of State-financed spending, is projected to grow at 6 percent (5.9 percent when transfers are included). The General Fund is important because it must, by law, be balanced, but it is not as comprehensive a view of spending paid for by State taxpayers as State Operating Funds.

Capital Projects Funds spending, which includes Federal and State support, is expected to increase by $1.3 billion or 19.3 percent over the current 2007-08 forecast, which is in part a result of spending on various projects delayed from 2007-08, as well as recommended new initiatives for transportation, economic development, higher education and parks and recreation. This reflects spending reported in actual cash-basis reports. Additional information on capital spending is provided later in this AIS Update and in the 2008-09 Executive Budget Five-Year Capital Program and Financing Plan available on the DOB website.

All Governmental Funds[1] spending, which includes Federal aid, is estimated at $124.3 billion in 2008-09, an increase of $6.0 billion (5.1 percent) from 2007-08.

Risks to the Financial Plan

DOB believes the overall Financial Plan estimates and projected out-year budget gaps are based on reasonable assumptions. In any year, however, the Financial Plan is subject to risks that, if they were to materialize, could affect operating results. In DOB's judgment, the three most significant short-term risks, as measured by their potential fiscal impact and the probability that may occur, are that: (a) economic performance will fall below projected levels and perhaps even lapse into a recession at some point in calendar

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

year 2008, which could have a potentially severe impact on State finances; (b) labor settlements will be reached with the remaining State employee unions, the costs of which have not been completely financed in the Financial Plan after 2008-09; and (c) specific transactions included as part of the Executive Budget may not occur as planned. Other risks include potential Federal disallowances arising from audits related to Medicaid claims under the School Supportive Health Services program and proposed Federal rule changes concerning Medicaid payments. See "Financial Plan Reserves and Risks," later in this AIS Update for additional information.

Labor Settlements

The State has reached tentative labor settlements with three labor unions, the Civil Service Employees Association, United University Professions (UUP), and District Council 37, and will extend similar changes in pay and benefits to "management/confidential" employees. Under terms of the tentative four-year contracts, which run from April 2, 2007 through April 1, 2011 (July 2, 2007 through July 1, 2011 for UUP), employees will receive pay increases of 3 percent annually in 2007-08, 2008-09, and 2009-10 and 4 percent in 2010-11. The Civil Service Employees Association ratified its contract on January 3, 2008. The UUP and District Council 37 are expected to vote on their contracts before the end of the current State fiscal year.

The State's Financial Plan funds the costs of these tentative contract agreements in 2007-08 and 2008-09 through the use of $477 million of the $1.18 billion in existing reserves set aside for this purpose. DOB estimates the General Fund costs of the tentative agreements at $140 million in the current year, $337 million in 2008-09, $510 million in 2009-10, and $756 million in both 2010-11 and 2011-12. The current Financial Plan includes these costs.

The unions representing uniformed officers (i.e., Police Benevolent Association, New York State Correctional Officers and Police Benevolent Association) and the Public Employees Federation have not reached settlements with the State at this time. The earliest any costs for these contracts could be paid would be in 2008-09. These costs are not included in the current Financial Plan spending forecast, but a reserve is set aside to partially fund them. The State currently has $708 million in labor reserves remaining (i.e., not programmed in the Financial Plan) to help finance the costs of potential new settlements.

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2007-08 FINANCIAL PLAN UPDATE

The Executive Budget Financial Plan includes the third quarterly update to the 2007-08 Enacted Budget Financial Plan. The following describes the substantive revisions to Financial Plan estimates for the current year since the last update to the AIS in November 2007. Please refer to the AIS Updates issued in August 2007 and November 2007, which are available on-line, for detailed explanations of the earlier revisions.

Since the Mid-Year Update, DOB has revised its revenue and spending estimates based on operating results through the end of the 2007-08 fiscal year, and a review of factors affecting the long-term current services forecast. In addition, DOB has added costs for collective bargaining agreements reached with several of the State's major employee unions that have fiscal implications for 2007-08 and beyond. The revisions result in net General Fund costs in 2007-08 of $137 million, which will be funded by existing reserves.

Despite the continued slowdown in economic growth reflected in the updated revenue forecast, DOB projects the General Fund will remain in balance in 2007-08. Lower-than-expected local aid payments and operational savings across all State agencies, along with the use of reserves as planned to finance labor settlements, are expected to be sufficient to cover the expected revenue decline. As summarized in the table below, since the beginning of the fiscal year, the roughly $500 million decline in expected General Fund receipts has been almost entirely offset by a decline in projected growth in Medicaid spending, resulting in no material change (down $17 million) in net operations.

2007-08 General Fund
Quarterly Financial Plan Revisions From Enacted Budget
Increase/(Decrease)
(millions of dollars)

		Revisions				
	Enacted Estimate	First Quarter	Mid-Year	Executive	Current Estimate	Change From Enacted
Opening Balance	**3,045**	**0**	**0**	**0**	**3,045**	**0**
Revenue Revisions	**53,672**	**324**	**(609)**	**(218)**	**53,169**	**(503)**
Spending Revisions	**53,684**	**311**	**(326)**	**(81)**	**53,588**	**(96)**
Medicaid	9,496	80	(555)	16	9,037	(459)
School Aid	16,170	0	60	8	16,238	68
Children and Families	1,787	70	7	0	1,864	77
Higher Education	3,706	10	(74)	1	3,643	(63)
Mental Hygiene	3,113	5	0	1	3,119	6
State	81	(28)	2	0	55	(26)
Legislature/Judiciary	1,834	0	3	(9)	1,828	(6)
Transportation	107	0	0	0	107	0
Debt Service	1,579	(1)	(27)	6	1,557	(22)
General State Charges	4,530	(6)	(29)	(8)	4,487	(43)
Transfers to Other Funds	2,375	204	3	(75)	2,507	132
Use of Debt Reduction Reserve	0	0	250	0	250	250
All Other	8,906	(23)	34	(21)	8,896	(10)
Planned Use of Reserves For Specified Purposes	**0**	**0**	**250**	**140**	**390**	**390**
Debt Reduction Reserve	0	0	250	0	250	250
Labor Reserve	0	0	0	140	140	140
Net Change from Operations	**(12)**	**13**	**(33)**	**3**	**(29)**	**(17)**
Projected Year-End Reserve Levels	**3,033**	**13**	**(283)**	**(137)**	**2,626**	**(407)**
General Reserves	1,203	12	(33)	(137)	1,045	(158)
Tax Stabilization Reserve	1,031	0	0	0	1,031	0
Rainy Day Reserve Fund (assumed deposit)	175	0	0	0	175	0
Community Projects Fund Reserve	353	1	0	0	354	1
Contingency Reserve	21	0	0	0	21	0
Debt Reduction Reserve	250	0	(250)	0	0	(250)

Since the Mid-Year Update, General Fund receipts, including transfers from other funds, have been revised downward by $218 million. The slowdown in economic activity is the main reason for the revision. In addition, recent stresses on Wall Street suggest modest declines in bonus payouts over the remainder of the fiscal year.

General Fund disbursements, including transfers to other funds, are expected to total $53.6 billion in 2007-08, $81 million lower than the Mid-Year Update estimate. Lower General Fund spending in School Aid based on higher than expected lottery revenues, a reduction in the General Fund subsidy to the Dedicated Highway and Bridge Trust Fund, and adjustments to cash disbursements in other areas based on results to date are offset, in part, by expected spending for tentative labor contracts that will be financed from designated reserves ($140 million).

2007-08 Closing Balance

General Fund Estimated Closing Balance (millions of dollars)

	2007-08 Mid-Year Estimate	2007-08 Current Estimate	*Change*
Projected Year-End Fund Balance	**2,763**	**2,626**	***(137)***
Undesignated Reserves	1,227	1,227	0
Tax Stabilization Reserve Fund	1,031	1,031	*0*
Rainy Day Reserve Fund	175	175	*0*
Contingency Reserve Fund	21	21	*0*
Designated Reserves	1,536	1,399	(137)
Labor Settlement Reserve/Likely Risks	1,182	1,045	*(137)*
Community Projects Fund	354	354	*0*

DOB projects the State will end the 2007-08 fiscal year with a General Fund balance of $2.6 billion, consisting of $1.2 billion in undesignated reserves and $1.4 billion in designated reserves. The projected closing balance is $137 million lower than the balance projected at the time of the Mid-Year Update and is due primarily to the use of the labor reserve as planned.

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2007-08 OPERATING RESULTS THROUGH DECEMBER 2007

The table below compares actual results for the period from April 2007 through December 31, 2007 to the estimates included in the Mid-Year Update to the Financial Plan and the Enacted Budget Financial Plans, as well as actual results for the same nine-month period in 2006.

General Fund

2007-08 Fiscal Year-to-Date Results
Actual Year-to-Date Results: April through December 2007
General Fund Results vs. Projections; Year-to-Year Comparison
(millions of dollars)

				Actuals vs. Estimates Favorable/ (Unfavorable) vs. Plan		
	Enacted Budget	Mid-Year Update Projection	Actual Results	Enacted Budget	Mid-Year Update Projection	Increase/ (Decrease) from Prior Year
Opening Balance (April 1, 2007)	**3,045**	**3,045**	**3,045**	**N/A**	**N/A**	**(212)**
Receipts	**36,041**	**35,616**	**35,513**	**(528)**	**(103)**	**448**
Personal Income Tax	13,889	13,915	13,910	21	(5)	(695)
User Taxes and Fees	6,543	6,521	6,540	(3)	19	276
Business Taxes	4,589	4,378	4,086	(503)	(292)	(433)
All Other Taxes, Receipts & Grants	2,536	2,345	2,478	(58)	133	(109)
Transfers From Other Funds	8,484	8,457	8,499	15	42	1,409
Disbursements	**36,637**	**36,897**	**36,881**	**(244)**	**16**	**926**
Local Assistance	22,827	22,936	23,179	(352)	(243)	1,028
State Operations						
Personal Service	5,690	5,644	5,592	98	52	(78)
Non-Personal Service	1,986	1,995	2,011	(25)	(16)	206
General State Charges	3,829	3,605	3,569	260	36	(52)
Transfers To Other Funds	2,305	2,717	2,530	(225)	187	(178)
Change in Operations	**(596)**	**(1,281)**	**(1,368)**	**(772)**	**(87)**	**(478)**
Closing Balance (December 31, 2007)	**2,449**	**1,764**	**1,677**	**N/A**	**N/A**	**(690)**

The following describes the difference between estimates and actual results. All comparisons are for the nine-month period for April 1 through December 31, 2007 and, in discussions of annual change, for the comparable nine-month period in 2006.

General Fund Comparison to Mid-Year Update Projections

The General Fund ended December 2007 with a cash balance of $1.7 billion, $87 million lower than projected in the Mid-Year Update. Through December 2007, General Fund receipts, including transfers from other funds, totaled $35.5 billion, $103 million lower than the public forecast, mainly due to higher-than-expected refunds of personal income tax and lower-than-expected business tax collections, offset by higher-than-expected real estate transfer tax collections and miscellaneous receipts collections.

General Fund disbursements through December 2007 totaled $36.9 billion, $16 million lower than projected as described below. The relatively minor variance is the result of several offsetting factors:

- **School Aid ($102 million higher than planned):** Largely attributable to the timing of general aid and categorical aid payments.

- **Public Health ($69 million higher than planned):** Largely due to the timing of EI program payments.

- **Medicaid, including Administration ($76 million higher than planned):** Largely reflects faster-than-anticipated administrative payments to local governments for the cost of administering Medicaid programs.

- **General State Charges ($36 million lower than planned):** Primarily attributable to the timing of taxes paid on State-owned lands to certain municipalities and lower-than-projected Workers' Compensation payments.

- **Transfers to Other Funds ($187 million lower than planned):** The decrease is due to the timing of the expected transfer from the General Fund to the Debt Reduction Reserve Fund, which was originally projected to occur in December 2007 and is now projected to be completed in March 2008.

General Fund Comparison to Enacted Budget Projections

General Fund receipts totaled $35.5 billion, $528 million lower than the Enacted Budget forecast. This variance is due in large part to lower-than-expected collections in the corporation franchise tax ($388 million), which were below expectations due to the timing of large audit collections originally expected in December, and now expected in the last quarter of 2007-08.

General Fund disbursements totaled $36.9 billion, $244 million higher than projected in the Enacted Budget. The most significant spending variances include:

- **School Aid ($188 million higher than planned):** Largely attributable to earlier-than-anticipated payments which are non-statutory and largely based on the execution of contracts and the submission of claims by school districts.

- **Other Education Aid ($77 million higher than planned):** Attributable to earlier-than-anticipated payments for library aid, case services to individuals with disabilities, community projects funds, workforce education, and various other education programs.

- **Medicaid ($146 million lower than planned):** Lower than projected Medicaid spending is driven largely by a moderation in caseload and the timing of certain payments and offsets, which has resulted in lower overall utilization of Medicaid services.

- **Children and Family Services ($77 million higher than planned):** Due to variations from the anticipated spending patterns across all programs.

- **Special Education ($96 million higher than planned):** Primarily attributable to earlier-than-projected claiming for preschool special education, following administrative accelerations.

- **General State Charges ($260 million lower than planned):** Underspending was primarily driven by earlier than expected escrow payments which reduce General Fund costs, as well as various timing issues mostly related to Workers' Compensation Claims.

- **Transfers to Other Funds ($225 million higher than planned):** Driven primarily by earlier than anticipated spending for economic development and higher education projects.

General Fund Annual Change

On a year-over-year basis, General Fund receipts through December 2007 were up $448 million, or 1.3 percent, compared to the same period in 2006-07. Increases in transfers from other funds, user taxes and fees and miscellaneous receipts, slightly offset by declines in the personal income tax, business taxes, other taxes and Federal Grants, account for the growth.

General Fund spending was $926 million higher than actual results through the same period for fiscal year 2006-07. Significant changes in spending levels from the same period last year include:

- **School Aid ($674 million growth):** Reflects growth associated with increased tail payments for the final three months of the 2006-07 school year ($239 million) and increased payments for the first six months of the 2007-08 school year as authorized in the Enacted Budget for 2007-08 ($429 million).

- **Special Education ($196 million growth):** Annual growth primarily reflects the accelerated submission of claims by counties and accelerated processing of claims by SED in 2007-08 compared to 2006-07.

- **Children and Family Services ($200 million growth):** Higher spending is primarily attributable to growth in child welfare services ($93 million), growth in Foster Care Block Grant payments ($31 million) and payments made for residential education placements for children with needs that cannot be accommodated by public school districts ($23 million).

- **Medicaid, including Administration ($315 million decline):** Consistent with current year reestimates in Medicaid, the year-over-year decline is primarily due to a moderation in enrollment and the timing of certain payments and offsets, which has resulted in lower overall utilization of Medicaid services.

- **Public Health ($112 million growth):** Higher spending is largely attributable to the timing of local public health program payments, as well as additional health care investments included in the 2007-08 Enacted Budget.

- **Local Government Aid ($257 million decline):** Largely reflects a one-time reduction in New York City's unrestricted local government assistance in 2007-08.

- **Welfare ($170 million growth):** Reflects a return to the traditional pattern of local district advances.

- **Non-Personal Service ($206 million growth):** Reflects inflationary growth in non-personal service spending primarily in the State University of New York (SUNY) ($77 million), Corrections ($57 million), and the Judiciary ($19 million).

- **Transfers to Other Funds ($178 million decline):** Transfers to Capital Projects Funds increased by $224 million, primarily due to increased spending for authority bonded economic development programs and General Obligation bonded transportation and environment programs, as well as the timing of authority bond receipts. The growth in transfers to Capital Project Funds was offset by a decline in transfers to Debt Service Funds ($172 million), due mainly to the payment of debt service on certain SUNY construction bonds in March 2007 rather than April 2007, and the decline in transfers to other funds ($230 million), due mainly to a delay in the expected transfer to the Debt Reduction Reserve Fund.

State Operating Funds

2007-08 Fiscal Year-to-Date Results Actual Year-to-Date Results: April through December 2007 State Operating Funds Results vs. Projections; Year-to-Year Comparison (millions of dollars)				Actuals vs. Estimates Favorable/ (Unfavorable) vs. Plan		
	Enacted Budget	Mid-Year Update Projection	Actual Results	Enacted Budget	Mid-Year Update Projection	Increase/ (Decrease) from Prior Year
Total Receipts	**53,420**	**53,341**	**53,072**	**(348)**	**(269)**	**1,571**
Personal Income Tax	24,825	24,859	24,855	30	(4)	1,500
User Taxes and Fees	9,896	9,806	9,816	(80)	10	367
Business Taxes	5,705	5,455	5,143	(562)	(312)	(466)
Other Taxes	1,378	1,427	1,446	68	19	(140)
Miscellaneous Receipts	11,571	11,721	11,738	167	17	372
Federal Grants	45	73	74	29	1	(62)
Total Disbursements	**55,797**	**55,636**	**55,231**	**566**	**405**	**2,741**
Local Assistance						
Medicaid, including admin	9,245	8,986	9,143	102	(157)	233
School Aid	11,095	11,101	11,162	(67)	(61)	960
STAR	4,730	4,730	4,622	108	108	989
Transportation	2,665	2,642	2,604	61	38	552
Temporary and Disability Assistance	1,203	1,231	1,249	(46)	(18)	142
Public Health	2,079	1,977	1,908	171	69	(179)
Higher Education	1,460	1,411	1,430	30	(19)	21
Children and Family Services	991	1,083	1,069	(78)	14	201
Mental Hygiene	1,165	1,202	1,215	(50)	(13)	169
All Other Education	1,005	1,202	1,185	(180)	17	243
All Other	1,449	1,320	1,288	161	32	(640)
State Operations	11,714	11,721	11,603	111	118	364
General State Charges	4,306	4,062	4,025	281	37	(35)
Capital Projects	3	4	6	(3)	(2)	(2)
Debt Service Funds	2,687	2,964	2,722	(35)	242	(277)

State Operating Funds Comparison to Second Quarterly Update Projections

State Operating Funds receipts totaled $53.1 billion or $269 million less than the last forecast. Tax receipts totaled $41.3 billion, $287 million below the Mid-Year Update estimate. The decrease is the result of lower-than-anticipated collections in business taxes, slightly offset by higher-than-anticipated collections in the other tax categories.

Disbursements totaled $55.2 billion, $405 million below the Second Quarterly Update forecast. The largest variances outside the General Fund include the timing of HCRA-supported public health spending, particularly in the HCRA Program Account and in CHP ($158 million); and lower-than-projected STAR payments ($108 million). These variances are believed to be timing related and are not expected to result in lower spending for the fiscal year.

State Operating Funds Comparison to Enacted Budget Projections

Through December 2007, State Operating Funds receipts totaled $53.1 billion or $348 million less than the Enacted Budget projection. Tax receipts totaled $41.3 billion, $544 million less than the Enacted Budget estimate. The variance is due in large part to lower-than-expected collections in the corporate franchise tax ($456 million) reflecting a delayed audit settlement payment, slightly offset by higher than expected collections in personal income tax ($30 million) due to higher than expected receipts from withholding and estimated payments.

State Operating Funds disbursements totaled $55.2 billion, $566 million below the Enacted Budget. The largest variances outside the General Fund include the timing of HCRA-supported public health spending ($122 million); lower-than-projected STAR payments ($108 million), and lower than projected EPIC spending ($86 million).

State Operating Funds Annual Change

Total taxes increased by $1.3 billion, or 3.2 percent, compared to the same period in 2006-07. This increase is largely attributable to two factors. First, there were large one-time audit recoveries in business taxes in 2006. Second, the child credit enacted in 2006 significantly increased income tax refunds during the April-May period. Annual miscellaneous receipts growth is largely driven by lottery revenue growth ($230 million).

Compared to the same period in 2006-07, State Operating Funds disbursements were $2.7 billion higher in the current year. The largest increases were for School Aid, reflecting growth in payments of general aid ($960 million); transportation programs, largely Mass Transportation Operating Assistance ($552 million); STAR, driven by middle-class STAR property tax rebates ($989 million); State Operations ($364 million), largely reflecting salary increases, workforce growth and non-personal service inflation; and Welfare ($142 million); Special Education ($196 million); and Children and Family Services ($201 million).

Capital Projects Funds

2007-08 Fiscal Year-to-Date Results
Actual Year-to-Date Results: April through December 2007
Capital Projects Funds Results vs. Projections; Year-to-Year Comparison
(millions of dollars)

				Actuals vs. Estimates Favorable/ (Unfavorable) vs. Plan		
	Enacted Budget	Mid-Year Update Projection	Actual Results	Enacted Budget	Mid-Year Update Projection	Increase/ (Decrease) from Prior Year
Total Receipts	**4,540**	**4,326**	**4,288**	**(252)**	**(38)**	**178**
Taxes	1,584	1,488	1,519	(65)	31	70
Miscellaneous Receipts	1,452	1,607	1,498	46	(109)	82
Federal Grants	1,504	1,231	1,271	(233)	40	26
Total Disbursements	**5,105**	**4,548**	**4,507**	**598**	**41**	**399**
Transportation	2,572	2,560	2,703	(131)	(143)	(55)
Economic Development	225	295	279	(54)	16	172
Public Protection	250	230	190	60	40	22
Mental Hygiene	163	155	158	5	(3)	28
Environment	400	380	371	29	9	64
Higher Education	490	462	454	36	8	(20)
All Other	1,005	466	352	653	114	188

Capital Projects Funds Comparison to Mid-Year Financial Plan Projections

Receipts totaled $4.3 billion or $38 million less than the Mid-Year Update forecast. Total tax receipts were $31 million higher than anticipated. Lower-than-anticipated reimbursements for bond-financed programs resulted in lower-than-projected miscellaneous receipts. Federal grants exceeded the estimated forecast. Disbursements totaled $4.5 billion, $41 million below the Mid-Year projection, largely driven by lower-than-anticipated spending for economic development, health, and public protection projects offset by higher than anticipated spending for transportation projects.

Capital Projects Funds Comparison to Enacted Budget Projections

Through December 2007, Capital Projects Funds receipts totaled \$4.3 billion or \$252 million less than the Enacted Budget forecast. Higher than anticipated reimbursements for transportation projects resulted in higher than projected miscellaneous receipts. Federal grant reimbursements for spending lagged behind the estimated forecast, as did related disbursements.

Through December 2007, Capital Projects Funds disbursements totaled \$4.5 billion, \$598 million below the Enacted Budget projection, largely driven by slower than anticipated spending for environmental projects financed with general obligation bonds (\$29 million), and higher education, public protection, and health projects financed with authority bonds (\$276 million).

Capital Projects Funds Annual Change

Total taxes increased by \$70 million, or 4.8 percent, compared to the same period in 2006-07, driven by growth in other taxes and business taxes, offset slightly by declines in user taxes and fees. Annual miscellaneous receipts growth is largely driven by an increase in bond proceeds used to finance capital projects. Disbursements were \$399 million higher primarily driven by increased spending for economic development (\$172 million), environmental (\$64 million) and health (\$35 million) projects.

Federal Operating Funds

2007-08 Fiscal Year-to-Date Results
Actual Year-to-Date Results: April through December 2007
Federal Operating Fund Results vs. Projections; Year-to-Year Comparison
(millions of dollars)

	Enacted Budget	Mid-Year Update Projection	Actual Results	Actuals vs. Estimates Favorable/ (Unfavorable) vs. Plan: Enacted Budget	Actuals vs. Estimates Favorable/ (Unfavorable) vs. Plan: Mid-Year Update Projection	Increase/ (Decrease) from Prior Year
Total Receipts	**24,981**	**22,918**	**23,406**	**(1,575)**	**488**	**(670)**
Miscellaneous Receipts	128	145	157	29	12	6
Federal Grants	24,853	22,773	23,249	(1,604)	476	(676)
Total Disbursements	**24,902**	**23,727**	**23,315**	**1,587**	**412**	**(734)**
Local Assistance						
Medicaid, Including admin	15,193	14,497	14,141	1,052	356	(669)
School Aid	1,693	1,558	1,508	185	50	(339)
Temporary and Disability Assistance	1,944	1,920	2,012	(68)	(92)	(63)
Children and Family Services	768	645	665	103	(20)	111
Public Health	823	823	758	65	65	55
All Other	2,415	2,331	2,274	141	57	115
State Operations	1,905	1,790	1,794	111	(4)	43
General State Charges	161	163	163	(2)	0	13

Federal Operating Funds Comparison to Mid-Year Financial Plan Projections

Federal Operating Funds receipts totaled \$23.4 billion or \$488 million more than the Mid-Year forecast due to Federal grants exceeding the estimated forecast. Disbursements totaled \$23.3 billion, \$412 million below the Mid-Year Update Budget projection largely attributable to lower Federal spending for Medicaid (\$356 million), lower-than-projected Federal School Aid payments (\$50 million), lower public health spending (\$65 million), and partially offset by higher-than-projected Federal spending for social services (\$112 million).

Federal Operating Funds Comparison to Enacted Budget Projections

Federal Operating Funds receipts totaled $23.4 billion or $1.6 billion less than the Mid-Year Update due to Federal grants falling below the Enacted Budget forecast. Disbursements totaled $23.3 billion, $1.6 billion below the Enacted Budget projection largely attributable to lower than anticipated Federal spending for Medicaid ($1.0 billion), Children and Family Services ($103 million), and School Aid ($185 million).

Federal Operating Funds Annual Change

Total receipts decreased by $670 million compared to the same period in 2006-07. The annual decline is driven by the timing of Federal aid. Total disbursements were $734 million lower, due primarily to lower Federal Medicaid spending ($669 million), the timing of the federally supported School Aid spending, including free and reduced-price meals ($339 million), and partially offset by higher Federal spending for adoption and child care.

All Funds Summary

2007-08 Fiscal Year-to-Date Results
Actual Year-to-Date Results: April through December 2007
All Funds Results vs. Projections; Year-to-Year Comparison
(millions of dollars)

				Actuals vs. Estimates Favorable/ (Unfavorable) vs. Plan		
	Enacted Budget	Mid-Year Update Projection	Actual Results	Enacted Budget	Mid-Year Update Projection	Increase/ (Decrease) from Prior Year
Total Receipts	**83,371**	**80,584**	**80,765**	**(2,606)**	**181**	**803**
Personal Income Tax	24,825	24,859	24,855	30	(4)	1,341
User Taxes and Fees	10,823	10,674	10,694	(129)	20	323
Business Taxes	6,201	5,928	5,636	(565)	(292)	(421)
Other Taxes	1,514	1,574	1,594	80	20	(90)
Miscellaneous Receipts	13,631	13,472	13,392	(239)	(80)	363
Federal Grants	26,377	24,077	24,594	(1,783)	517	(713)
Total Disbursements	**85,804**	**83,887**	**83,053**	**2,751**	**834**	**2,406**
General Fund*	34,332	34,180	34,351	(19)	(171)	1,104
Special Revenue Funds	43,680	42,195	41,473	2,207	722	1,180
Capital Projects Funds	5,105	4,548	4,507	598	41	399
Debt Service Funds	2,687	2,964	2,722	(35)	242	(277)

* Excludes Transfers

2008-09 FINANCIAL PLAN

Introduction

This section describes (1) the economic forecast that served as the basis for developing the Executive Budget and (2) the State's Financial Plan projections for receipts and disbursements based on the 2008-09 Executive Budget recommendations. 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 Executive Budget recommendations on each of the State's major categories of spending (Local Assistance, State Operations, General State Charges, Debt Service and Capital Projects).

Financial Plan projections are presented on an All Funds basis, which encompasses activity in the General Fund, State Operating Funds, Capital Projects Funds, and Federal Operating Funds, thus providing the most comprehensive view of the financial operations of the State.

Economic Outlook

The U.S. Economy

The U.S. economy has continued to lose momentum since the summer. Large declines in residential construction and reduced demand for autos and housing-related durable goods, combined with past energy price increases and credit market tightening, continue to generate a significant drag on economic growth. The uncertainty associated with the still unfolding subprime mortgage problem has substantially increased financial market volatility, reduced financial sector profits, and diminished the accessibility of credit to the nation's households and businesses. In addition, labor market growth has decelerated since the early part of 2007. In response to these developments, the Federal Reserve has lowered its short-term interest rate target 100 basis points to 4.25 percent since August 2007 and has intervened in credit markets to enhance liquidity several times.

On the positive side, robust global growth and a weak dollar have produced strong demand for U.S. exports. In addition, the Federal government, in concert with the banking community, is developing a plan under which subprime borrowers whose rates are due to reset at much higher levels over the next several years can arrange more favorable terms with their lenders. Some states and private lenders are offering their own initiatives to forestall a rising foreclosure rate. In combination with Federal Reserve actions, these interventions are expected to allow the economy to gradually rebound to its long-term trend growth rate over the course of 2008, after bottoming out below 2 percent in the fourth quarter of 2007 and first quarter of 2008. DOB projects growth of 2.2 percent for 2008, following growth of about the same magnitude for 2007. Though DOB is not forecasting a recession at this time, the risk of a recession is judged to have increased significantly since the fall.

The risks notwithstanding, there are good reasons to believe that the economy will experience a period of low growth, but elude recession. The global economy overall is strong and should be able to sustain solid growth even in the face of a U.S. slowdown. Moreover, a falling dollar increases U.S. competitiveness in the global marketplace. Though the labor market has slowed, initial unemployment insurance claims are still low by historical standards and employee earnings growth remains healthy. Though credit markets are tight, interest rates are also low by historical standards. Finally, government spending has been strong and, perhaps more importantly, both the Federal government and the Federal Reserve are playing active roles in trying to keep the economy out of recession. As a result of all of these factors, following two quarters of very low growth in the fourth quarter of 2007 and the first quarter of 2008, the national economy is expected to improve with each subsequent quarter, until reaching growth of 3.0 percent by the fourth quarter of 2008.

The New York State Economy

The national economic slowdown is having a significant impact on the New York State economy. Indeed, the New York State Leading Index is signaling a mild downturn in the State economy starting in early 2008. The impact of the current credit market crisis on State wages is projected to be greatest in the first quarter 2008, during the height of the financial sector bonus season. Indeed, the current credit crisis could have a more deleterious effect on the New York State economy than on the nation as a whole given New York City's status as an international financial center. Though State economic growth is expected to slow in 2008, conditions are not expected to approach those of a recession. The State's large education and health sectors are expected to continue exhibiting robust growth. In addition, tourism and trade are expected to continue to be bolstered by the weak dollar, particularly in New York City and those areas bordering Canada.

The credit crunch and expected decline in finance and insurance sector bonuses, combined with slowing job growth, will result in significantly lower wage growth in 2008. DOB projects total wage growth of 3.3 percent for 2008, following an estimated increase of 7.6 percent for 2007. Slower growth in both the wage and non-wage components of income will result in total personal income growth of 4.3 percent for 2008, following 7.4 percent growth for 2007. The low growth in 2008 is due largely to a projected decline in finance and insurance sector bonuses for the first quarter 2008 and generally weak bonus growth for the other sectors due to the overall economic slowdown.

Consistent with flat securities industry profits for 2007, DOB is projecting a decline in finance and insurance sector bonuses of 2.8 percent for the 2007-08 bonus season now in progress. However, there is considerable risk to this forecast. Though bonus payouts have historically been evenly split between cash and stock incentive payments, the split is expected to be more heavily weighted toward stocks for the current bonus season. This shift could have substantial implications for Federal, State, and local tax revenues since income derived from stock options is not taxed until the option is exercised.

Though there are parallels between State and national labor market trends, there are differences as well. As at the national level, State private sector job growth is expected to be greatest in education and health care and social assistance services, with healthy gains expected for leisure, hospitality, and other services and professional, scientific, and technical services. Similarly, both the State and the nation are projected to see large declines in the manufacturing and mining sector. However, trends appear to diverge dramatically for the construction sector. DOB projects national construction employment to decline for 2008, consistent with the national housing market contraction. However, State construction employment is projected to grow in 2008, albeit at a slower rate than in 2007. The continued strength of the New York City real estate market and the absence of a significant housing boom in much of upstate New York explain most of this difference. As for the nation, the State's average annual unemployment rate is expected to rise in 2008, from 4.4 percent for 2007 to 4.9 percent this year.

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 on a multi-year basis with the assistance of the Department of Taxation and Finance and other agencies responsible for the collection of State receipts. See the Executive Budget volume entitled, "Economic and Revenue Outlook" available at the DOB website for detailed information on the economic and receipts projections underlying the Executive Budget.

Overview of the Revenue Situation

- Base receipt growth over the period 2004-05 to 2006-07, supported by a strong financial services sector and real estate market, averaged over 11 percent. However, the current slowdown in economic activity is estimated to negatively impact receipt growth for 2007-08 and 2008-09. As a result, base tax receipt growth (correcting for law changes) falls to 4.2 percent in 2008-09 from 6.5 percent in 2007-08.

- The negative impact of the subprime mortgage situation on the financial services industry is expected to result in declines in bonus payouts over the remainder of the current fiscal year (5.5 percent decline) and reduced growth in business tax receipts over the remaining years of the Financial Plan.

- The financial sector is expected to slowly recover in 2008 and bonus growth levels return to roughly 10 percent per year over the 2008-09 to 2010-11 period.

- The risks stemming from the volatile real estate and financial markets represent even greater risks to revenues due to the high concentration of taxable income among a relatively small segment of the taxpaying population.

- The slowdown in the residential housing market is projected to largely eliminate the recent surge in taxable capital gains realizations associated with real estate sales.

- The economy is expected to slow but not enter recession, and as a result, it is expected that personal income tax withholding (6.2 percent) and sales tax collections (2.7 percent) will continue to grow but at a more modest pace in 2008-09.

- The combined impact of slowing real estate and financial markets and weakening profitability in the financial sector projected for 2008 results in estimated personal income tax liability growth of only 3.9 percent in 2008, rebounding to 6.5 percent in 2009.

- The large audit settlements associated with financial service industry firms continued into 2007-08 but are expected to be largely concluded before 2008-09, and this loss of resources represents another negative to the receipts forecast.

All Funds receipts are projected to total $123.1 billion, an increase of $6.3 billion over 2007-08 projections. The following table summarizes the receipts projections for 2007-08 and 2008-09.

Total Receipts (millions of dollars)				
	2007-08 Current	2008-09 Proposed	Annual $ Change	Annual % Change
State Operating Funds	**75,692**	**80,040**	**4,348**	**5.7%**
General Fund *	41,083	43,950	2,867	7.0%
Other State Funds	21,391	22,283	892	4.2%
Debt Service Funds	13,218	13,807	589	4.5%
All Governmental Funds	**116,834**	**123,105**	**6,271**	**5.4%**
State Operating Funds	75,692	80,040	4,348	5.7%
Capital Projects Funds	7,087	8,084	997	14.1%
Federal Operating Funds	34,055	34,981	926	2.7%

**Excludes transfers.*

The following table provides historical and projected data on the growth of actual and base receipts compared to personal income.

Governmental Funds Actual and Base Tax Receipts Growth (percent growth)				
State Fiscal Year	Actual Receipts	Base Receipts	Personal Income Growth	
2000-01	7.9	10.1	6.1	
2001-02	(4.9)	(4.2)	(0.2)	
2002-03	(6.7)	(8.0)	0.2	
2003-04	8.2	5.8	4.2	
2004-05	13.4	11.4	6.5	
2005-06	10.2	9.5	8.7	
2006-07	9.6	12.9	7.2	
2007-08	3.7	6.5	5.6	
2008-09	6.5	4.2	4.6	
2009-10	6.0	6.1	4.9	
2010-11	4.8	5.2	5.2	
2011-12	5.5	5.5	5.1	
	Actual Receipts	**Base Receipts**	**Inflation Adjusted Base Change**	**Personal Income Growth**
Historical Average (87-88 to 06-07)	**4.6**	**4.4**	**1.3**	**5.2**
Forecast Average (07-08 to 11-12)	**5.3**	**5.5**	**2.9**	**5.1**
Recessions	**1.5**	**(0.6)**	**(3.3)**	**2.6**
Expansions	**4.5**	**5.3**	**2.1**	**6.3**

Base growth, adjusted for law changes, in tax receipts for fiscal year 2007-08 is estimated at 6.5 percent and 4.2 percent for 2008-09. Overall base growth in tax receipts is dependent on many factors. Over the past several fiscal years the most important factors explaining tax receipt growth have been related to:

- improvements in overall economic activity, especially in New York City and surrounding counties;

- 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.

Each of these factors is expected to become a negative drag on receipts over the next fiscal year. The same factors that spurred economic and tax receipt growth in recent fiscal years are now expected to retard growth in 2007-08 and 2008-09.

Personal Income Tax

Personal Income Tax (millions of dollars)

	2006-07 Actual	2007-08 Estimated	Annual Change	2008-09 Projected	Annual Change
General Fund	**22,940**	**22,735**	**(205)**	**24,391**	**1,656**
Gross Collections	40,090	43,123	3,033	45,861	2,738
Refunds	(5,510)	(6,572)	(1,062)	(7,056)	(484)
STAR	(3,994)	(4,678)	(684)	(4,713)	(35)
RBTF	(7,646)	(9,138)	(1,492)	(9,701)	(563)
State/All Funds	**34,580**	**36,551**	**1,971**	**38,805**	**2,254**
Gross Collections	40,090	43,123	3,033	45,861	2,738
Refunds	(5,510)	(6,572)	(1,062)	(7,056)	(484)

All Funds personal income tax (PIT) receipts, which reflects the net of gross payments minus refunds, for 2007-08 are estimated at $36.6 billion, an increase of nearly $2.0 billion or 5.7 percent over the prior year. The increase is primarily attributable to moderately strong growth in withholding of $1.6 billion, or 6 percent, and solid growth in estimated taxes for tax year 2007 liabilities of $1.0 billion (13.2 percent). In addition, reflecting taxpayer uncertainty with the expiration of the temporary surcharge, final settlement payments for the 2006 tax year were mixed. The strongest component was a 12.3 percent ($342 million) increase in extension payments. The $64 million (3.3 percent) growth in payments accompanying final returns was relatively weak, and the 19.3 increase (roughly $1.1 billon) in refunds reflected in large part some $650 million of claims for the Empire State child credit effective in tax year 2006. The following table summarizes, by component, actual receipts for 2006-07 and forecast amounts through 2011-12.

Personal Income Tax Fiscal Year Collection Components
All Funds
(millions of dollars)

	2006-07 (Actual)	2007-08 (Estimated)	2008-09 (Projected)	2009-10 (Projected)	2010-11 (Projected)	2011-12 (Projected)
Receipts						
Withholding	26,802	28,401	30,176	32,093	33,795	36,283
Estimated Payments	10,355	11,697	12,527	13,481	14,751	15,455
Current Year	7,572	8,572	9,152	9,726	10,576	11,030
Prior Year*	2,783	3,125	3,375	3,755	4,175	4,425
Final Returns	2,102	2,116	2,211	2,359	2,516	2,682
Current Year	194	145	180	180	180	180
Prior Year*	1,907	1,971	2,031	2,179	2,336	2,502
Delinquent Collections	831	909	947	986	1027	1065
Gross Receipts	40,090	43,123	45,861	48,919	52,089	55,485
Refunds						
Prior Year*	3,231	4,248	4,412	4415	4765	5163
Previous Years	257	315	290	310	330	330
Current Year*	1,500	1500	1,750	1,750	1,750	1,750
State-City Offset*	522	509	604	684	758	842
Total Refunds	5,510	6,572	7,056	7,159	7,603	8,085
Net Receipts	34,580	36,551	38,805	41,760	44,486	47,400

** These components, collectively, are known as the "settlement" on the prior year's tax liability.*

All Funds income tax receipts for 2008-09 of $38.8 billion are projected to increase $2.3 billion or 6.2 percent over the prior year. Gross receipts are projected to increase 6.3 percent and reflect projected withholding growth of 6.2 percent ($1.8 billion), while the growth in estimated taxes for tax year 2008 liabilities is expected to reach 6.8 percent ($580 million). Payments from extensions and final returns for tax year 2007 are projected to increase by 8.0 percent and 4.5 percent, respectively. Receipts from delinquencies are projected to increase $38 million over the prior year. Growth in total refunds is estimated at $484 million or 7.4 percent.

General Fund income tax receipts are net of deposits to the STAR Fund, which provides property tax relief, and the Revenue Bond Tax Fund (RBTF), which supports debt service payments on State Personal Income Tax Revenue bonds. General Fund income tax receipts for 2007-08 of $22.7 billion are expected to decrease by $205 million or 0.9 percent from the prior year. This decline reflects both a large increase in STAR deposits of $685 million associated with the middle-class rebate program, and a $1,492 million increase in deposits to the RBTF. The latter reflects Enacted Budget legislation that provides that deposits to the RBTF be calculated before the deposit of income tax receipts to the STAR Fund; in previous fiscal years this transfer was calculated after the STAR transfer, so the RBTF transfer was changed by 25 percent of the amount of the STAR deposit.

General Fund income tax receipts for 2008-09 of $24.4 billion are projected to increase by $1.7 billion or 7.3 percent over the prior year. The increase reflects a slight reduction in the STAR transfer which in turn is attributable to a one-time delay of a $250 million payment to New York City until June 2009. Deposits to the RBTF are expected to increase by 6.2 percent, the same percentage increase as projected for net collections since the transfer equals 25 percent of net collections.

Personal Income Tax Change From Mid-Year Update Estimates & Projections (millions of dollars)	2007-08 Mid-Year Update	2007-08 Executive Budget	Change	Percent Change	2008-09 Mid-Year Update	2008-09 Executive Budget	Change	Percent Change
General Fund	**22,697**	**22,735**	**38**	**0.2**	**23,940**	**24,391**	**451**	**1.9**
Gross Collections	42,933	43,123	190	0.4	45,896	45,861	(35)	(0.1)
Refunds	(6,363)	(6,572)	(209)	3.3	(6,832)	(7,056)	(224)	3.3
STAR	(4,730)	(4,678)	52	(1.1)	(5,358)	(4,713)	645	(12.0)
RBTF	(9,143)	(9,138)	5	(0.1)	(9,766)	(9,701)	65	(0.7)
State/All Funds	**36,570**	**36,551**	**(19)**	**(0.1)**	**39,064**	**38,805**	**(259)**	**(0.7)**
Gross Collections	42,933	43,123	190	0.4	45,896	45,861	(35)	(0.1)
Refunds	(6,363)	(6,572)	(209)	3.3	(6,832)	(7,056)	(224)	3.3

Compared to the Mid-Year Update, 2007-08 All Funds income tax receipts are revised down by $19 million. The decrease reflects a modest decrease in withholding of $100 million, and higher-than-projected estimated and final return payments for tax year 2007 of $250 million and $40 million, respectively, offset by higher-than-expected refunds of $209 million ($164 million for tax year 2006 and $45 million for prior tax years).

Compared to the Mid-Year Update, 2008-09 All Funds income tax receipts are revised downward by $259 million. This reflects lower withholding of $200 million, additional estimated tax payments related to tax year 2008 of $130 million, an increase in current return payments of $35 million related to legislation proposed with this Budget, and a $224 million increase in total refunds. The increase in refunds is the net of a $500 million upward re-estimate for current tax year 2007 refunds, $250 million of which is the one-time impact of increasing the January-March refund cap from $1,500 million to $1,750 million, a $100 million downward revision in the State-city offset, and a $176 million reduction in refunds due to legislation intended to promote improved tax compliance.

Personal Income Tax (millions of dollars)	2008-09 Projected	2009-10 Projected	Annual Change	2010-11 Projected	Annual Change	2011-12 Projected	Annual Change
General Fund	**24,391**	**25,897**	**1,506**	**27,415**	**1,518**	**29,315**	**1,900**
Gross Collections	45,861	48,919	3,058	52,089	3,170	55,485	3,396
Refunds	(7,056)	(7,159)	(103)	(7,603)	(444)	(8,085)	(482)
STAR	(4,713)	(5,423)	(710)	(5,949)	(526)	(6,235)	(286)
RBTF	(9,701)	(10,440)	(739)	(11,122)	(682)	(11,850)	(728)
State/All Funds	**38,805**	**41,760**	**2,955**	**44,486**	**2,726**	**47,400**	**2,914**
Gross Collections	45,861	48,919	3,058	52,089	3,170	55,485	3,396
Refunds	(7,056)	(7,159)	(103)	(7,603)	(444)	(8,085)	(482)

All Funds income tax receipts for 2009-10 of $41.8 billion are projected to increase $2.95 billion or 7.6 percent over the prior year. Gross receipts are projected to increase 6.7 percent and reflect withholding that is projected to grow by 6.4 percent ($1.9 billion). Total estimated taxes on prior and current year liabilities reflect the expectation of continued growth in incomes of wealthy taxpayers and will increase by an estimated 7.6 percent ($954 million). Payments from final returns are expected to increase 6.7 percent ($148 million). Delinquencies are projected to increase $39 million or 4.1 percent over the prior year. Growth in total refunds is projected at $103 million or 1.5 percent over the prior year. This low growth reflects the one-time $250 million increase in 2008-09 refunds noted above.

General Fund income tax receipts for 2009-10 of $25.9 billion are projected to increase by $1.5 billion, or 6.2 percent. General Fund receipts for 2009-10 reflect an increase in STAR deposits of $710 million due to the resumption of the middle-class rebate program as well as the fact that 2008-09 transfers were reduced by $250 million for the New York City timing change noted above, and a $739 million increase in deposits to the RBTF.

All Funds income tax receipts for 2010-11 and 2011-12 are projected to reach $44.5 billion and $47.4 billion, respectively. General Fund receipts are projected at $27.4 billion and $29.3 billion, respectively.

User Taxes and Fees

User Taxes and Fees (millions of dollars)

	2006-07 Actual	2007-08 Estimated	Annual Change	2008-09 Projected	Annual Change
General Fund	**8,186**	**8,503**	**317**	**8,832**	**329**
Sales Tax	7,539	7,865	326	8,080	215
Cigarette and Tobacco Taxes	411	407	(4)	437	30
Motor Vehicle Fees	(16)	(21)	(5)	47	68
Alcoholic Beverage Taxes	194	200	6	220	20
ABC License Fees	58	52	(6)	48	(4)
State/All Funds	**13,456**	**13,903**	**447**	**14,217**	**314**
Sales Tax	10,738	11,199	461	11,504	305
Cigarette and Tobacco Taxes	985	973	(12)	1,052	79
Motor Fuel	513	511	(2)	351	(160)
Motor Vehicle Fees	769	772	3	830	58
Highway Use Tax	153	148	(5)	162	14
Alcoholic Beverage Taxes	194	200	6	219	19
ABC License Fees	58	51	(7)	48	(3)
Auto Rental Tax	46	49	3	51	2

All Funds user taxes and fees receipts for 2007-08 are estimated to be $13.9 billion, an increase of $447 million or 3.3 percent from 2006-07. Sales tax receipts are expected to increase by $461 million from the prior year due to a base growth of 3.5 percent before the impact of law changes. This is due largely to projected modest increases in employment, income and overall taxable consumption. Non-sales tax user taxes and fees are estimated to decrease by $14 million from 2006-07 mainly due a decrease in cigarette tax and highway use tax collections.

General Fund user taxes and fees receipts are expected to total $8.5 billion in 2007-08, an increase of $317 million or 3.9 percent from 2006-07. The increase reflects an increase in sales tax receipts of $326 million due to base growth.

All Funds user taxes and fees receipts for 2008-09 are projected to be $14.2 billion, an increase of $314 million, or 2.3 percent from 2007-08. General Fund user taxes and fees receipts are projected to total $8.8 billion in 2008-09, an increase of $329 million, or 3.9 percent from 2007-08. This increase largely reflects a projected increase in sales tax and motor vehicle fee receipts. Motor vehicle fee receipts are projected to increase due to a proposal to offer a "Western Hemisphere Travel Initiative" compliant driver's license in New York State. The large decline in motor fuel tax receipts reflects the proposal in this Budget to combine the motor fuel tax into the petroleum business tax.

User Taxes and Fees Change From Mid-Year Update Estimates & Projections (millions of dollars)	2007-08 Mid-Year Update	2007-08 Executive Budget	Change	Percent Change	2008-09 Mid-Year Update	2008-09 Executive Budget	Change	Percent Change
General Fund	**8,506**	**8,503**	**(3)**	**(0.0)**	**8,805**	**8,832**	**27**	**0.3**
Sales Tax	7,865	7,865	0	0.0	8,103	8,080	(23)	(0.3)
Cigarette and Tobacco Taxes	407	407	0	0.0	436	437	1	0.2
Motor Vehicle Fees	(18)	(21)	(3)	16.7	13	47	34	261.5
Alcoholic Beverage Taxes	200	200	0	0.0	205	220	15	7.3
ABC License Fees	52	52	0	0.0	48	48	0	0.0
State/All Funds	**13,906**	**13,903**	**(3)**	**(0.0)**	**14,369**	**14,217**	**(152)**	**(1.1)**
Sales Tax	11,199	11,199	0	0.0	11,546	11,504	(42)	(0.4)
Cigarette and Tobacco Taxes	973	973	0	0.0	1,048	1,052	4	0.4
Motor Fuel	511	511	0	0.0	523	351	(172)	(32.9)
Motor Vehicle Fees	775	772	(3)	(0.4)	794	830	36	4.5
Highw ay Use Tax	148	148	0	0.0	154	162	8	5.2
Alcoholic Beverage Taxes	200	200	0	0.0	205	219	14	6.8
ABC License Fees	51	51	0	0.0	48	48	0	0.0
Auto Rental Tax	49	49	0	0.0	51	51	0	0.0

All Funds user taxes and fees in 2007-08 are revised down by $3 million from the Mid-Year Update. All Funds user taxes and fees are revised down by $152 million for 2008-09; this revision is mainly due to the proposed combination of the State sales tax on motor fuel and diesel motor fuel and the motor fuel tax with the petroleum business tax effective December 1, 2008. This will be offset by an increase in the petroleum business tax rate.

User Taxes and Fees (millions of dollars)	2008-09 Projected	2009-10 Projected	Annual Change	2010-11 Projected	Annual Change	2011-12 Projected	Annual Change
General Fund	**8,832**	**8,912**	**80**	**9,251**	**339**	**9,620**	**369**
Sales Tax	8,080	8,125	45	8,438	313	8,778	340
Cigarette and Tobacco Taxes	437	432	(5)	428	(4)	428	0
Motor Vehicle Fees	47	76	29	105	29	126	21
Alcoholic Beverage Taxes	220	227	7	232	5	236	4
ABC License Fees	48	52	4	48	(4)	52	4
State/All Funds	**14,217**	**14,017**	**(200)**	**14,470**	**453**	**15,006**	**536**
Sales Tax	11,504	11,597	93	12,044	447	12,527	483
Cigarette and Tobacco Taxes	1,052	1,040	(12)	1,027	(13)	1,025	(2)
Motor Fuel	351	0	(351)	0	0	0	0
Motor Vehicle Fees	830	870	40	883	13	919	36
Highw ay Use Tax	162	178	16	181	3	188	7
Alcoholic Beverage Taxes	219	227	8	232	5	236	4
ABC License Fees	48	52	4	48	(4)	53	5
Auto Rental Tax	51	53	2	55	2	58	3

All Funds user taxes and fees in 2009-10 are projected to decrease by $200 million and then increase by $453 million in 2010-11 and $536 million in 2011-12. Again, the 2009-10 decrease reflects the proposed consolidation of the motor fuel tax, and sales tax on motor fuel and diesel motor fuel into the petroleum business tax.

Business Taxes

Business Taxes (millions of dollars)	2006-07 Actual	2007-08 Estimated	Annual Change	2008-09 Projected	Annual Change
General Fund	**6,468**	**6,300**	**(168)**	**7,254**	**954**
Corporate Franchise Tax	3,676	3,575	(101)	4,138	563
Corporation & Utilities Tax	626	618	(8)	589	(29)
Insurance Tax	1,142	1,176	34	1,405	229
Bank Tax	1,024	931	(93)	942	11
Petroleum Business Tax	0	0	0	180	180
State/All Funds	**8,606**	**8,437**	**(169)**	**9,721**	**1,284**
Corporate Franchise Tax	4,228	4,106	(122)	4,745	639
Corporation & Utilities Tax	820	816	(4)	787	(29)
Insurance Tax	1,258	1,292	34	1,555	263
Bank Tax	1,210	1,094	(116)	1,096	2
Petroleum Business Tax	1,090	1,129	39	1,538	409

All Funds business tax receipts for 2007-08 are estimated at over $8.4 billion, a decrease of $169 million, or 2.0 percent from the prior year. The decrease is primarily due to decreases in corporate franchise tax receipts of 2.9 percent and bank tax receipts of 9.6 percent. The decrease in corporate franchise tax receipts is attributable to reduced audit and compliance payments and high refund payments, more than offsetting current-year receipts growth in the ongoing base. In addition, current year receipts were supplemented by the closing of several loopholes in the 2007-08 Enacted Budget. The change in current year bank tax receipts reflects a significant decrease in audit receipts and a modest increase in the payments on current year estimated liability. In addition, an overall 0.5 percent decrease in corporation and utilities taxes reflects growth of 4.6 percent in non-audit receipts and a decline of 40 percent in audit receipts from 2006-07 levels. Year-to-date trends suggest that increases in receipts from electric utilities will be offset by decreases in receipts from the telecommunications industry.

All Funds Business Tax Audit and Non Audit Receipts (millions of dollars)	2003-04 Actual	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Estimated
Corporate Franchise Tax	**1,701**	**2,110**	**3,053**	**4,228**	**4,106**
Audit	232	397	653	1,133	1,020
Non-Audit	1,470	1,713	2,400	3,095	3,086
Corporation and Utilties Taxes	**882**	**827**	**832**	**820**	**816**
Audit	30	43	101	52	20
Non-Audit	852	784	731	768	796
Insurance Taxes	**1,031**	**1,108**	**1,083**	**1,258**	**1,292**
Audit	28	32	33	56	41
Non-Audit	1,003	1,076	1,050	1,202	1,251
Bank Tax	**342**	**675**	**975**	**1,210**	**1,094**
Audit	39	24	330	299	116
Non-Audit	303	651	645	911	978

The decreases in All Funds corporate franchise and bank tax receipts are partially offset by increases in the All Funds receipts from the insurance tax of 2.7 percent and the petroleum business tax of 3.6 percent. The overall increase in insurance tax receipts reflects modest growth in the ongoing base of insurance tax receipts of 4.1 percent over the prior year and a 27 percent decline in audit receipts from the prior year. The increase in petroleum business tax receipts is primarily due to the increase of 5.0 percent in the petroleum business tax rate index effective January 1, 2007, offset by an expected 1.2 percent decrease in January 2008. The petroleum business tax increase also reflects the impact of proposed legislation to consolidate the motor fuel and petroleum business taxes.

All Funds business tax receipts for 2008-09 of $9.7 billion are projected to increase by nearly $1.3 billion, or 15.2 percent over the prior year. Proposed legislation that would reclassify receipts from the motor fuel tax and sales tax on motor fuel and diesel motor fuel as petroleum business tax receipts accounts for $358 million of the increase. This increase will be offset by a comparable decrease in the sales tax and motor fuel tax receipts in the user taxes and fees category. (See "User Taxes and Fees" above.)

Non-audit business tax receipts before these Executive Budget initiatives are projected to increase by just 0.2 percent. The overall increase reflects a projected increase in the growth of non-audit corporate franchise tax receipts of 4.3 percent, a decrease of 16.0 percent in non-audit bank tax receipts, an increase in non-audit corporation and utilities taxes of 0.6 percent, and a 4.4 percent increase in the petroleum business tax receipts. Non-audit receipts from the insurance taxes are projected to decrease by 1.3 percent. Audit receipts related to All Funds business taxes are projected to increase by approximately 5.3 percent or roughly $58 million from 2007-08.

General Fund business tax receipts for 2007-08 of $6.3 billion are estimated to decrease by $168 million, or 2.6 percent below 2006-07. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

General Fund business tax receipts for 2008-09 of nearly $7.3 billion are projected to increase $954 million, or 15 percent over the prior year. Business tax receipts deposited to the General Fund reflect the All Funds trends and the Executive Budget initiatives discussed above.

Business Taxes Change From Mid-Year Update Estimates & Projections (millions of dollars)

	2007-08 Mid-Year Update	2007-08 Executive Budget	Change	Percent Change	2008-09 Mid-Year Update	2008-09 Executive Budget	Change	Percent Change
General Fund	**6,500**	**6,300**	**(200)**	**(3.1)**	**6,669**	**7,254**	**585**	**8.8**
Corporate Franchise Tax	3,675	3,575	(100)	(2.7)	3,966	4,138	172	4.3
Corporation & Utilities Tax	618	618	0	0.0	623	589	(34)	(5.5)
Insurance Tax	1,176	1,176	0	0.0	1,161	1,405	244	21.0
Bank Tax	1,031	931	(100)	(9.7)	919	942	23	2.5
Petroleum Business Tax	0	0	0	0.0	0	180	180	-
State/All Funds	**8,652**	**8,437**	**(215)**	**(2.5)**	**8,881**	**9,721**	**840**	**9.5**
Corporate Franchise Tax	4,206	4,106	(100)	(2.4)	4,531	4,745	214	4.7
Corporation & Utilities Tax	816	816	0	0.0	821	787	(34)	(4.1)
Insurance Tax	1,292	1,292	0	0.0	1,276	1,555	279	21.9
Bank Tax	1,209	1,094	(115)	(9.5)	1,073	1,096	23	2.1
Petroleum Business Tax	1,129	1,129	0	0.0	1,180	1,538	358	30.3

Compared to the Second Quarterly Update, 2007-08 All Funds business tax receipts are revised down by $215 million, or 2.5 percent to $8.4 billion. The decrease in the estimate reflects year-to-date results in the business taxes, which suggest lower growth in the corporate franchise tax receipts and bank tax receipts than anticipated.

All Funds business tax receipts for 2008-09 are revised up by $840 million, or 9.5 percent from the Mid-Year Update. The increase reflects a downward revision in the base of $235 million, more than offset by the first-year impact of initiatives proposed with the 2008-09 Executive Budget.

Business Taxes (millions of dollars)	2008-09 Projected	2009-10 Projected	Annual Change	2010-11 Projected	Annual Change	2011-12 Projected	Annual Change
General Fund	**7,254**	**7,816**	**562**	**7,866**	**50**	**8,218**	**352**
Corporate Franchise Tax	4,138	4,265	127	4,258	(7)	4,497	239
Corporation & Utilities Tax	589	599	10	608	9	612	4
Insurance Tax	1,405	1,466	61	1,505	39	1,549	44
Bank Tax	942	928	(14)	935	7	997	62
Petroleum Business Tax	180	558	378	560	2	563	3
State/All Funds	**9,721**	**10,700**	**979**	**10,763**	**63**	**11,171**	**408**
Corporate Franchise Tax	4,745	4,891	146	4,883	(8)	5,156	273
Corporation & Utilities Tax	787	797	10	807	10	812	5
Insurance Tax	1,555	1,625	70	1,668	43	1,716	48
Bank Tax	1,096	1,076	(20)	1,084	8	1,156	72
Petroleum Business Tax	1,538	2,311	773	2,321	10	2,331	10

All Funds business tax receipts for 2009-10, 2010-11 and 2011-12 reflect trend growth that is determined in part by the expected level of corporate profits, the projected increase in taxable insurance premiums, estimated increases in electric utility consumption prices and the consumption of telecommunications services. In addition, the fully effective impact of the Executive Budget initiatives supplements out-year growth. Business tax receipts will increase to $10.7 billion (10.1 percent) in 2009-10, $10.8 billion (0.6 percent) in 2010-11, and $11.2 billion (3.8 percent) in 2011-12. Projected General Fund business tax receipts reflect the factors outlined above and the out-year impact of Executive Budget initiatives. General Fund business tax receipts over this period are expected to increase to $7.8 billion (7.7 percent) in 2009-10, $7.9 billion (0.6 percent) in 2010-11, and $8.2 billion (4.5 percent) in 2011-12.

Other Taxes

Other Taxes (millions of dollars)	2006-07 Actual	2007-08 Estimated	Annual Change	2008-09 Projected	Annual Change
General Fund	**1,075**	**1,030**	**(45)**	**1,194**	**164**
Estate Tax	1,063	1,006	(57)	1,170	164
Gift Tax	(10)	0	10	0	0
Real Property Gains Tax	0	0	0	0	0
Pari-mutuel Taxes	21	23	2	23	0
All Other Taxes	1	1	0	1	0
State/All Funds	**2,097**	**2,036**	**(61)**	**2,169**	**133**
Estate Tax	1,063	1,006	(57)	1,170	164
Gift Tax	(10)	0	10	0	0
Real Property Gains Tax	0	0	0	0	0
Real Estate Transfer Tax	1,022	1,006	(16)	975	(31)
Pari-mutuel Taxes	21	23	2	23	0
All Other Taxes	1	1	0	1	0

All Funds other tax receipts for 2007-08 are estimated to be more than $2.0 billion, down $61 million or 2.9 percent from 2006-07 receipts, reflecting declines in estate tax receipts and the real estate transfer tax. General Fund other tax receipts are expected to total $1.0 billion in fiscal year 2007-08, a decrease of $45 million.

All Funds other tax receipts in 2008-09 are projected to be nearly $2.2 billion, up $133 million or 6.5 percent from 2007-08, reflecting modest retrenchment in real estate transfer tax receipts as well as a return to a normal estate tax collection pace. General Fund receipts for 2008-09 are projected to total nearly $1.2 billion, an increase of $164 million.

Other Taxes Change From Mid-Year Update Estimates & Projections (millions of dollars)

	2007-08 Mid-Year Update	2007-08 Executive Budget	Change	Percent Change	2008-09 Mid-Year Update	2008-09 Executive Budget	Change	Percent Change
General Fund	**1,102**	**1,030**	**(72)**	**(6.5)**	**1,211**	**1,194**	**(17)**	**(1.4)**
Estate Tax	1,081	1,006	(75)	(6.9)	1,190	1,170	(20)	(1.7)
Gift Tax	0	0	0	0.0	0	0	0	0.0
Real Property Gains Tax	0	0	0	0.0	0	0	0	0.0
Pari-mutuel Taxes	20	23	3	15.0	20	23	3	15.0
All Other Taxes	1	1	0	0.0	1	1	0	0.0
State/All Funds	**2,077**	**2,036**	**(41)**	**(2.0)**	**2,186**	**2,169**	**(17)**	**(0.8)**
Estate Tax	1,081	1,006	(75)	(6.9)	1,190	1,170	(20)	(1.7)
Gift Tax	0	0	0	0.0	0	0	0	0.0
Real Property Gains Tax	0	0	0	0.0	0	0	0	0.0
Real Estate Transfer Tax	975	1,006	31	3.2	975	975	0	0.0
Pari-mutuel Taxes	20	23	3	15.0	20	23	3	15.0
All Other Taxes	1	1	0	0.0	1	1	0	0.0

All Funds other tax receipt estimates for 2007-08 have been revised down $41 million from the Mid-Year Update estimate. Receipts estimates for the estate tax have been reduced reflecting the decline in collections from larger estates while the real estate transfer tax estimate has been increased modestly as the strength of the Downstate commercial real estate market continues.

Other Taxes (millions of dollars)

	2008-09 Projected	2009-10 Projected	Annual Change	2010-11 Projected	Annual Change	2011-12 Projected	Annual Change
General Fund	**1,194**	**1,325**	**131**	**1,408**	**83**	**1,498**	**90**
Estate Tax	1,170	1,301	131	1,384	83	1,474	90
Gift Tax	0	0	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0	0	0
Pari-mutuel Taxes	23	23	0	23	0	23	0
All Other Taxes	1	1	0	1	0	1	0
State/All Funds	**2,169**	**2,325**	**156**	**2,408**	**83**	**2,498**	**90**
Estate Tax	1,170	1,301	131	1,384	83	1,474	90
Gift Tax	0	0	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0	0	0
Real Estate Transfer Tax	975	1,000	25	1,000	0	1,000	0
Pari-mutuel Taxes	23	23	0	23	0	23	0
All Other Taxes	1	1	0	1	0	1	0

General Fund other taxes receipts projections for 2008-09 are revised down by $17 million from the Mid-Year Update, reflecting slightly slower growth in estate tax collections.

The 2009-10 All Funds receipts projection for other taxes is just over $2.3 billion, up $156 million or 7.2 percent from 2008-09 receipts. Growth in the estate tax is projected to follow expected increases in household net worth and receipts from the real estate transfer tax continue to reflect the slowdown in the housing market.

The 2010-11 All Funds receipts projection for other taxes is approximately $2.4 billion, up $83 million or 3.6 percent from 2009-10 receipts. The forecast reflects continued increases in household net worth as well as in the value of real property transfers.

The 2011-12 All Funds receipts projection for other taxes is nearly $2.5 billion, up $90 million (3.7 percent) from 2010-11 as continued moderate growth in estate tax collections is expected.

Miscellaneous Receipts and Federal Grants

Miscellaneous Receipts and Federal Grants
(millions of dollars)

	2006-07 Actual	2007-08 Estimated	Annual Change	2008-09 Projected	Annual Change
General Fund	**2,420**	**2,515**	**95**	**2,279**	**(236)**
Miscellaneous Receipts	2,268	2,444	176	2,238	(206)
Federal Grants	152	71	(81)	41	(30)
State Funds	**18,015**	**19,994**	**1,979**	**21,206**	**1,212**
Miscellaneous Receipts	17,863	19,922	2,059	21,164	1,242
Federal Grants	152	72	(80)	42	(30)
All Funds	**53,657**	**55,908**	**2,251**	**58,193**	**2,285**
Miscellaneous Receipts	18,078	20,067	1,989	21,310	1,243
Federal Grants	35,579	35,841	262	36,883	1,042

All Funds miscellaneous receipts include moneys received from the Health Care Reform Act (HCRA) financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total $20.1 billion in 2007-08, an increase of $2.0 billion from 2006-07 largely driven by growth in: HCRA surcharge revenues ($689 million); lottery revenues, including video lottery terminals (VLTs) ($256 million); and children and family services restructuring of the Youth Facility Per Diem Account ($114 million.)

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, School Aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans that Federal reimbursement will be received in the State fiscal year in which spending occurs, but timing sometimes varies. All Funds Federal grants are projected to total $35.8 billion in 2007-08, an increase of $262 million from 2006-07. Federal spending is expected to increase for Public Health ($315 million), mental hygiene ($147 million), transportation ($129 million), homeland security ($141 million) and temporary and disability assistance ($80 million). These increases are partially offset by a reduction in Federal Medicaid ($593 million).

General Fund miscellaneous receipts collections are estimated to be approximately $2.4 billion in 2007-08, up $176 million from 2006-07 receipts. This increase is primarily due to a New York Power Authority payment, an ESDC property sale, a Driver's Responsibility Program portion dedicated to the General Fund and the Hartford Financial Services Settlement. General Fund Federal grants are expected to decline by $81 million from the prior-year, reflecting the loss of the Medicare Part D subsidy.

All Funds miscellaneous receipts are projected to total $21.3 billion in 2008-09, an increase of more than $1.2 billion from the current year, driven by: growth in programs financed with authority bond proceeds ($706 million), including spending for economic development, environment, education and mental health; projected first year receipts for the proposal to redirect all unclaimed bottle deposits to support spending in the Environmental Protection Fund ($25 million); growth in lottery revenues, including VLTs ($340 million); SUNY revenue ($68 million); and statewide Civil Legal Services funding ($53 million.) All Funds Federal grants are projected to total $36.9 billion in 2008-09, an increase of $1.0 billion from the current year. Federal spending is expected to increase for Medicaid ($471 million), social services ($160 million), and homeland security ($76 million). These increases would be slightly offset by a decrease of approximately $14 million due to the potential loss of the Medicare Part D Subsidy should a conversion occur. Such a conversion would have no negative impact on retirees while potentially reducing State spending. In most cases, the grant levels reflect projected changes in State spending levels and a corresponding change in estimated Federal reimbursement, not changes in aid levels for New York authorized by Congress.

General Fund miscellaneous receipts collections in 2008-09 are projected to reach approximately $2.2 billion, down $206 million from 2007-08 estimates, due to the loss of revenue from the New York Power Authority, and decreases in indirect costs revenue and abandoned property transfers, partially offset by increases in receipts due to the Monroe County Medicaid sales tax intercept payments.

Miscellaneous Receipts & Federal Grants Change From Mid-Year Update Estimates & Projections (millions of dollars)

	2007-08 Mid-Year Update	2007-08 Executive Budget	Change	Percent Change	2008-09 Mid-Year Update	2008-09 Executive Budget	Change	Percent Change
General Fund	**2,515**	**2,515**	**0**	**0.0**	**2,107**	**2,279**	**172**	**8.2**
Miscellaneous Receipts	2,444	2,444	0	0.0	2,052	2,238	186	9.1
Federal Grants	71	71	0	0.0	55	41	(14)	(25.5)
State Funds	**19,983**	**19,994**	**11**	**0.1**	**19,928**	**21,206**	**1,278**	**6.4**
Miscellaneous Receipts	19,911	19,922	11	0.1	19,872	21,164	1,292	6.5
Federal Grants	72	72	0	0.0	56	42	(14)	(25.0)
All Funds	**56,075**	**55,908**	**(167)**	**(0.3)**	**57,850**	**58,193**	**343**	**0.6**
Miscellaneous Receipts	20,059	20,067	8	0.0	20,015	21,310	1,295	6.5
Federal Grants	36,016	35,841	(175)	(0.5)	37,835	36,883	(952)	(2.5)

All Funds miscellaneous receipts are projected to total $20.1 billion in 2007-08, virtually unchanged from the Mid-Year Update. All Funds Federal grants are projected to total $35.8 billion in 2007-08, a downward revision of $175 million. This results from slower than expected spending against Federal homeland security grants and delayed implementation of the Federal Help Americans Vote Act mandate.

General Fund miscellaneous receipts and Federal grants in 2007-08 have not been revised from the Mid-Year Update.

All Funds Federal grants are projected to total $36.9 billion in 2008-09, a downward revision of nearly $1.0 billion from the Mid-Year Update. Federal aid is expected to decrease for Medicaid ($620 million), homeland security ($202 million) and elections ($103 million).

General Fund miscellaneous receipts and Federal grants projections for 2008-09 are revised up by $172 million from the Mid-Year Update, primarily due to a larger than expected payment from the State of New York Mortgage Agency and increases in investment income, abandoned property and bond issuance charges.

Miscellaneous Receipts and Federal Grants (millions of dollars)

	2008-09 Projected	2009-10 Projected	Annual Change	2010-11 Projected	Annual Change	2011-12 Projected	Annual Change
General Fund	**2,279**	**2,186**	**(93)**	**2,261**	**75**	**2,060**	**(201)**
Miscellaneous Receipts	2,238	2,186	(52)	2,261	75	2,060	(201)
Federal Grants	41	0	(41)	0	0	0	0
State Funds	**21,206**	**21,166**	**(40)**	**21,681**	**515**	**21,408**	**(273)**
Miscellaneous Receipts	21,164	21,165	1	21,680	515	21,407	(273)
Federal Grants	42	1	(41)	1	0	1	0
All Funds	**58,193**	**59,405**	**1,212**	**61,186**	**1,781**	**62,220**	**1,034**
Miscellaneous Receipts	21,310	21,305	(5)	21,826	521	21,547	(279)
Federal Grants	36,883	38,100	1,217	39,360	1,260	40,673	1,313

In 2009-10, General Fund miscellaneous receipts and Federal grants are projected to be nearly $2.2 billion, down $52 million from 2008-09. This decrease primarily results from the loss of the SONYMA payment and reduced transfers from abandoned property and a possible conversion of a Medicare D (Prescription Drug) Plan for retirees to a contracted Medicare D plan.

General Fund miscellaneous receipts in 2010-11 are projected to be almost $2.3 billion, up $75 million from the prior year. This increase is primarily due to projected collections from other transactions.

In 2011-12, General Fund receipts are projected to be nearly $2.1 billion, a decrease of approximately $201 million from 2010-11. This decrease is almost solely due to reduced collections from other transactions.

Proposed Law Changes

The 2008-09 Budget contains no tax increases. Measures are included to ensure that taxpayers are properly reflecting New York taxable income and that unintended and anachronistic tax statutes are changed to eliminate tax loopholes. In addition, given the current fiscal stress caused by the slowdown in national economic activity, measures are proposed to delay certain already enacted STAR provisions. Other actions reform existing provisions of Tax Law to make them operate more effectively and equitably. This Budget proposes several modest tax reduction initiatives. The tax policy changes proposed with this Budget are reported in summary below and in detail in the tax-by-tax write-ups contained in the separate "Economic and Revenue Outlook" report provided with the Executive Budget.

All Funds Legislation (millions of dollars)	2008-09	2009-10	2010-11	2011-12
Revenue Enhancements	**1,519**	**1,588**	**1,350**	**1,365**
Personal Income Tax	**211**	**247**	**247**	**247**
Amend Definitions of Temporary Stay	0	15	15	15
Amend Definition of Presence in New York	0	5	5	5
Tax Gain from Sale of Partnerships	0	10	10	10
Refund Offsets	1	1	1	1
Improve Audit and Compliance Efforts	175	175	175	175
LLC Minimum Partner Fees	35	35	35	35
Make Permanent Reporting of Tax Shelters	0	6	6	6
STAR	**354**	**380**	**165**	**175**
Increase STAR Exemption Floor from 5 percent to 10 percent	110	115	120	125
Delay Basic Middle Class Rebates	169	175	0	0
Authorize Tax Department to Offset Debts Against STAR Rebates	15	15	15	15
Restructure New York City STAR	60	75	30	35
User Taxes and Fees	**192**	**200**	**177**	**182**
Voluntary Disclosure and Compliance Program	30	0	0	0
Repeal Bad Debt Provisions	7	9	9	9
Limit Tax Exemptions for Sales by Non-Profits	8	15	15	15
Close Loophole on Tax Avoidance	4	6	6	6
Require Sales Tax Vendors to Re-register	12	37	12	4
Conform Tax Treatment of Little Cigars	4	5	5	5
Conform Tax Treatment of Flavored Malt Beverages	15	18	18	18
Require Tax Stamp on Illegal Drugs	13	17	17	17
Western Hemisphere Travel Initiative	53	20	10	10
Sales Tax Nexus	47	73	85	98
Business Taxes	**762**	**761**	**761**	**761**
Improve Audit and Compliance Efforts	55	75	75	75
Voluntary Disclosure and Compliance Program	20	0	0	0
LLC Minimum Partner Fees	40	40	40	40
Make Permanent Reporting of Tax Shelters	0	11	11	11
Credit Card Nexus	95	75	75	75
Conforming HMOs Taxation	247	288	288	288
Capital Base	98	70	70	70
Decoupling from Federal QPAI Regulations	56	56	56	56
Expiration of ITC for Financial Services	35	75	75	75
Simplify Taxation of Motor Fuel	13	56	56	56
License Reader Enforcement	8	15	15	15
Modify Pre-Payment Requirements	95	0	0	0
Tax Reductions	**(24)**	**(23)**	**(23)**	**(20)**
Encourage Alternative Fuel Production - Biofuel	0	(1)	(1)	(1)
Expand the New York State Film Credit	(5)	(10)	(15)	(15)
Low Income Housing Credit	(4)	(4)	(4)	(4)
Handicapped Accessible Taxis Credit	0	(3)	(3)	0
Pow er for Jobs Program	(15)	(5)	0	0
All Funds Legislation Change With STAR	**1,495**	**1,565**	**1,327**	**1,345**
All Funds Legislation Change Without STAR	**1,141**	**1,185**	**1,162**	**1,170**

School Tax Relief

- Postpone for one year scheduled increases in Basic Middle-Class STAR Rebates and New York City personal income tax credits.
- Increase the "floor" in STAR exemption amounts from 5 percent to 10 percent.
- Authorize the Tax Department to offset tax and other debts against STAR rebates.
- Eliminate the New York City STAR credit to taxpayers with income over $250,000.

Personal Income Tax

- Create a tax credit for purchases of clean heating fuel ("bioheat") used for residential purposes.
- Restructure and reform the fees and minimum taxes imposed on limited liability companies, other partnerships, and corporations.
- Amend the definition of “presence in New York” for determining the residency of taxpayers.
- Require inclusion of the gain from the sale of partnership interests as NY-source income to non-resident taxpayers to the extent that these gain are from sales of real property located in New York.
- Require taxpayers to pay the fees charged by the Federal government and other states for offsetting refunds for New York State income tax debts owed by those taxpayers.
- Enact a tax enforcement and compliance reform program.
- Reform the Brownfields Tax Credit program.
- Make tax shelter reporting requirements permanent.
- Authorize the Department of Taxation and Finance to conduct a study of the taxation of nonresidents with limited work presence in New York (administrative).

Business Taxes

- Increase the aggregate amount of low-income housing tax credits that the Commissioner of Housing and Community Renewal may allocate.
- Continue to deter the use of tax shelters by making permanent the provisions allowing the Department of Taxation and Finance to require the reporting and disclosure of Federal and New York reportable and listed transactions that may be improper tax avoidance practices.
- Conform to the practices of 18 other states that have decoupled from the Federal deduction related to qualified production activities and require taxpayers to add back income from this deduction for New York tax purposes.
- Make statutory technical corrections and structural alterations necessary to eliminate real estate investment trust (REIT) and regulated investment company (RIC) loopholes that remained after legislation was enacted in 2007 to address REIT and RIC loopholes.
- Restructure and reform the fees and minimum taxes imposed on limited liability companies, other partnerships, and corporations.
- Reduce the corporation franchise tax capital base rate, eliminate the tax liability cap on this base for non-manufacturers, and conform the definition of “manufacturer” under the capital base to the definition under the entire net income base.

- Reclassify for-profit health maintenance organizations (HMOs) as insurance taxpayers so that these HMOs would be subject to the premiums tax of Tax Law section 1502-a instead of the business corporation tax of Article 9-A and would be treated like traditional health insurers for tax purposes.
- Classify credit card companies doing a specified level of business in the State as taxpayers under the Article 32 bank tax.
- Reform the Brownfields tax credit program.
- Extend MTA surcharges on business taxes by four years.
- Change the mandatory first estimated tax payment for all business taxes from 25 percent to 30 percent.
- Extend for two years the credit for taxicabs and livery service vehicles that are accessible by individuals with disabilities.
- Expand the New York State film credit.
- Extend the Power for Jobs program by one year, through June 30, 2009.
- Create a new personal income and corporate franchise tax credit for purchases of clean heating fuel ("bioheat") used for residential purposes.
- Enact a tax enforcement and compliance reform program.
- Combine the Petroleum Business Tax, the Motor Fuel Tax and the State sales tax on fuel into one Petroleum Business Tax.
- Allow the Commissioner of Taxation and Finance to use new technologies to help combat bootlegging of fuels into the State and provide a level playing field.

Other Actions

- Require non-profit tax-exempt organizations to collect sales tax on certain sales, rentals and leases.
- Narrow the sales tax exemption for commercial aircraft and the use tax exemption for motor vehicle, vessels, and aircraft in order to curtail certain abusive sales and use tax avoidance schemes.
- Institute a re-registration program that would be applicable to new registrations and re-registrations of vendors.
- Create an evidentiary presumption that certain sellers using New York State residents to solicit sales in the State are vendors required to collect sales and use tax.
- Institute a voluntary disclosure and compliance program.
- Extend the seven day liquor sales law.
- Eliminate the sunset of Quick Draw and remove the location restrictions.
- Reclassify little cigars as cigarettes.
- Modify the tax treatment of flavored malt beverages.
- Repeal the private label credit card provision.
- Require a tax stamp on illegal drugs.
- Authorize VLT facility at Belmont Park.

Disbursements Forecast

Total Disbursements (millions of dollars)				
	2007-08 Current	2008-09 Proposed	Annual $ Change	Annual % Change
State Operating Funds	**77,909**	**81,825**	**3,916**	**5.0%**
General Fund *	50,831	53,859	3,028	6.0%
Other State Funds	22,728	23,276	548	2.4%
Debt Service Funds	4,350	4,690	340	7.8%
All Governmental Funds	**118,314**	**124,329**	**6,015**	**5.1%**
State Operating Funds	77,909	81,825	3,916	5.0%
Capital Projects Funds	6,645	7,927	1,282	19.3%
Federal Operating Funds	33,760	34,577	817	2.4%

**Excludes transfers.*

State Operating Funds spending, which includes both the General Fund and spending from other operating funds supported by assessments, tuition, HCRA resources and other non-Federal revenues, is projected to total $81.8 billion in 2008-09. All Funds spending, which includes capital spending and Federal aid in addition to State Operating Funds, is projected to total $124.3 billion in 2008-09. The Financial Plan projections assume that the 2008-09 Executive Budget is enacted in its entirety.

The major sources of annual spending change between 2007-08 and 2008-09 (after Executive Budget recommendations) are summarized in the table below.

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Executive Budget Spending Projections -- After Executive Budget Recommendations
Major Sources of Annual Change
(millions of dollars)

	General Fund *	Other State Funds**	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
2007-08 Revised Estimate* **	**50,831**	**27,078**	**77,909**	**6,645**	**33,760**	**118,314**
Major Functions						
Public Health:						
Medicaid	1,038	(207)	831	0	471	1,302
Public Health/Aging	(21)	22	1	63	(7)	57
K-12 Education:						
School Aid	1,203	166	1,369	0	11	1,380
All Other Education Aid	(42)	5	(37)	66	16	45
STAR	0	34	34	0	0	34
Higher Education	109	29	138	93	5	236
Social Services:						
Temporary and Disability Assistance	(246)	1	(245)	0	62	(183)
Children and Family Services	167	1	168	0	98	266
Mental Hygiene	84	30	114	83	56	253
Transportation	0	221	221	389	0	610
General State Charges	155	22	177	0	10	187
Debt Service	135	201	336	0	0	336
All Other Changes						
Economic Development	(27)	23	(4)	304	0	300
Judiciary	186	3	189	14	(1)	202
Local Government Aid	199	0	199	0	0	199
Collective Bargaining	197	0	197	0	0	197
Correctional Services	16	5	21	45	30	96
Empire State Stem Cell Trust Fund	0	85	85	0	0	85
Homeland Security	0	(1)	(1)	(7)	76	68
Parks and Recreation	(3)	(3)	(6)	69	0	63
State Equipment Financing	0	0	0	61	0	61
Elections	0	(7)	(7)	0	47	40
State Police	(41)	42	1	27	1	29
Interest on Lawyer Account	0	28	28	0	0	28
Department of State	(10)	7	(3)	(47)	0	(50)
Military and Naval Affairs	(65)	18	(47)	17	(72)	(102)
All Other	(6)	163	157	105	14	276
2008-09 Executive Budget Estimate	**53,859**	**27,966**	**81,825**	**7,927**	**34,577**	**124,329**
Annual Dollar Change	*3,028*	*888*	*3,916*	*1,282*	*817*	*6,015*
Annual Percent Change	*6.0%*	*3.3%*	*5.0%*	*19.3%*	*2.4%*	*5.1%*

**Excludes Transfers*

***Includes State Special Revenue and Debt Service Funds*

****Adjusted to reflect a Medicaid Transparency initiative described later.*

The spending forecast for each of the State's major Financial Plan categories follows. In general, the forecasts are described in two parts: the current services estimate for each functional area or activity; and the Executive Budget recommendations and resulting annual change in spending.

Projected current services disbursements 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. All projections account for the timing of payments, since not all the amounts appropriated in the Budget are disbursed in the same fiscal year.

Major assumptions used in preparing the spending projections for the State's major programs and activities are summarized in the following tables.

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Forecast for Selected Program Measures Affecting Local Assistance
(millions of dollars, where applicable)

	Actual	Forecast				
	2006-07	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Medicaid						
Medicaid Enrollment	3,608,075	3,581,311	3,665,541	3,746,047	3,994,438	4,149,548
Family Health Plus Enrollment	514,058	525,596	545,996	563,084	605,390	605,390
Child Health Plus Enrollment	388,187	396,375	460,614	494,112	499,053	504,043
Medicaid Inflation	2.4%	2.0%	2.9%	3.0%	3.0%	3.0%
Medicaid Utilization	1.1%	-3.3%	1.6%	3.3%	3.7%	4.0%
State Takeover of County/NYC Costs (Total)	$622	$677	$939	$1,198	$1,539	$1,920
- Family Health Plus	$424	$442	$453	$467	$484	$484
- Medicaid*	$198	$235	$486	$731	$1,055	$1,436
Education						
School Aid (School Year)	$17,800	$19,600	$21,000	$23,100	$25,600	$27,200
K-12 Enrollment	2,783,153	2,758,856	2,758,856	2,758,856	2,758,856	2,758,856
Public Higher Education Enrollment (FTEs)	499,082	512,362	518,431	525,408	529,133	528,780
TAP Recipients	320,930	312,779	309,436	310,936	312,686	314,861
Welfare						
Family Assistance Caseload	402,348	348,901	339,686	344,328	331,340	329,517
Single Adult/No Children Caseload	158,513	158,576	166,597	172,876	179,708	186,053
Mental Hygiene						
Mental Hygiene Community Beds	81,737	85,058	87,731	90,520	92,614	95,332

**Includes the State's costs associated with Monroe County's Medicaid payments, which are offset by General Fund Revenue*

Forecast of Selected Program Measures Affecting State Operations

	Actual	Forecast				
	2006-07	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
State Operations						
Prison Population (Corrections)	63,577	62,800	62,200	61,800	61,600	61,400
Negotiated Salary Increases (1)	3.0%	3.0%	3.0%	3.0%	4.0%	0.0%
Personal Service Inflation	0.8%	1.0%	1.0%	1.0%	1.0%	1.0%
State Workforce	195,526	199,424	201,270	202,388	202,388	202,388

(1) Negotiated salary increases reflect recent labor settlements included in the Financial Plan estimates

Forecast of Selected Program Measures Affecting General State Charges

	Actual	Forecast				
	2006-07	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
General State Charges						
Pension Contribution Rate as % of Salary	10.2%	9.7%	8.8%	9.0%	9.0%	9.3%
Employee/Retiree Health Insurance Growth Rates	10.3%	5.5%	5.5%	9.5%	9.5%	9.5%

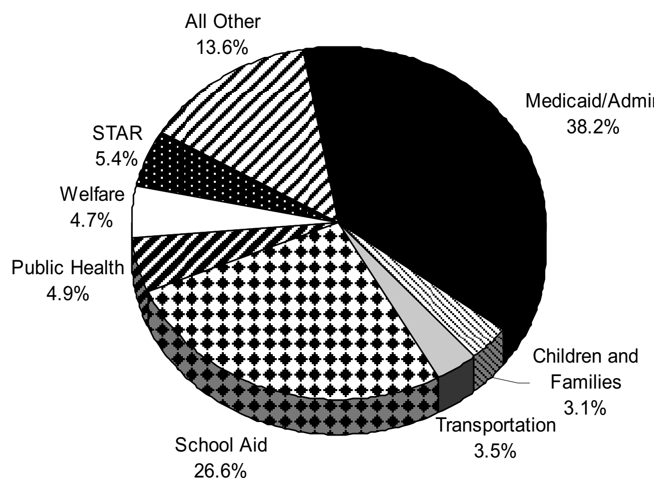
Forecast of Selected Program Measures Affecting Debt Service

	Actual	Forecast				
	2006-07	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
State Debt						
Interest on Variable Rate Debt	3.50%	3.55%	3.15%	3.20%	3.15%	2.80%
Interest on Fixed Rate 30-Year Bonds	4.55%	4.75%	4.75%	4.90%	5.10%	5.25%

The following sections provide a summary of the 2008-09 Executive Budget by purpose of spending. The presentation summarizes the annual growth in current services spending and the impact of Executive Budget recommendations for each purpose on an All Funds basis, which encompasses activity in the General Fund, State Operating Funds, Capital Projects Funds, and Federal Operating Funds, thus providing the most comprehensive view of the financial operations of the State.

Grants to Local Governments

2008-09 All Funds Local Assistance Spending
$87.4 Billion



Grants to Local Governments (Local Assistance) include 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 70 percent of All Funds spending.

In 2008-09, All Funds spending for local assistance is expected to total $87.4 billion. Total spending comprises State aid to medical assistance providers and public health programs ($37.7 billion); State aid to school districts, universities, and tuition assistance ($33.0 billion); temporary and disability assistance ($4.1 billion); mental hygiene programs ($3.7 billion); transportation ($3.1 billion); children and family services ($2.7 billion); and local government assistance ($1.1 billion). Other local assistance programs include criminal justice, economic development, housing, parks and recreation, and environmental quality.

The following chart highlights proposed local assistance annual spending changes from 2007-08 to 2008-09 by major program and/or agency.

Local Assistance Spending Projections
(millions of dollars)

	2007-08 Revised	Medicaid Transparency	2007-08 Adjusted	2008-09 Proposed	Annual Change	Percent Change
General Fund	**36,667**	**2,753**	**39,420**	**41,860**	**2,440**	**6.2%**
Other State Support	16,440	(1,971)	14,469	14,811	342	2.4%
State Operating Funds	**53,107**	**782**	**53,889**	**56,671**	**2,782**	**5.2%**
Capital Project Funds	603	0	603	615	12	2.0%
Federal Operating Funds	30,256	0	30,256	30,141	(115)	-0.4%
All Funds	**83,966**	**782**	**84,748**	**87,427**	**2,679**	**3.2%**

Local Assistance Spending Projections Major Sources of Annual Change (millions of dollars)	General Fund	State Operating Funds	All Governmental Funds
2007-08 Revised	**36,667**	**53,107**	**83,966**
Medicaid Transparency Adjustment	2,753	782	782
2007-08 Adjusted	**39,420**	**53,889**	**84,748**
School Aid	1,203	1,369	1,380
Medicaid (incl Admin)	1,038	830	1,301
Children and Families	152	153	252
Mental Hygiene	112	142	214
Transportation	(1)	213	213
Local Government Assistance	198	198	198
City University	178	178	178
Temporary and Disability Assistance	(226)	(226)	(192)
Economic Development	(133)	(134)	(153)
Other Education Aid	(36)	(36)	(26)
All Other	(46)	95	(686)
2008-09 Executive Budget	**41,860**	**56,671**	**87,427**
Annual Dollar Change	*2,440*	*2,782*	*2,679*
Annual Percent Change	*6.2%*	*5.2%*	*3.2%*

For 2008-09, All Funds local assistance spending is projected to total $87.4 billion, an increase of $3.5 billion (4.1 percent) over the current year. The growth is primarily driven by projected increases in School Aid ($1.4 billion) and Medicaid ($1.3 billion).

These annual changes in local assistance, as further categorized by current service requirements and Executive Budget savings and initiatives, are outlined in more detail below. For more information on specific local programs, see the narratives by function in the complete 2008-09 Executive Budget Financial Plan available on the DOB website.

Local Assistance
Sources of Annual Spending Increase/(Decrease)
(millions of dollars)

	General Fund	Other State Funds	Total State Operating Funds	Capital Projects	Federal Funds	All Funds
2007-08 Revised	**36,667**	**16,440**	**53,107**	**603**	**30,256**	**83,966**
Medicaid Transparency Adjustment	2,753	(1,971)	782	0	0	782
2007-08 Adjusted	**39,420**	**14,469**	**53,889**	**603**	**30,256**	**84,748**
Current Services:	**4,033**	**273**	**4,307**	**12**	**1,140**	**5,459**
Medicaid (incl Admin)	1,735	(272)	1,463	0	1,072	2,535
School Aid	1,363	(120)	1,243	0	11	1,254
STAR	0	388	388	0	0	388
Local Government Assistance	358	0	358	0	0	358
Mental Hygiene	202	30	232	78	(5)	304
Children and Families	182	1	183	0	99	282
City University	200	0	200	0	0	200
Transportation	(1)	193	192	0	0	192
Public Health	45	68	113	24	6	143
Economic Development	(104)	(0)	(104)	(19)	0	(123)
Temporary and Disability Assistance	(16)	0	(16)	0	(100)	(116)
Other Education Aid	(24)	(0)	(24)	0	10	(14)
All Other	93	(14)	79	(70)	47	55
Recommended Savings:	**(1,940)**	**22**	**(1,918)**	**0**	**(562)**	**(2,480)**
Medicaid Actions	(787)	64	(723)	0	(691)	(1,414)
STAR	0	(354)	(354)	0	0	(354)
Local Government Assistance	(165)	0	(165)	0	0	(165)
Public Health	(93)	(36)	(129)	0	(12)	(141)
Mental Hygiene	(112)	0	(112)	0	0	(112)
Temporary and Disability Assistance	(216)	0	(216)	0	134	(82)
Other Education Aid	(68)	0	(68)	0	0	(68)
Economic Development	(53)	(1)	(54)	0	0	(54)
Higher Education Services	(35)	0	(35)	0	0	(35)
Criminal Justice/Parole	(39)	0	(39)	0	8	(31)
City University	(23)	0	(23)	0	0	(23)
Children and Families	(30)	0	(30)	0	0	(30)
Transportation	0	3	3	0	0	3
School Aid	(286)	286	0	0	0	0
All Other	(33)	60	27	0	(1)	26
New Initiatives:	**346**	**47**	**393**	**0**	**89**	**482**
Medicaid	89	0	89	0	89	178
School Aid	126	0	126	0	0	126
Other Education	56	0	56	0	0	56
Judiciary/IOLA	0	28	28	0	0	28
Economic Development	24	0	24	0	0	24
Mental Hygiene	22	0	22	0	0	22
Transportation	0	18	18	0	0	18
Public Health	8	1	9	0	0	9
Temporary and Disability Assistance	6	0	6	0	0	6
Local Government Assistance	5	0	5	0	0	5
City University	1	0	1	0	0	1
Children and Families	0	0	0	0	0	0
All Other	9	0	9	0	0	9
2008-09 Executive Budget	**41,860**	**14,811**	**56,671**	**615**	**30,141**	**87,427**
Total Annual Change	**2,440**	**342**	**2,782**	**12**	**(115)**	**2,679**

Current Services

For 2008-09, on an All Funds basis, current service requirements increase by $5.5 billion above revised 2007-08 estimates. Most of this increase is concentrated in School Aid and Medicaid ($3.8 billion). The annual decrease in economic development largely reflects a shift in spending categories, from local assistance to State operations, for State payments made pursuant to "Timothy's Law" to reimburse employers for costs associated with providing mental health insurance coverage. The decrease in Temporary and Disability Assistance largely reflects a decrease in the level of Federal TANF disbursements. The program areas with the greatest growth in current services are described in more detail below.

- **Medicaid:** Medicaid spending is growing due to several factors, including the increasing cost of providing health care services, particularly nursing home services, a projected rise in the number of recipients, and increases in medical service utilization, particularly in managed care and home care programs. Other changes affecting growth include increases in managed care programs and escalating hospital and prescription drug costs. The number of Medicaid recipients is projected to reach over 3.6 million in 2008-09, an increase of 2.4 percent over the current fiscal year.
- **School Aid:** Growth reflects the balance of the 2007-08 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).
- **STAR:** Reflects an increase in tax rebates to local property owners, and other school tax relief to taxpayers across New York.

Recommended Savings

More than half of the Executive Budget's All Funds local assistance savings plan relies on Medicaid actions. Significant savings initiatives are described in more detail below.

- **Medicaid Actions:** Largely reflects pharmaceutical savings, savings from reduced Medicaid fraud, greater efficiencies in hospital and ambulatory care spending, and a reconfiguration in funding for nursing homes.
- **STAR:** The Executive Budget recommends a slower phase-in of the basic middle-class STAR rebate; a reduction in the STAR credit for New York City resident personal income taxpayers with incomes above $250,000; a change in the adjustment that limits annual reductions in the STAR exemption amount from 5 percent to 10 percent; and authorization for the State to offset middle-class STAR rebates owed to individuals who are delinquent on their taxes, child support, or other legal debt obligations.
- **Local Government Assistance:** Reflects the partial restoration of New York City funding from the Aid and Incentives for Municipalities program (AIM).
- **Public Health:** Largely reflects savings associated with the Early Intervention program through the recovery of an overpayment made to New York City, and the elimination of the cost of living adjustment for Early Intervention providers authorized in the 2006-07 Enacted Budget.
- **Mental Hygiene:** Largely reflects proposed actions to implement various cash management and revenue maximization initiatives in several program areas, including for Intermediate Care Facility Day Services, Home and Community-Based Services Waiver, NY/NY III Supportive Housing agreement and Day Habilitation services.
- **Temporary and Disability Assistance:** Largely reflects the reprogramming of TANF funding.

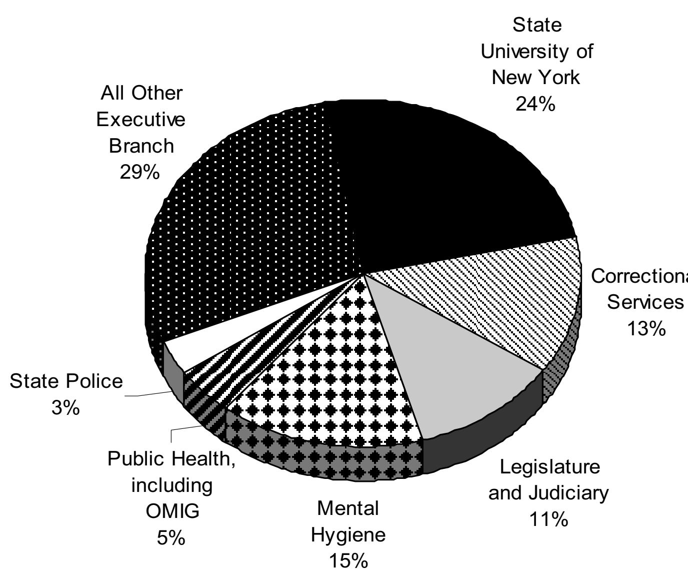
New Initiatives

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

- **Medicaid:** Reflects investments in hospitals, including ambulatory surgery, emergency room services, and outpatient services.
- **School Aid:** Reflects increased aid to New York City schools.
- **Other Education:** Largely reflects additional resources for preschool special education and non-public schools.

State Operations

2008-09 All Funds State Operations Spending $19.4 Billion



State Operations spending is for personal service and non-personal service 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 other operating costs of State agencies, including real estate rental, utilities, contractual payments (i.e., consultants, information technology and professional business services), supplies and materials, equipment, telephone service and employee travel.

All Funds State Operations spending is projected at $19.4 billion in 2008-09, which finances the costs of Executive agencies ($17.3 billion) and the Legislature and Judiciary ($2.1 billion). The largest agencies include SUNY ($4.7 billion; 40,632 Full Time Equivalent Employees (FTEs)), Correctional Services ($2.5 billion; 31,603 FTEs), Mental Hygiene ($3.0 billion; 40,907 FTEs), Public Health, including Office of the Medicaid Inspector General ($875 million; 6,793 FTEs), and State Police ($637 million; 5,989 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, skilled trade workers, and therapeutic and custodial care staff; the Public Employees Federation which primarily represents professional and technical personnel (i.e., 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 which represents security personnel (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 201,270 in 2008-09, an increase of 1,846 FTEs over 2007-08 levels. Increases are expected in Transportation (322 FTEs) primarily for bridge maintenance; Mental Hygiene agencies (335 FTEs) primarily due to staffing related to the Sex Offender

Management and Treatment Act and the NYS-CARES II program; Office of the Medicaid Inspector General (227 FTEs), reflecting staffing growth needed for Medicaid audit and fraud prevention activities; Motor Vehicles (114 FTEs) driven by the Federal Western Hemisphere Travel Initiative; and Health (256 FTEs), CUNY (140 FTEs) and Education (113 FTEs) reflecting authorized fill levels for 2008-09. Declines in Children and Family Services (243 FTEs) and Correctional Services (153 FTEs) are expected mainly through attrition as a result of facility closures.

State Operations Spending Projections
(millions of dollars)

	2007-08 Revised	Medicaid Transparency	2007-08 Adjusted	2008-09 Proposed	Annual Change	Percent Change
General Fund	**9,677**	**(1,247)**	**8,430**	**8,863**	**433**	**5.1%**
Other State Support	5,693	1,135	6,828	7,018	190	2.8%
State Operating Funds	**15,370**	**(112)**	**15,258**	**15,881**	**623**	**4.1%**
Capital Projects Funds	**0**	**0**	**0**	**0**	**0**	N/A
Federal Operating Funds	3,260	112	3,372	3,511	139	4.1%
Total All Funds	**18,630**	**0**	**18,630**	**19,392**	**762**	**4.1%**

All Funds State Operations spending is expected to total $19.4 billion in 2008-09, comprising Personal Service ($12.6 billion) and Non-Personal Service ($6.8 billion). The majority of State Operations spending is for SUNY ($4.7 billion), Correctional Services ($2.5 billion), Judiciary ($2.1 billion), OMRDD ($1.5 billion) and OMH ($1.4 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 (24 percent), supplies and materials (6 percent), equipment (3 percent), employee travel (1 percent) and other operational costs (1 percent).

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

	Personal Service	Non-Personal Service	State Operations
2007-08 Revised	**9,935**	**5,435**	**15,370**
Medicaid Transparency Adjustment	**(21)**	**(91)**	**(112)**
2007-08 Adjusted	**9,914**	**5,344**	**15,258**
Collective Bargaining*	197	0	197
Judiciary	177	5	182
Insurance	1	109	110
Stem Cell Research	0	85	85
Correctional Services	(14)	35	21
Mental Health	(18)	35	17
Health, including OMIG	12	4	16
All Other	50	(55)	(5)
2008-09 Executive Budget	**10,319**	**5,562**	**15,881**
Annual Dollar Change	*405*	*218*	*623*
Annual Percent Change	*4.1%*	*4.1%*	*4.1%*

** Not allocated by agency at this time.*

The All Funds State Operations spending increase of $762 million (4.1 percent) is primarily driven by projected increases for collective bargaining agreements ($197 million), the Judiciary ($181 million), Insurance ($110 million), Stem Cell Research ($85 million), Correctional Services ($51 million), OMH ($28 million), and Public Health ($26 million). The annual changes are described in more detail below.

Personal Service

Personal Service
Sources of Annual Spending Increase/(Decrease)
from 2007-08 to 2008-09
(millions of dollars)

	General Fund	Other State Funds	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
2007-08 Revised	6,813	3,122	9,935	0	2,169	12,104
Medicaid Transparency Adjustment	(688)	667	(21)	0	0	(21)
2007-08 Adjusted	6,125	3,789	9,914	0	2,169	12,083
Current Services:	568	33	601	0	(22)	579
Current Collective Bargaining	197	0	197	0	0	197
Judiciary	175	1	176	0	0	176
Agency Salary Adjustments	93	31	124	0	22	146
Workforce Changes	45	1	46	0	14	60
Offsets	58	0	58	0	(58)	0
Recommended Savings:	(281)	60	(221)	0	121	(100)
Maximize Revenues	(136)	8	(128)	0	121	(7)
Auto Insurance Surcharge	(44)	44	0	0	0	0
Homeland Security	(17)	0	(17)	0	0	(17)
Mental Hygiene	(22)	0	(22)	0	0	(22)
DOCS Facility Closures	(9)	0	(9)	0	0	(9)
Youth Facility Closures	(2)	0	(2)	0	0	(2)
Power Plant Security	0	12	12	0	0	12
All Other	(51)	(4)	(55)	0	0	(55)
New Initiatives:	22	3	25	0	10	35
All Other	22	3	25	0	10	35
2008-09 Executive Budget	6,434	3,885	10,319	0	2,278	12,597
Total Annual Change	*309*	*96*	*405*	*0*	*109*	*514*

Current Services

Current Collective Bargaining: Reflects tentative labor settlements for the Civil Service Employees Association, United University Professions, District Council 37, and the extension of those increases to Management/Confidential State employees that provide a 3 percent salary increase each year beginning on April 1, 2007 and a 4 percent increase in the final year (2010-11).

Judiciary: Reflects the Judiciary's budget request for a salary increase ($143 million), as well as the annualization of prior-year Judiciary actions, including increasing the number of full-time judges and adding Court of Claims and Family judges. The Governor must submit the Judiciary's budget request to the Legislature without modification.

Agency Salary Adjustments: Includes performance advances which systematically raise an employee's salary annually until the "job rate" is reached, longevity payments which increase salary for employees at their job rate for more than five years, merit awards and other promotional factors.

Workforce Changes: Reflects payroll increases driven by workforce changes.

Offsets: A reduction in Federal revenue available to offset General Fund costs, primarily resulting from the rate methodology change in the Medicaid Service Coordination program.

Recommended Savings

Maximize Revenues: Proposed Mental Hygiene Patient Income Account actions are expected to increase the amount of patient care revenues available to support State costs ($121 million). In addition, an increase in Federal revenues earned in various OTDA programs and an increase in Federal funding for the State Criminal Alien Assistance Program lowers General Fund costs ($8 million and $5 million, respectively)

Auto Insurance Surcharge: Reflects an increase in the auto insurance surcharge from $5 to $10 in the portion of the fee used to support State Police highway and public safety activities.

Homeland Security: Recommendations include implementation of a security assessment on nuclear power plants to recover costs of National Guard activities at those sites ($11.7 million) and consolidation of National Guard missions in the New York City area. In addition, a projected increase in Federal funds resulting from the State's use of all available Office of Homeland Security Federal funding will result in one-time General Fund savings of $5 million.

Mental Hygiene: Primarily reflects adjusted estimates of Sex Offender Management and Treatment Act related costs, driven by assessment differences, procedural delays and a backlog in court reviews.

Correctional Services Facility Closures: Savings would be generated by the closure of three minimum security correctional camps at Pharsalia, Mt. McGregor, and Gabriels ($5 million) and the Hudson medium security correctional facility ($4 million).

Youth Facility Closures: Savings would be generated by the previously announced closure of seven underutilized youth facilities and the downsizing of one facility.

All Other: Primarily reflects reductions in workforce driven by attrition, consolidation of services and overtime savings.

New Initiatives

All Other: Includes additional funding for the Office of the Medicaid Inspector General staffing ($1 million).

Non-Personal Service

Non-Personal Service
Sources of Annual Spending Increase/(Decrease)
from 2007-08 to 2008-09
(millions of dollars)

	General Fund	Other State Funds	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	All Funds
2007-08 Revised	**2,864**	**2,571**	**5,435**	0	**1,091**	**6,526**
Medicaid Transparency Adjustment	(559)	468	(91)	0	112	21
2007-08 Adjusted	**2,305**	**3,039**	**5,344**	**-**	**1,203**	**6,547**
Current Services:	**257**	**93**	**350**	**0**	**8**	**358**
Correctional Services	52	1	53	0	(1)	52
Mental Hygiene	35	1	36	0	(5)	31
State University	(17)	28	11	0	5	16
Children and Family Services	27	0	27	0	7	34
Environmental Conservation	1	(23)	(22)	0	0	(22)
Insurance	92	4	96	0	0	96
Stem Cell Research	0	85	85	0	0	85
All Other	67	(3)	64	0	2	66
Recommended Savings:	**(163)**	**(6)**	**(169)**	**0**	**10**	**(159)**
Software Bonding	(43)	0	(43)	0	0	(43)
Education	(5)	0	(5)	0	0	(5)
General Services	(10)	0	(10)	0	0	(10)
Maximize Revenues	(9)	6	(3)	0	9	6
Medical Parole	(5)	0	(5)	0	0	(5)
Auto Insurance Surcharge	(4)	4	0	0	0	0
HESC Student Default Fee	0	(32)	(32)	0	0	(32)
Efficiencies	(87)	16	(71)	0	1	(70)
New Initiatives:	**30**	**7**	**37**	**0**	**12**	**49**
Economic Development	10	0	10	0	0	10
Public Health	10	1	11	0	1	12
OMIG	4	0	4	0	4	8
Cook Chill Expansion	0	5	5	0	0	5
HAVA	0	0	0	0	5	5
All Other	6	1	7	0	2	9
2008-09 Executive Budget	**2,429**	**3,133**	**5,562**	**-**	**1,233**	**6,795**
Total Annual Change	*124*	*94*	*218*	*0*	*30*	*248*

Current Services

Correctional Services: Growth is driven primarily by the escalating costs of food, fuel, utilities and providing health care services and prescription drugs to inmates.

Mental Hygiene: Primarily reflects overall inflationary increases, including assumed 4 percent increases for energy costs; roughly 10 percent for pharmacy costs driven by increased drug costs and higher utilization ($29 million); and additional costs resulting from the Sex Offender Management and Treatment Act ($3 million).

State University: Primarily reflects funding for inflationary increases.

Children and Family Services: Growth is driven by the exhaustion of prior-year Federal revenues supporting development costs of the child welfare computer system ($5 million), the modernization of the child welfare computer system ($17 million), general inflation ($3 million), and projected Office for Technology rate increases for services provided to the agency ($1 million).

Environmental Conservation: Primarily reflects non-recurring spending in the oil spill compensation program.

Insurance: Reflects payments to be made to insurance companies in accordance with Timothy's Law.

Stem Cell Research: Growth is from additional funding for stem cell research which was included in the 2007-08 Enacted Budget.

Recommended Savings

Software Bonding: Recommends bonding software development costs for CONNECTIONS ($20 million), the Medicaid Management Information System ($10 million), the statewide Welfare Management System ($5 million), and the School Aid Management System ($2 million).

Education: Reflects a reduction in planned growth associated with the implementation of SED accountability measures.

General Services: Proposals include shifting maintenance costs to capital ($3 million), a planned reduction in energy consumption ($1 million) and replacing certain contractors with State employees ($1 million).

Maximize Revenues: Reflects a projected increase in Federal revenues earned in various OTDA programs which is used to lower General Fund costs, as well as the use of available Federal funding to support the New York Alert initiative.

Medical Parole: Establishes an expedited release process for inmates with terminal or incapacitating illnesses, leading to savings in pharmaceutical costs and outside hospital costs.

Auto Insurance Surcharge: Reflects an increase in the auto insurance surcharge from $5 to $10 in the portion of the fee used to support State Police highway and public safety activities.

Higher Education Services Corporation (HESC) Student Default Fees: HESC will discontinue coverage of the 1 percent default fee. The savings will be used to offset TAP expenses**.**

Efficiencies: Non-personal service spending efficiencies across nearly all State agencies including Mental Hygiene ($19 million), DOCS ($13 million) and SUNY ($9 million) are expected to generate savings in energy, utilities, and travel costs.

New Initiatives

Economic Development: Increased funding for the "I Love New York" and international trade programs, and funding for a new business marketing program.

Public Health: Authorizes funding for the State to directly enroll individuals in Medicaid, CHP and FHP.

Office of Medicaid Inspector General: Reflects investment in equipment, including data mining tools and cardswipe terminals.

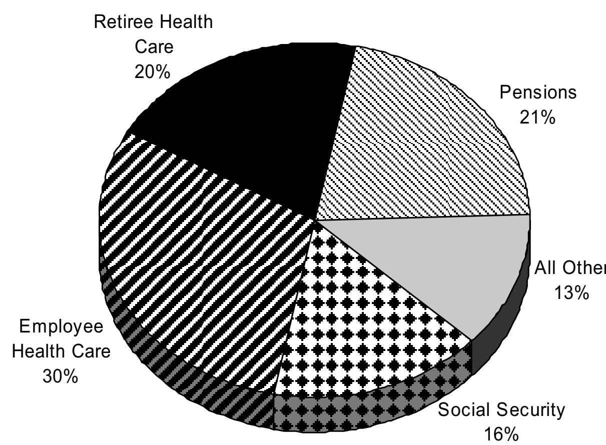
Cook/Chill Expansion: This proposal recommends increasing DOCS Cook-Chill food production to provide county jails outside of NYC with food for their inmates. These additional costs are expected to be offset by the revenue generated by the activity.

Help America Vote Act: Additional funding for the implementation of the Help America Vote Act to ensure compliant voting machines are available in the State.

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, and certain fixed costs paid by 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. Fixed 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
2008-09 All Funds Spending - $5.6 billion



For most agencies, employee fringe benefit costs are paid centrally from appropriations made to General State Charges. These centrally-paid fringe benefit costs represent the majority of General State Charges spending. However, certain agencies, such as the Judiciary and the State University of New York, directly pay all or a portion of their employees' fringe benefit costs from their respective budgets. Employee fringe benefits paid through the General State Charges account are paid from the General Fund in the first instance and then partially reimbursed by revenue collected from fringe benefit assessments on Federal funds and other special revenue accounts. The funding source of fringe benefit costs directly paid by certain agencies is dependent on the respective agencies' funding sources. Fixed costs are paid in full by General Fund revenues from the General State Charges account.

General State Charges Spending Projections
(millions of dollars)

	2007-08 Revised	Medicaid Transparency*	2007-08 Adjusted	2008-09 Proposed	Annual Change	Percent Change
General Fund	4,487	(1,506)	2,981	3,136	155	5.2%
Other State Support	639	835	1,474	1,496	22	1.5%
State Operating Funds	**5,126**	**(671)**	4,455	**4,632**	177	4.0%
Federal Operating Funds	243	671	914	924	10	1.1%
Total All Funds	**5,369**	**0**	**5,369**	**5,556**	**187**	3.5%

** For detailed discussion please see the "Medicaid Transparency" discussion earlier.*

All Funds spending on GSCs is expected to total $5.6 billion in 2008-09, and includes health insurance spending for employees ($1.7 billion) and retirees ($1.0 billion), pensions ($1.2 billion) and Social Security ($889 million). The annual changes are described in more detail below.

General State Charges Sources of Annual Spending Increase/(Decrease) from 2007-08 to 2008-09 (millions of dollars)						
	General Fund	Other State Funds	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
2007-08 Revised Estimate	**4,487**	**639**	**5,126**	**0**	**243**	**5,369**
Medicaid Transparency Adjustment	**(1,506)**	**835**	**(671)**	**0**	**671**	**0**
2007-08 Adjusted Estimate	**2,981**	**1,474**	**4,455**	**0**	**914**	**5,369**
Current Services:	**281**	**20**	**301**	**0**	**9**	**310**
Employee and Retiree Health Care	209	0	209	0	0	209
Pension Contribution	71	0	71	0	0	71
All Other	1	20	21	0	9	30
Recommended Savings:	**(126)**	**2**	**(124)**	**0**	**1**	**(123)**
Audit Savings	(17)	0	(17)	0	0	(17)
Pensions	(24)	0	(24)	0	0	(24)
Health Dividends	(50)	0	(50)	0	0	(50)
Waiver Savings	(18)	0	(18)	0	0	(18)
All Other	(17)	2	(15)	0	1	(14)
2008-09 Proposed	**3,136**	**1,496**	**4,632**	**0**	**924**	**5,556**
Annual Change	155	22	177	0	10	187

Current Services

Employee/Retiree Health Care: Spending for the State health plan is projected to increase by 5.0 percent in 2008-09, or by a total of $209 million for active employees and retirees.

Pension Contribution: Projected contributions to the New York State and Local Retirement Systems for fiscal year 2008-09 are based on estimated pension contribution rates provided by the State Comptroller. Baseline projections from the Comptroller show an employer pension contribution rate of 8.8 percent of payroll in 2008-09 compared to 9.7 percent in 2007-08. The increase of $71 million (6 percent) in 2008-2009 reflects large reconciliation charges in 2008-09 associated with larger-than-expected salary growth in 2006-07.

All Other: General Fund spending increases in employee benefit programs are driven by additional costs incurred as a result of planned workforce growth, primarily for Social Security costs ($16 million) and increases for taxes on public lands ($12 million). These increases are partially offset by higher escrow payments made by State agencies that reduce General Fund spending ($21 million).

Recommended Savings

Audit Savings: The Executive Budget recommends an eligibility audit to eliminate ineligible dependents from receiving health insurance coverage from the State ($16 million), as well as increasing audit recoveries through the addition of five audit staff ($1 million).

Pensions: Savings are derived from accelerating the State's pension payment from September 1, 2008 to May 1, 2008, resulting in interest savings.

Health Insurance Dividends: One-time use of health insurance dividends to pay for health care spending in 2008-09.

Waiver Savings: Savings are expected from efforts to ensure all non-General Fund State programs are paying their appropriate share of fringe benefit costs. In 2008-09, approximately $18 million in savings will be realized from the cessation of certain fringe benefit waivers which had previously been granted.

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 (i.e., Empire State Development Corporation (ESDC), the Dormitory Authority of the State of New York (DASNY), and the Thruway Authority (TA) 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.

For a more complete discussion on State debt levels, debt service costs and debt management initiatives, please refer to the 2008-09 Executive Budget Five-Year Capital Program and Financing Plan available on the DOB website.

Debt Service Spending Projections (millions of dollars)

	2007-08 Revised	2008-09 Proposed	Annual Change	Percent Change
General Fund	**1,557**	**1,692**	**135**	**8.7%**
Other State Support	2,735	2,936	201	7.3%
State Operating Funds	**4,292**	**4,628**	**336**	**7.8%**
Capital Projects Funds	**0**	**0**	**0**	**0.0%**
Total All Funds	**4,292**	**4,628**	**336**	**7.8%**

All Funds debt service is projected at $4.6 billion in 2008-09, of which $1.7 billion is paid from the General Fund through transfers and $2.9 billion from other State funds. Debt service is paid on revenue credits supported by dedicated taxes and fees and patient income, including Personal Income Tax Revenue bonds, Dedicated Highway and Bridge Trust Fund bonds and Mental Health facilities bonds, as well as service contract bonds that are secured mainly by the General Fund.

Debt Service Sources of Annual Spending Increase/(Decrease) from 2007-08 to 2008-09 (millions of dollars)					
	General Fund	Other State Funds	Total State Operating Funds	Capital Projects Funds	Total All Funds
2007-08 Revised Estimates	**1,557**	**2,735**	**4,292**	**0**	**4,292**
Current Services:	**135**	**232**	**367**	**0**	**367**
Recommended Savings:	**0**	**(31)**	**(31)**	**0**	**(31)**
2008-09 Proposed	1,692	2,936	4,628	0	4,628
Annual Change	135	201	336	0	336

Current Services

Underlying Growth: Primarily reflects increases in debt service costs to support ongoing capital spending. The increased spending is for education purposes ($158 million, of which $68 million is for EXCEL), transportation ($112 million), health and mental hygiene ($65 million), and economic development and housing ($63 million), as offset by slightly reduced spending for State facilities and equipment ($18 million) and the $250 million Debt Reduction Reserve Fund spending in 2007-08. In addition, spending for SUNY educational facilities and the Local Government Assistance Corporation (LGAC) increased by $222 million due to the timing of debt service payments made during 2006-07. Variable interest rates are projected at 3.15 percent for 2008-09, slightly lower than 2007-08 levels of 3.55 percent.

The State continues to implement measures to reduce growth in debt service costs, such as using highly rated personal income tax revenue bonds (in lieu of more costly service contract bonds) to finance a variety of capital programs.

Recommended Savings

Reflects $31 million in savings from a variety of debt management actions, including continuing increased competitive processes for bond sales, maximizing savings opportunities through consolidated service contract refunding structures and more flexible personal income tax new money structures, and – if market conditions become more favorable – further diversifying the State's debt portfolio with variable rate obligations and interest rate exchange agreements. The State will also continue to use less costly AAA-rated (by Standard and Poor's) personal income tax bonds to reduce borrowing costs.

New Initiatives

A number of new capital initiatives are proposed to be bond-financed with the Executive Budget. These include increased capital programs for SUNY and CUNY ($2.9 billion), over $1 billion for various economic development initiatives and capital enhancements at State parks, $75 million of bond-eligible capital spending from the Environmental Protection Fund (EPF), and $65 million of software development costs.

The newly recommended bond-financed capital programs are expected to have a minimal impact on 2008-09 debt service spending, although they will produce higher costs in later years. The recommended additions are explained in detail in the 2008-09 Executive Budget Five-Year Capital Program and Financing Plan available on the DOB website.

Capital Projects

The following section briefly summarizes activity in Capital Projects Funds. A complete explanation of the State's capital programs is contained in the Five-Year Capital Program and Financing Plan.

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

Capital Projects Spending Projections (millions of dollars)

	2007-08 Revised	2008-09 Proposed	Annual Change	Percent Change
General Fund	**93**	**366**	**272**	**291.7%**
Other State Support	4,666	5,589	923	19.8%
State Funds	**4,759**	**5,955**	**1,195**	**25.1%**
Federal Funds	1,885	1,973	87	4.6%
All Funds	**6,645**	**7,927**	**1,282**	**19.3%**

All Funds capital spending is projected at $6.6 billion in 2007-08 and $7.9 billion in 2008-09. In fiscal year 2008-09, transportation spending, primarily for improvements and maintenance to the State's highways and bridges, continues to account for the largest share (51 percent) of this total. The balance of projected spending will support capital investments in the areas of economic development and government oversight (12 percent), education (10 percent), mental hygiene and public protection (9 percent), and parks and the environment (8 percent). The remainder of projected capital projects spending will be spread across health and social welfare, general government and other areas (10 percent).

Capital Projects
Sources of Annual Spending Increase/(Decrease)
(millions of dollars)

	General Fund	State Funds	Federal Funds	All Funds
Current Services:	**271**	**567**	**87**	**925**
Transportation	118	119	106	343
Economic Development	112	88	0	200
Higher Education/Education	0	94	0	94
All Other Reestimates	41	266	(19)	288
Recommended Savings:	**(3)**	**0**	**0**	**(3)**
All Agencies	(3)	0	0	(3)
New Initiatives:	**4**	**356**	**0**	**360**
Economic Development	0	90	0	90
Environment	0	75	0	75
Transportation	0	74	0	74
Higher Education/Education	4	55	0	59
All Other Additions	0	62	0	62
Annual Change	**272**	**923**	**87**	**1,282**

Current Services

The projected $200 million spending increase for economic development reflects the cumulative impacts of initiatives begun over the previous several years. They include projects at State University facilities and its Research Foundation and private universities; various local projects across the State; cultural facilities needs, and energy-related projects. The $343 million increase for transportation reflects spending for ongoing commitments, including $106 million in Federal grants and $181 million for spending from the 2005 Rebuild and Renew New York General Obligation Bond Act, as those projects begin to spend more fully. The $403 million increase for other spending is spread across all other program areas, including $163 million for mental hygiene and public protection projects, $86 million for higher education projects, and $90 million for DOH projects (primarily HEAL-NY).

Recommended Savings

Approximately $3 million has been identified as savings for shifting environmental spending to bond financing.

New Initiatives

Please see the 2008-09 Executive Budget Capital Program and Financing Plan for a complete discussion of Capital investments recommended in the Executive Budget.

Non-Recurring Resources

The State typically uses some non-recurring resources each year to support its operations. The Executive Budget uses approximately $1.1 billion of non-recurring resources to balance the General Fund Financial Plan and another $337 million in labor reserves to finance expected collective bargaining costs. The following table summarizes the non-recurring actions.

General Fund Non-Recurring Resources
(millions of dollars)

	2008-09
Belmont Development Rights	250
Partial Restoration of NYC AIM	164
Bonding Capital projects Originally Planned to be Cash Financed	110
Transfer SONYMA Excess Balances to the General Fund	100
Additional 5 Percent Tax Prepayment	95
Sweep Excess EPF Fund Balances to General Fund	80
Recovery of Early Intervention Overpayments to New York City	60
Bond Eligible Software Costs	63
Abandoned Property	50
Mental Hygiene: Federal PIA revenues/Cash Managemnt	66
Student Loan Default Fee	27
Interest Savings for Pension Bill Prepayment	24
Sweep Excess Motor Vehicle Fund Balances to General Fund	16
All other	34
Total One-Time Resources	**1,139**
Use of Reserves to Finance Labor Settlements	337
Total Non-Recurring Resources	**1,476**

There are two significant non-recurring transactions in 2008-09. The first is a potential payment for development rights at Belmont Park. The second is a partial restoration of an aid payment to New York City under the AIM program. The 2008-09 current services budget included a full restoration of the payment that had been reduced to $20 million in 2007-08. Other one-time actions include:

- Bonding certain costs related to the Environmental Protection Fund, the Department of Education, the Office General Services, and software development capital projects originally planned to be cash financed;
- Recovering overpayments made to New York City for Early Intervention claims;
- Accelerating the payment of certain tax liabilities within the calendar year;
- Using one-time Federal revenues that are expected as a result of accelerated Disproportionate Share and Prepaid Mental Health Program claiming for services provided to mental hygiene consumers, revenue maximization in Day Habilitation services, increased Medicare enrollments, residential conversions, and measured bed development; and
- Assigning financial responsibility for the payment of a 1 percent student loan default fee from the State to the actual borrowers.

The remaining actions generally consist of routine sweeps and fund balances.

GENERAL FUND FINANCIAL PLAN OUT-YEAR PROJECTIONS (2009-10 Through 2011-12)

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. The following discussion of out-year projections focuses on the State's General Fund, since that is the fund that is required to be balanced.

Current Services Gaps

The current services gaps, which form the starting point for developing the Executive Budget projections, are calculated at $6.2 billion in 2009-10, $7.7 billion in 2010-11, and $9.5 billion in 2011-12. Since the Mid-Year Update, DOB has revised its current services forecasts for receipts and disbursements for 2009-10 and 2010-11 and calculated an estimate of the 2011-12 gap.

Executive Budget Impact on the Out-Year Gaps

The recommendations set forth in the Budget result in a balanced General Fund Financial Plan in 2008-09 and reduce projected out-year budget gaps to $3.3 billion in 2009-10, $5.7 billion in 2010-11, and $6.8 billion in 2011-12. The projections assume that the Legislature will enact the 2008-09 Executive Budget recommendations in their entirety.

The following tables summarize the impact of the 2008-09 Budget recommendations on the 2009-10 through 2011-12 budget gaps, as well as the annual changes in projected receipts, disbursements, and the use of reserves.

General Fund Budget-Balancing Plan: 2008-09 Executive Budget (millions of dollars)

	2008-09	2009-10	2010-11	2011-12
Current Services Gaps	**(4,422)**	**(6,154)**	**(7,697)**	**(9,454)**
Savings Plan:	4,838	3,741	3,507	4,071
Savings Actions	2,253	2,495	2,274	2,832
Revenue Initiatives	1,109	1,267	1,254	1,260
Non-recurring Actions	1,139	(21)	(21)	(21)
Use of Reserves for Labor Settlements	337	0	0	0
New Initiatives:	**(416)**	**(874)**	**(1,497)**	**(1,438)**
Executive Budget Gaps	**0**	**(3,287)**	**(5,687)**	**(6,821)**

After recommendations, General Fund spending is projected to grow at an average annual rate of 8.0 percent. The spending is driven by School Aid investments, rising costs for education, public health care, the State-financed cap on local Medicaid spending, employee and retiree health benefits, local government aid and child welfare programs, and the recommended initiatives for health care and human services cost-of-living-adjustment. Over the same period, General Fund receipts are estimated to grow at approximately 5 percent a year, consistent with the DOB's forecast of moderating economic growth. The following table summarizes the General Fund projections by major tax and Financial Plan category.

General Fund Executive Budget Forecast (millions of dollars)	2008-09	2009-10	2010-11	2010-12
Receipts				
Taxes	41,671	43,951	45,940	48,651
Personal Income Tax	24,391	25,897	27,415	29,315
User Taxes and Fees	8,832	8,913	9,251	9,620
Business Taxes	7,254	7,816	7,866	8,218
Other Taxes	1,194	1,325	1,408	1,498
Miscellaneous Receipts	2,238	2,186	2,261	2,060
Federal Grants	41	0	0	0
Transfers from Other Funds	12,392	12,587	13,142	13,816
PIT in Excess of Revenue Bond Debt Service	8,769	9,199	9,647	10,154
Sales Tax in Excess of LGAC Debt Service	2,314	2,331	2,436	2,556
Real Estate Taxes in Excess of CW/CA Debt Service	615	596	599	608
All Other	694	461	460	498
Total Receipts	**56,342**	**58,724**	**61,343**	**64,527**
Disbursements				
Grants to Local Governments	41,860	45,919	49,833	53,013
State Operations	8,863	9,236	9,780	10,046
General State Charges	3,136	3,806	4,087	4,386
Transfers to Other Funds	2,883	3,112	3,481	3,982
Debt Service	1,692	1,680	1,706	1,673
Capital Projects	366	574	930	997
Other Purposes	825	858	845	1,312
Total Disbursements	**56,742**	**62,073**	**67,181**	**71,427**
Change in Reserves				
Prior Year Reserves	(337)	0	0	0
Community Projects Fund	(63)	(62)	(151)	(79)
Deposit to/(Use of) Reserves	**(400)**	**(62)**	**(151)**	**(79)**
Revised Budget Surplus/(Gap) Estimate	**0**	**(3,287)**	**(5,687)**	**(6,821)**

In evaluating the State's out-year 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 State will provide quarterly revisions to its multi-year estimates.

The following chart provides a "zero-based" look at the causes of the 2009-10 General Fund budget gap, followed by a brief summary of the assumptions behind the projections. For a detailed explanation of the assumptions underlying the out-year revenue and spending projections, see "Out-year General Fund Receipt Projections" and "Out-year General Fund Disbursement Projections" later in this AIS Update.

2009-10 General Fund Annual Change Savings/(Costs) (millions of dollars)	
	2009-10
RECEIPTS	**2,382**
Constant Law Growth	3,394
Change in STAR Deposits	(710)
Change in Debt Service (RBTF/LGAC/CWCA)	(302)
DISBURSEMENTS	**(5,331)**
Local Assistance	**(4,059)**
Medicaid (incl. admin)	(1,488)
Program Growth/Other	*(1,229)*
Medicaid Cap/Family Health Plus Takeover	*(259)*
School Aid	(1,793)
Other Education Aid	(132)
Children and Family Services	(133)
Local Government Aid	(239)
All Other Local Assistance	(274)
State Operations	**(373)**
Personal Service	(246)
Non-personal Service	(127)
General State Charges	**(670)**
Health Insurance	(228)
Pensions	(71)
All Other	(371)
Transfers to Other Funds	**(229)**
Change in Reserves Used for Operations	**(338)**
"CURRENT SERVICES" BUDGET GAP FOR 2009-10	**(3,287)**

The forecast for 2009-10 is based on assumptions of economic performance, revenue collections, spending patterns, and projections for the current services costs of program activities, and assumes enactment of the Executive Budget in its entirety. DOB believes the estimates of annual change in revenues and spending that create the 2009-10 current services gap forecast are based on reasonable assumptions and methodologies. Significant assumptions that affect the forecast include:

- **The Executive Budget will be enacted without modification.** The estimates assume that any legislative changes to the 2008-09 Executive Budget would be matched with a corresponding amount of recurring resources.
- **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 below average, growth through calendar year 2008 and a return to trend growth in the out-years.
- **Revenues, adjusting for tax law changes, will grow in the range of 5.2 percent to 6.1 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 unsettled labor settlements.** The Financial Plan projections do not include spending for unions that have not yet reached tentative labor settlements with the State. These include unions representing uniformed officers and the Public Employees Federation. DOB estimates that if all the unsettled unions were to agree to the same terms that have been ratified by the Civil Service Employees Association, it would result in added costs of $144 million in 2007-08, $303 million in 2008-09, $444 million in 2009-10, and $636 million in 2010-11. Financial Plan reserves set aside for this purpose are sufficient to cover all but $183 million of these costs through 2009-10.
- **The projections do not assume the use of one-time resources.** In a typical year, however, the Financial Plan usually includes some such resources.

Changes to these or other assumptions have the potential to materially alter the size of the budget gaps for 2009-10 and beyond.

Out-Year General Fund Receipts Projections

General Fund Receipts Projections
(millions of dollars)

	2008-09	2009-10	Annual $ Change	2010-11	Annual $ Change	2011-12	Annual $ Change
Receipts							
Personal Income Tax	24,391	25,897	1,506	27,415	1,518	29,315	1,900
User Taxes and Fees	8,832	8,913	81	9,251	338	9,620	369
Business Taxes	7,254	7,816	562	7,866	50	8,218	352
Other Taxes	1,194	1,325	131	1,408	83	1,498	90
Miscellaneous Receipts	2,238	2,186	(52)	2,261	75	2,060	(201)
Federal Grants	41	0	(41)	0	0	0	0
Transfers from Other Funds	12,392	12,587	195	13,142	555	13,816	674
PIT in Excess of Revenue Bond Debt Service	8,769	9,199	430	9,647	448	10,154	507
Sales Tax in Excess of LGAC Debt Service	2,314	2,331	17	2,436	105	2,556	120
Real Estate Taxes in Excess of CW/CA Debt Service	615	596	(19)	599	3	608	9
All Other	694	461	(233)	460	(1)	498	38
Total Receipts	**56,342**	**58,724**	**2,382**	**61,343**	**2,619**	**64,527**	**3,184**

Fiscal Years 2009-10, 2010-11 and 2011-12 Overview

Overall, tax receipts growth in the three fiscal years following 2008-09 is expected to remain in the range of 4.8 to 6.0 percent. This is consistent with a projected return to trend economic growth in the U.S. and New York economies in the second half of 2008. Receipt growth is supported by proposals contained with this Budget that eliminate unintended tax loopholes, reform and simplify the Tax Law, and supplement Department of Taxation and Finance efforts to find non-compliant and fraudulent taxpayers. These factors are expected to continue to enhance expected receipt growth through 2011-12.

- Total General Fund receipts are projected to reach nearly $59 billion in 2009-10, over $61 billion in 2010-11 and nearly $65 billion in 2011-12.
- Total State Funds receipts are projected to be approximately $85 billion in 2009-10, over $88 billion in 2010-11 and nearly $92 billion in 2011-12.

- Total All Funds receipts in 2009-10 are projected to reach over $128 billion, an increase of $5.0 billion, or 4.1 percent from 2008-09 estimates. All Funds receipts in 2010-11 are expected to increase by nearly $5.1 billion (4.0 percent) over the prior year. In 2011-12, receipts are expected to increase by nearly $5.0 billion (3.7 percent) over 2010-11 projections.

- All Funds tax receipts are expected to increase by 6.0 percent in 2009-10, 4.8 percent in 2010-11 and 5.5 percent in 2011-12. Again, the growth pattern is consistent with an economic forecast of continued, but slower, economic growth.

Out-Year General Fund Disbursement Projections

DOB forecasts General Fund spending of $62.1 billion in 2009-10, an increase of $5.3 billion (9.4 percent) over recommended 2008-09 levels. Growth in 2010-11 is projected at $5.1 billion (8.2 percent) and in 2011-12 at $4.2 billion (6.4 percent). The growth levels are based on current services projections, as modified by the recommendations contained in the 2008-09 Executive Budget. They do not incorporate any estimate of potential new actions to control spending, that would likely result from the constitutional requirement for the Governor to submit balanced budgets annually. The main sources of annual spending growth for 2009-10, 2010-11, and 2011-12 are itemized in the table below.

Grants to Local Governments

Out-year Disbursement Projections - General Fund
(millions of dollars)

	2008-09	2009-10	Annual $ Change	2010-11	Annual $ Change	2011-12	Annual $ Change
Grants to Local Governments:	**41,860**	**45,919**	**4,059**	**49,833**	**3,914**	**53,013**	**3,180**
School Aid	17,441	19,234	1,793	21,273	2,039	22,789	1,516
Medicaid (including administration)	11,785	13,014	1,229	13,872	858	14,765	893
Medicaid: Takeover Initiatives	939	1,198	259	1,539	341	1,920	381
Mental Hygiene	2,057	2,115	58	2,320	205	2,496	176
Children and Family Services	1,760	1,893	133	2,065	172	2,213	148
Local Government Assistance	1,137	1,376	239	1,440	64	1,410	(30)
Higher Education	2,470	2,540	70	2,602	62	2,623	21
Public Health	644	747	103	796	49	817	21
Other Education Aid	1,702	1,834	132	1,936	102	2,043	107
Temporary and Disability Assistance	1,167	1,240	73	1,240	0	1,242	2
Transportation	105	105	0	105	0	105	0
All Other	653	623	(30)	645	22	590	(55)
State Operations:	**8,863**	**9,236**	**373**	**9,780**	**544**	**10,046**	**266**
Personal Service	6,434	6,680	246	7,114	434	7,293	179
Non-Personal Service	2,429	2,556	127	2,666	110	2,753	87
General State Charges	**3,136**	**3,806**	**670**	**4,087**	**281**	**4,386**	**299**
Pensions	1,216	1,287	71	1,285	(2)	1,342	57
Health Insurance (Active Employees)	1,652	1,790	138	1,950	160	2,127	177
Health Insurance (Retired Employees)	1,039	1,129	90	1,233	104	1,347	114
Medicaid Adjustment	(1,506)	(1,136)	370	(1,135)	1	(1,207)	(72)
All Other	735	736	1	754	18	777	23
Transfers to Other Funds:	**2,883**	**3,112**	**229**	**3,481**	**369**	**3,982**	**501**
Debt Service	1,692	1,680	(12)	1,706	26	1,673	(33)
Capital Projects	366	574	208	930	356	997	67
All Other	825	858	33	845	(13)	1,312	467
TOTAL DISBURSEMENTS	**56,742**	**62,073**	**5,331**	**67,181**	**5,108**	**71,427**	**4,246**

Annual growth in local assistance is driven primarily by School Aid, Medicaid, local government assistance, other education aid and children and family services. The following table summarizes some of the factors that affect the local assistance projections over the Financial Plan period.

Forecast for Selected Program Measures Affecting Local Assistance
(millions of dollars, where applicable)

	Actual	Forecast				
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Medicaid						
Medicaid Enrollment	3,608,075	3,581,311	3,665,541	3,746,047	3,994,438	4,149,548
Family Health Plus Enrollment	514,058	525,596	545,996	563,084	605,390	605,390
Child Health Plus Enrollment	388,187	396,375	460,614	494,112	499,053	504,043
Medicaid Inflation	2.4%	2.0%	2.9%	3.0%	3.0%	3.0%
Medicaid Utilization	1.1%	-3.3%	1.6%	3.3%	3.7%	4.0%
State Takeover of County/NYC Costs (Total)	$622	$677	$939	$1,198	$1,539	$1,920
- Family Health Plus	$424	$442	$453	$467	$484	$484
- Medicaid*	$198	$235	$486	$731	$1,055	$1,436
Education						
School Aid (School Year)	$17,800	$19,600	$21,000	$23,100	$25,600	$27,200
K-12 Enrollment	2,783,153	2,758,856	2,758,856	2,758,856	2,758,856	2,758,856
Public Higher Education Enrollment (FTEs)	499,082	512,362	518,431	525,408	529,133	528,780
TAP Recipients	320,930	312,779	309,436	310,936	312,686	314,861
Welfare						
Family Assistance Caseload	402,348	348,901	339,686	344,328	331,340	329,517
Single Adult/No Children Caseload	158,513	158,576	166,597	172,876	179,708	186,053
Mental Hygiene						
Mental Hygiene Community Beds	81,737	85,058	87,731	90,520	92,614	95,332

Medicaid

General Fund spending for Medicaid is expected to grow by $1.5 billion in 2009-10, $1.1 billion in 2010-11, and another $1.3 billion in 2011-12.

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 (i.e., hospitals, nursing homes, etc.). The State cap on local Medicaid costs and takeover of local FHP costs, which are included in base categories of service, are projected to increase spending by $262 million in 2008-09, $259 million in 2009-10, and $341 million in 2010-11. In 2009-10, an extra weekly payment to providers adds $300 million in base spending across all categories of service. The remaining growth is primarily attributed to the available resources in other State Funds which are used to lower General Fund costs, including 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.

The average number of Medicaid recipients is expected to grow to 3.7 million in 2008-09, an increase of 2.4 percent from the estimated 2007-08 caseload of more than 3.6 million. FHP enrollment is estimated to grow to approximately 546,000 individuals in 2008-09, an increase of 3.8 percent over projected 2007-08 enrollment of almost 526,000 individuals.

School Aid

Multi-Year School Aid Projection -- School-Year Basis (millions of dollars)

	2007-08	2008-09	Annual $ Change	2009-10	Annual $ Change	2010-11	Annual $ Change	2011-12	Annual $ Change
Foundation Aid	13,644	14,543	899	16,000	1,457	17,900	1,900	18,800	900
Universal Pre-kindergarten	373	452	79	542	90	632	90	657	25
High Tax Aid	100	100	0	100	0	100	0	100	0
Supplemental Public Excess Cost	20	0	(20)	0	0	0	0	0	0
New York City Academic Achievement Grant	89	179	90	179	0	179	0	179	0
EXCEL Building Aid	70	135	65	179	44	191	12	191	0
Expense-Based Aids (Building, Transportation, High Cost and Private Excess Cost, BOCES)	4,634	4,961	327	5,400	439	5,800	400	6,300	500
Other Aid Categories/Initiatives	628	645	17	700	55	798	98	973	175
Total School Aid	**19,558**	**21,015**	**1,457**	**23,100**	**2,085**	**25,600**	**2,500**	**27,200**	**1,600**
Cumulative Increase since 2006-07	***1,723***		***3,180***		***5,265***		***7,765***		***9,365***

On a school-year basis, School Aid is projected at $23.1 billion in 2009-10, $25.6 billion in 2010-11, and $27.2 billion in 2011-12. On a State fiscal-year basis, General Fund School Aid spending is projected to grow by $1.8 billion in 2009-10, $2.0 billion in 2010-11, and $1.5 billion in 2011-12. Outside the General Fund, revenues from core lottery sales are projected to increase by $161 million in 2009-10, $74 million in 2010-11, and $108 million in 2011-12 (totaling $2.5 billion in 2011-12). Revenues from VLTs are projected to total $764 million in 2008-09, then decrease by $120 million in 2009-10 following the expected one-time receipt of $250 million in revenues during 2008-09 for the sale of development rights. They are then projected to increase by $243 million in 2010-11 and $229 million in 2011-12. VLTs are expected to total $1.1 billion in 2011-12. The VLT estimates assume the start of operations at Aqueduct in 2009-10 and Belmont in 2010-11.

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.

Mental Hygiene

Mental Hygiene spending is projected at $2.1 billion in 2009-10, $2.3 billion in 2010- 11, and $2.5 billion in 2011-12. Sources of growth include: increases in the projected State share of Medicaid costs; cost-of-living increases, including a proposed three-year extension of the human services COLA; and projected expansions of the various mental hygiene service systems including the OMH's children's services; increases in the NYS-CARES program and in the development of children's beds in OMRDD to bring children back from out-of-state placements; the NY/NY III Supportive Housing agreement and community bed expansion in OMH; and several new chemical dependence treatment and prevention initiatives in OASAS.

Children and Family Services

Children and Family Services local assistance spending is projected to grow by $133 million in 2009-10, $172 million in 2010-11 and $148 million in 2011-12. The increases are driven primarily by expected growth in local child welfare claims, the implementation of the OCFS Medicaid waiver, and cost-of-living increases for human services providers through 2011-12.

Temporary and Disability Assistance

Spending is projected at $1.2 billion in 2009-10, an increase of $73 million from 2008-09, and is expected at the same level through 2011-12. Although public assistance caseload is projected to increase marginally between 2009-10 and 2011-12, this spending is countered by an increase in Federal offsets, which decrease the level of General Fund resources needed.

Other Local Assistance

All other local assistance programs total $4.7 billion in 2009-10, an increase of $444 million over 2008-09 levels. This growth in spending primarily reflects increases in local government assistance including a full restoration of unrestricted aid to New York City ($164 million), and additional AIM funding ($75 million), various public health program costs, and other education aid.

State Operations

Forecast of Selected Program Measures Affecting State Operations

	Actual	Forecast				
	2006-07	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
State Operations						
Prison Population (Corrections)	63,577	62,800	62,200	61,800	61,600	61,400
Negotiated Salary Increases (1)	3.0%	3.0%	3.0%	3.0%	4.0%	0.0%
Personal Service Inflation	0.8%	1.0%	1.0%	1.0%	1.0%	1.0%
State Workforce	195,526	199,424	201,270	202,388	202,388	202,388

(1) Negotiated salary increases reflect recent labor settlements included in the Financial Plan estimates

State Operations spending is expected to total $9.2 billion in 2009-10, an annual increase of $373 million (4.2 percent). In 2010-11, spending is projected to grow by another $544 million (5.9 percent) to a total of $9.8 billion, followed by another $266 million (2.7 percent) for a total of $10.0 billion in 2011-12. The personal service portion of these increases reflects the impact of the settled labor contracts; salary adjustments for performance advances, longevity payments and promotions; and increased staffing levels, primarily in the Judiciary and Mental Hygiene. 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 agencies experiencing the most significant personal service and non-personal service growth are depicted in the charts below, followed by brief descriptions.

Personal Service

General Fund - Personal Service
(millions of dollars)

	2008-09	2009-10	Annual $ Change	2010-11	Annual $ Change	2011-12	Annual $ Change
Total	**6,434**	**6,680**	**246**	**7,114**	**434**	**7,293**	**179**
Collective Bargaining	336	510	174	756	246	756	0
Correctional Services	1,804	1,821	17	1,847	26	1,866	19
Judiciary	1,498	1,511	13	1,640	129	1,777	137
Environmental Conservation	99	107	8	107	0	107	0
All Other	2,697	2,731	34	2,764	33	2,787	23

- **Collective Bargaining:** Reflects the impact of settled labor negotiations which provide a 3 percent salary increase each year beginning in 2007-08 and a 4 percent increase in the final year (2010-11). The settled unions represent roughly one-half of total costs.

- **Correctional Services:** Growth is attributable primarily to the Sex Offender Management and Treatment Act and the restricted use of special housing units for mentally ill inmates, which are expected to result in an increased need for correction officers, thus driving higher workforce levels and costs.

- **Judiciary:** Reflects Office of Court Administration (OCA) projections for non-judicial OCA employees, as well as the annualization of prior-year Judiciary actions, including increasing the number of full-time judges and adding Court of Claims and Family Judges.

- **Environmental Conservation:** Out-year General Fund personal service increases stem from the continued impact of the Administrative Law Enforcement Settlement (ALES) and out-year impacts of 2008-09 Executive Budget recommendations.

Non-Personal Service

General Fund - Non-Personal Service (millions of dollars)

	2008-09	2009-10	Annual $ Change	20010-11	Annual $ Change	2011-12	Annual $ Change
Total	**2,429**	**2,556**	**127**	**2,666**	**110**	**2,753**	**87**
Correctional Services	627	660	33	698	38	741	43
State Police	56	78	22	77	(1)	77	0
Public Health	127	146	19	165	19	169	4
Temporary and Disability Assistance	37	55	18	56	1	59	3
State University	443	453	10	471	18	491	20
All Other	1,139	1,164	25	1,199	35	1,216	17

- **Correctional Services:** Growth is primarily driven by the escalating costs of food, fuel, utilities, and providing health care services and prescription drugs to inmates.

- **State Police:** Spending growth reflects costs previously supported by cellular surcharge revenues in other State funds that will be supported by General Fund revenues in 2009-10.

- **Public Health:** Growth is largely driven by the annualization in the Executive Budget recommendation providing funding for the State to directly enroll individuals into Medicaid, Child Health Plus and Family Health Plus.

- **Temporary and Disability Assistance:** Spending will increase in 2009-10 as one-time actions, including Federal revenue maximization and bonding of software development costs, do not recur.

- **State University:** Primarily reflects funding for inflationary increases in non-personal service at SUNY.

General State Charges

Forecast of Selected Program Measures Affecting General State Charges	Actual	Forecast				
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
General State Charges						
Pension Contribution Rate as % of Salary	10.2%	9.7%	8.8%	9.0%	9.0%	9.3%
Employee/Retiree Health Insurance Growth Rates	10.3%	5.5%	5.5%	9.5%	9.5%	9.5%

General State Charges are projected to total $3.8 billion in 2009-10, $4.1 billion in 2010-11 and $4.4 billion in 2011-12. The annual increases are due mainly to anticipated cost increases in pensions and health insurance for State employees and retirees. Additional growth is projected in 2009-10 resulting from the Medicaid adjustment transaction described earlier.

The State's pension contribution rate to the New York State and Local Retirement System, which is 8.8 percent of payroll for 2008-09, is expected to increase to 9.0 percent for 2009-10 and 2010-11 and to 9.3 percent in 2011-12. Pension costs in 2009-10 are projected to total $1.3 billion, an increase of $71 million over 2008-09 due to projected growth in the salary base. In 2010-11, pension costs are expected to remain virtually unchanged. In 2011-12, they are expected to increase by $57 million due to an anticipated increase in the State contribution rate.

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

	Health Insurance		
Year	Active Employees	Retirees	Total State
2006-07	1,518	913	2,431
2007-08	1,572	992	2,564
2008-09	1,652	1,039	2,691
2009-10	1,790	1,129	2,919
2010-11	1,950	1,233	3,183
2011-12	2,127	1,347	3,474

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

Spending for employee and retiree health care costs is expected to increase by $228 million in 2009-10, $264 million in 2010-11, and another $291 million in 2011-12 and assumes an average annual premium increase of roughly 9.5 percent. Health insurance is projected at $2.9 billion in 2009-10 ($1.8 billion for active employees and $1.1 billion for retired employees), $3.2 billion in 2010-11 ($2.0 billion for active employees and $1.2 billion for retired employees) and $3.4 billion in 2011-12 ($2.1 billion for active employees and $1.3 billion for retired employees).

See discussion of the Governmental Accounting Standards Board (GASB) 45, later in this AIS Update under the "Special Considerations" section, for the valuation of future State health insurance costs for State employees.

Transfers to Other Funds

Out-Year Disbursement Projections - Transfers to Other Funds (millions of dollars)	2008-09	2009-10	Annual Change	2010-11	Annual Change	2011-12	Annual Change
Transfers to Other Funds:	**2,883**	**3,112**	**229**	**3,481**	**369**	**3,982**	**501**
Debt Service	1,692	1,680	(12)	1,706	26	1,673	(33)
Capital Projects	366	574	208	930	356	997	67
Dedicated Highway and Bridge Trust Fund	119	212	93	586	374	689	103
All Other Capital	247	362	115	344	(18)	308	(36)
All Other Transfers	825	858	33	845	(13)	1,312	467
Medicaid Payments for State Facility Patients	174	174	0	174	0	174	0
Judiciary Funds	156	167	11	177	10	184	7
HCRA	0	0	0	0	0	464	464
SUNY- Hospital Operations	141	159	18	167	8	167	0
Banking Services	63	63	0	63	0	63	0
Empire State Stem Cell Trust Fund	50	35	(15)	0	(35)	0	0
Statewide Financial System	6	25	19	30	5	25	(5)
All Other	235	235	0	234	(1)	235	1

In 2009-10, transfers to other funds are estimated at $3.1 billion, an increase of $229 million over 2008-09. This increase includes potential transfers to the Dedicated Highway and Bridge Trust Fund aimed at reducing fund gaps and an increase in other capital transfers of $115 million.

All other transfers are expected to increase by $33 million from 2008-09. The most significant changes include an increase in the State's SUNY subsidy to hospitals and a decline in General Fund transfers to support stem cell research, as support is transitioned from the General Fund to the Health Care Resources Fund beginning in 2009-10.

In 2010-11, transfers to other funds are expected to increase by $369 million. This reflects expected growth in General Fund support to the Dedicated Highway and Bridge Trust Fund, partially offset by the shift in stem cell research support described above. In 2011-12 transfers are expected to increase by $501 million, mainly to provide subsidies to HCRA and the Dedicated Highway and Bridge Trust Fund.

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FINANCIAL PLAN RESERVES AND RISKS

Reserves

In January 2007, the State created a new statutory Rainy Day Reserve 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 State plans to make its first deposit of $175 million by the end of 2007-08. When combined with the existing Tax Stabilization Reserve, which has an authorized 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 now totals 5 percent of General Fund spending.

The State projects that General Fund reserves will total $2.2 billion at the end of 2008-09, with $1.2 billion in undesignated reserves available to deal with unforeseen contingencies and $1.0 billion designated for subsequent use.

The $1.2 billion of undesignated reserves includes a balance of $1 billion in the Tax Stabilization Reserve, $175 million in the new Rainy Day Reserve, and $21 million in the Contingency Reserve Fund for litigation risks.

The designated reserves consist of $708 million set aside for potential labor settlements (after the use of $477 million for existing settlements) and $291 million in the Community Projects Fund to finance existing initiatives.

Aside from the amounts noted above, the 2008-09 Financial Plan does not have 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.

Risks

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 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 Economic Forecast

At the national level, the DOB outlook calls for a slowdown in growth for much of 2008 but does not anticipate a recession at this time. However, there are a number of risks to the forecast. Larger financial sector write-downs associated with the subprime mortgage debacle could result in a more severe credit situation than anticipated and result in lower business investment in plant and equipment than projected. Should the housing market contraction be even deeper than reflected in the current forecast, residential investment could take even longer to recover. Moreover, if housing prices fall further than anticipated, the rate of foreclosure could jump even higher than expected, impacting both construction spending and household net worth, which in turn could result in less consumption spending than anticipated. A resurgence in the growth in energy and food prices could serve to disrupt inflation expectations and result in even higher inflation than expected. That risk could be compounded by lower productivity growth or a weaker dollar than currently projected. Higher inflation, in turn, would further impinge upon the Federal Reserve's ability to stimulate the economy by lowering interest rates. Higher interest rates could result in weaker equity prices and further delay the recovery of the financial sector from the subprime mortgage problem. On the other hand, lower energy prices or stronger global growth than anticipated could result in stronger economic growth than is reflected in the forecast.

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, the current credit tightening poses a particularly large degree of uncertainty for New York. Although the failure of a major Wall Street institution is not anticipated and the large volume of write-downs has been revealing, the full extent of the losses associated with the subprime mortgage problem remains to be seen. Higher losses than anticipated could result in even lower bonuses than projected, reducing household spending. Should the State's commercial real estate market cool more rapidly than anticipated, taxable capital gains realizations could be negatively affected. These effects could ripple though the economy, depressing both employment and wage growth. In contrast, should the national and world economies grow faster than expected, a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities, could result in higher wage and bonuses growth than projected for 2008 and the 2008-09 bonus season.

Labor Settlements

The State has reached tentative labor settlements with three labor unions, the Civil Service Employees Association, United University Professions (UUP), and District Council 37, and will extend comparable changes in the pay and benefits to "management/confidential" employees. Under terms of the tentative four-year contracts, which run from April 2, 2007 through April 1, 2011 (July 2, 2007 through July 1, 2011 for UUP), employees will receive pay increases of 3 percent annually in 2007-08, 2008-09, and 2009-10 and 4 percent in 2010-11. The Civil Service Employees Association ratified its contract on January 3, 2008. The United University Professions and District Council 37 are expected to vote on their contracts before the end of the current State fiscal year.

The State's Financial Plan funds the costs of these tentative contract agreements in 2007-08 and 2008-09 through the use of $476 million of the $1.18 billion in existing reserves set aside for this purpose. DOB estimates the General Fund costs of the tentative agreements at $140 million in the current year, $336 million in 2008-09, $510 million in 2009-10, and $756 million in both 2010-11 and 2011-12. The current Financial Plan includes these costs.

The unions representing uniformed officers (i.e., Police Benevolent Association, New York State Correctional Officers and Police Benevolent Association) and the Public Employees Federation have not reached settlements with the State at this time. DOB estimates that if all the unsettled unions were to agree to the same terms that have been ratified by the Civil Service Employees Association, it would result in added costs of $144 million in 2007-08, $303 million in 2008-09, $444 million in 2009-10, and $636 million in both 2010-11 and 2011-12. The earliest any costs for these contracts could be paid would be in 2008-09. These costs are not included in the current Financial Plan spending forecast, but a reserve is set aside to partially fund them. The State currently has $708 million in labor reserves remaining (i.e., not programmed in the Financial Plan) to help finance the costs of potential new settlements, which is sufficient to cover all costs of a Civil Service Employees Association-type settlement through 2008-09, and all but $183 million of the $444 million of potential costs in 2009-10.

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. If the recommended disallowances are not withdrawn, the State expects to appeal.

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.

Proposed Federal Rule 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 for certain rates 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 which expires on May 29, 2008.

CMS has proposed other regulations that could pose a risk to the State's Financial Plan beyond the moratorium. On May 23, 2007, CMS proposed changes to the rules that regulate State taxation of healthcare entities. It is anticipated that this rule could be finalized shortly. 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.

Further, CMS proposes to restrict Medicaid reimbursement for hospital outpatient services and restrict coverage to rehabilitative services, which could pose a risk to the Financial Plan and result in hundred of millions in lost Federal Share. However, the State argues that the proposed regulation regarding outpatient services is in direct violation of the current moratorium.

The State is actively lobbying the Federal government to be held harmless, either through an extension/modification of the current moratorium or through other administrative or statutory means. The State continues to believe that these risks will be minimized and not realized.

FUND BALANCES AND CASH FLOW FORECAST

General Fund

General Fund Estimated Closing Balance (millions of dollars)			
	2007-08	**2008-09**	***Change***
Projected Year-End Fund Balance	**2,626**	**2,226**	***(400)***
Undesignated Reserves	1,227	1,227	*0*
Tax Stabilization Reserve Fund	1,031	1,031	*0*
Rainy Day Reserve Fund	175	175	*0*
Contingency Reserve Fund	21	21	*0*
Designated Reserves	1,399	999	*(400)*
Labor Settlement Reserve/Likely Risks	1,045	708	*(337)*
Community Projects Fund	354	291	*(63)*

DOB projects the State will end the 2008-09 fiscal year with a General Fund balance of $2.2 billion if the Legislature enacts the Executive Budget recommendations in their entirety. The balance consists of $1.2 billion in undesignated reserves and $1.0 billion in reserves designated to finance existing or planned commitments, including potential new labor settlements. The projected closing balance is $400 million below the level estimated for 2007-08, which primarily reflects the partial use of planned reserves set aside for collective bargaining.

The undesignated reserves include $1.0 billion in the State's Tax Stabilization Reserve, $175 million in the new Rainy Day Reserve after an initial deposit planned in 2007-08, and $21 million in the Contingency Reserve Fund for litigation risks. The new Rainy Day Reserve is authorized to have 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 $291 million in the Community Projects Fund to finance existing legislative initiatives, and $708 million remaining from prior-year reserves designated for potential collective bargaining agreements and Financial Plan risks.

State Operating Funds

State Operating Funds Estimated Closing Balance (millions of dollars)	2007-08	2008-09	*Change*
Projected Year-End Fund Balance	**5,754**	**4,892**	***(862)***
General Fund	2,626	2,226	*(400)*
Special Revenue Funds	2,850	2,359	*(491)*
Miscellaneous Special Revenue	898	639	(259)
Industry Assessments	*152*	*138*	*(14)*
Health and Social Welfare	*241*	*134*	*(107)*
General Government	*244*	*165*	*(79)*
All Other	*261*	*202*	*(59)*
State University Income	644	636	(8)
Mass Transportation Operating Assistance	407	199	(208)
Health Care Resources Fund	515	453	(62)
Lottery Fund	101	96	(5)
All Other	285	336	51
Debt Service Funds	278	307	*29*

The combined balances in State Operating Funds are projected to total $4.9 billion in 2008-09, a decrease of $864 million from the level estimated for 2007-08. The balances held in State Special Revenue Funds include moneys designated to finance existing or planned commitments, or funds that are restricted or dedicated for specified statutory purposes. The largest balances in the State Special Revenue Funds include moneys on hand to finance future costs for State University programs, operating assistance for transportation programs, various health care programs financed from the Health Care Resources Fund, and lottery revenues used for School Aid. The remaining fund balances are held in numerous funds, primarily the Miscellaneous Special Revenue Fund, and accounts that support a variety of programs including industry regulation, public health, general government, and public safety. See the Financial Plan tables for a comprehensive list of balances for All Governmental Funds and accounts.

Monthly Cash Flow Forecast

In 2008-09, the General Fund is projected to have quarterly-ending balances of $2.8 billion in June 2008, $3.9 billion in September 2008, $1.4 billion in December 2008, and $2.2 billion at the end of March 2009. The lowest projected month-end cash flow balance is $893 million in November 2008. The 2008-09 General Fund cash flow estimates assume on time enactment of all Executive Budget recommendations.

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

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).

GAAP-BASIS FINANCIAL PLANS

In addition to the cash-basis Financial Plans, DOB prepares the General Fund and All Funds Financial Plans on a Generally Accepted Accounting Principles (GAAP)-basis in accordance with the Governmental Accounting Standards Board (GASB) regulations. Tables summarizing the GAAP Financial Plan and 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 2006-07.

In 2007-08, the General Fund GAAP Financial Plan reflects total revenues of $44.0 billion, total expenditures of $55.0 billion, and net other financing sources of $9.9 billion, resulting in an operating deficit of roughly $1.1 billion. The accumulated surplus at the end of 2007-08 is projected to total $1.2 billion. The operating results primarily reflect the impact of enacted tax reductions and economic conditions on revenue accruals and a partial use of reserves to support 2007-08 operations.

In 2008-09, the General Fund GAAP Financial Plan shows total revenues of $47.4 billion, total expenditures of $60.8 billion, and net other financing sources of $12.9 billion, resulting in an operating deficit of $521 million and a projected accumulated surplus of $712 million. These changes are due primarily to the use of a portion of reserves to support 2008-09 operations.

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SPECIAL CONSIDERATIONS

Many complex political, social, and economic forces influence the State's economy and finances. Such forces may affect the State Financial Plan unpredictably from fiscal year to fiscal year. For example, the Financial Plan is necessarily based on forecasts of national and State economic activity. Economic forecasts have frequently failed to accurately predict the timing and magnitude of specific and cyclical changes to the national and State economies. For a discussion of the DOB economic 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, including revenue and economic risks, see the sections entitled "Financial Plan Reserves and Risks" and "Litigation" in this AIS Update.

Financial Plan Update

The Governor is expected to submit amendments to his Executive Budget by February 12, 2008, as authorized by law. At that time, the DOB will issue a revised update to the Current Financial Plan that reflects the fiscal impact of any amendments, as well as updated economic, revenue, and spending forecasts through January 2008. DOB is currently evaluating the potential Financial Plan impact of recent financial market events, and the economic data, tax collection information, and other data that have become available. As a result, the DOB expects to issue a Supplement to this AIS Update in February 2008 that will reflect potential updated forecasts, as well as the fiscal impact of the Governor's amendments.

Recent Events in the Municipal Bond Market

The State is monitoring events in the municipal bond market related to the impact that actual and potential credit rating downgrades to certain bond insurers is having on variable rate debt, as well as changes in investor demand for auction rate securities (ARS) and variable rate demand bonds (VRDBs). The resulting volatility has affected interest rates and the spreads among different variable rate products and has been a concern to governmental issuers of bonds across the country.

At this time, DOB believes that current market events are not likely to have a material adverse effect on the State's Current Financial Plan. The State has entered into interest rate exchange agreements ("swaps") (based on an index equal to 65 percent of LIBOR) that have hedged $6 billion of its approximately $8 billion in variable rate debt into "synthetic" fixed rate debt. In October 2007, one of the State's swap counterparties was downgraded to below AA, a level that could trigger the counterparty to comply with enhanced collateral provisions (swap agreements and State law require that collateral be posted at 102 percent of the mark-to-market value if the State is due money upon termination). No collateral is currently required to be posted on the $323 million of swaps with this counterparty since the State is not in a positive mark-to-market position. Plans are already underway to transition these swaps to an entity that is rated AAA, which is expected to be completed within the current fiscal year.

The State is, however, paying higher costs on certain variable rate products than it is receiving under its swap agreements on certain hedged variable rate debt, and for Auction Rate Securities (ARS) in general, due in part to the events concerning bond insurers. The State is unable to predict how long the higher costs will continue but it does not expect that the additional payments will, in the aggregate, be materially adverse to the State's Current Financial Plan. Currently, overall variable rate costs are slightly below current Financial Plan projections. DOB is evaluating a range of potential options that could be taken to reduce costs, including transitioning out of ARS products.

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,* 197 S.W..3d 557 (Ky. App. 2006) *cert. granted* 2007 U.S. Lexis 5914 (May 21, 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.

On Monday, November 5, 2007, the Supreme Court heard oral arguments in the *Davis* case.

GASBS 45

The GAAP basis results for 2006-07 showed the State having total net assets of $48.9 billion. 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 2008-09 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 indicates that the present value of the actuarial accrued total liability for benefits to date 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 by the Office of the State Comptroller. The actuarial accrued liability was calculated using a 4.155 percent annual discount rate.

The State's total unfunded liability will be disclosed in the 2008-09 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 2008-09 liability would total roughly $3.8 billion under the Frozen Entry Age actuarial cost method amortized based on a level percent of salary, or $2.7 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 annual required contribution under GASBS 45 would reduce the State's currently positive net asset condition.

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

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

Health Insurance			
Year	**Active Employees**	**Retirees**	**Total State**
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	1,572	992	2,564
2008-09	1,652	1,039	2,691
2009-10	1,790	1,129	2,919
2010-11	1,950	1,233	3,183
2011-12	2,127	1,347	3,474

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

As noted, the Current Financial Plan does not assume pre-funding of the GASBS 45 liability. If such liability were pre-funded, the additional cost above the pay-as-you-go amounts would be $2.7 billion in 2008-09. The State's Health Insurance Council, which consists of the Governor's Office of Employee Relations, 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.

DOB's detailed GAAP Financial Plans are provided in the tables at the end of this AIS Update.

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GAAP-Basis Results for Prior Fiscal Years

(Reprinted from August 3, 2007 Update to the AIS)

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. The following table summarizes recent governmental funds results on a GAAP basis.

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

Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accum. General Fund Surplus/(Deficit)
March 31, 2007	202	(840)	92	501	(45)	2,384
March 31, 2006	1,636	3,142	(664)	(265)	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)

Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
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

State Organization

(Reprinted from November 15, 2007 Update to the AIS)

State Retirement Systems

General

The New York State and Local Retirement Systems (the "Systems") provide coverage for public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). The Systems comprise the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System. The Comptroller is the administrative head of the Systems. State employees made up about 33 percent of the membership during the 2006-07 fiscal year. There were 3,009 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees) and a large number of local authorities of the State.

As of March 31, 2007, 662,633 persons were members and 350,066 pensioners or beneficiaries were receiving benefits. The State Constitution considers membership in any State pension or retirement system to be a contractual relationship, the benefits of which shall not be diminished or impaired. Members cannot be required to begin making contributions or make increased contributions beyond what was required when membership began.

Contributions

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

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

The State paid, 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.

The State bill for the fiscal year ending March 31, 2009 is estimated to be $1,087.8 million, assuming a payment date of September 1, 2008.

Assets and Liabilities

Assets are held exclusively for the benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the Comptroller as trustee of the Common Retirement Fund, a pooled investment vehicle. OSC reports that the net assets available for benefits as of March 31, 2007 were $156.6 billion (including $2.7 billion in receivables), an increase of $14.0 billion or 9.8 percent from the 2005-06 level of $142.6 billion, reflecting, in large part, equity market performance. OSC reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $153.7 billion on April 1, 2006 to $163.1 billion (including $61.9 billion for current retirees and beneficiaries) on April 1, 2007. The funding method used by the Systems anticipates that the net assets, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from net assets on April 1, 2007 in that amortized cost was used instead of market value for bonds and mortgages and the non-fixed investments utilized a smoothing method which recognized 20 percent of unexpected gain for the 2007 fiscal year, 40 percent of the unexpected gain for the 2006 fiscal year and 60 percent of the unexpected gain for the 2005 fiscal year. Actuarial assets increased from $132.1 billion on April 1, 2006 to $142.6 billion on April 1, 2007. The funded ratio, as of April 1, 2006, using the entry age normal funding method, was 104%. The table that follows shows the actuarially determined contributions that have been made over the last nine years. See also "Contributions" above.

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

Fiscal Year Ended March 31	Total Assets(2)	Percent Increase/ (Decrease) From Prior Year
1999	112,723	6.0
2000	128,889	14.3
2001	114,044	(11.5)
2002	112,725	(1.2)
2003	97,373	(13.6)
2004	120,799	24.1
2005	128,038	6.0
2006	142,620	11.4
2007	156,625	9.8

Sources: State and Local Retirement Systems.

(1) Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2007 includes approximately $2.7 billion of receivables.

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

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

Fiscal Year Ended March 31	Contributions Recorded: All Participating Employers(1)	Local Employers(1)	State(1)	Employees	Total Benefits Paid(2)
1999	292	156	136	400	3,570
2000	165	11	154	423	3,787
2001	215	112	103	319	4,267
2002	264	199	65	210	4,576
2003	652	378	274	219	5,030
2004	1,287	832	455	222	5,424
2005	2,965	1,877	1,088	227	5,691
2006	2,782	1,714	1,068	241	6,073
2007	2,718	1,730	988	250	6,432

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

(2) Includes payments from Group Life Insurance Plan.

Authorities and Localities

(Reprinted from November 15, 2007 Update to the AIS)

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, each of the 19 public authorities below had outstanding debt of $100 million or more, and the aggregate outstanding debt, including refunding bonds, of these public authorities was approximately $129 billion, only a portion of which constitutes State-supported or State-related debt. The table below summarizes the outstanding debt of these public authorities.

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

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

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

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

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

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

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

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

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

The City of New York

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

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

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

Source: Office of the State Comptroller.

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

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

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

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

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

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

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

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

Other Localities

Certain localities outside New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing has become more common in recent years. Between 2004 and 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

(Reprinted from November 15, 2007 Update to the AIS)

Real Property Claims

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

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

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

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

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

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

West Valley Litigation

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

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

	Mid-Year	Change	Executive
Opening fund balance	3,045	0	3,045
Receipts:			
Taxes:			
Personal income tax	22,697	38	22,735
User taxes and fees	8,506	(3)	8,503
Business taxes	6,500	(200)	6,300
Other taxes	1,102	(72)	1,030
Miscellaneous receipts	2,444	0	2,444
Federal Grants	71	0	71
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,445	(4)	8,441
Sales tax in excess of LGAC debt service	2,305	0	2,305
Real estate taxes in excess of CW/CA debt service	636	31	667
All other	681	(8)	673
Total receipts	53,387	(218)	53,169
Disbursements:			
Grants to local governments	36,763	(96)	36,667
State operations	9,579	98	9,677
General State charges	4,496	(9)	4,487
Transfers to other funds:			
Debt service	1,551	6	1,557
Capital projects	112	(19)	93
Other purposes	1,168	(61)	1,107
Total disbursements	53,669	(81)	53,588
Change in fund balance	(282)	(137)	(419)
Closing fund balance	2,763	(137)	2,626
Reserves			
Tax Stabilization Reserve Fund	1,031	0	1,031
Statutory Rainy Day Reserve Fund	175	0	175
Contingency Reserve Fund	21	0	21
Community Projects Fund	354	0	354
Debt Reduction Reserve Fund	0	0	0
Labor Settlement Reserve/Other Risks	1,182	(137)	1,045
Prior Year Reserves	*1,203*	*(140)*	*1,063*
Increase/(Decrease) From Current Year Operations	*(21)*	*3*	*(18)*

Source: NYS DOB

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

	Mid-Year	Change	Executive
Receipts:			
Taxes:			
Personal income tax	23,939	452	24,391
User taxes and fees	8,805	27	8,832
Business taxes	6,669	585	7,254
Other taxes	1,211	(17)	1,194
Miscellaneous receipts	2,052	186	2,238
Federal Grants	55	(14)	41
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,793	(24)	8,769
Sales tax in excess of LGAC debt service	2,327	(13)	2,314
Real estate taxes in excess of CW/CA debt service	614	1	615
All other	386	308	694
Total receipts	54,851	1,491	56,342
Disbursements:			
Grants to local governments	41,332	528	41,860
State operations	10,015	(1,152)	8,863
General State charges	4,808	(1,672)	3,136
Transfers to other funds:			
Debt service	1,687	5	1,692
Capital projects	452	(86)	366
Other purposes	885	(60)	825
Total disbursements	59,179	(2,437)	56,742
Deposit to/(use of) Community Projects Fund	(63)	0	(63)
Deposit to/(use of) Prior Year Reserves	0	(337)	(337)
Margin	(4,265)	4,265	0

Source: NYS DOB

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

	Mid-Year	Change	Executive
Receipts:			
Taxes:			
Personal income tax	25,463	434	25,897
User taxes and fees	9,150	(237)	8,913
Business taxes	6,854	962	7,816
Other taxes	1,342	(17)	1,325
Miscellaneous receipts	2,163	23	2,186
Federal Grants	55	(55)	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,152	47	9,199
Sales tax in excess of LGAC debt service	2,425	(94)	2,331
Real estate taxes in excess of CW/CA debt service	595	1	596
All other	358	103	461
Total receipts	57,557	1,167	58,724
Disbursements:			
Grants to local governments	45,156	763	45,919
State operations	10,415	(1,179)	9,236
General State charges	5,097	(1,291)	3,806
Transfers to other funds:			
Debt service	1,676	4	1,680
Capital projects	561	13	574
Other purposes	892	(34)	858
Total disbursements	63,797	(1,724)	62,073
Deposit to/(use of) Community Projects Fund	(62)	0	(62)
Margin	(6,178)	2,891	(3,287)

Source: NYS DOB

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

	Mid-Year	Change	Executive
Receipts:			
Taxes:			
Personal income tax	27,203	212	27,415
User taxes and fees	9,508	(257)	9,251
Business taxes	6,889	977	7,866
Other taxes	1,425	(17)	1,408
Miscellaneous receipts	2,233	28	2,261
Federal Grants	55	(55)	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,641	6	9,647
Sales tax in excess of LGAC debt service	2,534	(98)	2,436
Real estate taxes in excess of CW/CA debt service	598	1	599
All other	392	68	460
Total receipts	60,478	865	61,343
Disbursements:			
Grants to local governments	48,909	924	49,833
State operations	10,729	(949)	9,780
General State charges	5,386	(1,299)	4,087
Transfers to other funds:			
Debt service	1,703	3	1,706
Capital projects	966	(36)	930
Other purposes	867	(22)	845
Total disbursements	68,560	(1,379)	67,181
Deposit to/(use of) Community Projects Fund	(151)	0	(151)
Margin	(7,931)	2,244	(5,687)

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
2008-2009 through 2011-2012
(millions of dollars)

	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
Receipts:				
Taxes:				
Personal income tax	24,391	25,897	27,415	29,315
User taxes and fees	8,832	8,913	9,251	9,620
Business taxes	7,254	7,816	7,866	8,218
Other taxes	1,194	1,325	1,408	1,498
Miscellaneous receipts	2,238	2,186	2,261	2,060
Federal grants	41	0	0	0
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,769	9,199	9,647	10,154
Sales tax in excess of LGAC debt service	2,314	2,331	2,436	2,556
Real estate taxes in excess of CW/CA debt service	615	596	599	608
All other transfers	694	461	460	498
Total receipts	56,342	58,724	61,343	64,527
Disbursements:				
Grants to local governments	41,860	45,919	49,833	53,013
State operations	8,863	9,236	9,780	10,046
General State charges	3,136	3,806	4,087	4,386
Transfers to other funds:				
Debt service	1,692	1,680	1,706	1,673
Capital projects	366	574	930	997
Other purposes	825	858	845	1,312
Total disbursements	56,742	62,073	67,181	71,427
Deposit to/(use of) Community Projects Fund	(63)	(62)	(151)	(79)
Deposit to/(use of) Prior Year Reserves	(337)	0	0	0
Margin	0	(3,287)	(5,687)	(6,821)

Source: NYS DOB

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

	2006-2007 Actuals	2007-2008 Current	Annual Change
Opening fund balance	3,257	3,045	(212)
Receipts:			
Taxes:			
Personal income tax	22,939	22,735	(204)
User taxes and fees	8,186	8,503	317
Business taxes	6,468	6,300	(168)
Other taxes	1,075	1,030	(45)
Miscellaneous receipts	2,268	2,444	176
Federal Grants	151	71	(80)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,136	8,441	1,305
Sales tax in excess of LGAC debt service	2,093	2,305	212
Real estate taxes in excess of CW/CA debt service	753	667	(86)
All other	310	673	363
Total receipts	51,379	53,169	1,790
Disbursements:			
Grants to local governments	34,302	36,667	2,365
State operations	9,319	9,677	358
General State charges	4,403	4,487	84
Transfers to other funds:			
Debt service	1,906	1,557	(349)
Capital projects	389	93	(296)
Other purposes	1,272	1,107	(165)
Total disbursements	51,591	53,588	1,997
Change in fund balance	(212)	(419)	(207)
Closing fund balance	3,045	2,626	(419)
Reserves			
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	0	0
Labor Settlement Reserve/Other Risks	1,715	1,045	(670)
Prior Year Reserves	*1,715*	*1,063*	(652)
Increase/(Decrease) From Current Year Operations	*0*	*(18)*	(18)

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
2007-2008 and 2008-2009
(millions of dollars)

	2007-2008 Current	2008-2009 Recommended	Annual Change
Opening fund balance	3,045	2,626	(419)
Receipts:			
Taxes:			
Personal income tax	22,735	24,391	1,656
User taxes and fees	8,503	8,832	329
Business taxes	6,300	7,254	954
Other taxes	1,030	1,194	164
Miscellaneous receipts	2,444	2,238	(206)
Federal grants	71	41	(30)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,441	8,769	328
Sales tax in excess of LGAC debt service	2,305	2,314	9
Real estate taxes in excess of CW/CA debt service	667	615	(52)
All other transfers	673	694	21
Total receipts	53,169	56,342	3,173
Disbursements:			
Grants to local governments	36,667	41,860	5,193
State operations	9,677	8,863	(814)
General State charges	4,487	3,136	(1,351)
Transfers to other funds:			0
Debt service	1,557	1,692	135
Capital projects	93	366	273
Other purposes	1,107	825	(282)
Total disbursements	53,588	56,742	3,154
Change in fund balance	(419)	(400)	19
Closing fund balance	2,626	2,226	(400)
Reserves			
Tax Stabilization Reserve Fund	1,031	1,031	0
Statutory Rainy Day Reserve Fund	175	175	0
Contingency Reserve Fund	21	21	0
Community Projects Fund	354	291	(63)
Labor Settlement Reserve/Other Risks	1,045	708	(337)

Source: NYS DOB

CURRENT STATE RECEIPTS
GENERAL FUND
2007-2008 and 2008-2009
(millions of dollars)

	2007-2008 Current	2008-2009 Recommended	Annual Change
Personal income tax	22,735	24,391	1,656
User taxes and fees	8,503	8,832	329
Sales and use tax	7,865	8,080	215
Cigarette and tobacco taxes	407	437	30
Motor vehicle fees	(21)	47	68
Alcoholic beverages taxes	200	220	20
Alcoholic beverage control license fees	52	48	(4)
Business taxes	6,300	7,254	954
Corporation franchise tax	3,575	4,138	563
Corporation and utilities tax	618	589	(29)
Insurance taxes	1,176	1,405	229
Bank tax	931	942	11
Petroleum business tax	0	180	180
Other taxes	1,030	1,194	164
Estate tax	1,006	1,170	164
Gift tax	0	0	0
Real property gains tax	0	0	0
Pari-mutuel taxes	23	23	0
Other taxes	1	1	0
Total taxes	38,568	41,671	3,103
Miscellaneous receipts	2,444	2,238	(206)
Federal Grants	71	41	(30)
Total	41,083	43,950	2,867

Source: NYS DOB

CASH RECEIPTS
GENERAL FUND
2008-2009 THROUGH 2011-2012
(millions of dollars)

	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
Personal income tax	24,391	25,897	27,415	29,315
User taxes and fees	8,832	8,913	9,251	9,620
Sales and use tax	8,080	8,125	8,438	8,778
Cigarette and tobacco taxes	437	433	428	428
Motor fuel tax	0	0	0	0
Motor vehicle fees	47	76	105	126
Alcoholic beverages taxes	220	227	232	236
Alcoholic beverage control license fees	48	52	48	52
Auto rental tax	0	0	0	0
Business taxes	7,254	7,816	7,866	8,218
Corporation franchise tax	4,138	4,265	4,258	4,497
Corporation and utilities tax	589	599	608	612
Insurance taxes	1,405	1,466	1,505	1,549
Bank tax	942	928	935	997
Petroleum business tax	180	558	560	563
Other taxes	1,194	1,325	1,408	1,498
Estate tax	1,170	1,301	1,384	1,474
Gift tax	0	0	0	0
Real property gains tax	0	0	0	0
Pari-mutuel taxes	23	23	23	23
Other taxes	1	1	1	1
Total Taxes	41,671	43,951	45,940	48,651
Miscellaneous receipts	2,238	2,186	2,261	2,060
Licenses, fees, etc.	538	537	549	551
Abandoned property	650	600	600	600
Reimbursements	172	170	170	170
Investment income	200	200	200	200
Other transactions	678	679	742	539
Federal Grants	41	0	0	0
Total	43,950	46,137	48,201	50,711

Source: NYS DOB

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

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

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	3,045	3,671	(228)	233	6,721
Receipts:					
Taxes	38,568	7,794	2,017	12,547	60,926
Miscellaneous receipts	2,444	13,596	3,211	671	19,922
Federal grants	71	1	0	0	72
Total receipts	41,083	21,391	5,228	13,218	80,920
Disbursements:					
Grants to local governments	36,667	16,440	461	0	53,568
State operations	9,677	5,635	0	58	15,370
General State charges	4,487	639	0	0	5,126
Debt service	0	0	0	4,292	4,292
Capital projects	0	14	4,299	0	4,313
Total disbursements	50,831	22,728	4,760	4,350	82,669
Other financing sources (uses):					
Transfers from other funds	12,086	1,311	252	5,680	19,329
Transfers to other funds	(2,757)	(795)	(930)	(14,503)	(18,985)
Bond and note proceeds	0	0	298	0	298
Net other financing sources (uses)	9,329	516	(380)	(8,823)	642
Change in fund balance	(419)	(821)	88	45	(1,107)
Closing fund balance	2,626	2,850	(140)	278	5,614

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,626	2,850	(140)	278	5,614
Receipts:					
Taxes	41,671	8,023	2,095	13,123	64,912
Miscellaneous receipts	2,238	14,259	3,979	684	21,160
Federal grants	41	1	0	0	42
Total receipts	43,950	22,283	6,074	13,807	86,114
Disbursements:					
Grants to local governments	41,860	14,811	449	0	57,120
State operations	8,863	6,956	0	62	15,881
General State charges	3,136	1,496	0	0	4,632
Debt service	0	0	0	4,628	4,628
Capital projects	0	13	5,505	0	5,518
Total disbursements	53,859	23,276	5,954	4,690	87,779
Other financing sources (uses):					
Transfers from other funds	12,392	1,292	607	5,764	20,055
Transfers to other funds	(2,883)	(790)	(1,195)	(14,852)	(19,720)
Bond and note proceeds	0	0	457	0	457
Net other financing sources (uses)	9,509	502	(131)	(9,088)	792
Deposit to/(use of) Community Projects Fund	(63)	0	0	0	(63)
Change in fund balance	(337)	(491)	(11)	29	(810)
Closing fund balance	2,226	2,359	(151)	307	4,804

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,359	(151)	307	2,515
Receipts:					
Taxes	43,951	8,797	2,199	13,855	68,802
Miscellaneous receipts	2,186	14,136	4,155	687	21,164
Federal grants	0	1	0	0	1
Total receipts	46,137	22,934	6,354	14,542	89,967
Disbursements:					
Grants to local governments	45,919	15,707	481	0	62,107
State operations	9,236	7,225	0	62	16,523
General State charges	3,806	1,116	0	0	4,922
Debt service	0	0	0	5,106	5,106
Capital projects	0	3	5,962	0	5,965
Total disbursements	58,961	24,051	6,443	5,168	94,623
Other financing sources (uses):					
Transfers from other funds	12,587	1,327	784	5,897	20,595
Transfers to other funds	(3,112)	(662)	(1,125)	(15,261)	(20,160)
Bond and note proceeds	0	0	608	0	608
Net other financing sources (uses)	9,475	665	267	(9,364)	1,043
Deposit to/(use of) Community Projects Fund	(62)	0	0	0	(62)
Change in fund balance	(3,287)	(452)	178	10	(3,551)
Closing fund balance	(3,287)	1,907	27	317	(1,036)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	1,907	27	317	2,251
Receipts:					
Taxes	45,940	9,348	2,196	14,642	72,126
Miscellaneous receipts	2,261	14,651	4,087	687	21,686
Federal grants	0	1	0	0	1
Total receipts	48,201	24,000	6,283	15,329	93,813
Disbursements:					
Grants to local governments	49,833	16,496	452	0	66,781
State operations	9,780	7,311	0	62	17,153
General State charges	4,087	1,075	0	0	5,162
Debt service	0	0	0	5,737	5,737
Capital projects	0	2	6,065	0	6,067
Total disbursements	63,700	24,884	6,517	5,799	100,900
Other financing sources (uses):					
Transfers from other funds	13,142	1,309	1,219	6,327	21,997
Transfers to other funds	(3,481)	(749)	(1,465)	(15,861)	(21,556)
Bond and note proceeds	0	0	655	0	655
Net other financing sources (uses)	9,661	560	409	(9,534)	1,096
Deposit to/(use of) Community Projects Fund	(151)	0	0	0	(151)
Change in fund balance	(5,687)	(324)	175	(4)	(5,840)
Closing fund balance	(5,687)	1,583	202	313	(3,589)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	1,583	202	313	2,098
Receipts:					
Taxes	48,651	9,719	2,221	15,483	76,074
Miscellaneous receipts	2,060	14,964	3,695	686	21,405
Federal grants	0	1	0	0	1
Total receipts	50,711	24,684	5,916	16,169	97,480
Disbursements:					
Grants to local governments	53,013	17,392	472	0	70,877
State operations	10,046	7,376	0	62	17,484
General State charges	4,386	1,109	0	0	5,495
Debt service	0	0	0	6,064	6,064
Capital projects	0	2	5,488	0	5,490
Total disbursements	67,445	25,879	5,960	6,126	105,410
Other financing sources (uses):					
Transfers from other funds	13,816	1,767	1,245	6,428	23,256
Transfers to other funds	(3,982)	(759)	(1,549)	(16,511)	(22,801)
Bond and note proceeds	0	0	514	0	514
Net other financing sources (uses)	9,834	1,008	210	(10,083)	969
Deposit to/(use of) Community Projects Fund	(79)	0	0	0	(79)
Change in fund balance	(6,821)	(187)	166	(40)	(6,882)
Closing fund balance	(6,821)	1,396	368	273	(4,784)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	3,257	4,238	(648)	221	7,068
Receipts:					
Taxes	38,668	7,109	1,929	11,033	58,739
Miscellaneous receipts	2,268	12,715	2,247	848	18,078
Federal grants	151	33,690	1,738	0	35,579
Total receipts	41,087	53,514	5,914	11,881	112,396
Disbursements:					
Grants to local governments	34,302	45,693	730	0	80,725
State operations	9,319	8,164	0	44	17,527
General State charges	4,403	820	0	0	5,223
Debt service	0	0	0	4,451	4,451
Capital projects	0	9	4,829	0	4,838
Total disbursements	48,024	54,686	5,559	4,495	112,764
Other financing sources (uses):					
Transfers from other funds	10,292	3,857	454	5,600	20,203
Transfers to other funds	(3,567)	(2,916)	(774)	(12,974)	(20,231)
Bond and note proceeds	0	0	181	0	181
Net other financing sources (uses)	6,725	941	(139)	(7,374)	153
Change in fund balance	(212)	(231)	216	12	(215)
Closing fund balance	3,045	4,007	(432)	233	6,853

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	22,939	3,994	0	7,647	34,580
User taxes and fees	8,186	1,598	1,161	2,511	13,456
Sales and use tax	7,539	688	0	2,511	10,738
Cigarette and tobacco taxes	411	574	0	0	985
Motor fuel tax	0	108	406	0	514
Motor vehicle fees	(16)	228	557	0	769
Alcoholic beverages taxes	194	0	0	0	194
Highway Use tax	0	0	153	0	153
Alcoholic beverage control license fees	58	0	0	0	58
Auto rental tax	0	0	45	0	45
Business taxes	6,468	1,517	621	0	8,606
Corporation franchise tax	3,676	551	0	0	4,227
Corporation and utilities tax	626	178	17	0	821
Insurance taxes	1,142	116	0	0	1,258
Bank tax	1,024	186	0	0	1,210
Petroleum business tax	0	486	604	0	1,090
Other taxes	1,075	0	147	875	2,097
Estate tax	1,063	0	0	0	1,063
Gift tax	(10)	0	0	0	(10)
Real property gains tax	0	0	0	0	0
Real estate transfer tax	0	0	147	875	1,022
Pari-mutuel taxes	21	0	0	0	21
Other taxes	1	0	0	0	1
Total Taxes	38,668	7,109	1,929	11,033	58,739
Miscellaneous receipts	2,268	12,715	2,247	848	18,078
Federal grants	151	33,690	1,738	0	35,579
Total	41,087	53,514	5,914	11,881	112,396

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	3,045	4,007	(432)	233	6,853
Receipts:					
Taxes	38,568	7,794	2,017	12,547	60,926
Miscellaneous receipts	2,444	13,741	3,211	671	20,067
Federal grants	71	33,911	1,859	0	35,841
Total receipts	41,083	55,446	7,087	13,218	116,834
Disbursements:					
Grants to local governments	36,667	46,696	603	0	83,966
State operations	9,677	8,895	0	58	18,630
General State charges	4,487	882	0	0	5,369
Debt service	0	0	0	4,292	4,292
Capital projects	0	15	6,042	0	6,057
Total disbursements	50,831	56,488	6,645	4,350	118,314
Other financing sources (uses):					
Transfers from other funds	12,086	3,804	252	5,680	21,822
Transfers to other funds	(2,757)	(3,653)	(943)	(14,503)	(21,856)
Bond and note proceeds	0	0	298	0	298
Net other financing sources (uses)	9,329	151	(393)	(8,823)	264
Change in fund balance	(419)	(891)	49	45	(1,216)
Closing fund balance	2,626	3,116	(383)	278	5,637

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	22,735	4,678	0	9,138	36,551
User taxes and fees	8,503	1,621	1,163	2,615	13,902
Sales and use tax	7,865	718	0	2,615	11,198
Cigarette and tobacco taxes	407	565	0	0	972
Motor fuel tax	0	107	405	0	512
Motor vehicle fees	(21)	231	562	0	772
Alcoholic beverages taxes	200	0	0	0	200
Highway Use tax	0	0	147	0	147
Alcoholic beverage control license fees	52	0	0	0	52
Auto rental tax	0	0	49	0	49
Business taxes	6,300	1,495	642	0	8,437
Corporation franchise tax	3,575	531	0	0	4,106
Corporation and utilities tax	618	181	17	0	816
Insurance taxes	1,176	116	0	0	1,292
Bank tax	931	163	0	0	1,094
Petroleum business tax	0	504	625	0	1,129
Other taxes	1,030	0	212	794	2,036
Estate tax	1,006	0	0	0	1,006
Gift tax	0	0	0	0	0
Real property gains tax	0	0	0	0	0
Real estate transfer tax	0	0	212	794	1,006
Pari-mutuel taxes	23	0	0	0	23
Other taxes	1	0	0	0	1
Total Taxes	38,568	7,794	2,017	12,547	60,926
Miscellaneous receipts	2,444	13,741	3,211	671	20,067
Federal grants	71	33,911	1,859	0	35,841
Total	41,083	55,446	7,087	13,218	116,834

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,626	3,116	(383)	278	5,637
Receipts:					
Taxes	41,671	8,023	2,095	13,123	64,912
Miscellaneous receipts	2,238	14,409	3,979	684	21,310
Federal grants	41	34,832	2,010	0	36,883
Total receipts	43,950	57,264	8,084	13,807	123,105
Disbursements:					
Grants to local governments	41,860	44,952	615	0	87,427
State operations	8,863	10,467	0	62	19,392
General State charges	3,136	2,420	0	0	5,556
Debt service	0	0	0	4,628	4,628
Capital projects	0	14	7,312	0	7,326
Total disbursements	53,859	57,853	7,927	4,690	124,329
Other financing sources (uses):					
Transfers from other funds	12,392	3,854	607	5,764	22,617
Transfers to other funds	(2,883)	(3,758)	(1,213)	(14,852)	(22,706)
Bond and note proceeds	0	0	457	0	457
Net other financing sources (uses)	9,509	96	(149)	(9,088)	368
Deposit to/(use of) Community Projects Fund	(63)	0	0	0	(63)
Deposit to/(use of) Prior Year Reserves	(337)	0	0	0	(337)
Change in fund balance	0	(493)	8	29	(456)
Closing fund balance	2,226	2,623	(375)	307	5,181

Source: NYS DOB

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
2008-2009
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	24,391	4,713	0	9,701	38,805
User taxes and fees	8,832	1,660	1,042	2,684	14,218
Sales and use tax	8,080	742	0	2,684	11,506
Cigarette and tobacco taxes	437	614	0	0	1,051
Motor fuel tax	0	74	277	0	351
Motor vehicle fees	47	230	553	0	830
Alcoholic beverages taxes	220	0	0	0	220
Highway Use tax	0	0	161	0	161
Alcoholic beverage control license fees	48	0	0	0	48
Auto rental tax	0	0	51	0	51
Business taxes	7,254	1,650	816	0	9,720
Corporation franchise tax	4,138	607	0	0	4,745
Corporation and utilities tax	589	181	17	0	787
Insurance taxes	1,405	150	0	0	1,555
Bank tax	942	154	0	0	1,096
Petroleum business tax	180	558	799	0	1,537
Other taxes	1,194	0	237	738	2,169
Estate tax	1,170	0	0	0	1,170
Gift tax	0	0	0	0	0
Real property gains tax	0	0	0	0	0
Real estate transfer tax	0	0	237	738	975
Pari-mutuel taxes	23	0	0	0	23
Other taxes	1	0	0	0	1
Total Taxes	41,671	8,023	2,095	13,123	64,912
Miscellaneous receipts	2,238	14,409	3,979	684	21,310
Federal grants	41	34,832	2,010	0	36,883
Total	43,950	57,264	8,084	13,807	123,105

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,623	(375)	307	2,555
Receipts:					
Taxes	43,951	8,797	2,199	13,855	68,802
Miscellaneous receipts	2,186	14,277	4,155	687	21,305
Federal grants	0	36,031	2,044	0	38,075
Total receipts	46,137	59,105	8,398	14,542	128,182
Disbursements:					
Grants to local governments	45,919	47,123	647	0	93,689
State operations	9,236	10,561	0	62	19,859
General State charges	3,806	2,067	0	0	5,873
Debt service	0	0	0	5,106	5,106
Capital projects	0	4	7,795	0	7,799
Total disbursements	58,961	59,755	8,442	5,168	132,326
Other financing sources (uses):					
Transfers from other funds	12,587	3,867	784	5,897	23,135
Transfers to other funds	(3,112)	(3,647)	(1,143)	(15,261)	(23,163)
Bond and note proceeds	0	0	608	0	608
Net other financing sources (uses)	9,475	220	249	(9,364)	580
Deposit to/(use of) Community Projects Fund	(62)	0	0	0	(62)
Change in fund balance	(3,287)	(430)	205	10	(3,502)
Closing fund balance	(3,287)	2,193	(170)	317	(947)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	25,897	5,423	0	10,440	41,760
User taxes and fees	8,913	1,607	794	2,702	14,016
Sales and use tax	8,125	769	0	2,702	11,596
Cigarette and tobacco taxes	433	607	0	0	1,040
Motor fuel tax	0	0	0	0	0
Motor vehicle fees	76	231	563	0	870
Alcoholic beverages taxes	227	0	0	0	227
Highway Use tax	0	0	178	0	178
Alcoholic beverage control license fees	52	0	0	0	52
Auto rental tax	0	0	53	0	53
Business taxes	7,816	1,767	1,118	0	10,701
Corporation franchise tax	4,265	626	0	0	4,891
Corporation and utilities tax	599	181	17	0	797
Insurance taxes	1,466	159	0	0	1,625
Bank tax	928	148	0	0	1,076
Petroleum business tax	558	653	1,101	0	2,312
Other taxes	1,325	0	287	713	2,325
Estate tax	1,301	0	0	0	1,301
Gift tax	0	0	0	0	0
Real property gains tax	0	0	0	0	0
Real estate transfer tax	0	0	287	713	1,000
Pari-mutuel taxes	23	0	0	0	23
Other taxes	1	0	0	0	1
Total Taxes	43,951	8,797	2,199	13,855	68,802
Miscellaneous receipts	2,186	14,277	4,155	687	21,305
Federal grants	0	36,031	2,044	0	38,075
Total	46,137	59,105	8,398	14,542	128,182

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,193	(170)	317	2,340
Receipts:					
Taxes	45,940	9,348	2,196	14,642	72,126
Miscellaneous receipts	2,261	14,791	4,087	687	21,826
Federal grants	0	37,347	1,989	0	39,336
Total receipts	48,201	61,486	8,272	15,329	133,288
Disbursements:					
Grants to local governments	49,833	49,034	618	0	99,485
State operations	9,780	10,756	0	62	20,598
General State charges	4,087	2,082	0	0	6,169
Debt service	0	0	0	5,737	5,737
Capital projects	0	3	7,830	0	7,833
Total disbursements	63,700	61,875	8,448	5,799	139,822
Other financing sources (uses):					
Transfers from other funds	13,142	3,895	1,219	6,327	24,583
Transfers to other funds	(3,481)	(3,795)	(1,479)	(15,861)	(24,616)
Bond and note proceeds	0	0	655	0	655
Net other financing sources (uses)	9,661	100	395	(9,534)	622
Deposit to/(use of) Community Projects Fund	(151)	0	0	0	(151)
Change in fund balance	(5,687)	(289)	219	(4)	(5,761)
Closing fund balance	(5,687)	1,904	49	313	(3,421)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	27,415	5,949	0	11,122	44,486
User taxes and fees	9,251	1,625	786	2,807	14,469
Sales and use tax	8,438	798	0	2,807	12,043
Cigarette and tobacco taxes	428	599	0	0	1,027
Motor fuel tax	0	0	0	0	0
Motor vehicle fees	105	228	550	0	883
Alcoholic beverages taxes	232	0	0	0	232
Highway Use tax	0	0	181	0	181
Alcoholic beverage control license fees	48	0	0	0	48
Auto rental tax	0	0	55	0	55
Business taxes	7,866	1,774	1,123	0	10,763
Corporation franchise tax	4,258	625	0	0	4,883
Corporation and utilities tax	608	182	17	0	807
Insurance taxes	1,505	163	0	0	1,668
Bank tax	935	149	0	0	1,084
Petroleum business tax	560	655	1,106	0	2,321
Other taxes	1,408	0	287	713	2,408
Estate tax	1,384	0	0	0	1,384
Gift tax	0	0	0	0	0
Real property gains tax	0	0	0	0	0
Real estate transfer tax	0	0	287	713	1,000
Pari-mutuel taxes	23	0	0	0	23
Other taxes	1	0	0	0	1
Total Taxes	45,940	9,348	2,196	14,642	72,126
Miscellaneous receipts	2,261	14,791	4,087	687	21,826
Federal grants	0	37,347	1,989	0	39,336
Total	48,201	61,486	8,272	15,329	133,288

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	1,904	49	313	2,266
Receipts:					
Taxes	48,651	9,719	2,221	15,483	76,074
Miscellaneous receipts	2,060	15,106	3,695	686	21,547
Federal grants	0	38,703	1,945	0	40,648
Total receipts	50,711	63,528	7,861	16,169	138,269
Disbursements:					
Grants to local governments	53,013	51,204	638	0	104,855
State operations	10,046	10,858	0	62	20,966
General State charges	4,386	2,171	0	0	6,557
Debt service	0	0	0	6,064	6,064
Capital projects	0	3	7,216	0	7,219
Total disbursements	67,445	64,236	7,854	6,126	145,661
Other financing sources (uses):					
Transfers from other funds	13,816	4,375	1,245	6,428	25,864
Transfers to other funds	(3,982)	(3,819)	(1,563)	(16,511)	(25,875)
Bond and note proceeds	0	0	514	0	514
Net other financing sources (uses)	9,834	556	196	(10,083)	503
Deposit to/(use of) Community Projects Fund	(79)	0	0	0	(79)
Change in fund balance	(6,821)	(152)	203	(40)	(6,810)
Closing fund balance	(6,821)	1,752	252	273	(4,544)

Source: NYS DOB

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
2011-2012
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	29,315	6,235	0	11,850	47,400
User taxes and fees	9,620	1,658	807	2,920	15,005
Sales and use tax	8,778	829	0	2,920	12,527
Cigarette and tobacco taxes	428	598	0	0	1,026
Motor fuel tax	0	0	0	0	0
Motor vehicle fees	126	231	562	0	919
Alcoholic beverages taxes	236	0	0	0	236
Highway Use tax	0	0	188	0	188
Alcoholic beverage control license fees	52	0	0	0	52
Auto rental tax	0	0	57	0	57
Business taxes	8,218	1,826	1,127	0	11,171
Corporation franchise tax	4,497	659	0	0	5,156
Corporation and utilities tax	612	183	17	0	812
Insurance taxes	1,549	167	0	0	1,716
Bank tax	997	159	0	0	1,156
Petroleum business tax	563	658	1,110	0	2,331
Other taxes	1,498	0	287	713	2,498
Estate tax	1,474	0	0	0	1,474
Gift tax	0	0	0	0	0
Real property gains tax	0	0	0	0	0
Real estate transfer tax	0	0	287	713	1,000
Pari-mutuel taxes	23	0	0	0	23
Other taxes	1	0	0	0	1
Total Taxes	48,651	9,719	2,221	15,483	76,074
Miscellaneous receipts	2,060	15,106	3,695	686	21,547
Federal grants	0	38,703	1,945	0	40,648
Total	50,711	63,528	7,861	16,169	138,269

Source: NYS DOB

CASHFLOW
GENERAL FUND
2007-2008
(dollars in millions)

	2007 April Actuals	May Actuals	June Actuals	July Actuals	August Actuals	September Actuals	October Actuals	November Actuals	December Actuals	2008 January Projected	February Projected	March Projected	Total
OPENING BALANCE	3,045	6,903	3,136	2,881	3,448	2,854	4,142	2,836	1,320	1,678	6,782	6,438	3,045
RECEIPTS:													
Personal Income Tax	4,017	748	2,414	1,396	1,376	1,971	745	91	1,152	5,219	1,678	1,928	22,735
User Taxes and Fees	679	623	877	671	645	872	632	673	868	648	547	768	8,503
Business Taxes	58	146	1,103	98	139	1,209	123	63	1,145	378	173	1,665	6,300
Other Taxes	81	80	107	100	64	81	80	82	118	79	79	79	1,030
Total Taxes	4,835	1,597	4,501	2,265	2,224	4,133	1,580	909	3,283	6,324	2,477	4,440	38,568
Licenses, fees, etc.	37	98	20	45	66	50	33	70	45	25	35	113	637
Abandoned Property	5	0	0	19	9	33	22	135	25	71	53	312	684
Reimbursement	6	7	25	11	10	20	14	6	22	10	16	53	200
Investment income	70	7	25	22	(11)	6	53	15	3	14	(4)	0	200
Other transactions	13	15	167	41	45	47	27	30	217	30	27	64	723
Total Miscellaneous Receipts	131	127	237	138	119	156	149	256	312	150	127	542	2,444
Federal Grants	0	12	22	1	5	0	10	10	0	5	6	0	71
PIT in excess of Revenue Bond Debt Service	1,338	198	886	499	401	951	593	79	879	1,657	133	827	8,441
Sales Tax in Excess of LGAC Debt Service	137	41	360	232	196	270	192	205	269	197	3	203	2,305
Real Estate Taxes in Excess of CW/CA Debt Service	55	61	95	62	75	66	44	60	38	25	25	61	667
All Other	3	1	120	29	8	1	19	1	35	0	0	456	673
Total Transfers from Other Funds	1,533	301	1,461	822	680	1,288	848	345	1,221	1,879	161	1,547	12,086
TOTAL RECEIPTS	6,499	2,037	6,221	3,226	3,028	5,577	2,587	1,520	4,816	8,358	2,771	6,529	53,169
DISBURSEMENTS:													
School Aid	236	2,143	1,512	17	504	1,284	511	961	1,365	581	494	6,631	16,239
Higher Education	18	10	335	100	186	77	458	30	214	38	334	524	2,324
All Other Education	26	124	345	161	72	112	175	21	137	110	143	312	1,738
Medicaid - DOH	869	1,267	918	538	1,040	710	673	587	370	819	626	621	9,038
Public Health	16	35	117	32	35	23	131	45	52	54	53	89	682
Mental Hygiene	45	58	62	153	67	135	251	62	180	237	180	408	1,838
Children and Families	5	130	91	223	98	125	73	72	252	99	90	350	1,608
Temporary & Disability Assistance	55	252	248	150	152	184	140	(142)	207	10	138	(2)	1,392
Transportation	0	14	45	1	13	1	0	15	7	0	8	2	106
All Other	22	70	444	50	56	135	63	57	265	81	27	432	1,702
Total Local Assistance Grants	1,292	4,103	4,117	1,425	2,223	2,786	2,475	1,708	3,049	2,029	2,093	9,367	36,667
Personal Service	633	814	599	589	749	546	699	546	417	513	317	391	6,813
Non-Personal Service	203	239	275	208	255	209	219	181	222	247	253	353	2,864
Total State Operations	836	1,053	874	797	1,004	755	918	727	639	760	570	744	9,677
General State Charges	262	430	1,218	258	269	268	285	319	260	389	235	294	4,487
Debt Service	45	144	210	49	40	292	60	110	413	4	26	164	1,557
Capital Projects	89	55	8	51	56	66	133	105	24	50	124	(668)	93
Other Purposes	117	19	49	79	30	122	22	67	73	22	67	440	1,107
Total Transfers to Other Funds	251	218	267	179	126	480	215	282	510	76	217	(64)	2,757
TOTAL DISBURSEMENTS	2,641	5,804	6,476	2,659	3,622	4,289	3,893	3,036	4,458	3,254	3,115	10,341	53,588
Excess/(Deficiency) of Receipts over Disbursements	3,858	(3,767)	(255)	567	(594)	1,288	(1,306)	(1,516)	358	5,104	(344)	(3,812)	(419)
CLOSING BALANCE	6,903	3,136	2,881	3,448	2,854	4,142	2,836	1,320	1,678	6,782	6,438	2,626	2,626

Source: NYS DOB

CASHFLOW
GENERAL FUND
2008-2009
(dollars in millions)

	2008 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2009 January Projected	February Projected	March Projected	Total
OPENING BALANCE	2,626	6,289	1,713	2,773	2,742	2,655	3,856	2,384	893	1,368	6,448	5,924	2,626
RECEIPTS:													
Personal Income Tax	4,576	683	2,387	1,556	1,595	2,114	656	248	1,506	5,395	1,716	1,959	24,391
User Taxes and Fees	672	647	908	694	665	905	658	702	901	667	559	854	8,832
Business Taxes	266	50	1,214	185	151	1,260	223	77	1,427	232	204	1,965	7,254
Other Taxes	99	99	100	100	101	101	99	99	99	99	99	99	1,194
Total Taxes	5,613	1,479	4,609	2,535	2,512	4,380	1,636	1,126	3,933	6,393	2,578	4,877	41,671
Licenses, fees, etc.	28	61	44	26	61	41	51	48	32	37	49	60	538
Abandoned Property	20	0	18	12	8	53	9	167	34	41	39	249	650
Reimbursement	4	11	24	5	14	22	13	10	23	7	12	27	172
Investment income	60	7	25	22	(11)	6	53	15	3	14	0	6	200
Other transactions	26	32	151	43	53	54	38	30	53	34	30	134	678
Total Miscellaneous Receipts	138	111	262	108	125	176	164	270	145	133	130	476	2,238
Federal Grants	0	11	4	0	4	0	9	9	0	4	0	0	41
PIT in excess of Revenue Bond Debt Service	1,525	157	925	539	366	966	622	136	926	1,593	160	854	8,769
Sales Tax in Excess of LGAC Debt Service	196	24	448	207	200	212	197	211	273	200	2	144	2,314
Real Estate Taxes in Excess of CW/CA Debt Service	65	57	45	49	59	59	55	40	53	55	41	37	615
All Other	0	0	96	3	1	5	8	5	122	3	1	450	694
Total Transfers from Other Funds	1,786	238	1,514	798	626	1,242	882	392	1,374	1,851	204	1,485	12,392
TOTAL RECEIPTS	7,537	1,839	6,389	3,441	3,267	5,798	2,691	1,797	5,452	8,381	2,912	6,838	56,342
DISBURSEMENTS:													
School Aid	175	2,320	1,670	135	430	1,790	675	763	1,251	463	635	7,134	17,441
Higher Education	17	11	483	118	113	95	468	24	287	42	348	464	2,470
All Other Education	86	100	92	189	141	143	127	66	79	223	141	315	1,702
Medicaid - DOH	1,608	1,357	1,172	974	1,080	690	1,145	1,031	1,026	973	808	859	12,723
Public Health	16	38	63	68	34	54	53	42	46	111	28	92	645
Mental Hygiene	129	127	132	141	131	249	136	127	240	244	124	274	2,054
Children and Families	79	85	98	291	87	127	79	86	307	83	83	356	1,761
Temporary & Disability Assistance	157	157	258	157	157	176	157	(135)	176	(143)	106	(54)	1,169
Transportation	0	11	45	0	14	0	0	17	10	0	8	0	105
All Other	15	37	415	38	49	205	5	50	402	56	73	445	1,790
Total Local Assistance Grants	2,282	4,243	4,428	2,111	2,236	3,529	2,845	2,071	3,824	2,052	2,354	9,885	41,860
Personal Service	686	566	535	619	533	488	631	463	460	542	447	463	6,433
Non-Personal Service	178	182	177	193	207	246	169	167	178	227	217	289	2,430
Total State Operations	864	748	712	812	740	734	800	630	638	769	664	752	8,863
General State Charges	339	1,215	(88)	452	261	(91)	402	265	(73)	324	217	(87)	3,136
Debt Service	228	139	201	36	46	278	22	175	404	3	19	141	1,692
Capital Projects	29	33	30	31	30	42	64	77	136	123	157	(386)	366
Other Purposes	132	37	46	30	41	105	30	70	48	30	25	231	825
Total Transfers to Other Funds	389	209	277	97	117	425	116	322	588	156	201	(14)	2,883
TOTAL DISBURSEMENTS	3,874	6,415	5,329	3,472	3,354	4,597	4,163	3,288	4,977	3,301	3,436	10,536	56,742
Excess/(Deficiency) of Receipts over Disbursements	3,663	(4,576)	1,060	(31)	(87)	1,201	(1,472)	(1,491)	475	5,080	(524)	(3,698)	(400)
CLOSING BALANCE	6,289	1,713	2,773	2,742	2,655	3,856	2,384	893	1,368	6,448	5,924	2,226	2,226

Source: NYS DOB

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

	2006-2007 Actuals	2007-2008 January	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Recommended	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT								
Agriculture and Markets, Department of	94,967	103,857	0	103,857	131,524	99,241	99,843	100,618
Alcoholic Beverage Control	11,696	13,012	0	13,012	13,719	14,125	14,187	14,380
Banking Department	57,224	61,413	0	61,413	62,337	63,549	64,347	62,977
Consumer Protection Board	2,792	3,055	0	3,055	3,703	3,747	3,790	3,677
Economic Development Capital Programs	45,777	134,010	0	134,010	103,405	269,980	224,430	66,077
Economic Development, Department of	42,681	53,968	0	53,968	59,377	60,006	60,025	59,824
Empire State Development Corporation	169,786	471,955	0	471,955	811,885	676,285	456,545	376,869
Energy Research and Development Authority	28,865	28,623	0	28,623	29,413	29,597	29,795	29,997
Housing and Community Renewal, Division of	272,073	315,865	0	315,865	285,417	268,637	269,553	266,312
Insurance Department	145,590	250,421	0	250,421	262,999	263,604	264,748	264,748
Olympic Regional Development Authority	8,250	14,126	0	14,126	9,009	9,217	9,437	9,663
Public Service, Department of	50,931	56,484	0	56,484	59,887	61,572	63,363	65,212
Science, Technology and Innovation, Foundation for	52,263	52,576	0	52,576	44,232	40,800	41,312	37,187
Strategic Investment	4,840	28,000	0	28,000	10,000	14,000	14,000	10,376
Functional Total	987,735	1,587,365	0	1,587,365	1,886,907	1,874,360	1,615,375	1,367,917
PARKS AND THE ENVIRONMENT								
Adirondack Park Agency	4,599	5,740	0	5,740	5,929	5,935	5,942	5,942
Environmental Conservation, Department of	818,004	913,498	0	913,498	893,889	912,210	909,813	917,109
Environmental Facilities Corporation	8,416	16,160	0	16,160	11,815	6,760	6,760	6,760
Hudson River Park Trust	26,284	20,000	0	20,000	20,682	15,000	10,000	0
Parks, Recreation and Historic Preservation, Office of	257,877	256,888	0	256,888	319,996	289,627	256,158	254,800
Functional Total	1,115,180	1,212,286	0	1,212,286	1,252,311	1,229,532	1,188,673	1,184,611
TRANSPORTATION								
Motor Vehicles, Department of	257,839	285,613	0	285,613	316,215	305,133	311,759	319,602
Thruway Authority	1,775	1,734	0	1,734	1,734	1,804	1,876	1,951
Metropolitan Transportation Authority	0	93,700	0	93,700	188,550	258,700	278,922	262,600
Transportation, Department of	5,553,463	6,291,418	0	6,291,418	6,777,123	6,969,066	7,177,524	7,246,077
Functional Total	5,813,077	6,672,465	0	6,672,465	7,283,622	7,534,703	7,770,081	7,830,230
HEALTH AND SOCIAL WELFARE								
Aging, Office for the	197,862	229,194	0	229,194	240,097	245,042	253,378	257,524
Children and Family Services, Office of	2,711,049	2,910,937	0	2,910,937	3,175,967	3,318,432	3,498,975	3,651,761
OCFS	2,711,049	2,910,937	(33,505)	2,877,432	3,132,462	3,252,565	3,387,181	3,519,160
OCFS - Medicaid	0	0	33,505	33,505	43,505	65,867	111,794	132,601
Health, Department of	37,770,678	37,313,545	0	37,313,545	38,671,751	41,366,769	43,804,199	46,452,940
Medical Assistance	32,388,167	31,233,203	0	31,233,203	32,500,763	34,987,577	37,233,503	39,921,945
Medicaid Administration	745,408	820,000	0	820,000	853,000	887,000	922,500	959,250
DOH - Other	4,637,103	5,260,342	0	5,260,342	5,317,988	5,492,192	5,648,196	5,571,745
Human Rights, Division of	16,226	15,816	0	15,816	17,068	17,819	17,791	17,850
Labor, Department of	518,146	511,893	0	511,893	511,053	501,096	501,096	506,055
Medicaid Inspector General, Office of	34,842	74,017	0	74,017	91,803	94,148	95,267	95,942
Prevention of Domestic Violence, Office for	2,315	2,556	0	2,556	2,563	2,575	2,587	2,597
Stem Cell and Innovation	0	15,000	0	15,000	100,000	85,000	50,000	50,000

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

	2006-2007 Actuals	2007-2008 January	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Recommended	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
HEALTH AND SOCIAL WELFARE (Continued)								
Temporary and Disability Assistance, Office of	4,458,278	4,664,522	0	4,664,522	4,481,508	4,564,415	4,570,869	4,578,495
Welfare Assistance	3,016,154	3,189,923	0	3,189,923	3,005,309	3,074,568	3,073,881	3,074,381
Welfare Administration	380,349	376,933	0	376,933	371,233	373,233	373,233	373,233
All Other	1,061,775	1,097,666	0	1,097,666	1,104,966	1,116,614	1,123,755	1,130,881
Welfare Inspector General, Office of	1,074	1,181	0	1,181	1,243	1,261	1,279	1,297
Workers' Compensation Board	148,277	162,246	0	162,246	152,828	154,944	157,199	157,199
Functional Total	45,858,747	45,900,907	0	45,900,907	47,445,881	50,351,501	52,952,640	55,771,660
MENTAL HEALTH								
Mental Health, Office of	2,335,339	2,543,085	478,586	3,021,671	2,644,468	2,865,799	2,998,123	3,087,952
OMH	2,335,339	2,543,085	(1,492,746)	1,050,339	1,139,723	1,409,358	1,541,682	1,631,511
OMH - Medicaid	0	0	1,971,332	1,971,332	1,504,745	1,456,441	1,456,441	1,456,441
Mental Hygiene, Department of	8,473	7,800	0	7,800	7,800	7,800	7,800	7,800
Mental Retardation and Developmental Disabilities, Office of	3,168,254	3,421,345	1,002,750	4,424,095	3,515,663	3,675,618	3,789,062	3,828,490
OMRDD	3,168,254	3,421,345	(2,550,379)	870,966	492,105	486,346	611,831	669,976
OMRDD - Medicaid	0	0	3,553,129	3,553,129	3,023,558	3,189,272	3,177,231	3,158,514
Alcoholism and Substance Abuse Services, Office of	521,906	592,931	24,423	617,354	649,878	732,923	722,331	758,665
OASAS	521,906	592,931	(46,580)	546,351	603,298	686,343	675,751	712,085
OASAS - Medicaid	0	0	71,003	71,003	46,580	46,580	46,580	46,580
Developmental Disabilities Planning Council	4,129	3,621	0	3,621	3,617	3,617	3,617	3,617
Quality of Care for the Mentally Disabled, Commission on	12,605	15,592	0	15,592	16,414	16,715	16,768	16,802
Functional Total	6,050,706	6,584,374	1,505,759	8,090,133	6,837,840	7,302,472	7,537,701	7,703,326
PUBLIC PROTECTION								
Capital Defenders Office	1,558	1,300	0	1,300	368	0	0	0
Correction, Commission of	2,621	2,629	0	2,629	2,753	2,784	2,814	2,846
Correctional Services, Department of	2,736,338	2,702,380	0	2,702,380	2,797,864	2,852,013	2,927,428	2,995,137
Crime Victims Board	60,073	62,709	0	62,709	62,483	62,537	62,591	62,647
Criminal Justice Services, Division of	267,326	248,655	0	248,655	259,754	249,809	245,474	237,867
Homeland Security	29,562	230,148	0	230,148	298,782	460,327	559,052	559,832
Investigation, Temporary State Commission of	3,551	3,929	0	3,929	4,076	0	0	0
Judicial Commissions	2,785	4,785	0	4,785	5,139	5,221	5,283	5,386
Military and Naval Affairs, Division of	401,627	462,207	0	462,207	360,263	150,619	171,438	186,481
Parole, Division of	194,729	206,318	0	206,318	208,482	221,011	237,792	242,593
Probation and Correctional Alternatives, Division of	72,752	74,649	0	74,649	78,931	81,157	81,196	80,886
State Police, Division of	644,506	613,303	0	613,303	641,595	643,161	636,979	627,256
Functional Total	4,417,428	4,613,012	0	4,613,012	4,720,490	4,728,639	4,930,047	5,000,931

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

	2006-2007 Actuals	2007-2008 January	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Recommended	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
EDUCATION								
Arts, Council on the	49,244	55,766	0	55,766	55,662	55,842	55,823	55,923
City University of New York	1,064,544	1,143,206	0	1,143,206	1,321,507	1,375,671	1,441,356	1,467,236
Education, Department of	26,657,044	29,344,857	0	29,344,857	30,763,488	33,440,853	36,459,421	38,681,129
School Aid	20,088,579	21,848,418	(80,000)	21,768,418	23,148,155	24,982,432	27,337,670	29,191,350
School Aid - Medicaid Assistance	0	0	80,000	80,000	80,000	80,000	80,000	80,000
Special Education Categorical Programs	1,620,800	1,719,600	0	1,719,600	1,752,690	1,863,590	1,946,590	2,052,090
STAR Property Tax Relief	3,993,970	4,678,570	0	4,678,570	4,712,899	5,423,170	5,949,569	6,235,582
All Other	953,695	1,098,269	0	1,098,269	1,069,744	1,091,661	1,145,592	1,122,107
Higher Education Services Corporation	956,737	954,454	0	954,454	914,493	932,715	932,239	931,795
Higher Education Capital grants	0	10,000	0	10,000	50,000	30,000	30,000	30,000
State University Construction Fund	13,157	12,478	0	12,478	13,680	13,822	13,966	14,112
State University of New York	5,447,926	5,774,221	0	5,774,221	5,872,410	6,011,760	6,161,001	6,210,428
Functional Total	34,188,652	37,294,982	0	37,294,982	38,991,240	41,860,663	45,093,806	47,390,623
GENERAL GOVERNMENT								
Audit and Control, Department of	244,078	251,534	0	251,534	258,612	261,688	265,560	267,913
Budget, Division of the	54,817	73,362	0	73,362	91,000	86,243	94,614	91,563
Civil Service, Department of	24,363	23,653	0	23,653	23,922	24,102	24,335	24,571
Elections, State Board of	13,037	29,119	0	29,119	68,917	184,442	9,716	9,833
Employee Relations, Office of	3,852	4,000	0	4,000	4,134	4,119	4,160	4,200
Executive Chamber	14,517	20,320	0	20,320	20,930	21,560	22,200	22,870
General Services, Office of	255,060	229,724	0	229,724	233,381	228,087	239,644	238,089
Inspector General, Office of	5,933	6,908	0	6,908	7,153	7,327	7,447	7,529
Law, Department of	193,461	205,763	0	205,763	229,081	232,610	235,554	240,536
Lieutenant Governor, Office of the	360	1,378	0	1,378	1,420	1,460	1,500	1,550
Lottery, Division of	177,360	182,527	0	182,527	180,147	184,318	188,393	188,393
Commission on Public Integrity	0	0	0	0	5,432	5,459	5,502	5,860
Racing and Wagering Board, State	16,899	18,754	0	18,754	18,178	18,622	18,803	18,803
Real Property Services, Office of	47,620	51,651	0	51,651	52,655	54,202	55,040	56,032
Regulatory Reform, Governor's Office of	3,509	3,781	0	3,781	3,480	3,526	3,550	3,550
Public Employment Relations Board	3,376	4,077	0	4,077	4,207	4,243	4,284	4,331
State, Department of	148,140	210,303	0	210,303	159,916	156,199	156,162	152,338
Tax Appeals, Division of	3,228	3,233	0	3,233	3,273	3,308	3,343	3,343
Taxation and Finance, Department of	355,452	367,658	0	367,658	367,454	374,708	378,963	379,018
Technology, Office for	19,258	28,309	0	28,309	94,073	144,605	239,775	156,264
Lobbying, Temporary State Commission on	2,338	0	0	0	0	0	0	(332)
Veterans Affairs, Division of	14,117	15,368	0	15,368	17,820	16,844	16,508	16,071
Functional Total	1,600,775	1,731,422	0	1,731,422	1,845,185	2,017,672	1,975,053	1,892,325
ALL OTHER CATEGORIES								
Legislature	213,118	220,319	0	220,319	226,879	229,531	229,574	229,574
Judiciary (excluding fringe benefits)	1,731,791	1,829,753	0	1,829,753	2,032,399	2,072,858	2,217,176	2,347,564
World Trade Center	37,020	50,000	0	50,000	70,000	70,000	35,000	32,500
Local Government Assistance	1,156,176	938,461	0	938,461	1,136,649	1,376,151	1,440,247	1,410,278
Long-Term Debt Service	4,450,737	4,291,999	0	4,291,999	4,628,094	5,106,458	5,737,221	6,063,808
General State Charges	5,222,834	5,368,881	(1,505,759)	3,863,122	5,555,509	5,873,099	6,168,791	6,556,793
Miscellaneous	(80,058)	17,602	0	17,602	416,330	698,262	930,375	878,966
Functional Total	12,731,618	12,717,015	(1,505,759)	11,211,256	14,065,860	15,426,359	16,758,384	17,519,483
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	112,763,918	118,313,828	0	118,313,828	124,329,336	132,325,901	139,821,760	145,661,106

Source: NYS DOB

GAAP FINANCIAL PLAN
GENERAL FUND
2007-2008 and 2008-2009
(millions of dollars)

	2007-2008 Current	2008-09 Recommended	Annual Change
Revenues:			
Taxes:			
Personal income tax	22,245	24,802	2,557
User taxes and fees	8,581	8,831	250
Business taxes	6,604	7,229	625
Other taxes	1,118	1,272	154
Miscellaneous revenues	5,357	5,262	(95)
Federal grants	71	41	(30)
Total revenues	43,976	47,437	3,461
Expenditures:			
Grants to local governments	38,998	43,986	4,988
State operations	12,139	12,888	749
General State charges	3,891	3,962	71
Debt service	0	0	0
Capital projects	10	11	1
Total expenditures	55,038	60,847	5,809
Other financing sources (uses):			
Transfers from other funds	15,085	18,295	3,210
Transfers to other funds	(5,504)	(5,736)	(232)
Proceeds from financing arrangements/		0	
advance refundings	330	330	0
Net other financing sources (uses)	9,911	12,889	2,978
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	(1,151)	(521)	630
Accumulated Surplus/(Deficit)	1,233	712	(521)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	38,548	7,786	2,017	12,596	60,947
Patient fees	0	0	0	326	326
Miscellaneous revenues	5,357	5,119	312	24	10,812
Federal grants	71	36,416	1,859	0	38,346
Total revenues	43,976	49,321	4,188	12,946	110,431
Expenditures:					
Grants to local governments	38,998	46,602	602	0	86,202
State operations	12,139	1,802	0	58	13,999
General State charges	3,891	339	0	0	4,230
Debt service	0	0	0	3,606	3,606
Capital projects	10	5	7,455	0	7,470
Total expenditures	55,038	48,748	8,057	3,664	115,507
Other financing sources (uses):					
Transfers from other funds	15,085	2,865	217	5,680	23,847
Transfers to other funds	(5,504)	(3,872)	(960)	(14,861)	(25,197)
Proceeds of general obligation bonds	0	0	298	0	298
Proceeds from financing arrangements/ advance refundings	330	0	3,689	0	4,019
Net other financing sources (uses)	9,911	(1,007)	3,244	(9,181)	2,967
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	(1,151)	(434)	(625)	101	(2,109)

Source: NYS DOB

GAAP FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
EXECUTIVE BUDGET
2008-2009
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	42,134	8,023	2,095	13,123	65,375
Patient fees	0	0	0	330	330
Miscellaneous revenues	5,262	5,246	373	25	10,906
Federal grants	41	37,394	2,010	0	39,445
Total revenues	47,437	50,663	4,478	13,478	116,056
Expenditures:					
Grants to local governments	43,986	47,853	614	0	92,453
State operations	12,888	1,870	0	62	14,820
General State charges	3,962	347	0	0	4,309
Debt service	0	0	0	3,704	3,704
Capital projects	11	3	8,607	0	8,621
Total expenditures	60,847	50,073	9,221	3,766	123,907
Other financing sources (uses):					
Transfers from other funds	18,295	3,192	579	5,764	27,830
Transfers to other funds	(5,736)	(3,930)	(1,230)	(15,440)	(26,336)
Proceeds of general obligation bonds	0	0	457	0	457
Proceeds from financing arrangements/ advance refundings	330	0	4,570	0	4,900
Net other financing sources (uses)	12,889	(738)	4,376	(9,676)	6,851
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	(521)	(148)	(367)	36	(1,000)

Source: NYS DOB

NOTES ON MEDICAID FINANCIAL PLAN PRESENTATION

Medicaid Transparency

The 2008-09 Financial Plan reflects a cost-neutral restructuring of the reporting of certain spending that is intended to improve transparency and assist in analysis of the State's largest program. Specifically, and as explained in detail below, the Financial Plan is adjusted to:

- Provide more budgeting transparency for the State's Medicaid Program such that the Financial Plan will clearly identify the total amount of Medicaid spending for every agency.
- Allocate employee fringe benefit costs to Mental Hygiene agencies, to provide a more accurate depiction of the total costs of providing services in these agencies.

Previously, the State's Medicaid appropriations and spending had been dispersed among various agencies, with the Federal share of Medicaid generally appropriated in DOH, and the State share of Medicaid appropriated through various agencies participating in the Medicaid program, including: the Office of Mental Health (OMH), the Office of Mental Retardation and Developmental Disabilities (OMRDD), the Office of Alcoholism and Substance Abuse Services (OASAS), the State Education Department (SED), and the Office of Children and Family Services (OCFS). For 2008-09, transparency is advanced by consolidating and recognizing for the first time in DOH's appropriations, the State share of Medicaid for OMRDD, OMH and OASAS State Operations.

As a result of these changes, for the first time ever, readers of the State's Financial Plan will be able to easily see the total costs of the State's Medicaid program (excluding the share provided by local governments) for each agency that provides Medicaid services. The following table summarizes this Medicaid information that is now provided in the Financial Plan tables.

2008-09 Statewide Medicaid Program
Total Disbursements*
(millions of dollars)

	General Fund	Special Revenue	Federal Funds	All Government
DOH - Medicaid	12,724	475	20,156	33,355
Mental Hygiene - Medicaid	1,693	1,163	2,703	5,559
OCFS - Medicaid	43	0	0	43
SED - Medicaid	80	0	0	80
State and Federal Share Total	**14,540**	**1,638**	**22,859**	**39,037**
Local Share	0	0	0	7,221
Grand Total	**14,540**	**1,638**	**22,859**	**46,258**

**Includes Local Assistance, State Operations, and General State Charges*

A second component of budgeting transparency and rationalizing reimbursement involves charging OMH, OMRDD and OASAS their appropriate share of employee fringe benefits as is currently the practice with other State agencies whose revenue is partially or totally derived from non-General Fund sources.

As summarized in the following tables, this results in appropriation restructurings and cost-neutral spending adjustments which generally reflect a roughly $2.7 billion increase in General Fund State Medicaid share resources in DOH and a concomitant decrease in General Fund fringe benefits spending in the General State Charges (GSCs) budget and in the Mental Hygiene agencies. Corresponding adjustments are also made in State Funds and All Funds reporting. Accordingly, this initiative has no impact on the State's Financial Plan, but is recommended with the goal of achieving greater transparency in the budgeting of Medicaid and a more accurate reporting of fringe benefit responsibilities.

To facilitate comparable reporting of spending trends and annual growth, the Financial Plan tables for 2007-08 provide projections on an actual basis and on an adjusted basis (with details on each adjustment) by agency for each financial plan category of spending and by fund. The multi-year adjustments are summarized in the following tables.

General Fund Medicaid Transparency
Increase/(Decrease) in Spending
(millions of dollars)

	2007-08[(1)]	2008-09	2009-10	2010-11	2011-12
DOH - Medicaid	2,649	2,649	2,636	2,646	2,656
OMH	(1,249)	(1,249)	(1,477)	(1,381)	(1,296)
OMRDD	377	377	277	184	178
OASAS	(271)	(271)	(300)	(314)	(331)
Central GSCs	(1,506)	(1,506)	(1,136)	(1,135)	(1,207)
Total	**0**	**0**	**0**	**0**	**0**

State Funds Medicaid Transparency
Increase/(Decrease) in Spending
(millions of dollars)

	2007-08[(1)]	2008-09	2009-10	2010-11	2011-12
DOH - Medicaid	-	-	-	-	-
OMH	226	226	254	307	327
OMRDD	1,262	1,262	862	807	858
OASAS	18	18	20	21	22
Central GSCs	(1,506)	(1,506)	(1,136)	(1,135)	(1,207)
Total	**0**	**0**	**0**	**0**	**0**

All Funds Medicaid Transparency
Increase/(Decrease) in Spending
(millions of dollars)

	2007-08[(1)]	2008-09	2009-10	2010-11	2011-12
DOH - Medicaid	-	-	-	-	-
OMH	479	479	503	568	602
OMRDD	1,003	1,003	607	540	576
OASAS	24	24	26	27	29
Central GSCs	(1,506)	(1,506)	(1,136)	(1,135)	(1,207)
Total	**0**	**0**	**0**	**0**	**0**

[(1)] *For purposes of the 2007-08 adjustment, the 2008-09 amounts were used to ensure reports on annual spending growth were not impacted by the adjustment, and because actual 2007-08 adjusted results will not be reflected in the State's accounting system for this transaction.*

Annual Information Statement

State of New York

May 8, 2007

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

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.

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

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

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Current Fiscal Year

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

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

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

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

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

2007-08 Enacted Budget Financial Plan Overview

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

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

* Preliminary, unaudited results.

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

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

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

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

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

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

Savings/(Costs)

(millions of dollars)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Size of the Enacted Budget and impact by major program

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

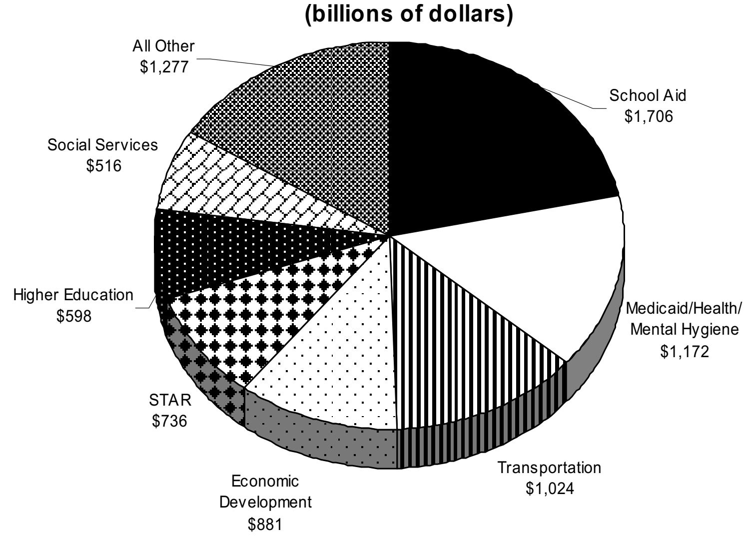
** Unaudited year-end results.*

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

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

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

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



Enacted Budget Disbursement Projections
Major Sources of Annual Change
(millions of dollars)

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

Projected 2007-08 Year-End Balances

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

General Fund Estimated Closing Balance
(millions of dollars)

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

** Unaudited year-end results.*

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

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

Risks to the Financial Plan

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

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Changes to the Executive Budget

Recap of Multi-Year General Fund Operating Forecast:

Initial Budget through Enactment

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

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

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

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

Executive Budget Proposals vs. Enacted Budget

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

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

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

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

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

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

New Initiatives

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

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

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

Savings

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

Health Care

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

Specific savings initiatives include:

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

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

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

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

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

Other Savings

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

The key Enacted Budget actions include the following initiatives:

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

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

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

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

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

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

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

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

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

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

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

Revenue Loophole Closing Initiatives

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

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

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

Non-Recurring Resources

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

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

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

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

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

2007-08 Receipts and Disbursements Forecast

Introduction

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

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

Receipts Forecast

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

Total Receipts
(millions of dollars)

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

2007-08 Receipts Overview

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

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

2007-08

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

Fiscal Years 2007-08 through 2010-11

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

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

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

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

Base Tax Receipts Growth

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

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

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

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

Personal Income Tax

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

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

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

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

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

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

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

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

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

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

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

User Taxes and Fees

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

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

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

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

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

Business Taxes

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

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

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

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

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

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

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

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

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

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

Other Taxes

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

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

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

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

Miscellaneous Receipts

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

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

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

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

2007-08 DISBURSEMENTS FORECAST

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

** Unaudited year-end results.*

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

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

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

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

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

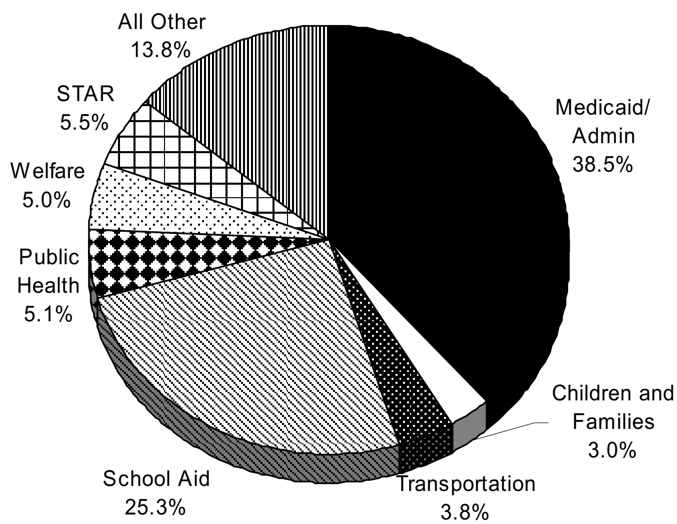
In general, the forecasts are described in two parts: the first describes the current services estimate for the 2007-08 fiscal year for major programs or activities; the second summarizes the Enacted Budget actions. The combination of current services spending growth and Enacted Budget actions produce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

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

Grants to Local Governments

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

2007-08 All Funds Local Assistance Spending $85.7 Billion



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

Local Assistance Spending Projections
(millions of dollars)

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

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

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

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

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

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

Current Services

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

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

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

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

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

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

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

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

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

Transportation: Largely reflects timing of transit aid.

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

Enacted Savings

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

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

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

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

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

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

New Initiatives

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

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

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

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

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

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

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

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

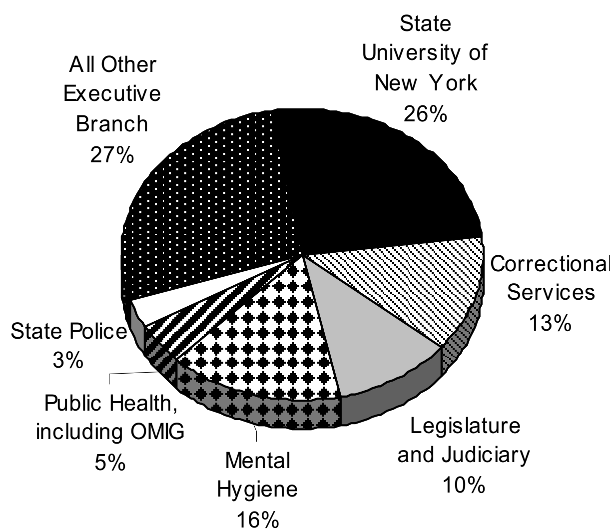
Chilren and Families: The Enacted Budget provides additional funding for programs serving children and families.

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

State Operations

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

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



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

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

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

State Operations Spending Projections
(millions of dollars)

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

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

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

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

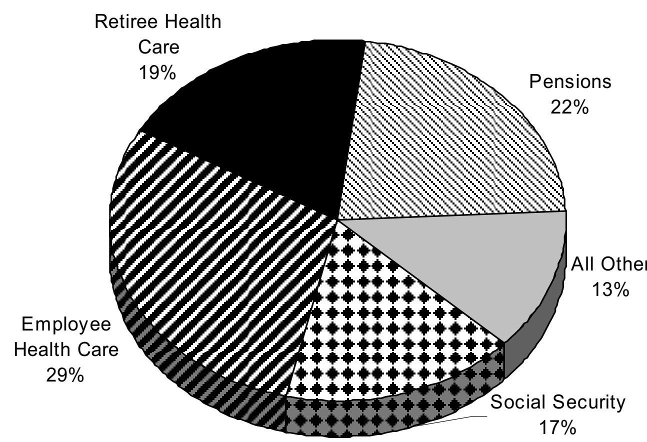
	Personal Service	Non-Personal Service	State Operations
2006-07 Results (unaudited)	**11,555**	**5,972**	**17,527**
State University of New York	168	187	355
Insurance Department	(19)	137	118
Health, including OMIG	51	63	114
Judiciary	66	27	93
Mental Retardation	45	27	72
Mental Health	85	(28)	57
Homeland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

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

General State Charges

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

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



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

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

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

Debt Service

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

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

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

Capital Projects

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

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

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

Other Financing Sources/(Uses)

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

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

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

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

General Fund Financial Plan Outyear Projections

Impact of Enacted Budget on Gap Forecast

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

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

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

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

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

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

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

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

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

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

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

Outyear General Fund Disbursement Projections

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

General Fund Disbursement Projections
(millions of dollars)

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

Grants to Local Governments

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

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

School Aid

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

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

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

Medicaid

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

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

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

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

Mental Hygiene

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

Children and Family Services

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

Temporary and Disability Assistance

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

Other Local

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

State Operations

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

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

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

General State Charges (GSCs)

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

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

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

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

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

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

Transfers to Other Funds

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

Financial Plan Reserves

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

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

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

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

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

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

Cash Flow Forecast

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

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

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

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

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

Source: NYS DOB

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

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

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

Source: NYS DOB

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

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

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

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

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

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

CASHFLOW
GENERAL FUND
2007-2008
(dollars in millions)

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

Source: NYS DOB

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

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

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

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

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

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

Source: NYS DOB

GAAP-Basis Financial Plans/GASB Statement 45

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Source: NYS DOB

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

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

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

Source: NYS DOB

Special Considerations

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

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

Risks to the U.S. Economic Forecast

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

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

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

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

Risks to the New York Forecast

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

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

Labor Contracts/Salary Increases

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

School Supportive Health Services

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

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

Proposed Federal Rule on Medicaid Funding

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

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

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

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

Video Lottery Terminal Expansion

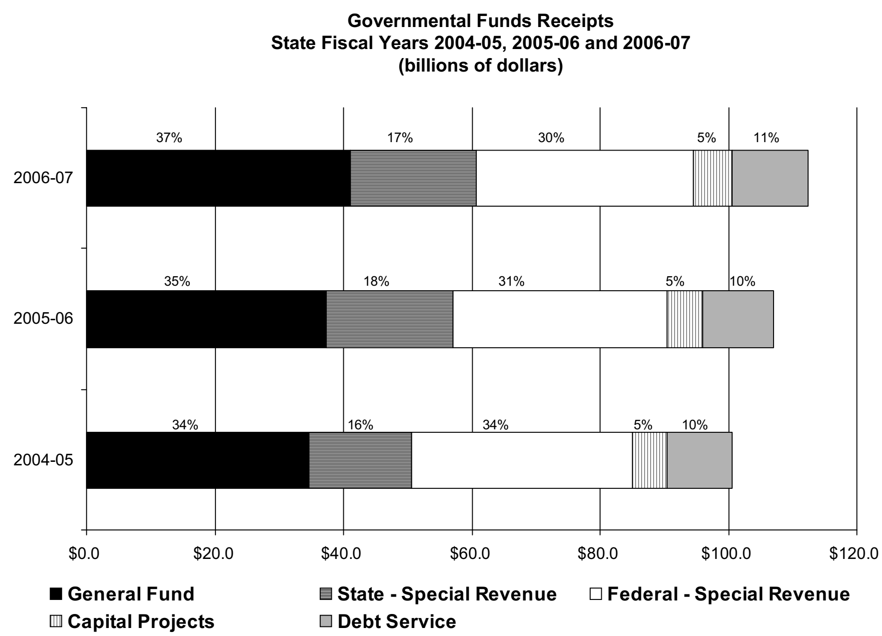
In developing annual VLT revenue estimates, the State's four-year Financial Plan assumes the approval of an expansion plan sometime in 2007-08, which is expected to provide $150 million in 2008-09, $357 million in 2009-10, and $766 million in 2010-11. Including expansion, VLT revenues are projected to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

School Aid Database Updates

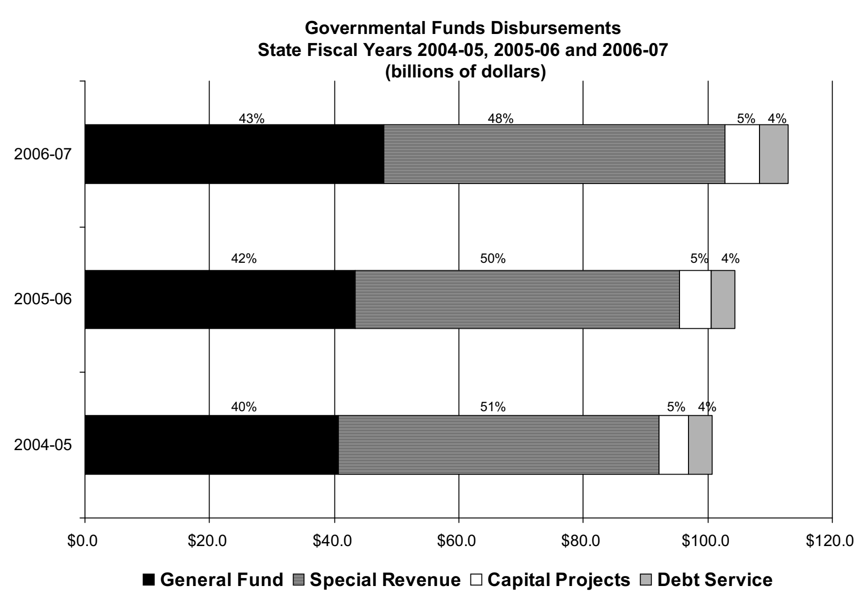
After enactment of the State Budget, school districts are authorized to submit additional State aid claims for payment in the September following the close of such school year. In some cases, these additional claims have significantly increased the State's liability on a school year basis. Recent database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

Prior Fiscal Years

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

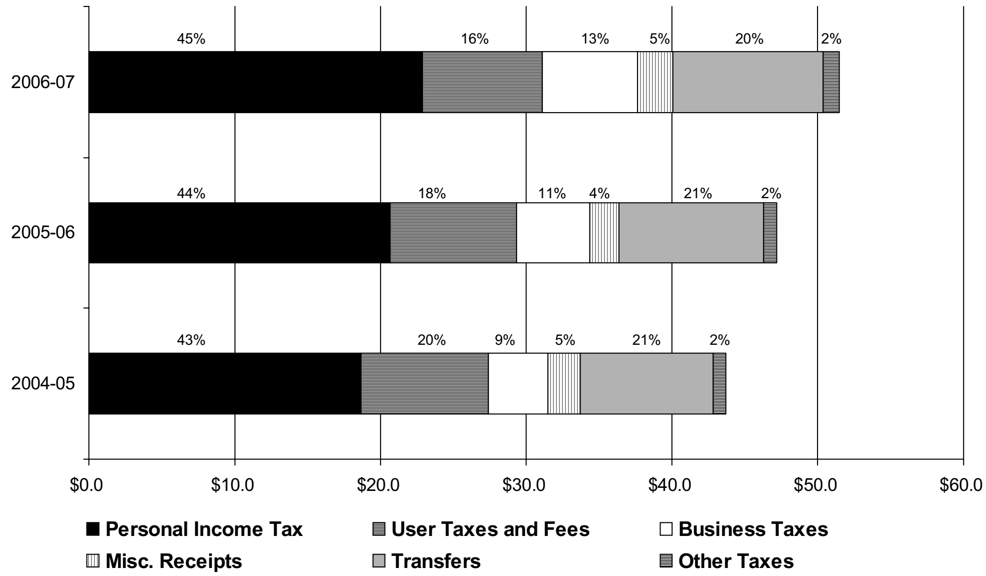


Note: Percentage total may not add due to rounding.



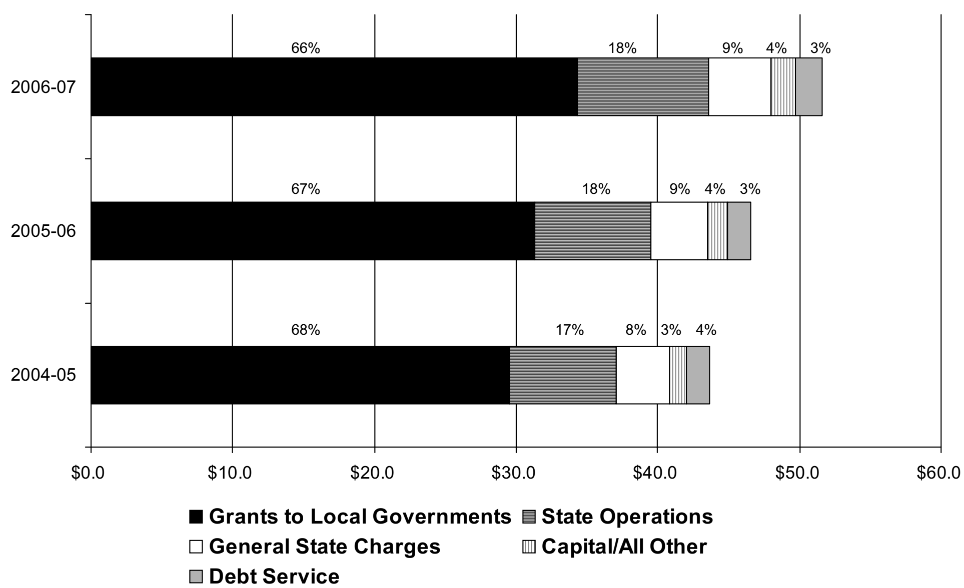
Note: Percentage total may not add due to rounding.

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



Note: Percentage total may not add due to rounding.

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



Note: Percentage total may not add due to rounding.

Cash-Basis Results for Prior Fiscal Years

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

General Fund 2004-05 through 2006-07

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

Recent Trends

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

2006-07 Fiscal Year (Unaudited Results)

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

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

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

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

2005-06 Fiscal Year

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

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

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

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

2004-05 Fiscal Year

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

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

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

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

State Funds 2004-05 through 2006-07

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

Recent Trends

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

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

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

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

2006-07 Fiscal Year (Unaudited Results)

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

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

2005-06 Fiscal Year

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

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

2004-05 Fiscal Year

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

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

All Funds 2004-05 through 2006-07

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

Recent Trends

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

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

2006-07 Fiscal Year (Unaudited Results)

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

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

2005-06 Fiscal Year

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

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

2004-05 Fiscal Year

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

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

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

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

Source: NYS Office of State Comptroller.

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

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

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

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

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

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

Source: NYS DOB

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

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

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,546	2,006	(206)	184	4,530
Receipts:					
Taxes	35,305	6,057	1,879	10,341	53,581
Miscellaneous receipts	2,028	13,596	1,775	745	18,144
Federal grants	0	2	0	0	2
Total receipts	37,333	19,655	3,654	11,086	71,728
Disbursements:					
Grants to local governments	31,287	13,403	281	0	44,971
State operations	8,160	5,126	0	58	13,344
General State charges	3,975	546	0	0	4,521
Debt service	0	0	0	3,701	3,701
Capital projects	0	41	3,145	0	3,186
Total disbursements	43,422	19,116	3,426	3,759	69,723
Other financing sources (uses):					
Transfers from other funds	9,873	1,454	279	5,168	16,774
Transfers to other funds	(3,073)	(252)	(866)	(12,458)	(16,649)
Bond and note proceeds	0	0	159	0	159
Net other financing sources (uses)	6,800	1,202	(428)	(7,290)	284
Change in fund balance	711	1,741	(200)	37	2,289
Closing fund balance	3,257	3,747	(406)	221	6,819

Source: NYS DOB

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

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

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

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

Source: NYS DOB

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

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

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

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

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

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

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

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,546	2,005	(454)	184	4,281
Receipts:					
Taxes	35,305	6,053	1,879	10,341	53,578
Miscellaneous receipts	2,028	13,771	1,775	745	18,319
Federal grants	0	33,363	1,767	0	35,130
Total receipts	37,333	53,187	5,421	11,086	107,027
Disbursements:					
Grants to local governments	31,287	43,010	739	0	75,036
State operations	8,160	8,217	0	58	16,435
General State charges	3,975	760	0	0	4,735
Debt service	0	0	0	3,701	3,701
Capital projects	0	41	4,393	0	4,434
Total disbursements	43,422	52,028	5,132	3,759	104,341
Other financing sources (uses):					
Transfers from other funds	9,873	3,856	279	5,168	19,176
Transfers to other funds	(3,073)	(2,826)	(877)	(12,458)	(19,234)
Bond and note proceeds	0	0	159	0	159
Net other financing sources (uses)	6,800	1,030	(439)	(7,290)	101
Change in fund balance	711	2,189	(150)	37	2,787
Closing fund balance	3,257	4,194	(604)	221	7,068

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

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

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

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

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

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

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

GAAP-Basis Results for Prior Fiscal Years

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

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

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

Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accum. General Fund Surplus/(Deficit)
March 31, 2006	1,636	3,128	(664)	(251)	3,849	2182
March 31, 2005	827	833	361	89	2,110	546
March 31, 2004	3,039	(578)	173	603	3,237	(281)

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

Summary of Primary Government Net Assets
(millions of dollars)

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

Economics and Demographics

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

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

The U.S. Economy

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

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

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

Economic Indicators for the United States

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

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

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

The New York Economy

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

Economic Indicators for New York State

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Economic and Demographic Trends

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

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

Comparitive Population Figures

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

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

Source: US Department of Commerce, Census Bureau.

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

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

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

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

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

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

Per Capita Personal Income
(Income in Dollars)

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

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

Debt and Other Financing Activities

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

State Debt and Other Financings

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

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

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

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

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

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

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

State-Supported Debt Outstanding

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

General Obligation Financings

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

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

General Obligation Bonds Outstanding

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

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

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

Source: Office of the State Comptroller

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

State-Supported Lease-Purchase and Contractual-Obligation Financings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Local Government Assistance Corporation (LGAC)

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

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

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

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

State Personal Income Tax Revenue Bond Financing

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

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

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

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

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

Source: NYS Division of the Budget

Contingent Contractual-Obligation Financing

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

Secured Hospital Program

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

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

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

Tobacco Settlement Financing Corporation

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

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

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

Moral Obligation Financings

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

State-Guaranteed Financings

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

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

Other State Financings

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

State-Related Debt

State Bond Caps and Debt Outstanding by Program

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

State-Related Debt Long-Term Trends

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

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

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

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

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

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

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

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

Source: NYS Division of the Budget

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

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

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

State-Related Debt Service Requirements

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

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

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

Source: NYS Division of the Budget

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

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

Debt Reduction Reserve Fund

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

Limitations on State-Supported Debt

Debt Reform Act of 2000

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

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

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

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

Interest Rate Exchange Agreements and Net Variable Rate Obligations

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

Interest Rate Exchange Agreements

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

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

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

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

Net Variable Rate Obligations

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

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

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

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

2007-08 State Borrowing Plan

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

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

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

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

State Organization

State Government

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

Name	Office	Party Affiliation	First Elected
Eliot Spitzer	Governor	Democrat	2006
David A. Paterson	Lieutenant Governor	Democrat	2006
Thomas P. DiNapoli*	Comptroller	Democrat	2007
Andrew M. Cuomo	Attorney General	Democrat	2006

*Elected by the State Legislature.

The Governor is elected on a single ticket with the Lieutenant Governor; the Comptroller and Attorney General are elected on separate tickets. The Governor appoints the heads of most State departments, including the Director of the Budget (the current Director is Paul E. Francis). DOB is responsible for preparing the Governor's Executive Budget, negotiating that budget with the State Legislature, and implementing the budget once it is adopted, which includes updating the State's fiscal projections quarterly. DOB is also responsible for coordinating the State’s capital program and debt financing activities. The Comptroller is responsible for auditing the disbursements, receipts and accounts of the State, as well as for auditing State departments, agencies, public authorities and municipalities. The Comptroller is also charged with managing the State's general obligation debt and most of its investments (see "Fiscal Controls" and "Investment of State Moneys" below). The Attorney General is the legal advisor to State departments, represents the State and certain public authorities in legal proceedings and opines upon the validity of all State general obligations.

The State Legislature is composed of a 62-member Senate and a 150-member Assembly, all elected from geographical districts for two-year terms, expiring December 31, 2008. Both the Senate and the Assembly operate on a committee system. The Legislature meets annually, generally for about six months, and remains formally in session the entire year. In recent years there have been special sessions, as well. The current majority leaders of the Legislature are Joseph Bruno (Republican), Temporary President of the Senate, and Sheldon Silver (Democrat), Speaker of the Assembly. The minority leaders are Malcolm Smith (Democrat) in the Senate and James Tedisco (Republican) in the Assembly.

State Financial Procedures

The State Budget Process

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

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

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

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

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

Fiscal Controls

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

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

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

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

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

Investment of State Moneys

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

The Comptroller invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments through STIP, which is comprised of joint custody funds (Governmental

Funds, Internal Service Funds, Enterprise Funds and Private Purpose Trust Funds), as well as several sole custody funds including the Tobacco Settlement Fund. The interest earnings accrued are allocated and deposited to the credit of those funds with positive balances that contribute to the overall invested STIP pool.

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

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

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

Accounting, Financial Reporting and Budgeting

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

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

State Government Employment

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

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

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

State Retirement Systems

General

The New York State and Local Retirement Systems (the "Systems") provide coverage for public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). The Systems comprise the New York State and Local Employees’ Retirement System and the New York State and Local Police and Fire Retirement System. The Comptroller is the administrative head of the Systems. State employees made up about 33 percent of the membership during the 2005-06 fiscal year. There were 3,000 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees) and a large number of local authorities of the State.

As of March 31, 2006, 653,291 persons were members and 342,245 pensioners or beneficiaries were receiving benefits. The State Constitution considers membership in any State pension or retirement system to be a contractual relationship, the benefits of which shall not be diminished or impaired.

Members cannot be required to begin making contributions or make increased contributions beyond what was required when membership began.

Contributions

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

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

The State paid its employer contributions for the fiscal year ending March 31, 2007, which totaled $1,067.2 million as of June 1, 2006. This amount included the Judiciary bill and the amortization payments for the 2005 and 2006 bills. Also, an additional payment of $21 million was made on June 1, 2006 to reduce the State's remaining retirement incentive costs. The estimated bill for the fiscal year ending March 31, 2008 totals $1,045.4 million payable as of September 1, 2007. The amount also includes the Judiciary bill and amortization payments for the 2005 and 2006 bills.

Assets and Liabilities

Assets are held exclusively for the benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the Comptroller as trustee of the Common Retirement Fund, a pooled investment vehicle. OSC reports that the net assets available for benefits as of March 31, 2006 were $142.6 billion (including $2.8 billion in receivables), an increase of $14.6 billion or 11.4 percent from the 2004-05 level of $128.0 billion, reflecting, in large part, equity market performance. OSC reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $146.5 billion on April 1, 2005 to $153.7 billion (including $58.8 billion for current retirees and beneficiaries) on April 1, 2006. The funding method used by the Systems anticipates that the net assets, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from net assets on April 1, 2006 in that amortized cost was used instead of market value for bonds and mortgages and the non-fixed investments utilized a smoothing method which recognized 20 percent of unexpected gain for the 2006 fiscal year and 40 percent of the unexpected gain for the 2005 fiscal year. Actuarial assets increased from $123.8 billion on April 1, 2005 to $132.1 billion on April 1, 2006. The table that follows shows the actuarially determined contributions that have been made over the last eight years. See also "Contributions" above.

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

Fiscal Year Ended March 31	Total Assets(2)	Percent Increase/ (Decrease) From Prior Year
1999	112,723	6.0
2000	128,889	14.3
2001	114,044	(11.5)
2002	112,725	(1.2)
2003	97,373	(13.6)
2004	120,799	24.1
2005	128,038	6.0
2006	142,620	11.4

Sources: State and Local Retirement Systems.

(1) Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2006 includes approximately $2.8 billion of receivables.

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

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

Fiscal Year Ended March 31	Contributions Recorded				Total Benefits Paid(2)
	All Participating Employers(1)	Local Employers(1)	State(1)	Employees	
1999	292	156	136	400	3,570
2000	165	11	154	423	3,787
2001	215	112	103	319	4,267
2002	264	199	65	210	4,576
2003	652	378	274	219	5,030
2004	1,287	832	455	222	5,424
2005	2,965	1,877	1,088	227	5,691
2006	2,782	1,714	1,068	241	6,073

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

(2) Includes payments from Group Life Insurance Plan.

Authorities and Localities

Public Authorities

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

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

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

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

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

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

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

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

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

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

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

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

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The City of New York

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

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

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

Source: Office of the State Comptroller.

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

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

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

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

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

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

Other Localities

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

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

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

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

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

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

N/A: Not Available

Source: Office of the State Comptroller.

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

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

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

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

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

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

Litigation

General

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

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

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

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

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

Real Property Claims

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

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

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

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

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

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

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

Tobacco Master Settlement Agreement

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

State Programs

Medicaid

There are numerous cases in which nursing homes have challenged the statutory provisions setting the reimbursement methodology pursuant to which they receive Medicaid payments, including *New York State Health Facilities Association, et al., v. DeBuono, et al., St. Luke's Nursing Center, et al. v. DeBuono, et al., New York Association of Homes and Services for the Aging v. DeBuono, et al. (six cases); and Matter of Nazareth Home of the Franciscan Sisters, et al. v. Novello*. Plaintiffs allege that the changes in methodologies have been adopted in violation of procedural and substantive requirements of State and Federal law.

In *New York Association of Homes and Services for the Aging v. DeBuono, et al*., the United States District Court for the Northern District of New York dismissed plaintiffs' complaint by order dated May

19, 2004. On April 6, 2006, the Second Circuit Court of Appeals affirmed the order of the District Court. This case is now concluded. Several related State Court cases involving the same parties and issues had been held in abeyance pending the result of the litigation in Federal Court.

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Exhibit A to Annual Information Statement

Glossary of Financial Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Plan: see State Financial Plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Exhibit B to Annual Information Statement

Principal State Taxes and Fees

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTIONS

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APPENDIX B-I

SUMMARY OF CERTAIN PROVISIONS OF DORMITORY AUTHORITY OF THE STATE OF NEW YORK STATE PERSONAL INCOME TAX REVENUE BONDS (ECONOMIC DEVELOPMENT AND HOUSING) AND (HEALTHCARE) GENERAL RESOLUTIONS

The following sections contain definitions of certain terms used in this general summary ("Summary") of certain provisions of the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Economic Development and Housing) General Bond Resolution (the "Resolution"). The definitions and Summary are not to be considered a full statement of all terms used in the Resolution and, accordingly, are qualified by reference to and are subject to the full text of the Resolution. The Summary also summarizes certain definitions and provisions of the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Healthcare) General Bond Resolution. The Summary indicates any differences between the two resolutions by indicating the Healthcare Resolution language in brackets. A copy of the Resolution may be obtained upon request from the Dormitory Authority of the State of New York.

Definitions

Acts shall mean the Issuer Act and the Enabling Act.

Administrative Fund shall mean the Fund designated as the Administrative Fund established in the Resolution.

Authorized Officer shall mean (i) in the case of the Issuer, the Chairman, the Vice Chairman, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the First Deputy Executive Director, the Chief Financial Officer, any Managing Director, the General Counsel, or any other person authorized by a Resolution or bylaws of the Issuer, from time to time, to perform any specific act or execute any specific document, and when used with reference to any act or document also means any other person authorized by resolution or by laws of the Issuer to perform such act or execute such document; and when used with reference to any act or document, any other person authorized by resolution of the Issuer to perform such act or sign such document, (ii) in the case of the State, the Director of the Budget and when used with reference to any act or document, any other person authorized by law or by the Director of the Budget to perform such act or sign such document, (iii) in the case of the Trustee, the President, any Vice President, any Assistant Vice President, any Senior Trust Officer, any Trust Officer or any Assistant Trust Officer, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge and familiarity with the particular subject matter, and (iv) any other officer or employee so designated on its behalf by resolution of the Issuer or the Trustee, respectively.

Bond Proceeds Fund shall mean the Fund designated as the Bond Proceeds Fund established in the Resolution.

Cost of Issuance Account shall mean the account within the Bond Proceeds Fund so designated, created and established pursuant to the Resolution.

Debt Service Fund shall mean the Fund designated as the Debt Service Fund established in the Resolution.

Financing Agreement shall mean the Economic Development and Housing [Healthcare] Revenue Bonds Financing Agreement between the Issuer and the State, acting through the Director of the Budget.

Issuer shall mean 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 Issuer Act, and its successors and permitted assigns.

Issuer Act shall mean the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as the same may be amended from time to time, and constituting Title 4 of Article 8 of the Public Authorities Law), together with any other provision of State law relating to the authorization or financing of Costs of a Project.

Rebate Fund shall mean the Fund designated as the Rebate Fund established in the Resolution.

Resolution shall mean the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Economic Development and Housing) [Healthcare] General Bond Resolution (including the Standard Resolution Provisions set forth in Annex A) as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions of the Resolution.

Revenue Fund shall mean the Fund designated as the Revenue Fund established in the Resolution.

Subordinated Payment Fund shall mean the Fund designated as the Subordinated Payment Fund established in the Resolution.

(Section 101)

Standard Resolution Provisions

Except as otherwise specifically provided in the Resolution or by Supplemental Resolution, the Standard Resolution Provisions appended to the Resolution as Annex A constitute an integral part of the Resolution and have the same force and effect as if set forth in the forepart of the Resolution.

(Section 102)

Authority for the Resolution

The Resolution is adopted pursuant to the provisions of the Enabling Act and to the extent the same is applicable, the Issuer Act.

(Section 103)

Resolution to Constitute Contract

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 the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the 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 of the Bonds, over any other thereof except as expressly provided in or permitted by the Resolution.

(Section 104)

Authorization of Bonds

The Resolution authorizes one or more series of Bonds of the Issuer for an Authorized Purpose to be designated as "State Personal Income Tax Revenue Bonds (Economic Development and Housing) [(Healthcare)]" and creates a continuing pledge and lien to secure the full and final payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, all the Bonds. The Bonds shall be <u>special obligations</u> of the Issuer secured by the pledge effected pursuant to the Resolution and are payable solely out of the Pledged Property, without recourse against any other assets, revenues or funds of or other payments due to the Issuer. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Resolution is not limited except as provided in the Resolution or as limited by law.

The Bonds shall not be debt of the State, and the State shall not be liable thereon, nor shall they be payable out of any funds other than those pledged therefor pursuant to the Resolution.

The Bonds may, if and when authorized by the Issuer pursuant to one or more Supplemental Resolutions, be issued in one or more Series, and the designation thereof, in addition to the name "State Personal Income Tax Revenue Bonds (Economic Development and Housing) [Healthcare]", shall include such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series, as the Issuer may determine; provided that with respect to any Bond denominated as a note, capital lease or other form of obligation, the Issuer may denominate such obligation as other than a "Bond". Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

Nothing contained in the Resolution shall be deemed to preclude or restrict the consolidation pursuant to a Supplemental Resolution of any Bonds of any two or more separate Series authorized pursuant thereto and to any such Supplemental 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 Supplemental Resolution, such a consolidated Series shall be treated as a single Series of Bonds for all purposes of the Resolution.

(Section 201)

Redemption

Bonds of a Series subject to redemption prior to maturity pursuant to the Resolution or to a Supplemental Resolution or Certificate of Determination shall be redeemable in accordance with the Resolution, at such times, at such Redemption Prices and upon such terms as may otherwise be specified in the Resolution, in the Bonds or in the Supplemental Resolution authorizing such Series or the related Certificate of Determination.

(Section 401)

The Pledge Effected by the Resolution

The Bonds are special obligations of the Issuer payable solely from the sources set forth in the Resolution.

(Section 501)

Establishment of Funds

The Resolution establishes the following Funds, which shall be held and administered by the Trustee, except for the Bond Proceeds Fund which at the discretion of the Issuer may be held and administered by the Issuer. Each of such Funds and accounts shall have as a prefix "Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Economic Development and Housing) [(Healthcare)]"

1. Revenue Fund,

2. Debt Service Fund,

3. Rebate Fund,

4. Bond Proceeds Fund,

5. Administrative Fund,

6. Subordinated Payment Fund.

Additional Funds, or accounts and subaccounts within each of the foregoing Funds may from time to time be established in accordance with a Supplemental Resolution, Certificate of Determination or upon the direction of the Issuer evidenced by a certificate of an Authorized Officer of the Issuer. Except as otherwise provided in a Supplemental Resolution, all moneys at any time deposited in any Fund and account created by the Resolution (other than the Rebate Fund), including in any fund or account established to effect an economic defeasance of any Bonds under the Resolution, shall be held in trust separate and apart from all other funds by the Issuer or Trustee, as appropriate, for the benefit of the Holders of each Series of Bonds.

(Section 502)

Revenue Fund

There shall be deposited promptly upon receipt by the Trustee to the credit of the Revenue Fund all Revenues.

Financing Agreement Payments together with any other Pledged Property deposited in the Revenue Fund, shall be applied to the Funds and accounts established under the Resolution consistent with the requirements set forth in the Financing Agreement; provided, however, that if the amount of any such payment, together with other Pledged Property deposited in the Revenue Fund, is less than the amount certified, the payment shall be applied in the amounts certified, first, to the Debt Service Fund, second, to the Rebate Fund, third, to the Subordinated Payment Fund and, fourth, to the Administrative Fund; provided, however, that so long as the total amount held in the Debt Service Fund shall be sufficient to fully pay all Outstanding Bonds and Parity Reimbursement Obligations (including Principal or applicable Redemption Price of and interest on such Bonds) in accordance with their terms, no deposits shall be required to be made into the Debt Service Fund.

(Section 503)

Debt Service Fund

In addition to the moneys allocated from the Revenue Fund pursuant to the Resolution, the Trustee shall deposit into the Debt Service Fund such portion of the proceeds of the sale of Bonds of any Series, if any, as shall be prescribed in the Supplemental Resolution or related Certificate of Determination.

The Trustee shall on or before each Interest Payment Date, Redemption Date or other payment date, as the case may be, withdraw and pay from the Debt Service Fund:

i) The interest due on all Outstanding Bonds on such Interest Payment Date;

ii) The Principal Installments due on all Outstanding Bonds on such Interest Payment Date;

iii) The Sinking Fund Installments, if any, due on all Outstanding Bonds on such Interest Payment Date;

iv) The Redemption Price due on all Outstanding Bonds on any Redemption Date in accordance with the Resolution; and

v) Amounts due with respect to Parity Reimbursement Obligations.

Except as otherwise provided in a Supplemental Resolution, the amounts paid out to any Paying Agent pursuant to the Resolution remain irrevocably pledged until, and shall be, applied to such payments.

In the event of the refunding of any Bonds, the Trustee shall, upon the direction of the Issuer, withdraw from the Debt Service Fund all or any portion of the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts with itself as Trustee or any other fiduciary selected by the Issuer to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (i) upon such refunding, the Bonds being refunded shall be deemed to have been paid within the meaning and with the effect provided in the Resolution, and (ii) the amount remaining in the Debt Service

Fund shall be not less than the amount needed to pay the Debt Service on all Outstanding Bonds accrued through such date.

Investment income on amounts in the Debt Service Fund shall be retained in such Fund or, upon direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund or, with the concurrence of the Director of the Budget, to the Bond Proceeds Fund.

(Section 504)

Rebate Fund

The Trustee shall deposit to the Rebate Fund any moneys delivered to it by the State for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Rebate Fund in accordance with the directions of an Authorized Officer of the Issuer, 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. Moneys on deposit in the Rebate Fund shall be applied by the Trustee, in accordance with the direction of the Issuer, to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Issuer shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America in accordance with the provisions of the Arbitrage and Use of Proceeds Certificate, if any, delivered in connection with each Series of Bonds. Moneys which the Issuer determines to be in excess of the amount required to be so rebated shall be deposited to the Revenue Fund.

If and to the extent required by the Code or an Arbitrage and Use of Proceeds Certificate, the Issuer shall periodically, at such times as may be required to comply with the Code, determine the Rebate Amount with respect to each Series of Bonds and transfer from any other Fund or account held under the Resolution and deposit to the Rebate Fund all or a portion of the Rebate Amount with respect to such Series of Bonds and pay out of the 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 505)

Bond Proceeds Fund

Except as otherwise provided in a Supplemental Resolution or related Certificate of Determination, the Issuer, or the Trustee at the direction of the Issuer shall deposit into the Bond Proceeds Fund the proceeds of sale of each Series of Bonds, unless otherwise required to be deposited into and held in the Debt Service Fund, to enable the Issuer to comply with the conditions precedent to the issuance of any Bonds.

Except as may be otherwise provided in the Supplemental Resolution or related Certificate of Determination, amounts in the Bond Proceeds Fund shall be applied by the Issuer from time to time for any of the purposes set forth in paragraphs (a) and (b) of subdivision one of Section 68-b through the payment of Costs of a Project consistent with terms of any Requisition.

Whenever the Issuer shall determine and the Director of the Budget shall agree that the amount on deposit to the credit of the Bond Proceeds Fund is in excess of its requirements for the purposes for which amounts in such Fund may be used as permitted by law, such excess amount shall be withdrawn therefrom and deposited into the Revenue Fund. Notwithstanding the foregoing, amounts in the Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the applicable Series of Bonds and of Parity Reimbursement Obligations when due, and to the extent that other moneys are not available therefor, amounts in the Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the Bonds and of Parity Reimbursement Obligations when due.

Except as otherwise provided in the Resolution or a Supplemental Resolution, investment income on amounts in the Bond Proceeds Fund from proceeds of a Series of Bonds shall be transferred to the Revenue Fund, or, upon the direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Bond Proceeds Fund or transferred to the Debt Service Fund.

(Section 506)

Application of Moneys in the Debt Service Fund for Redemption of Bonds and Satisfaction of Sinking Fund Installments

Moneys delivered to the Trustee, which by the provisions of the Resolution are to be applied for redemption of Bonds, shall upon receipt by the Trustee be deposited to the credit of the Debt Service Fund for such purpose to the extent not otherwise provided pursuant to a Supplemental Resolution.

Moneys in the Debt Service Fund to be used for redemption of Bonds of a Series may be applied by the Issuer to the purchase of Outstanding Bonds of such Series at purchase prices not exceeding the Redemption Price applicable on the next Interest Payment Date on which such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as the Issuer shall direct.

In satisfaction, in whole or in part, of any Sinking Fund Installment, the Issuer may deliver to the Trustee at least 45 days prior to the date of such Sinking Fund Installment, for cancellation, Bonds acquired by purchase or redemption, except Bonds acquired by purchase or redemption pursuant to the preceding paragraph, of the maturity and interest rate entitled to such Sinking Fund Installment. All Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Installment shall reduce the amount thereof by the amount of the aggregate principal amount of such Bonds. Concurrently with such delivery of such Bonds the Issuer shall deliver to the Trustee a certificate of an Authorized Officer of the Issuer specifying (i) the principal amount, Series, maturity, interest rate and numbers of the Bonds so delivered, (ii) the date and Series of the Sinking Fund Installment in satisfaction of which such Bonds are so delivered, (iii) the aggregate principal amount of the Bonds so delivered, and (iv) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of such Bonds.

The Trustee shall, in the manner provided in the Resolution, call for redemption, on the date of each Sinking Fund Installment falling due prior to maturity, such principal amount of Bonds of the Series and maturity entitled to such Sinking Fund Installment as is required to exhaust the unsatisfied balance of such Sinking Fund Installment.

Notwithstanding the provisions of the second paragraph of this section, if the amount in the Debt Service Fund at any time (other than moneys required to pay the Redemption Price of any Outstanding Bonds of a Series theretofore called for redemption or to pay the purchase price of such Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the Redemption Date or purchase date) is sufficient to make provision pursuant to the Standard Resolution Provisions for the payment of such Outstanding Bonds at the maturity or Redemption Date thereof, the Issuer may request the Trustee to take such action consistent with the Standard Resolution Provisions as is required thereby to deem such Bonds to have been paid within the meaning of the Standard Resolution Provisions. The Trustee, upon receipt of such request and irrevocable instructions of the Issuer to purchase Government Obligations sufficient to make any deposit required thereby, shall comply with such request.

(Section 507)

Administrative Fund

Amounts in the Administrative Fund shall be paid out from time to time by the Trustee at the request of the Issuer for reasonable and necessary Issuer Expenses, free and clear of the lien and pledge created by the Resolution.

Amounts in the Administrative Fund being held for Issuer Expenses the payment of which is not immediately required may in the discretion of the Issuer be invested in Investment Obligations. The Issuer may by written instruction to the Trustee sell any such investments at any time and the proceeds of such sale and of all payments at maturity or upon redemption of such investments shall be held in the Administrative Fund. Whenever the Administrative Fund exceeds the amount reasonable and necessary for Issuer Expenses, the Issuer shall direct the Trustee to pay the excess to the Revenue Fund.

Investment income on amounts in the Administrative Fund shall be deposited into the Revenue Fund.

(Section 508)

Subordinated Payment Fund

The Issuer may, at any time, or from time to time, issue Subordinated Indebtedness payable out of, and which may be secured by a pledge of and lien on, such amounts as may from time to time be available for transfer to the Subordinated Payment Fund pursuant to the Resolution; *provided*, *however*, that (a) such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge created by the Resolution as security for the Bonds and Parity Reimbursement Obligations and (b) to the extent provided by Supplemental Resolution, any amounts so transferred shall thereafter be free and clear of any lien, pledge or claim of the Resolution. The Issuer may establish such priorities of payment and security among Subordinated Indebtedness as it deems appropriate; *provided*, *however*, that the Supplemental Resolution or indenture or other agreement providing for the issuance of such Subordinated Indebtedness shall not permit the holders of such Subordinated Indebtedness to declare the same, nor to instruct such holders' trustee to declare the same, to be immediately due and payable any time that any Bonds and Parity Reimbursement Obligations remain Outstanding.

Subject to the other provisions of the Resolution, the Trustee shall deposit into the Subordinated Payment Fund all Revenues for (i) payments on any Subordinated Indebtedness, or (ii) Qualified Swap Payments or payments on other financial instruments entered into by the Issuer.

The Trustee shall pay out of the Subordinated Payment Fund all amounts required for the payments described in this section pursuant to any resolution adopted by, or otherwise at the written direction of, the Issuer.

Except as otherwise provided in the Resolution or a Supplemental Resolution, investment income on amounts in the Subordinated Payment Fund shall be transferred to the Revenue Fund, or, upon the direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Subordinated Payment Fund or transferred to the Debt Service Fund.

(Section 509)

Transfer of Investments

Whenever moneys in any Fund or account established under the Resolution or under any Supplemental Resolution are to be paid in accordance with the Resolution 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* that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such Fund or account.

(Section 510)

Power to Issue Bonds and Effect Pledge

The Issuer is duly authorized under all applicable laws to create and issue the Bonds, adopt the Resolution and pledge the Pledged Property in the manner and to the extent provided in the Resolution. The Pledged Property is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the legally valid and binding special obligations of the Issuer enforceable in accordance with their terms and the terms of the Resolution. The Issuer shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all the rights of the Holders of Bonds and other obligations under the Resolution against all claims and demands of all Persons whomsoever.

(Section 601)

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APPENDIX B-II

SUMMARY OF CERTAIN PROVISIONS OF THE STATE PERSONAL INCOME TAX REVENUE BONDS STANDARD RESOLUTION PROVISIONS

The following sections contain definitions of certain terms used in this general summary ("Summary") of certain provisions of the Standard Resolution Provisions. The definitions and Summary are not to be considered a full statement of all terms used in the Standard Resolution Provisions or the Resolution to which the Standard Resolution Provisions is appended and, accordingly, are qualified by reference to and are subject to the full text of the Standard Resolution Provisions and the Resolution. Copies of the Standard Resolution Provisions and the Resolution may be obtained upon request from the Dormitory Authority of the State of New York.

Definitions

Capitalized terms used but not otherwise defined in this Summary shall have the meanings set forth in the General Resolution to which the Standard Resolution Provisions are appended. The following terms shall, for all purposes therein and (except as the context may otherwise require) in the General Resolution to which these Standard Resolution Provisions are appended, have the following meanings:

Accreted Value shall mean, with respect to any Capital Appreciation Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Bonds 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 and (2) the difference between the Accreted Values for such Valuation Dates. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

Additional Bonds shall mean Bonds authenticated and delivered on original issuance pursuant to the Standard Resolution Provisions.

Amortized Value when used with respect to Investment Obligations purchased at a premium above or a discount below par, shall mean the value of such Investment Obligations computed by using an industry standard constant yield method selected by an Authorized Officer of the Issuer.

Appreciated Value shall mean with respect to any Deferred Income Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Deferred Income Bonds, (ii) as of any date prior to the Interest Commencement 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 and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

Arbitrage and Use of Proceeds Certificate shall mean, with respect to any Series of Bonds, the interest on which is intended by the Issuer to be excluded from gross income for federal income tax purposes, a certificate or certificates executed by an Authorized Officer of the Issuer in connection with the initial issuance and delivery of the Bonds of such Series and containing representations, warranties and covenants of the Issuer relating to the federal tax status of such Series of Bonds, as such certificate or certificates may be amended and supplemented from time to time.

Authorized Issuer shall mean any public authority or public benefit corporation enumerated by subdivision 1 of Section 68-a.

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

Authorized Purpose shall mean a purpose as provided by the Enabling Act for the Issuer.

Bank shall mean any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America, or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or 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.

Bond or **Bonds** shall mean any of the bonds or notes of the Issuer authorized and issued pursuant to the Resolution and to a Supplemental Resolution; provided, however, that such terms shall not include any Bond Anticipation Notes, or bonds, notes or other obligations, including Qualified Swaps, payable from the Subordinated Payment Fund.

Bond Anticipation Notes shall mean notes issued pursuant to the Standard Resolution Provisions.

Bond Counsel shall mean an attorney or law firm, appointed by the Issuer, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

Bondholder, **Holder** or **Holder of Bonds**, or any similar term, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds.

Business Day shall mean a day of the year 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 required or authorized by law to close in The City of New York, or any day on which the New York Stock Exchange is closed.

Calculated Debt Service shall mean for any period, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligations, the sum of Debt Service for such period determined by the Issuer based on the following adjustments:

Interest on Variable Interest Rate Bonds shall be based on the Estimated Average Interest Rate applicable thereto.

With respect to Put Bonds and any Bonds of a Series the interest on which is payable periodically and at least twenty-five per centum (25%) of the original principal amount of which is stated to mature at one time and for which maturing principal amount amortization requirements have not been designated, (i) Principal Installments shall be deemed to amortize over a 30-year period from their date of issuance (or any shorter period provided by Supplemental Resolution) based on substantially level debt service as estimated by the Issuer, and (ii) interest shall be based on the actual interest rate or the Estimated Average Interest Rate, as applicable.

If the Issuer has irrevocably deposited Investment Obligations or money with the Trustee (or otherwise in trust) for the payment of any portion of Debt Service, the expected future cash flow from such Investment Obligations and money shall be deducted from Debt Service.

If the Issuer has, at any time, irrevocably called for redemption of one or more Series of Bonds, including pursuant to a covenant to apply any portion of the Pledged Property to redeem Bonds or Parity Reimbursement Obligations (which particular Bonds or Parity Reimbursement Obligations need not be specifically identified in advance, except as to interest rate and maturity), the Issuer shall take into account such redemption for purposes of determining Calculated Debt Service.

With respect to Parity Reimbursement Obligations, an interest rate calculated at a higher interest rate on the related Bonds shall only be taken into account if, at the time of calculation, such higher rates are then payable thereon.

Capital Appreciation Bonds shall mean Bonds of a Series denominated as such and issued as to which interest is payable only at the maturity or prior redemption of such Bonds. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, (ii) computing the principal amount of Obligations held by the registered owner of a Capital Appreciation Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value (which in the case of clause (ii) may be the Accreted Value as of the immediately preceding Valuation Date).

Certificate of Determination shall mean a certificate of an Authorized Officer of the Issuer fixing terms, conditions and other details of Bonds, Parity Reimbursement Obligations, Credit Facilities, Subordinated Indebtedness, or other matters in accordance with the delegation of power to do so under the Resolution or a Supplemental Resolution.

Code shall mean the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code shall be deemed to include the Regulations, including temporary and proposed Regulations, relating to such section which are applicable to the Resolution, including the Bonds or the use of Bond proceeds.

Comptroller shall mean the Comptroller of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any other official of the State authorized to act on behalf of the Comptroller in connection therewith.

Cost or Costs of a Project shall mean costs and expenses or the refinancing of costs and expenses incurred or to be incurred in connection with a Project, including, (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 for labor and materials and payments to consultants, contractors, builders and materialmen, for the acquisition, design, construction, reconstruction, rehabilitation, preservation, development, improvement or modernization 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 the 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 the construction of the Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs necessarily and appropriately incurred in connection with the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Project, (vii) any sums required to reimburse the State or the Issuer for advances made by either party for any of the above items or for other costs incurred and for work done by the State or Issuer in connection with the Project, and (viii) grants or loans by or on behalf of the State for any of the foregoing.

Cost or Costs of Issuance shall mean the items of expense incurred in connection with the authorization, sale and issuance of a Series of Bonds or Bond Anticipation Notes, which items of expense shall include Issuer Expenses, State bond issuance charges, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee or a Securities Depository, legal fees and charges, professional consultants' fees, underwriting fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for Credit Facilities, Qualified Swaps and other similar financial arrangements, costs and expenses of refunding of Bonds or Prior Obligations and other costs, charges and fees, including those of the Issuer, in connection with the foregoing.

Counsel's Opinion shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the practice of law relating to municipal, state and public agency financing selected by the Issuer.

Credit Facility shall mean any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Issuer and is issued by a financial institution, insurance provider or other Person and which provides security or liquidity in respect of any Outstanding Bonds or Parity Reimbursement Obligations.

Debt Service for any period shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation Outstanding, the sum of: (i) interest on the Bonds of such Series and the interest components of Parity Reimbursement Obligations accruing during such period and (ii) that portion of each Principal Installment for such Bonds and Parity Reimbursement Obligations that would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the preceding Principal Installment payment date on Outstanding Bonds and Parity Reimbursement Obligations; *provided, however, that,* unless otherwise set forth in a Supplemental Resolution, no Principal Installment shall be deemed to begin accruing until *the later* of one year prior to such Principal Installment's due date and the date of issuance or incurrence of the related Bond or Parity Reimbursement Obligation.

Defeased Municipal Obligations shall mean pre-refunded municipal obligations rated in the highest Rating Category by each Rating Agency and meeting the following requirements:

The municipal obligations (i) are not subject to redemption prior to maturity or (ii) the trustee or the paying agent has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions; and

The municipal obligations are fully secured by cash or Government Obligations which may be applied only to payment of the principal of and interest and premium, if any, on such municipal obligations.

Deferred Income Bond shall mean any Bond (1) as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is (i) compounded on each Valuation Date for such Deferred Income Bond and (ii) payable only at the maturity or prior redemption of such Bonds and (2) as to which interest accruing after the Interest Commencement Date is payable on the first interest payment date succeeding the Interest Commencement Date and periodically thereafter on the dates specified in or determined by Supplemental Resolution. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity, (ii) computing the principal amount of Bonds held by the registered owner of a Deferred Income Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Deferred Income Bond shall be deemed to be its Appreciated Value (which in the case of clause (ii) may be the Appreciated Value as of the immediately preceding Valuation Date).

Director of the Budget shall mean the Director of the Division of the Budget of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any official of the State authorized to act on behalf of the Director of the Budget in connection therewith.

Enabling Act shall mean Article 5-C of the State Finance Law, Chapter 56 of the Consolidated Laws of the State of New York, as may be hereafter amended from time to time.

Estimated Average Interest Rate shall mean, as to any Variable Interest Rate Bonds or Qualified Swap and as of any date of calculation, the average interest rate or rates anticipated to be borne by such Bonds or Qualified Swap, or by the combination of such arrangements, over the period or periods for which such rate or rates are anticipated to be in effect, all as estimated by an Authorized Officer of the Issuer in consultation with the Director of the Budget.

Event of Default shall mean any Event of Default set forth in the Standard Resolution Provisions.

Fiduciary shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

Fiduciary Capital Funds when used with respect to any Fiduciary shall mean the total of (i) paid in capital, (ii) surplus, (iii) undivided profits and (iv) the par value of outstanding capital notes issued and subordinated to the claims of creditors of such Fiduciary other than the holders of such capital notes.

Financing Agreement shall mean the applicable financing agreement authorized by subdivision 1 of Section 68-c, as amended and supplemented in accordance with the terms thereof and the Standard Resolution Provisions and referred to in the Standard Resolution Provisions.

Financing Agreement Payment shall refer to any payment obligation of the State incurred pursuant to a Financing Agreement and denominated therein as a “Financing Agreement Payment,” to pay to the Issuer or the Trustee from amounts available therefor in the Revenue Bond Tax Fund.

Fund shall mean any one of the funds created and established pursuant to the Resolution.

Government Obligations shall mean (a) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and entitled to the full faith and credit thereof; (b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due in respect thereof; provided, however, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company organized under the laws of the United States of America or of any state or territory thereof or of the District of Columbia, with a combined capital stock, surplus and undivided profits of at least $50,000,000 or the custodian is appointed by or on behalf of the United States of America; and provided, further, that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depositary receipts or other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom; (c) an obligation of any federal agency approved by the Issuer; (d) a share or interest in a mutual fund, partnership or other fund wholly comprised of obligations described in clauses (a), (b) and (c) above; (e) Defeased Municipal Obligations; or (f) any other Investment Obligation designated in a Supplemental Resolution as a Government Obligation for purposes of defeasing Bonds, which is not redeemable at the option of the issuer thereof and which shall be rated at the time of the investment in the highest long-term Rating Category by each Rating Agency.

Interest Commencement Date shall mean, with respect to any particular Deferred Income Bond, the date determined by Supplemental Resolution after which interest accruing on such Bond shall be payable on the first interest payment date succeeding such Interest Commencement Date and periodically thereafter on the dates determined pursuant to such Supplemental Resolution.

Interest Payment Date shall mean, with respect to a Series of Bonds, each date on which interest, if any, is payable pursuant to the Supplemental Resolution authorizing such Bonds.

Investment Obligations shall mean any of the following that are lawful investments at the time of the investment:

(a) Government Obligations,

(b) certificates of deposit issued by, and time deposits in, and bankers' acceptances of, any bank (including any Paying Agent or Trustee), any branch of any bank, national banking association or federally chartered savings and loan association; provided that, with respect to any of the foregoing institutions, whose long-term unsecured indebtedness is rated less than "A" by each Rating Agency, such certificates of deposit or time deposits or bankers' acceptances are (i) insured by the Federal Deposit Insurance Corporation for the full face amount thereof or (ii) to the extent not so insured, collateralized by direct obligations of the United States of America having a market value of not less than the face amount of such certificates and deposits,

(c) evidences of ownership of a proportionate interest in specified direct obligations of the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, or when "stripped" by the United States Treasury, then by the custodian designated by the United States Treasury,

(d) obligations of state or local government municipal bond issuers which are rated in one of the two highest Rating Categories by each Rating Agency,

(e) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured by an insurance policy or guaranteed by a letter of credit and which are rated in one of the two highest Rating Categories by each Rating Agency,

(f) interests in a money market mutual fund registered under the Investment Company Act of 1940, 15 U.S.C. §§80-1, et seq., as from time to time amended, the portfolio of which is limited to obligations described in clause (a), (d), or (e) above and repurchase agreements fully collateralized thereby provided that such fund has total assets of at least $100,000,000 and is rated in the highest Rating Category by each Rating Agency,

(g) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian,

(h) any repurchase agreement for Government Obligations by the Issuer or any Trustee that is with a bank, trust company (including any Trustee) or securities dealer which is a member of the Securities Investors Protection Corporation, each of which is a primary reporting dealer in government securities as determined by the Federal Reserve Bank, or if "primary reporting dealers" cease to be determined by the Federal Reserve Bank, such other comparable standard as the Issuer shall implement pursuant to a Supplemental Resolution; provided, however, that the Government Obligations must be transferred to the Issuer or any Trustee or a third party agent by physical delivery or by an entry made on the records of the issuer or registrar of such obligations or clearing agent or depository, and the collateral security must continually have a market value at least equal to the amount so invested and the collateral must be free of third party claims. Any investment in a repurchase agreement shall be considered to mature on the date the bank, trust company or recognized securities dealer providing the repurchase agreement is obligated to repurchase the Government Obligations,

(i) commercial paper rated in the highest Rating Category by each Rating Agency,

(j) investment agreements, secured or unsecured, with any institutions whose debt securities are rated in one of the two highest Rating Categories (or rated in the highest Rating Category for short-term obligations if the investment is for a period not exceeding one year) by each Rating Agency,

(k) forward purchase agreements effecting the periodic delivery of securities listed in (a), (c), (d), (e), (g) and (i) above, and

(l) any other obligations from time to time permitted pursuant to the Issuer Act or other applicable law; provided, however, that if the funds invested in any such obligation are pledged for the payment of Bonds under the Resolution and the Bonds are then rated by a Rating Agency, such obligation shall be rated in one of the two highest Rating Categories of each such Rating Agency.

Any investment in any of the foregoing obligations may be made in the form of an entry made on the records of the issuer of the particular obligations or of a recognized Securities Depository.

Issuer Board shall mean the board or members of the Issuer duly appointed and acting pursuant to the Issuer Act, or their designees duly appointed and acting.

Issuer Expenses shall mean all proper items of cost or expenditure incurred or anticipated to be incurred by the Issuer in connection with the financing of any Project pursuant thereto, or direct and indirect administrative costs, fees and expenses and allocable portions of direct and indirect costs of the Issuer incurred in connection with financing such Project, including Costs of Issuance, initial fees and periodic fees to be paid in connection with Credit Facilities, legal fees, fees and expenses of trustees, remarketing agents, market agents, tender agents, auction agents, Depositories and Paying Agents, and financing charges and fees and expenses of financial advisors and consultants, costs of audits, and such other expenses not specified therein as may be necessary or incident to the financing of such Project, including through the issuance of Bonds or Bond Anticipation Notes and all other expenses of the Issuer relating to the financing of Projects set forth in the Enabling Act; provided, however, that Issuer Expenses shall not include any termination or other payments to be made in connection with Qualified Swaps or other similar arrangements or, except to the extent expressly provided above, Credit Facilities.

Outstanding, when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or thereupon being authenticated or otherwise validly executed and delivered under the Resolution except:

1. Any Bond canceled or delivered for cancellation at or prior to such date;

2. Any Bond (or portion of a Bond) deemed to have been paid in accordance with the Standard Resolution Provisions unless a Supplemental Resolution provides that Bonds of a Series having the benefit of a Credit Facility shall not thereby be deemed paid if payment is provided by the Credit Facility;

3. Any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Standard Resolution Provisions; and

4. Put Bonds tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Bonds on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Bonds thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution.

The principal component of any Parity Reimbursement Obligation shall be deemed to be Outstanding in a principal amount equal to the principal amount of the obligation then owed by the Issuer thereunder in lieu of the related Bond, regardless of the authorized amount of the principal component of such Parity Reimbursement Obligation or the related Bond and provided that, unless otherwise required pursuant to the related Supplemental Resolution, the principal component of such Parity Reimbursement Obligation shall not by itself increase the Outstanding principal amount of Bonds.

Parity Reimbursement Obligation has the meaning provided in the Standard Resolution Provisions.

Paying Agent or **Paying Agents** shall mean any paying agent for the Bonds of any Series appointed pursuant to the Standard Resolution Provisions, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution, and in the event that for any reason there shall be a vacancy in the office of Paying Agent, the Trustee, if a different entity, or the Issuer shall act as such Paying Agent.

Person shall mean any individual, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability company or other legal entity or group of entities, including any public benefit corporation, public instrumentality, quasi-governmental or governmental entity or any agency or subdivision thereof.

Pledged Property shall mean all of the Issuer's right, title and interest in and to (i) the Financing Agreements (other than (A) the Issuer's right to receive the payment of Issuer Expenses, (B) the right of the Issuer to enforce the obligation of the State to make Financing Agreement Payments, (C) the right of the Issuer to agree to the amendment of a Financing Agreement in accordance with the Standard Resolution Provisions, and (D) the right of the Issuer to enforce the provisions of any Financing Agreement independently of the Trustee, without limiting the right of the Trustee to enforce the payment of amounts (other than Financing Agreement Payments) under the Financing Agreements for the benefit of Bondholders or Fiduciaries), and (ii) the Revenues and Funds (other than the Rebate Fund and other Funds, and any accounts and subaccounts therein, established pursuant to a Supplemental Resolution in connection with Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness; *provided, however, that* such Funds, accounts and subaccounts are specifically excepted from Pledged Property by the Supplemental Resolution authorizing such Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness), including Investment Obligations held in such Funds under the Resolution, together with all proceeds and revenues of the foregoing and all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with the terms and the Standard Resolution Provisions; provided, however, that in no event shall any Project or any interest therein be deemed to be "Pledged Property".

Principal Installment shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation, as applicable, (a) the principal amount of Outstanding Bonds of such Series, due on the dates and in the amounts specified by Supplemental Resolution, reduced by the principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Installments payable before such dates, plus the unsatisfied balance of any Sinking Fund Installments due on any certain future date for Bonds of such Series, together with such redemption premiums, if any, applicable on any such future date, and (b) with respect to any Parity Reimbursement Obligation, the amount due thereunder on the dates and in the amounts established in accordance with the Standard Resolution Provisions as a principal component of such Parity Reimbursement Obligation payable on a parity with the Bonds.

Prior Obligations shall mean bonds, notes or other obligations previously issued or incurred by an Authorized Issuer not under the Standard Resolution Provisions to finance Costs of a Project.

Project shall mean the land, buildings, improvements, betterments, equipment, furnishings, and other property, real or personal, and all appurtenances thereto and interests therein, comprising each of the projects to be acquired, constructed, reconstructed, renovated, or developed to effectuate an Authorized Purpose.

Put Bonds shall mean Bonds which by their terms may be tendered at the option of the Holder thereof, or are subject to a mandatory tender other than at the election of the Issuer for payment or purchase prior to the stated maturity or redemption date thereof.

Qualified Swap shall mean, to the extent from time to time permitted by law, with respect to Bonds, any financial arrangement (i) which is entered into by the Issuer with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate;

future rate; swap (such swap may be based on an amount equal either to the principal amount of such Bonds of the Issuer as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Bonds); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, in each case executed by the Issuer for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed interest rate Bonds or variable interest rate Bonds on a synthetic basis or otherwise, or other similar financial transaction, and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the Issuer as a Qualified Swap with respect to such Bonds.

Qualified Swap Payment shall mean any payment required to be made by the Issuer under a Qualified Swap, such payment to be made only from the Subordinated Indebtedness Fund.

Qualified Swap Provider shall mean an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider.

Rating Agency shall mean each nationally recognized statistical rating organization then maintaining a rating on the Bonds at the request of the Issuer.

Rating Category shall mean one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rating Confirmation shall mean evidence that no rating then in effect from a Rating Agency will be withdrawn or reduced solely as the result of an action to be taken under the Resolution; provided, however, that no action requiring Rating Confirmation shall be undertaken unless at least one Rating Agency at that time maintains a rating on Bonds.

Rebate Amount shall mean, with respect to each Series of Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code.

Record Date shall mean with respect to any Interest Payment Date, unless the applicable Supplemental Resolution authorizing a particular Series of Bonds provides otherwise with respect to Bonds of such Series, the fifteenth (15th) day of the calendar month next preceding such Interest Payment Date.

Redemption Date shall mean the date upon which Bonds are to be called for redemption pursuant to the Standard Resolution Provisions.

Redemption Price shall mean, with respect to any Bonds, the Principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof.

Refunding Bonds shall mean all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered pursuant to the Standard Resolution Provisions, on original issuance pursuant to the Standard Resolution Provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Standard Resolution Provisions.

Regulations shall mean the Income Tax Regulations promulgated by the Department of the Treasury from time to time.

Reimbursement Obligation has the meaning provided in the Standard Resolution Provisions.

Requisition shall mean any instructions as deemed necessary and delivered by the Director of the Budget to the Issuer, providing for the payment of Bond proceeds to the State or any other entity.

Revenues shall mean (i) all amounts appropriated and paid to the Issuer or the Trustee from the Revenue Bond Tax Fund pursuant to Section 92-z and the Financing Agreement, constituting Financing Agreement Payments, (ii) any other amounts appropriated and paid by the State to the Issuer or received from any other source by the Issuer and pledged by the Issuer as security for the payment of Bonds, and (iii) interest received or to be received on any moneys or securities held pursuant to the Resolution.

Revenue Bond Tax Fund shall mean the fund established by section 92-z of the State Finance Law.

Section 92-z shall mean section 92-z of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-a shall mean section 68-a of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-b shall mean section 68-b of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-c shall mean section 68-c of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Securities Depository shall mean a recognized securities depository selected by the Issuer to maintain a book-entry system in respect to all or any portion of a Series of Bonds (including, as appropriate, any nominee thereof), and shall include any substitute for or successor to the Securities Depository initially acting as Securities Depository.

Series shall mean all of the Bonds authenticated and delivered on original issuance and denominated as part of the same series, and thereafter delivered in lieu of or in substitution of such Bonds pursuant to the Standard Resolution Provisions regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

Sinking Fund Installment shall mean, with respect to any Series of Bonds, as of any date of calculation and with respect to any Bonds of such Series, the amount of money required by the applicable Supplemental Resolution pursuant to which such Bonds were issued, to be paid in all events by the Issuer 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 Issuer by reason only of the maturity of such Bond.

State shall mean the State of New York.

State Fiscal Year shall mean the fiscal year of the State as set forth in the State Finance Law.

State Legislature shall mean the Legislature of the State of New York.

State Revenue Bonds shall mean any notes, bonds or other obligations to be issued or incurred by the State or by a public corporation of the State on behalf of the State in accordance with a hereinafter enacted amendment to the State Constitution, payments with respect to which (i) are payable from specified, dedicated revenues and (ii) do not require an appropriation by the State Legislature in order to be made.

Subordinated Indebtedness shall mean any bond, note or other indebtedness authorized by Supplemental Resolution or other resolution of the Issuer and designated as constituting "Subordinated Indebtedness" in a certificate of an Authorized Officer of the Issuer delivered to the Trustee, which shall be payable and secured in a manner permitted by the Standard Resolution Provisions, and any lien on and pledge of any portion of the Pledged Property securing Subordinated Indebtedness shall be junior and inferior to the lien on and pledge of the Pledged Property created in the Resolution for the payment of the Bonds and Parity Reimbursement Obligations.

Supplemental Resolution shall mean any resolution supplemental to or amendatory of the Resolution adopted by the Issuer in accordance with the Resolution and, except as the context may otherwise require, including any related Certificate of Determination.

Tax Law shall mean the tax law constituting Chapter 60 of the consolidated laws of the State.

Taxable Bonds shall mean any Bonds which are not Tax-Exempt Bonds.

Tax-Exempt Bonds shall mean any Bonds the interest on which is intended by the Issuer to be generally excluded from gross income for federal income tax purposes and which are designated as Tax-Exempt Bonds in the Supplemental Resolution authorizing such obligations.

Trustee shall mean a trustee appointed by the Issuer or as otherwise provided in the Standard Resolution Provisions, its successor and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Resolution.

Valuation Date shall mean (i) with respect to any Capital Appreciation Bonds, the date or dates set forth in the Supplemental Resolution authorizing such Bond on which specific Accreted Values are assigned to such Capital Appreciation Bonds, and (ii) with respect to any Deferred Income Bonds, the date or dates on or prior to the Interest Commencement Date set forth in the Supplemental Resolution authorizing such Bonds on which specific Appreciated Values are assigned to the Deferred Income Bonds.

Variable Interest Rate Bonds shall mean Bonds which bear a variable interest rate but does not include any Bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate. The method of computing such variable interest rate shall be specified in the Supplemental Resolution authorizing such Series of Bonds.

(Section A-101)

The Standard Resolution Provisions to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds and Parity Reimbursement Obligations authorized to be issued or incurred under the Standard Resolution Provisions by those who shall hold the same from time to time, the Standard Resolution Provisions shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds and Parity Reimbursement Obligations; and the pledge made in the Standard Resolution Provisions and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds and Parity Reimbursement Obligations, 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 of the Bonds or Parity Reimbursement Obligations over any other thereof except as expressly provided in or permitted by the Resolution.

(Section A-104)

General Provisions for Issuance of Bonds

The issuance of Bonds of a Series or subseries shall be authorized by the Resolution and a Supplemental Resolution or Resolutions adopted at the time of or subsequent to the adoption of the Resolution and which shall be subject to the express limitations of the Resolution. The Bonds of a Series or subseries authorized to be issued shall be executed in accordance with the Standard Resolution Provisions and delivered to the Trustee. Such Series of Bonds or subseries shall be authenticated or otherwise delivered by the Trustee from time to time in such amounts as directed by the Issuer and by it delivered to or upon the order of the Issuer upon receipt of the consideration therefor and upon delivery to the Trustee of:

(A) a copy of the Resolution and the Supplemental Resolution authorizing such Series which, among other things, shall specify the following items (or the manner of determining such items prior to the delivery of the Bonds):

1. The authorized principal amount, designation and Series of such Bonds;

2. The purposes for which such Series of Bonds are being issued, which shall be one or more of the following (a) one or more of the Authorized Purposes permitted by the Enabling Act, or (b) the refunding of Bonds as provided in the Standard Resolution Provisions;

3. The date or dates, and the maturity date or dates and principal amounts of each maturity of the Bonds of such Series;

4. The amount, or the method for determining such amount, and due date of each Sinking Fund Installment, if any, for Bonds of such Series;

5. The Record Date or Record Dates of Bonds of such Series for which the Record Date or Record Dates is other than the fifteenth (15th) day of the calendar month next preceding an Interest Payment Date for such Bonds;

6. If the Bonds of such Series are interest bearing Bonds, the interest rates of the Bonds of such Series and the Interest Payment Dates therefor;

7. If Bonds of such Series are Capital Appreciation Bonds, the Valuation Dates for such Bonds and the Accreted Value on each such Valuation Date;

8. If Bonds of such Series are Deferred Income Bonds, the Interest Commencement Date for such Obligations, the Valuation Dates prior to the Interest Commencement Date for such Bonds and the Appreciated Value on each such Valuation Date;

9. If Bonds of such Series are Capital Appreciation Bonds or Deferred Income Bonds, the manner in which and the period during which principal and interest shall be deemed to accrue on such Bonds;

10. If Bonds of such Series are Variable Interest Rate Bonds, the maximum interest rate, if any, or the method of calculating such maximum rate for such Bonds, and the provisions, if any, as to the calculation or change of variable interest rates;

11. If Bonds of such Series are Put Bonds, provisions regarding tender for purchase or redemption thereof and payment of the purchase or Redemption Price thereof;

12. The denomination or denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series;

13. The Paying Agent or Paying Agents, if any, and the place or places of payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if any, of and interest on the Bonds of such Series;

14. The redemption provisions, if any, applicable to the Bonds of such Series;

15. Provisions for time, place and manner of sale or exchange of the Bonds of such Series;

16. Any material change to the form of the Bonds of such Series and the form of the Trustee's certificate of authentication thereon from the forms set forth in Exhibit One to the Resolution. Except as otherwise provided pursuant to a Supplemental Resolution, all of the Bonds of each Series shall be in fully registered form without coupons;

17. Directions for the application of the proceeds of the Bonds of such Series;

18. To the extent applicable, direction to deliver such Series of Bonds in book-entry form to the extent materially different from the provisions of the Standard Resolution Provisions;

19. To the extent applicable, the provisions relating to (a) any Credit Facility, Qualified Swap or other similar financial arrangement entered into in connection with the issuance of the Bonds of such Series and (b) the obligations payable thereunder; and

20. Any other provision deemed advisable by an Authorized Officer of the Issuer, not in conflict with the provisions of the Standard Resolution Provisions or of the applicable Supplemental Resolution.

An Authorized Officer of the Issuer to whom a Supplemental Resolution has delegated the power to determine any of the foregoing shall execute a Certificate of Determination evidencing such determinations or other actions taken pursuant to such delegation, and such Certificate of Determination shall be conclusive evidence of the determinations or actions of such Authorized Officer as to the matters stated therein. The matters set forth in any such Certificate of Determination shall have the same effect as if set forth in the related Supplemental Resolution;

(B) Counsel's Opinion in customary form to the effect that (i) the Issuer has the right and power under the Acts to adopt the Standard Resolution Provisions, and the Resolution has been duly and lawfully adopted by the Issuer, is in full force and effect and is valid and binding upon the Issuer and enforceable in accordance with its terms, and no other authorization for the Resolution is required, (ii) the

Resolution creates the valid pledge to the payment of the Bonds of the Pledged Property which it purports to create pursuant to the Standard Resolution Provisions, subject to the provisions of the Resolution permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolution, and (iii) upon the execution and delivery thereof and upon authentication by the Trustee, the Bonds of such Series will be valid and binding, special obligations of the Issuer payable as provided in, and enforceable in accordance with their terms and the terms of, the Resolution and entitled to the benefits of the Acts and the Resolution, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Acts, as amended to the date of such Counsel's Opinion, and in accordance with the Resolution;

(C) A certificate of an Authorized Officer of the Issuer stating that upon the delivery of the Bonds of such Series, the Issuer will not be in default in the performance of any of the terms, provisions or covenants of the Resolution or of any of the Bonds; provided, however, that solely with respect to Refunding Bonds being delivered on original issuance pursuant to the Standard Resolution Provisions, such certificate shall not be a condition to the authentication and delivery of such Refunding Bonds if and to the extent that a certificate of an Authorized Officer of the Issuer is delivered stating that upon the delivery of such Refunding Bonds the Issuer will no longer be in default in the performance of the terms, provisions or covenants of the Resolution or of any of the Bonds as specified in such certificate;

(D) A certificate of an Authorized Officer of the State stating that (i) to the best of such Authorized Officer's knowledge, no event of default under any Financing Agreements has occurred and is continuing nor will an event of default under any Financing Agreements occur as a result of the issuance of such Bonds, and (ii) the approval of the Director of the Budget for such financing;

(E) A copy of the Certificate of Determination, if any, executed in connection with such Series of Bonds;

(F) To the extent authorized by the Issuer pursuant to a Supplemental Resolution, one or more Credit Facilities with respect to any Series of Bonds and any agreements deemed necessary in connection therewith;

(G) A written order of an Authorized Officer of the Issuer as to the delivery of such Series of Bonds, describing such Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered and stating the consideration for such Bonds;

(H) A certificate of an Authorized Officer of the Issuer setting forth the amount of money, if any, to be deposited into the Debt Service Fund, equal to (a) the amount of capitalized interest funded with the proceeds of the Bonds of such Series, if any, and (b) the sum of the interest on the Bonds of such Series from the date of the Bonds of such Series to the date of delivery thereof;

(I) Any amounts (in the form of cash or Investment Obligations) required to be deposited with the Trustee at the time of issuance and delivery of the Bonds of such Series;

(J) Copies of the Financing Agreement applicable to such Series of Bonds; and

(K) Such further documents and moneys as are required by the provisions of the Standard Resolution Provisions or any Supplemental Resolution adopted pursuant to the Standard Resolution Provisions.

The Issuer may authorize by Supplemental Resolution the issuance of Capital Appreciation Bonds, Deferred Income Bonds, Variable Interest Rate Bonds, Put Bonds or any other form of Bond not in conflict with the provisions of the Resolution or of the applicable Supplemental Resolution.

The Issuer may authorize by Supplemental Resolution such other provisions relating to a Series of Bonds as are permitted by the Resolution.

The Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall they be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution.

(Section A-201)

Special Provisions for Additional Bonds

After the issuance of the initial Series of Bonds, one or more Series of Additional Bonds may be authorized and delivered upon original issuance for any Authorized Purpose, including payment of Project Costs and the refunding of Prior Obligations or Bonds or Parity Reimbursement Obligations or other indebtedness, upon receipt by the Trustee, in addition to any applicable requirements of the Standard Resolution Provisions, of the following:

A certificate by the Director of the Budget setting forth the most recent collections for any 12 consecutive calendar months ended not more than six months prior to the date of such certificate, of the taxes, fees, fines, penalties, or other monies which, as of the date of issuance of any such Series of Bonds, are levied, collected or imposed by or on behalf of the State and are required to be deposited into the Revenue Bond Tax Fund; provided, however, that if any taxes, fees, fines, penalties or other monies that are required to be deposited into such account were not so required to be deposited for all of such 12 calendar months, such certificate may nevertheless include the full amount of all such taxes, fees, fines, penalties, or other monies actually collected for such 12 calendar months;

(I) A certificate by an Authorized Officer of the Issuer setting forth the Calculated Debt Service on all Outstanding Bonds, including such Series of Additional Bonds to be issued and any additional amounts payable with respect to Parity Reimbursement Obligations for each State Fiscal Year for which such Bonds or Parity Reimbursement Obligations are Outstanding and (II) a certificate of the Director of the Budget, including the amount of Calculated Debt Service set forth in the certificate required by clause (2)(I) of this paragraph (based upon information furnished by each applicable Authorized Issuer pursuant to the related financing agreement), setting forth the calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) shall be made with respect to all Authorized Issuers that have issued bonds or parity reimbursement obligations pursuant to the Enabling Act, which bonds or parity reimbursement obligations are secured by payments to be made from the Revenue Bond Tax Fund for each State Fiscal Year for which such bonds or parity reimbursement obligations are outstanding; and

A certificate by the Director of the Budget stating that the amounts set forth pursuant to the first paragraph above will be at least 2.0 times the maximum calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) for all Authorized Issuers set forth in subsection (II) of second paragraph above for any State Fiscal Year set forth pursuant to above.

(Section A-202)

Refunding Bonds

One or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds or Parity Reimbursement Obligations or any portion of a Series of Outstanding Bonds or Parity Reimbursement Obligations, or any outstanding Prior Obligations, in each case including all or any portion of a maturity. The Issuer may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding (including by redemption, payment at maturity or in connection with exchanges or tenders) and to make such deposits required by the provisions of the Standard Resolution Provisions and of the Supplemental Resolution authorizing such Series of Refunding Bonds.

(A) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund Outstanding Bonds or Parity Reimbursement Obligations shall be authenticated by the Trustee or otherwise delivered by the Trustee upon the receipt by the Trustee of:

(1) If the Bonds to be refunded are to be redeemed, irrevocable instructions from the Issuer to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a Redemption Date specified in such instructions;

(2) If Bonds to be refunded are to be deemed paid, evidence of due publication of the notice provided for in the Standard Resolution Provisions to the Holders of the Bonds being refunded;

(3) If Bonds to be refunded are to be deemed paid, either or both of

(i) moneys in an amount sufficient to effect payment of the principal at the maturity date therefor (or on exchange or tender) or the Redemption Price on the applicable Redemption Date of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or Redemption Date, which money shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, and

(ii) Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Standard Resolution Provisions, which Government Obligations and moneys shall be held in trust and used only as provided in the Standard Resolution Provisions; and

(4) Either (i) a certificate of an Authorized Officer of the Issuer (a) setting forth (A) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds (including the Refunding Bonds then proposed to be issued but excluding the Bonds or Parity Reimbursement Obligations to be refunded or purchased) and (B) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds as calculated immediately prior to the issuance of the Refunding Bonds (including the Bonds or Parity Reimbursement Obligations to be refunded or purchased but excluding the Refunding Bonds) and (b) stating that the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal

Year during the term of the Bonds set forth pursuant to (A) above is not greater than the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (B) above; or (ii) the certificates required by the Standard Resolution Provisions with respect to such Series of Refunding Bonds, considering for all purposes of such certificate that the Refunding Obligations then proposed to be issued will be Outstanding but the Bonds or Parity Reimbursement Obligations to be refunded will no longer be Outstanding.

(B) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund in whole or in part any Prior Obligations shall be authenticated or otherwise delivered by the Trustee upon the receipt by the Trustee of the certificates required to be delivered in connection with the issuance of Additional Bonds in the Standard Resolution Provisions; and shall otherwise comply with any applicable requirements in connection with a refunding set forth in the resolutions which authorized the issuance of such Prior Obligations.

(C) The proceeds, including accrued interest, of such Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or determined in accordance with the Supplemental Resolution authorizing such Refunding Bonds or the related Certificate of Determination.

(Section A-203)

Credit Facilities; Qualified Swaps and other similar arrangements; Parity Reimbursement Obligations

The Issuer may include such provisions in a Supplemental Resolution or related Certificate of Determination authorizing the issuance of a Series of Bonds secured by a Credit Facility as the Issuer deems appropriate, including:

So long as the Credit Facility is in full force and effect, and payment on the Credit Facility is not in default and the provider of the Credit Facility is qualified to do business in the State, and (a) no proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of the provider of the Credit Facility in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property or for the winding up or liquidation of the affairs of the provider of the Credit Facility and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) days or such court shall enter a decree or order granting the relief sought in such proceeding, or (b) the provider of the Credit Facility shall not have commenced a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall not have consented to the entry of an order for relief in an involuntary case under any such law, or shall not have consented to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property, or shall not have made a general assignment for the benefit of creditors, or shall not have failed generally to pay its debts as they become due, or shall not have taken any corporate action with respect to any of the foregoing, then, in all such events, the provider of the Credit Facility shall be deemed to be the sole Holder of the Outstanding Bonds the payment of which such Credit Facility secures when the approval, consent or action of the Bondholders for such Bonds is required or may be exercised under the Resolution, including, without limitation, under the captions "Supplemental Resolutions" and "Amendments", and following a default under the caption "Defaults and

Remedies; Defeasance", except where the Credit Facilities provide only liquidity support and not credit support.

In the event that the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, and interest due on any Bonds Outstanding, or the purchase price of puts in connection with such Bonds, shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of the Issuer to the Bondholders of such Bonds shall continue to exist and such provider of the Credit Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit Facility.

(a) In addition, such Supplemental Resolution or related Certificate of Determination may establish such provisions as are necessary (i) to comply with the provisions of each such Credit Facility, (ii) to provide relevant information to the provider of the Credit Facility, (iii) to provide a mechanism for paying Principal Installments and interest on such Series of Bonds under the Credit Facility, and (iv) to make provision for any events of default or for additional or improved security required by the provider of a Credit Facility.

(b) In connection therewith the Issuer may enter into such agreements with the issuer of such Credit Facility providing for, inter alia: (i) the payment of fees and expenses to such provider for the issuance of such Credit Facility; (ii) the terms and conditions of such Credit Facility and the Series of Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

(c) The Issuer may secure such Credit Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Issuer in the applicable Supplemental Resolution. The Issuer may also in an agreement with the provider of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation") solely from Pledged Property; provided, however, that no Reimbursement Obligation shall be created, for purposes of the Standard Resolution Provisions, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Bond, may be secured by a pledge of, and a lien on, Pledged Property on a parity with the lien created by the Standard Resolution Provisions, but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Any Reimbursement Obligation conforming with the provisions of the previous sentence shall be deemed a "Parity Reimbursement Obligation". Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds. Parity Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds." Any such Parity Reimbursement Obligation shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation relates.

(d) Any such Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof as specified in the applicable Supplemental Resolution.

(e) In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Issuer also may enter into Qualified Swaps or, to the extent from time to time permitted pursuant to law, other similar arrangements if the Issuer determines that such Qualified Swaps or other similar arrangements will assist the Issuer in more effectively managing its interest costs. To the extent provided in a Supplemental Resolution or related Certificate of Determination, the Issuer's obligation to pay Qualified Swap Payments under any Qualified Swap may be secured by a pledge of, and a lien on, the Subordinated Payment Fund. Qualified Swap Payments may include any payments of any termination or other fees, expenses, indemnification or other obligations to a Qualified Swap Provider, or any payments that represent payment of interest thereunder in advance of the payment of interest on the Bonds to which such Qualified Swap relates.

(f) Parity Reimbursement Obligations shall not be a debt of the State and the State shall not be liable thereon, nor shall Parity Reimbursement Obligations be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution.

(Section A-204)

Bond Anticipation Notes

Whenever the Issuer shall have, by Supplemental Resolution, authorized the issuance of a Series of Bonds, the Issuer, subject to certain special provisions for additional bonds under the Standard Resolution Provisions, may by adoption of a Supplemental Resolution authorize the issuance of Bond Anticipation Notes in anticipation of the issuance of such authorized Series of Bonds, in a principal amount not exceeding the principal amount of the Bonds of such Series so authorized. The principal of and premium, if any, and interest on such Bond Anticipation Notes and any renewals of such Bond Anticipation Notes shall be payable only from (i) the proceeds of any renewals of such Bond Anticipation Notes issued to repay such Bond Anticipation Notes, (ii) the proceeds of the sale of the Series of Bonds in anticipation of which such Bond Anticipation Notes are issued, (iii) any amounts provided by the State and/or the federal government expressly for payment of such Bond Anticipation Notes, or (iv) the proceeds of such Bond Anticipation Notes deposited in any Fund or account under the Resolution. Such proceeds and other amounts set forth in clauses (i), (ii), (iii) and (iv) may be pledged for the payment of the principal of and premium, if any, and interest on such Bond Anticipation Notes and any such pledge shall have priority over any other pledge created by the Resolution. In any case, such Bond Anticipation Notes shall be retired or provision shall be made for their retirement not later than the date of authentication and delivery of the Series of Bonds in anticipation of which they are issued. The proceeds of the sale of Bond Anticipation Notes, other than renewals thereof, shall be applied to the purposes for which the Bonds in anticipation of which such Bond Anticipation Notes are authorized and shall be deposited in the appropriate Fund or account established by the Resolution for such purposes and, if so provided in the resolution authorizing renewals of Bond Anticipation Notes issued to pay outstanding Bond Anticipation Notes, applied directly to such payment. Interest earned on any amounts on deposit in any Fund or account under the Resolution representing the proceeds of any Bond Anticipation Notes shall be applied in the manner set forth in the Supplemental Resolution authorizing such Bond Anticipation Notes or the related Certificate of Determination.

(Section A-205)

Additional Obligations

The Issuer reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Issuer, so long as such bonds, notes or other obligations are not, or such indebtedness is not, except as provided in the Resolution, entitled to a charge, lien or right prior or equal to the charge or lien on the Pledged Property created by the Resolution, or prior or equal to the rights of the Issuer and Holders of Bonds.

(Section A-206)

Redemption at the Election of the Issuer; Redemption other than at Issuer's Election; Selection of Bonds to be Redeemed

In the case of any redemption of Bonds of a Series at the election of the Issuer, such Bonds may be redeemed at the option of the Issuer as provided in the Supplemental Resolution authorizing such Bonds. In exercising such option, the Issuer shall give written notice to the Trustee and any Paying Agent of its election to redeem, including the Series designation, the principal amounts and the maturities of such Bonds so elected. The Series designation, maturities and principal amounts thereof to be redeemed shall be determined by the Issuer in its sole discretion, subject to any limitations with respect thereto contained in the Resolution. Such notice shall be given to the Trustee at least forty-five (45) days prior to the date on which the Bonds of such Series are to be redeemed, or such fewer number of days as shall be acceptable to the Trustee.

Whenever by the terms of the Resolution, Bonds are required to be redeemed otherwise than at the election of the Issuer, the Trustee shall select the Bonds to be redeemed, give the notice of redemption and pay out of money available therefor the Redemption Price to the appropriate Paying Agents in accordance with the terms of the Standard Resolution Provisions. The Trustee shall have no liability in making such selection.

In the event of redemption of less than all of the Outstanding Bonds of a Series and maturity, the Trustee shall assign to each such Outstanding Bond of such Series and maturity or portion of a 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 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 such 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 the Standard Resolution Provisions) 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 of such Series 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 such Bonds and select part of any such Bonds for redemption.

(Section A-402, A-403, and A-404)

The Pledge Effected by the Resolution

The Bonds are special obligations of the Issuer payable solely from the sources set forth in the subsection under the caption "The Pledge Effected by the Resolution". There is thereby pledged for the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds and of Parity Reimbursement Obligations, in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof (and to the provisions authorizing Subordinated Indebtedness in the Resolution) for the purposes and on the terms and conditions set forth in the Resolution, all right, title and interest of the Issuer in the Pledged Property. Such pledge is for the equal and proportionate benefit and security of all and singular the present and future Holders of Bonds and obligees of Parity Reimbursement Obligations issued and to be issued under the Resolution, without preference, priority or distinction, except as otherwise provided in the Standard

Resolution Provisions, of any one Bond or Parity Reimbursement Obligation over any other Bond or Parity Reimbursement Obligation, by reason of priority in the issue, sale or negotiation thereof or otherwise. The pledge and lien created by the Resolution for the Bonds and Parity Reimbursement Obligation shall be superior in all respects to any pledge or lien now or hereafter created for indebtedness or other obligation secured by the Subordinated Payment Fund.

The Issuer represents and warrants that under the Enabling Act (i) the pledge set forth in subsection 1 of the section under the caption "The Pledge Effected by the Resolution" is and shall be valid and binding from and after the date of issuance and delivery of the first Series of Bonds, and the items set forth in such pledge are and shall be immediately subject to the lien of such pledge without any physical delivery thereof or further act and the lien of such pledge is and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer irrespective of whether such parties have notice thereof; and (ii) neither the Resolution nor any other instrument need be recorded or filed to protect the pledge set forth in the aforementioned section.

The revenues, facilities, properties and any and all other assets of the Issuer, or of any subsidiary thereof, other than the Pledged Property, shall not be used for, or as a result of any court proceeding or otherwise, applied to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price, of and interest on the Bonds, and under no circumstances shall the aforementioned be available for such purpose, nor shall there be any recourse against any other assets, revenues or funds of or other payments due to the Issuer, other than the Pledged Property.

The State has no obligation to continue the imposition of the taxes or the sources of any other funds deposited in the Revenue Bond Tax Fund pursuant to Section 92-z, nor to maintain such taxes or the sources of any other funds at any minimum level, and moneys in the Revenue Bond Tax Fund are not pledged to the payment of the Bonds or Parity Reimbursement Obligations prior to appropriation and transfer to the Issuer or the Trustee.

The obligation of the Comptroller under Section 92-z with respect to moneys on deposit in the Revenue Bond Tax Fund are subject to the rights of holders of debt of the State.

Nothing contained in the aforementioned section shall be deemed a limitation upon the authority of the Issuer to issue bonds, notes or other obligations under the Issuer Act secured by other income and funds other than the Pledged Property.

(Section A-501)

Establishment of Funds

Funds and accounts shall be established as authorized by the Standard Resolution Provisions.

(Section A-502)

Payment of Bonds

The Issuer shall duly and punctually pay or cause to be paid the principal, Sinking Fund Installments, if any, Redemption Price of, and interest on every Bond, at the dates and places and in the manner set forth in the Bonds according to the true intent and meaning thereof.

(Section A-601)

Extension of Payment of Bonds

The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and, in case the maturity of any of the Bonds or the time for payment of any claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Resolution, to the benefit of the Resolution or to any payment out of any assets of the Issuer or the Funds and accounts (except Funds and accounts held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by the Trustee, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such claims for interest. Nothing in the Resolution shall be deemed to limit the right of the Issuer to issue Refunding Bonds as permitted by the Resolution and by the Issuer Act and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds refunded.

(Section A-602)

Offices for Servicing Bonds

The Issuer shall at all times maintain an office or agency in the State, where Bonds may be presented for payment, registration, transfer or exchange and where notices, presentations and demands upon the Issuer in respect of the Bonds or of the Standard Resolution Provisions may be served. The Issuer appoints the Trustee as its agent to maintain such office or agency in the State for the registration, transfer or exchange of Bonds, for the authentication of Bonds, and for the payment of Bonds.

(Section A-603)

Further Assurance

At any time and all times the Issuer shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the Pledged Property pledged or assigned by the Resolution, or intended so to be, or which the Issuer may hereafter become bound to pledge or assign. The Issuer further covenants that it shall use its best efforts, to the extent authorized by law, to cause the Director of the Budget to make and deliver the certificates referred to in the Standard Resolution Provisions at the times required therein and shall cause the amounts so received to be deposited in the appropriate Funds.

(Section A-604)

Power to Issue Bonds and Pledge Revenues and Other Funds

The Issuer is duly authorized under the Acts, and all applicable laws to create and issue the Bonds, to adopt the Resolution and to pledge the Pledged Property purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. Except to the extent otherwise provided in the Standard Resolution Provisions, the Pledged Property is and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable special obligations of the Issuer in accordance with their terms and the terms of the

Resolution. The Issuer further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all of the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

(Section A-605)

Creation of Liens

Except in accordance with the provisions of the Standard Resolution Provisions, the Issuer shall not hereafter issue any bonds or other evidences of indebtedness, other than the Bonds, Parity Reimbursement Obligations and Bond Anticipation Notes, secured by an equal or prior pledge of all or any part of the Pledged Property, and shall not create or cause to be created any equal or prior lien or charge on the Pledged Property except as provided in the Standard Resolution Provisions; provided, however, that nothing contained in the Resolution shall prevent the Issuer from issuing (i) evidences of indebtedness payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge of the Revenues provided in the Resolution shall be discharged and satisfied as provided in the Standard Resolution Provisions or (ii) evidences of indebtedness secured by the Subordinated Payment Fund.

(Section A-606)

Certificate of the Director of the Budget

In order to assure the maintenance of the Funds and accounts held under the Resolution, not later than thirty days after the submission of the executive budget for the ensuing State Fiscal Year in accordance with the State Constitution, the Issuer shall to the extent authorized by law use its best efforts to enforce the obligation set forth in the Financing Agreement of the Director of the Budget to certify to the Comptroller in accordance with subdivision 5(b) of Section 92-z and the Standard Resolution Provisions a schedule setting forth the following:

(a) The amount of receipts certified and estimated to be deposited on a monthly basis to the Revenue Bond Tax Fund; and

(b) The amount of monthly cash requirements so certified by the Director of the Budget for such State Fiscal Year which shall be at least equal to:

1. all payments of principal, Sinking Fund Installments, if any, and Redemption Price, of Outstanding Bonds due in such State Fiscal Year;

2. the amounts required to pay all interest on Outstanding Bonds (including interest at the Estimated Average Interest Rate for Variable Interest Rate Bonds or under the related Reimbursement Obligation) and any additional amounts due with respect to related Parity Reimbursement Obligations due in such State Fiscal Year;

3. all Issuer Expenses for such State Fiscal Year;

4. all principal of and interest or other amounts payable from the Subordinated Payment Fund and due in such State Fiscal Year;

5. any amounts required to rebate to the Department of the Treasury of the United States of America and not otherwise held in the Funds and accounts under the Resolution;

6. all other payment requirements referred to in the Enabling Act for such State Fiscal Year.

The schedule accompanying the certificate of the Director of the Budget shall also provide for payments as the Director of the Budget deems appropriate to ensure that sufficient funds will be available from the sources, including without limitation revenues derived from the taxes and fees deposited in the Revenue Bond Tax Fund in accordance with Section 92-z, to enable the Issuer to meet its obligations under the Resolution as they become due; provided, however, that such schedule shall require the Comptroller to set aside, on a monthly basis, amounts in the Revenue Bond Tax Fund such that the combined total of (i) the amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) the monthly amounts, as provided for in paragraph (a) above, required to be deposited to the Revenue Bond Tax Fund in such month is not less than one hundred twenty-five percent (125%) of the monthly cash requirements, as provided for in paragraph (b) above, to be paid by the Comptroller to the Trustee, on behalf of the Issuer, in the following month. Financing Agreement Payments shall be paid to the Trustee on or before the fifth Business Day preceding the date on which such payment is due; and provided, further, that to ensure sufficient funds will be available from the sources just described to meet the Issuer's obligations when due, such schedule shall require the Comptroller to pay (x) all moneys set aside pursuant to subdivision 5 of Section 92-z less (y) the Issuer's estimate of investment earnings available therefor on Funds and accounts established under the Resolution and other amounts available under the Resolution, which such estimate shall be made at least once each calendar month prior to the making of any transfer pursuant to subdivision 5 of Section 92-z.

The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the schedule required to accompany such certification, from time to time, to assure that such certification, together with the accompanying schedule, accurately sets forth any and all amounts required or projected by the Issuer for the purposes and at the times prescribed by subdivision 5 of Section 92-z. The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the accompanying schedule if additional amounts are required to make any payment of principal, Sinking Fund Installments, if any, and Redemption Price of or interest on Bonds or with respect to Parity Reimbursement Obligations.

In any event, whether or not there has been any intervening requirement to revise such certificate under the Standard Resolution Provisions, promptly but in no event later than 30 days after the date of the issuance of any Series of Bonds under the Resolution or the issuance of any Parity Reimbursement Obligation, or other evidence of indebtedness payable from the Subordinated Payment Fund or otherwise, the Director of the Budget shall submit a revised certification, together with the accompanying schedule, which accurately sets forth any and all amounts required or projected to be required by the Issuer as of such date for the purposes and at the times prescribed by the terms of the Standard Resolution Provisions.

The agreement of the State under Section 68-c shall be deemed executory only to the extent of appropriations available for payments under Section 68-c and no liability on account of any such payment shall be incurred by the State beyond such appropriations.

(Section A-607)

Agreement With the Director of the Budget

The Issuer shall only issue or incur Bonds (including Refunding Bonds), Parity Reimbursement Obligations or other obligations under the Resolution (including obligations incurred pursuant to the Standard Resolution Provisions) with the written approval of the Director of the Budget. The Issuer shall enter into one or more Financing Agreements with the State, acting through the Director of the Budget, as provided in subdivision 1 of Section 68-c providing for the specific manner, timing and amount of payments to be made under Section 68-c and the Resolution. The Issuer shall approve the form and substance of such Financing Agreement with respect to any Series of Bonds prior to or concurrently with the adoption of the applicable Supplemental Resolution and shall use its best efforts, to the extent permitted by law, to take all steps necessary or appropriate to enforce such Financing Agreement and to assure compliance by the State therewith. The Issuer shall not enter into any such Financing Agreement that is not in conformity with the Acts and the Resolution.

(Section A-608)

Agreement With the State

In accordance with the provisions of the Enabling Act and to the extent applicable, the Issuer Act, the Issuer includes in the Resolution, to the fullest extent enforceable under applicable federal and State law, the pledge to and agreement with the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred under the Resolution made by the State and set forth in the Acts that the State will not in any way impair the rights and remedies of such Holders until such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued or incurred under the Resolution, together with interest thereon, with interest, if any, on any unpaid installments of interest and all costs and expenses in connection with any action or proceedings by or on behalf of such Holders, are fully met and discharged.

Notwithstanding any other provision of the Standard Resolution Provisions, nothing contained in the Acts or the Resolution shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to taxes imposed pursuant to Article 22 of the Tax Law. The Issuer and the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued under the Standard Resolution Provisions expressly agree that it shall be an integral part of the contract arising under the Standard Resolution Provisions that no default thereunder occur as a result of the State exercising its right to amend, repeal, modify or otherwise alter any such tax.

(Section A-609)

Amendment of Financing Agreements

The Issuer shall not amend, change, modify, alter or terminate any Financing Agreement so as to materially adversely affect the right, security and interest of the Holders of the Outstanding Bonds without the prior written consent of the provider of a Credit Facility, if any, affected thereby, or, in the event that there is no Credit Facility in place with respect to the Series of Bonds affected thereby, without the prior written consent of at least a majority in aggregate principal amount of the Holders of the Bonds then Outstanding and affected thereby; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds remain Outstanding, the consent of the providers of the Credit Facility, if any, or 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 the Standard Resolution Provisions. Any Financing Agreement may be amended, supplemented, changed, modified or altered without the consent of the provider of the Credit Facility, if any, or the Holders of Outstanding Bonds to provide changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, or the providing, furnishing and equipping of a Project or which may be added to such Project, or to provide for additional Financing Agreement Payments; and any Financing Agreement may be amended, supplemented, changed, modified or altered without such consent to cure any ambiguity, or to correct or supplement any provisions contained in any Financing Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in such

Financing Agreement and which the Issuer determines will not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be. In no event shall changes relating solely to Projects, including schedules related thereto, be deemed to materially adversely affect such Holders or providers of Credit Facilities. Upon execution by the Issuer of any amendment, a copy thereof certified by the Issuer shall be filed with the Trustee and each provider of the Credit Facility affected thereby.

For the purposes of the Standard Resolution Provisions, Bonds shall be deemed to be materially adversely affected by an amendment, change, modification or alteration of any Financing Agreement if the same materially adversely affects or diminishes the rights, security and interest of the Holders of the Bonds or the provider of a Credit Facility, as the case may be. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds or the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be, would be materially adversely affected by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the provider of a Credit Facility, the Trustee and all Holders of Bonds; and, provided further, however, any such amendments deemed necessary by the Issuer to effect any assumption, extinguishment and substitution authorized by the Standard Resolution Provisions shall not be deemed to materially adversely affect the Bonds.

For all purposes of the Standard Resolution Provisions, the Issuer shall be entitled to rely upon a Counsel's Opinion (a copy of which shall be provided by the Issuer to any provider of a Credit Facility thereby affected), with respect to whether any amendment, change, modification or alteration materially adversely affects the right, security and interest of any Holders of Bonds and any provider of a Credit Facility of a Series then Outstanding.

(Section A-610)

Enforcement of Duties and Obligations of the State

The Issuer shall use its best efforts, to the extent permitted by law, to cause the State to perform fully all duties and acts and comply fully with the covenants of the State required by any Financing Agreement in the manner and at the times provided in such Financing Agreement provided, however, that the Issuer may delay, defer or waive enforcement of one or more provisions of said Financing Agreement (other than provisions requiring the payment of moneys to any Fund or account established under the Resolution), if the Issuer determines such delay, deferment or waiver will not materially adversely affect the right, security and interest of the Holders of the Bonds of the applicable Series or the issuer of any Credit Facility.

(Section A-611)

Reservation of State Rights of Assumption, Extinguishment and Substitution

It is expressly understood and agreed by the Issuer and the Holders or other obligees of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Standard Resolution Provisions to be an integral part of the contract arising under the Standard Resolution Provisions that, in accordance with subdivision 6 of Section 68-c, the State reserves the right, upon amendment of the State Constitution to permit the issuance of State Revenue Bonds, which may be payable from or secured by revenues that include the Revenues pledged under the Standard Resolution Provisions, (i) to assume, in whole or in part, the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations of the Issuer issued or incurred under the Standard Resolution Provisions, (ii) to extinguish the existing lien on Pledged Property created under the Standard Resolution

Provisions, and (iii) to substitute security or source of payment for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Standard Resolution Provisions, in each case only so long as such assumption, extinguishment and substitution is accomplished in accordance with the Standard Resolution Provisions. (Any Bonds paid or deemed to have been paid in accordance with the Standard Resolution Provisions on or before the date of any assumption, extinguishment and substitution shall not be taken into account in determining compliance with the provisions of the Standard Resolution Provisions.)

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Standard Resolution Provisions as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and

2. any State Revenue Bonds resulting from such assumption, extinguishment and substitution shall be secured by revenues that may include all the Revenues securing the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Standard Resolution Provisions as of the day immediately preceding such assumption, extinguishment and substitution, and the provisions of the Enabling Act relating to security for or payment of the Bonds and Parity Reimbursement Obligations shall remain in full force and effect in substantially the form they existed immediately prior to such assumption, extinguishment and substitution and shall not have been amended in connection therewith except to the extent necessary or convenient to permit the Revenues and the Revenue Bond Tax Fund to be sources of payment or security for the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution; provided, however, that in connection with any such assumption, extinguishment and substitution, it is expressly understood and agreed by all Bondholders and all providers of Credit Facilities that the Enabling Act may be amended to delete the transfer from the general fund as set forth in paragraph (b) of subdivision 5 of Section 92-z and paragraph (a) of subdivision 5 of Section 92-z may be amended to delete the requirement that Financing Agreement Payments be appropriated before any moneys held pursuant to such Section 92-z are transferred to the general fund; and

3. any resolution or trust agreement securing the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution shall contain limitations on amendment powers no less restrictive than those set forth in the Standard Resolution Provisions, and shall include events of default to the effect of those contained in the Standard Resolution Provisions and shall grant the remedies contained the Standard Resolution Provisions, provided that the Comptroller or the Attorney General of the State may serve in the capacity of the Trustee for such purposes and the State or other issuer of State Revenue Bonds may be substituted for the Issuer in the Standard Resolution Provisions, and shall include defeasance provisions no less restrictive than those set forth in the Standard Resolution Provisions; and

4. the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution shall have the same or superior priority of claim on the revenues securing such obligations as that provided by the Resolution; and

5. any resolution or trust agreement securing the State Revenue Bonds resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations secured under the Resolution shall contain a covenant of the State substantially to the effect of the covenant contained in the Standard Resolution Provisions; and

6. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution (A) complies with the provisions of the Standard Resolution Provisions and the Enabling Act and (B) will have no adverse effect on the federal or State tax status of interest on the Bonds.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to the Standard Resolution Provisions (or brief summary thereof or reference thereto) shall be mailed by the Issuer to such Bondholders and providers of Credit Facilities to the extent affected thereby (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when effected as in the Standard Resolution Provisions).

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and

2. with respect to all Bonds Outstanding, written consent to such assumption, extinguishment and substitution shall be given as provided in the Resolution by the Holders of at least a majority in principal amount of such Bonds Outstanding at the time such consent is given; and

3. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution complies with the provisions of the Standard Resolution Provisions and the Enabling Act.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to the Standard Resolution Provisions (or brief summary thereof or reference thereto) together with a request to the Bondholders indicated above for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when consented to as in the

Standard Resolution Provisions). No such assumption, extinguishment and substitution pursuant to this subdivision shall be effective unless and until there shall have been filed with the Issuer (i) the written consents of Holders of the percentages of Outstanding Bonds specified in this subdivision, and (ii) the aforementioned Counsel's Opinion. Each such consent of a Bondholder 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 Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that such Authorized Officer has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions to the contrary notwithstanding, upon any subsequent Holder of such Bonds 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 such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer in the Standard Resolution Provisions provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that such assumption, extinguishment and substitution have been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the Standard Resolution Provisions, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such assumption, extinguishment and substitution from becoming effective and binding as in the Standard Resolution Provisions provided) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents and the written statement of the Issuer above provided for is filed (but failure to publish such notice shall not prevent such assumption, extinguishment and substitution from becoming binding as in the Standard Resolution Provisions provided). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by the Standard Resolution Provisions to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such assumption, extinguishment and substitution shall be deemed conclusively binding upon the State, the Issuer, the Trustee, and the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such assumption, extinguishment and substitution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such assumption, extinguishment and substitution as it may deem expedient.

Upon the effective date of any such assumption, extinguishment and substitution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee and any Paying Agents shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption.

(Section A-612)

Accounts and Reports

The Issuer shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all its transactions relating to all Funds and accounts established by the Resolution which shall at all reasonable times be subject to the inspection of the Holders of an aggregate of not less than twenty-five per cent (25%) in the principal amount of the Bonds then Outstanding or their representatives duly authorized in writing. The Issuer may authorize or permit the Trustee or its duly authorized agents to keep any or all of such books on behalf of the Issuer.

(Section A-613)

Tax Covenants

The Issuer shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds issued as Tax-Exempt Bonds shall be not included in the gross income of the owners thereof for purposes of federal income taxation.

Notwithstanding the foregoing, the Issuer reserves the right, in a Supplemental Resolution authorizing the issuance of obligations, to elect to issue Taxable Bonds.

(Section A-614)

General

The Issuer shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Issuer under the provisions of the Acts and the Resolution in accordance with the terms of such provisions.

Upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution and statutes of the State, including the Acts and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds, shall exist, have happened and have been performed and the issue of such Bonds, together with all other indebtedness of the Issuer, shall be within every debt and other limit prescribed by the laws of the State.

(Section A-615)

Notice as to Event of Default

The Issuer shall notify the Director of the Budget, the Comptroller, each issuer of a Credit Facility and the Trustee in writing that an "Event of Default", as such term is defined in the Standard Resolution Provisions, has occurred and is continuing, which notice shall be given within thirty (30) days after the Issuer has obtained actual knowledge thereof; provided, however, that the Issuer shall provide each of the foregoing with immediate notice of any payment default after the Issuer has obtained actual knowledge thereof.

(Section A-616)

Other Bonds Authorized by the Enabling Act

The Bonds authorized by the Resolution are authorized by the Enabling Act. All bonds issued pursuant to the Enabling Act, whenever issued and by whichever Authorized Issuer, have equal claim to all moneys available subject to appropriation from the Revenue Bond Tax Fund pursuant to the Enabling Act, and further subject to provisions in the Resolution or other such resolutions authorizing such bonds relating to subordination.

(Section A-617)

Investment of Funds

Amounts in the Funds and accounts established by Section 502 of the Resolution may be invested only in Investment Obligations. The Trustee shall make such investments in any Funds or accounts held by the Trustee in accordance with any instructions received from an Authorized Officer of the Issuer. Except as otherwise provided in the resolution authorizing any series of Bond Anticipation Notes, interest earned by the investment of moneys in each Fund or account under the Resolution shall be held, deposited or transferred in accordance with the Standard Resolution Provisions. The Trustee shall have no obligation to invest or reinvest amounts as contemplated by the Resolution except upon the direction of an Authorized Officer of the Issuer as to specific investments. Any such direction, if not in writing, shall be promptly confirmed in writing.

Investment Obligations on deposit in the Funds and accounts held under the Standard Resolution Provisions shall have maturity dates, or shall be subject to redemption or tender at the option of the Issuer or the Trustee on the respective dates specified by an Authorized Officer of the Issuer, as appropriate, which dates shall be on or prior to the respective dates on which the moneys invested therein are expected to be paid for the purposes of such Funds and accounts. The Issuer, or the Trustee, upon the instructions of an Authorized Officer of the Issuer, shall sell any Investment Obligations held in any Fund or account to the extent required for payments from such Fund or account. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund or account to the extent required to meet the requirements of such Fund or account. Losses, if any, realized on Investment Obligations held in any Fund or account shall be debited to such Fund or account. In computing the amount of such Funds and accounts, investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value, plus accrued interest. Accrued interest received upon the sale of any Investment Obligation to the extent such amount exceeds any accrued interest paid on the purchase of such Investment Obligation shall be treated as interest earned on such Investment Obligation for purposes of the Standard Resolution Provisions.

Nothing in the Resolution shall prevent any Investment Obligations acquired as investments of or security for any Fund, account or subaccount held under the Resolution from being held in book-entry form.

(Section A-701)

Trustee; Appointment and Acceptance of Duties

The Trustee shall be appointed in the Supplemental Resolution authorizing the issuance of the first Series of Bonds under the Resolution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by written instrument of acceptance delivered to the Issuer.

(Section A-801)

Paying Agents; Appointment and Acceptance of Duties

The Issuer may, in its discretion, appoint one or more Paying Agents for the Bonds of any Series in the Supplemental Resolution authorizing such Bonds at least one of which shall have an office for the transaction of business in the State, and may at any time or from time to time appoint one or more other Paying Agents in the manner and subject to the conditions set forth in the Standard Resolution Provisions for the appointment of a successor Paying Agent.

Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to the Issuer a written acceptance thereof.

The principal offices of the Paying Agents are designated as the respective offices or agencies of the Issuer for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds.

(Section A-802)

Responsibilities of Fiduciaries

The recitals of fact in the Standard Resolution Provisions and in the Bonds shall be taken as the statements of the Issuer and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Bonds issued thereunder or in respect of the security afforded by the Resolution, and no Fiduciary shall incur any responsibility in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to (i) the issuance of the Bonds for value, (ii) the application of the proceeds thereof except to the extent the proceeds are received by it in its capacity as Fiduciary, or (iii) the application of any moneys paid to the Issuer or others in accordance with the Resolution except as to the application of any moneys paid to it in its capacity as Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties under the Resolution except for its own negligence or willful misconduct. Subject to the foregoing, the Issuer may designate any Fiduciary to undertake any duty in the Resolution of the Issuer with respect to collection, accounting, review of and notice for any consents required thereunder.

(Section A-803)

Evidence on Which Fiduciaries May Act

Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it in good faith to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Issuer, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith.

Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Issuer. Such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Resolution upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

Except as otherwise expressly provided in the Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Issuer to any Fiduciary shall be sufficiently executed if executed in the name of the Issuer by an Authorized Officer.

(Section A-804)

Compensation

The Issuer shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Resolution. The Issuer further agrees to the extent permitted by law to indemnify and save each such Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Resolution, and which are not due to its negligence or willful misconduct. The Issuer's obligation to make any payment pursuant to the Standard Resolution Provisions shall be limited to payment from amounts made available therefor pursuant to the Financing Agreements.

(Section A-805)

Certain Permitted Acts

Any Fiduciary may become the owner of or deal in any Bonds as fully with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as Securities Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Resolution, whether or not any such committee shall represent the Holders of a majority in aggregate principal amount of the Bonds then Outstanding in respect of which any such action is taken.

(Section A-806)

Resignation of Trustee

The Trustee may at any time resign and be discharged of its duties and obligations created by the Resolution by giving not less than sixty (60) days' written notice to the Issuer, specifying the date when such resignation shall take effect, and mailing notice thereof, to the Holders of all Bonds then Outstanding, and such resignation shall take effect on the day specified in such notice unless previously a successor shall have been appointed as provided in the Resolution, in which event such resignation shall take effect immediately upon the appointment of such successor; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee.

(Section A-807)

Removal of Trustee

The Issuer may at any time remove the Trustee initially appointed or any successor thereto by written notice of such removal mailed by first class mail to the Trustee except that the Trustee may not be removed by the Issuer during the pendency of an Event of Default; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee. Notice of the removal of the Trustee shall be mailed by first class mail to the registered Holders of all Bonds then Outstanding at least 30 days prior to such removal.

(Section A-808)

Appointment of Successor Trustee

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Issuer shall appoint a successor Trustee. The Issuer shall cause notice of any such appointment to be mailed to all Holders of Bonds then Outstanding.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of the Standard Resolution Provisions within 30 days after the Trustee shall have given to the Issuer written notice as provided in the Standard Resolution Provisions or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee appointed under the provisions of the Standard Resolution Provisions in succession to the Trustee shall be a bank or trust company organized under the laws of the State of New York or a national banking association and having Fiduciary Capital Funds of at least $100,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-809)

Transfer of Rights and Property to Successor Trustee

Any successor Trustee appointed under the Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Issuer, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Issuer, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Resolution. Should any deed, conveyance or instrument in writing from the Issuer be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers, and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Issuer. Any such successor Trustee shall promptly notify the Paying Agents, if any, of its appointment as Trustee.

(Section A-810)

Merger or Consolidation

Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which such Fiduciary may sell or transfer all or substantially all of its business, or all of its non-private trust administration business, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act; provided such company shall be a bank having trust powers or a trust company organized under the laws of the State or a national banking association and shall, if it previously had not had such an office, have an office for the transaction of its business in the State, and shall be authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-811)

Resignation or Removal of Paying Agent and Appointment of Successor

Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least sixty (60) days' written notice to the Issuer and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by the Issuer. Any successor Paying Agent may be appointed by the Issuer and (subject to the requirements of the Standard Resolution Provisions) shall be a bank having trust powers or trust company in good standing organized under the laws of any state of the United States of America or a national banking association, duly authorized to exercise trust powers and subject to examination by federal or state Corporation, having Fiduciary Capital Funds of at least $100,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor or if there shall be no successor, to the Issuer. In the event that for any reason there shall be a vacancy in the office of Paying Agent, the Issuer shall act as such Paying Agent.

(Section A-812)

Adoption and Filing

The Issuer may adopt at any time or from time to time a Supplemental Resolution to authorize the issue of the initial Series of Bonds and of additional Series of Bonds and the incurrence of Parity Reimbursement Obligation as provided in the Standard Resolution Provisions and to prescribe the terms and conditions thereof and any additional terms and conditions upon which such Bonds may be issued and Parity Reimbursement Obligation may be incurred.

(Section A-901)

Supplemental Resolutions Effective Upon Adoption

Notwithstanding any other provisions of the Standard Resolution Provisions, the Issuer may adopt, for any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution which, upon adoption thereof and filing with the Trustee shall be fully effective in accordance with its terms:

To close the Resolution against, or provide limitations and restrictions contained in the Resolution on, the authentication or execution and delivery on original issuance of Bonds or the issuance of other evidences of indebtedness;

To add to the covenants and agreements of the Issuer contained in the Resolution other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;

To add to the limitations or restrictions in the Resolution other limitations or restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;

To surrender any right, power or privilege reserved to or conferred upon the Issuer by 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 Issuer contained in the Resolution;

To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by, the Resolution, or any Supplemental Resolution of the Pledged Property, including the Revenues or the Funds, and other moneys and securities;

To modify any of the provisions of the Resolution in any respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered on original issuance after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;

To add to the Resolution any provisions required by law to preserve the exclusion from gross income for federal income tax purposes of interest received on Tax-Exempt Bonds then Outstanding or to be issued or the exemption of interest received on any Bonds from State income taxation;

To modify, amend or supplement the Resolution in any manner in order to provide for a Credit Facility, Qualified Swap or other similar arrangement with respect to any Series of Bonds, under the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect;

To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in the Standard Resolution Provisions and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

To authorize Subordinated Indebtedness and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer of the Issuer to specify or determine) the matters and things required or permitted by Article V of the Resolution in connection therewith, and also any other matters and things relative to such Subordinated Indebtedness which are not contrary to or inconsistent with the Standard Resolution Provisions as then in effect, or at any time to amend, rescind or limit any authorization for any such Subordinated Indebtedness theretofore authorized but not issued or entered into; and in connection with the authorization of Subordinated Indebtedness, any such Supplemental Resolution may include provisions for the availability, transferability, use or application of amounts available to pay Subordinated Indebtedness in the Subordinated Payment Fund and any other funds, accounts or subaccounts created for the benefit of such Subordinated Indebtedness;

To provide, with prior written notice to each Rating Agency, for additional Investment Obligations that may be designated as Government Obligations consistent with clause (f) of the definition of Government Obligations;

Notwithstanding the Standard Resolution Provisions, to the extent authorized by law and to the extent the Issuer shall have received a Counsel's Opinion that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Tax-Exempt Bonds, to provide for the delivery of Bonds that are not in registered form;

To modify the pledge effected by Section 501 of the Resolution and such other provisions of the Standard Resolution Provisions solely to give effect to an assumption, extinguishment and substitution consistent with the Standard Resolution Provisions;

Notwithstanding the terms and provisions of the Standard Resolution Provisions, to the extent authorized by law and to the extent that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Bonds issued on a tax-exempt basis, to provide for the delivery of a Series of Bonds or a portion of a Series of Bonds incorporating detachable call options;

To modify, with prior written notice to each Rating Agency, the definition of Qualified Swap Provider; or

To make any other modification or amendment of the Resolution which the Issuer shall in its sole discretion determine will not have a material adverse effect on the interests of the Holders of Outstanding Bonds or Parity Reimbursement Obligations.

In making any determination under the preceding paragraph, the Issuer may consult with and rely upon an Opinion of Counsel or opinions of other experts or professionals.

(Section A-902)

Supplemental Resolutions Effective with Consent of Trustee

Notwithstanding any other provision of the Standard Resolution Provisions, the Issuer may adopt a Supplemental Resolution amending any provision of the Standard Resolution Provisions, effective upon filing with the Issuer of a written determination of the Trustee and a Counsel's Opinion that such amendment will not materially adversely affect the rights of any Holder of Bonds.

(Section A-903)

Supplemental Resolutions Effective with Consent of Bondholders

Except as permitted in the Standard Resolution Provisions, at any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders, and in accordance with the provisions of the Standard Resolution Provisions, which Supplemental Resolution, upon adoption and upon compliance with the Standard Resolution Provisions shall become fully effective in accordance with its terms as provided in the Standard Resolution Provisions.

(Section A-904)

General Provisions

Nothing contained in the Standard Resolution Provisions shall affect or limit the right or obligation of the Issuer to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of the Standard Resolution Provisions or the right or obligation of the Issuer to execute and deliver to the Trustee any instrument which elsewhere in the Resolution it is provided shall be so delivered.

Any Supplemental Resolution referred to and permitted or authorized by the Standard Resolution Provisions may be adopted by the Issuer without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Standard Resolution Provisions. Every Supplemental Resolution adopted by the Issuer shall be (i) subject to the written approval of the Director of Budget, and (ii) the subject of a Counsel's Opinion stating that such 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 Issuer and enforceable in accordance with its terms. The Trustee shall be entitled to rely upon such opinion, which shall be conclusive evidence that such Supplemental Resolution is authorized or permitted by the Standard Resolution Provisions.

The Trustee is thereby authorized to accept delivery of a certified copy of any Supplemental Resolution permitted or authorized pursuant to the Standard Resolution Provisions and to make all further agreements and stipulations which may be contained in the Resolution, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Supplemental Resolution is authorized or permitted by the Standard Resolution Provisions.

No 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 Paying Agent affected thereby.

(Section A-905)

Mailing and Publication

Any provision in the Standard Resolution Provisions relating to the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid to each Bondholder of any affected Bonds then Outstanding at such Bondholder's address, if any, appearing upon the registry books of the Issuer and to the Trustee; or, in each case, to such parties by facsimile or other means to the extent permitted by applicable law and arrangements.

Any provision in the Standard Resolution Provisions for publication of a notice or other matter shall require the publication thereof only in an Authorized Newspaper.

(Section A-1001)

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Issuer and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Standard Resolution Provisions, (a) by the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, by the Holders of at least a majority in principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, 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 under the Standard Resolution Provisions. 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 Holders of such Bonds, 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, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. For the purposes of the Standard Resolution Provisions, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same materially adversely affects or diminishes the right, security and interest of the Holders of Bonds of such Series. The Issuer may in its discretion determine whether or not in accordance with the foregoing, 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 all Holders of Bonds. The Issuer shall, prior to making any such determination, receive a Counsel's Opinion as conclusive evidence as to whether the Bonds of a Series or maturity would be so affected by any such modification or amendment thereof.

Notwithstanding anything in the Standard Resolution Provisions or the Resolution to the contrary, the consent of Holders of any Series of Additional Bonds to be issued under the Resolution shall be deemed given if the underwriters or initial purchasers for resale thereof consent in writing to any modification or amendment effected thereby, and such modification or amendment, as well as such consent, is disclosed in the official statement or other offering document pursuant to which such Series of additional Bonds is offered and sold.

(Section A-1002)

Consent of Bondholders

The Issuer may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Standard Resolution Provisions, to take effect when and as provided in the Standard Resolution Provisions. 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, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in the Standard Resolution Provisions). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Issuer (i) the written consent of Holders of the percentages of Outstanding Bonds specified in the Standard Resolution Provisions, and (ii) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by the Issuer in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Issuer and enforceable in accordance with its terms. 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 Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that he or she has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer of the Issuer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions to the contrary notwithstanding, upon any subsequent Holder of such Bonds 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 such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer in the Standard Resolution Provisions provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive 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 Issuer on a stated date, a copy of which is on file with the Issuer) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the Standard Resolution Provisions, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as is provided in the Standard Resolution Provisions) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Issuer provided for in the Resolution is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming binding as is provided in the Standard Resolution Provisions). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by the Standard Resolution Provisions to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Issuer, the Trustee, or the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such notice is published, 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 forty (40) day period; provided, however, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as it may deem expedient.

For the purpose of the Standard Resolution Provisions, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by the Standard Resolution Provisions in the manner provided therein, 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 of the Bonds of such Series by the Issuer or with the remarketing of the Bonds.

(Section A-1003)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Issuer and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Issuer of a Supplemental Resolution and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Standard Resolution Provisions except that no notice to Bondholders either by mailing or publication shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without the filing with the Issuer of the written assent thereto of the Trustee in addition to the consent of the Bondholders.

(Section A-1004)

Exclusion of Bonds

Bonds owned or held by or for the account of the Issuer shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Standard Resolution Provisions, and the Issuer shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Resolution. At the time of any consent or other action taken under the Standard Resolution Provisions, the Issuer shall file with its records relating to the Bonds a certificate of an Authorized Officer of the Issuer describing all Bonds so to be excluded.

(Section A-1005)

Notation on Bonds

Bonds delivered after the effective date of any action taken as provided in the Standard Resolution Provisions may, and, if the Issuer so determines, shall, bear a notation by endorsement or otherwise in form approved by the Issuer and Trustee as to such action, and in that event upon demand of the Holder of any Bond Outstanding at such effective date and presentation to the Issuer of his or her Bond for such purpose, suitable notation shall be made on such Bond by the Issuer as to any such action. If the Issuer and Trustee shall so determine, new Bonds so modified as, in the opinion of the Issuer and Trustee conform to such action shall be prepared and delivered, and upon demand of the Holder of any Bond then Outstanding, shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

(Section A-1006)

Events of Default

The occurrence of one or more of the following events shall constitute an "Event of Default":

(a) payment of principal, Sinking Fund Installments, interest or premium on any Bond shall not be made when the same shall have become due, whether at maturity or upon call for redemption or otherwise, which default shall continue for a period of ten (10) Business Days; or

(b) in connection with financings for any Authorized Purpose authorized by Section 68-b, the Director of the Budget shall fail or refuse to comply with the provisions of subdivision 5(b) of Section 92-z and such failure or refusal shall continue for a period of thirty (30) days; or

(c) the Comptroller shall fail to pay to any Authorized Issuer from an appropriation, as and when provided by subdivision 3 of Section 68-c in accordance with a Financing Agreement, any amount as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, which default shall continue for a period of ten (10) Business Days; or

(d) the Governor shall fail or refuse to include in the appropriation bills required to be submitted by the Governor pursuant to Section 24 of the State Finance Law appropriations sufficient to pay any and all amounts as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, in connection with financings for any Authorized Purpose authorized by Section 68-b, and such failure or refusal shall continue for thirty (30) days from and after the date on which such bills are required to be submitted; or

(e) the State shall have enacted a moratorium or other similar law affecting payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(f) the State or any officer of the State shall fail or refuse to comply with any of the provisions of Section 68-c or Section 92-z, either case relating to security for or payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(g) failure by the Issuer to observe any of the covenants, agreements or conditions on its part contained in the Resolution or in the Bonds, and failure to remedy the same for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Issuer by the Trustee or to the Issuer and the Trustee by the Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding; provided that, if such default cannot be corrected within such thirty (30)-day period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer within such period and is diligently pursued until the default is corrected.

Except as provided above or, to the extent permitted by the Standard Resolution Provisions, in a Supplemental Resolution, no default under the Acts or any resolution, agreement, or other instrument shall constitute or give rise to an Event of Default under the Resolution.

It is expressly understood that nothing in the Standard Resolution Provisions or elsewhere in the Resolution may be construed to restrict the right of the State under subdivision 5 of Section 68-c to amend, repeal, modify or otherwise alter statutes imposing or relating to any taxes or the sources of any other funds, including the taxes or the sources of any other funds to be deposited into the Revenue Bond Tax Fund without giving rise to an Event of Default under the Resolution.

(Section A-1101)

Remedies

Upon the occurrence and continuance of any Event of Default specified in the Standard Resolution Provisions, the Trustee shall, and upon the occurrence and continuance of any other Event of Default specified in the Standard Resolution Provisions, the Trustee may, and upon written request of the Holders of not less than a majority in aggregate principal amount of such Bonds then Outstanding, shall:

(a) by mandamus or other suit, action or proceeding at law or in equity enforce all rights of the Holders of Bonds under the Resolution;

(b) bring suit upon such Bonds;

(c) by action or suit in equity, require the Issuer to account as if it were the trustee of an express trust for the Holders of such Bonds; or

(d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds.

The Trustee shall in addition to the foregoing have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of the Holders of the Bonds in the enforcement and protection of their rights.

The Supreme Court of the State shall have jurisdiction of any suit, action or proceeding by the Trustee on behalf of the Holders of Bonds, and venue of any such suit, action or proceeding shall be laid in the County of Albany.

No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Holders of the Bonds is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Standard Resolution Provisions, except that the rights of Bondholders pursuant to subdivision 2(g) of Section 68-b as in effect on the date of adoption of the Standard Resolution Provisions are abrogated. It is further expressly understood that the Resolution does not permit the Trustee or the Holders of the Bonds to declare the Bonds to be immediately due and payable.

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 enforcement of any trust under the Resolution, or any other remedy under the Resolution or under the Bonds, unless such Holder previously shall have given to the Trustee written notice of an Event of Default as provided in the Resolution and unless also the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee so to do, after the right to exercise such powers or rights 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 therein above granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Resolution, or to enforce any right under the Resolution or under the Bonds, except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Holders of Outstanding Bonds, subject, however, to the Standard Resolution Provisions. Nothing in the Resolution or in the Bonds contained shall affect or impair the right of action, which is also absolute and unconditional, of any Holder of any Bond to enforce payment of the principal of and premium, if any, and interest on such Bond at the respective dates of maturity of each of the foregoing and at the places therein expressed.

All rights of action under the Resolution or under any of the Bonds which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof on the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name, as trustee, for the equal and ratable benefit of the Holders of the Bonds, subject to the provisions of the Resolution.

No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by the Standard Resolution Provisions to the Trustee and to the Holders of the Bonds, respectively, may be exercised from time to time as often as may be deemed expedient.

(Section A-1102)

Priority of Payments After Default

In the event that the funds held by the Issuer, the Trustee or by the Paying Agents shall be insufficient for the payment of principal, Sinking Fund Installments, if any, or Redemption Price of and interest then due on the Bonds and for payments then due with respect to Parity Reimbursement Obligations, such funds (other than funds held for the payment of particular Bonds which have theretofore become due at maturity or by call for redemption and funds which at the time of their deposit into any Fund or account under the Resolution have been designated to be applied solely to the payment of the principal of and premium, if any, and interest on any series of Bond Anticipation Notes) and any other moneys received or collected by the Trustee or any Paying Agents, after making provision for the payment of any expenses necessary in the opinion of the Trustee to preserve the continuity of the Revenues, or otherwise protect the interests of the Holders of the Bonds, and after making provision for the payment of the reasonable charges and expenses and liabilities incurred and advances made by the

Trustee or any Paying Agents in the performance of their duties under the Resolution, shall be applied as follows:

> FIRST: To the payment to the Persons entitled thereto of all installments of interest then due with respect to Bonds or Parity Reimbursement Obligations in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference, except as to the difference in the respective rates of interest specified in such Bonds and Parity Reimbursement Obligations; and
>
> SECOND: To the payment to the Persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds or Parity Reimbursement Obligations which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

The provisions of this section are in all respects subject to the provisions of the section on Extension of Payment of Bonds in the Standard Resolution Provisions.

If and when all overdue installments of interest on all Bonds and Parity Reimbursement Obligations, together with the reasonable and proper charges and expenses of the Trustee, and all other sums payable by the Issuer under the Standard Resolution Provisions, including the principal and Redemption Price of and accrued unpaid interest on all Bonds and Parity Reimbursement Obligations which shall then be payable, shall either be paid by or for the account of the Issuer, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Standard Resolution Provisions or the Bonds or Parity Reimbursement Obligations shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Issuer all such Pledged Property then remaining unexpended in the hands of the Trustee (except Pledged Property deposited or pledged, or required by the terms of the Standard Resolution Provisions to be deposited or pledged, with the Trustee), and thereupon the Issuer and the Trustee shall be restored, respectively, to their former positions and rights. No such payment to the Issuer by the Trustee or resumption of the application of Pledged Property as provided in Article V of the Resolution shall extend to or affect any subsequent default under the Standard Resolution Provisions or impair any right consequent thereon.

(Section A-1103)

Defeasance

If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds then Outstanding, the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee and any Paying Agents, if any, shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Standard Resolution Provisions which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption or required for payments to Fiduciaries pursuant to the Standard Resolution Provisions thereof.

Bonds, or portions of Bonds, for the payment or redemption of which moneys shall have been set aside and shall be held by the Trustee (through deposit by the Issuer of funds for such payment or otherwise) at the maturity date or Redemption Date of such Bonds shall be deemed to have been paid within the meaning of the Standard Resolution Provisions. Any Bonds, or portions of Bonds, of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the Standard Resolution Provisions if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide to Holders in accordance with the Standard Resolution Provisions notice of redemption on said date or dates of such Bonds, (b) there shall have been irrevocably deposited by the Issuer with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited by the Issuer 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 as the case may be, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall (i) publish, as soon as practicable, 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, and (ii) mail by registered or certified mail, postage prepaid, a notice to the Holders of such Bonds, in each case that the deposit required by (c) above has been made and that said Bonds are deemed to have been paid in accordance with the Standard Resolution Provisions and stating such maturity date 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, on said Bonds. The Trustee shall, at the discretion of the Issuer, select the Bonds of a Series and the maturity or portion of a maturity thereof shall be paid in accordance with the Standard Resolution Provisions in the manner further provided in the Standard Resolution Provisions thereof. Neither Government Obligations or moneys deposited pursuant to the Standard Resolution Provisions nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest on said Bonds; provided that any moneys received from such principal or interest payments on such Government Obligations so deposited, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date, payment date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited shall, to the extent in excess of the amounts required in the Resolution to pay principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be applied as follows: first to the Rebate Fund, the amount, if any, required to be deposited therein; and, then the balance thereof to the Issuer, and any such moneys so paid shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution. Prior to applying any such excess amounts pursuant to this paragraph or the following paragraph, the Issuer shall obtain written confirmation from an independent certified public accountant that the amounts remaining on deposit and held in trust are sufficient to pay the obligations set forth above.

For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Government Obligations and moneys, if any, in accordance with the second sentence of the preceding paragraph, the interest to come due on such Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof;

provided, however, that if on any date, as a result of such Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys, Government Obligations on deposit with the Trustee for the payment of interest on such Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Bonds in order to satisfy the second sentence of the preceding paragraph, the Trustee shall, if requested, by the Issuer, pay the amount of such excess to the Issuer free and clear of any trust, pledge, lien, encumbrance or security interest securing the Bonds or otherwise existing under the Resolution.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable either at their stated maturity dates or earlier Redemption Dates or for two (2) years after the date of deposit of such moneys if deposited with the Trustee, after the said date when such Bonds became due and payable, shall, at the written request of the Issuer, be repaid by the Trustee to the Issuer, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Issuer for the payment of such Bonds. Before being required to make any such payment to the Issuer, the Trustee shall, at the expense of the Issuer, (i) cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, and (ii) cause to be mailed postage prepaid to each registered owner of Bonds then Outstanding at his or her address, if any, appearing upon the registry books of the Issuer, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication or mailing of such notice, the balance of such moneys then unclaimed will be returned to the Issuer.

(Section A-1104)

Certain Provisions Relating to Economic Defeasance

Any Bonds of any Series for which prior to the maturity or Redemption Date thereof, the Issuer shall have given to the Trustee or other fiduciary selected by the Issuer in form satisfactory to it irrevocable instructions to maintain on deposit in a Fund or account held by the Trustee or other fiduciary selected by the Issuer established for such purpose for the benefit of the Holders of such Bonds, Investment Obligations, other than Government Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee or other fiduciary selected by the Issuer at the same time, as verified in the report of a firm of certified public accountants, 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 as the case may be, shall not be counted as Outstanding under the Standard Resolution Provisions solely for the purpose of the calculation of Calculated Debt Service required under the Standard Resolution Provisions.

(Section A-1105)

Evidence of Signatures of Bondholders and Ownership of Bonds

Any request, consent, revocation of consent or other instrument which the Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds, shall be sufficient for any purpose of the Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Issuer, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Issuer or any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice-president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books. Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Issuer, the Trustee or any Paying Agent in accordance therewith except as otherwise provided in the Standard Resolution Provisions.

(Section A-1201)

Moneys Held for Particular Bonds

The amounts held by the Trustee or any Paying Agent for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto and for the purposes thereof such principal, Sinking Fund Installments, if any, or Redemption Price of and interest on such Bonds, due after such date thereof, consistent with the provisions of the Standard Resolution Provisions, shall no longer be deemed to be Outstanding.

(Section A-1301)

General Regulations as to Moneys and Funds

Each of the Funds and Accounts established by the Resolution shall be a trust fund for the purposes thereof.

All amounts of the Issuer held or set aside under the Resolution shall, until paid over to the Fiduciaries or otherwise invested or applied as provided in the Resolution, be deposited by the Issuer in its name, on demand or time deposit, in such Banks as shall be selected by the Issuer. Any amounts held by any Fiduciary under the Resolution shall be deposited in such Banks as the Issuer may select. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks on such deposit with the same force and effect as if it were not such Fiduciary, and without any duty to inquire into whether any withdrawals of such funds are in accordance with or might violate any of the provisions of the Resolution. Such deposits shall be continuously secured by the obligations of the United States of America or of the State, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits, which obligations shall be segregated in trust for the account of the Issuer, or shall be otherwise held as the Issuer and the depository may agree. Securities deposited with the Federal Reserve Bank to secure all trust accounts of a depository shall be deemed to comply with the foregoing requirement.

Unless otherwise specified in a Supplemental Resolution authorizing the issuance of Bonds, all money held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Issuer and acceptable to such Fiduciary, on time deposit, and all such deposits shall be continuously secured by the obligations of the United States of America or of the State which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits. Securities deposited with the Federal Reserve Bank to secure all trust accounts of the Fiduciary shall be deemed to comply with the foregoing requirement. Such Fiduciary shall allow and credit on such money such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

(Section A-1302)

Preservation and Inspection of Documents

All documents received by the Trustee or any Paying Agent under the provisions of the Resolution or any Supplemental Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Issuer, the Trustee or any other Paying Agent, as applicable, and any Bondholder and their agents and their representatives; provided, however, that with respect to inspection by a Holder of a Bond of any Series a written request of such Bondholder must have been made and received by the Trustee at least five (5) Business Days prior to the date of inspection. The Issuer or its representatives may make copies of any such documents.

(Section A-1303)

Parties of Interest

Nothing in the Resolution or in any Supplemental Resolution, expressed or implied, is intended or shall be construed to confer upon, or give to, any person or party, other than the Issuer, the Trustee, any Paying Agent, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities any right, remedy or claim under or by reason of the Resolution or any Supplemental Resolution or any covenant, condition or stipulation thereof; and all of the covenants, stipulations, promises and agreements in the Resolution or any Supplemental Resolution contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Paying Agents, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities.

(Section A-1304)

No Recourse Under Resolution or on the Bonds

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, officer or employee of the Issuer 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 or interest on the Bonds or for any claim based thereon or on the Resolution against any member, officer or employee of the Issuer or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of a Bond by the acceptance of such Bonds.

(Section A-1305)

Publication of Notices

Any publication to be made under the provisions of the Resolution in successive weeks or on successive dates may be made in each instance upon any Business Day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in different Authorized Newspapers.

(Section A-1306)

Successors and Assigns

Whenever in the Resolution the Issuer is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in the Resolution contained by or on behalf of the Issuer shall bind and inure to the benefit of its successors and assigns whether so expressed or not.

(Section A-1307)

Severability of Invalid Provisions

If any one or more of the covenants, stipulations, promises, agreements or obligations provided in the Resolution on the part of the Issuer, the Trustee or any Paying Agent to be performed should be determined by a court of final jurisdiction to be contrary to law, then such covenant or covenants, stipulation or stipulations, agreement or agreements or obligation or obligations shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations contained in the Resolution and shall in no way affect the validity of the other provisions of the Resolution.

(Section A-1308)

Other Resolutions

The Issuer expressly reserves the right to adopt one or more other bond resolutions and to issue bonds, bond anticipation notes, notes and other obligations thereunder without compliance with and not subject to the Standard Resolution Provisions.

(Section A-1309)

Survival of Particular Covenants

Notwithstanding that Bonds may no longer be Outstanding, the obligations of the Issuer (i) to pay amounts to any Fiduciary pursuant to the Standard Resolution Provisions shall remain in full force and effect until all such amounts are paid and (ii) to comply with the provisions of Section 505 of the Resolution in connection with any Tax-Exempt Bonds, with respect to the rebate to the Department of the Treasury of the United States of America of any Rebate Amount relating to the Bonds of a Series shall remain in full force and effect so long as the Issuer shall be required by the Code to rebate any such Rebate Amount.

(Section A-1310)

Actions by the Issuer

Any time the Issuer is permitted or directed to act pursuant to the Standard Resolution Provisions or a Supplemental Resolution, such action may be taken by an Authorized Officer of the Issuer except that the following actions may only be taken by resolution of the members of the Issuer: authorization and issuance of Bonds; adoption of resolutions; and modifications and amendments pursuant to the Standard Resolution Provisions. Any certificates of the Issuer to be delivered under the Resolution shall be executed by an Authorized Officer of the Issuer.

(Section A-1311)

Governing Laws

The Resolution, including the Standard Resolution Provisions, shall be governed by and interpreted in accordance with internal laws of the State, without regard to conflict of law principles thereof.

(Section A-1312)

Payments due on Other Than a Business Day

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be on a day that is not a Business Day, then payment of interest or principal and premium, if any, need not be made on such date but may be made (unless otherwise provided in a Supplemental Resolution without additional interest) on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, as the case may be.

(Section A-1313)

Effective Date

The Resolution shall take effect immediately.

(Section A-1314)

APPENDIX C

FINANCING AGREEMENTS

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APPENDIX C-I

CONFORMED COPY OF FINANCING AGREEMENT
(ECONOMIC DEVELOPMENT AND HOUSING)

STATE PERSONAL INCOME TAX REVENUE BONDS (ECONOMIC DEVELOPMENT AND HOUSING) FINANCING AGREEMENT (the "Financing Agreement"), dated as of March 1, 2003, by and between the Dormitory Authority of the State of New York, a corporate governmental agency of the State of New York (the "Issuer"), and the State of New York (the "State"), acting by and through the Director of the Budget of the State (the "Director of the Budget").

WHEREAS, the Issuer has, pursuant to the Dormitory Authority of the State of New York Act, constituting Title 4 of Article 8 of the Public Authorities Law, as amended and supplemented, together with any other provisions of State law relating to the authorization or financing of Costs of a Project, (the "Issuer Act") and Article 5-C of the State Finance Law, as may be hereafter amended from time to time (the "Enabling Act", which together with the Issuer Act is referred to herein as the "Acts"), adopted its State Personal Income Tax Revenue Bonds (Economic Development and Housing) General Bond Resolution on January 22, 2003 (including Annex A thereto, as amended and supplemented), and various Supplemental Resolutions (collectively, the "Resolution") for the purpose of issuing from time to time one or more series of bonds (the "Bonds"), notes or other obligations to be secured by this Financing Agreement, as may be amended or supplemented from time to time, with the State; and

WHEREAS, in order to assist the Issuer in the financing of one or more authorized purposes as provided in the Enabling Act ("Authorized Purposes") pursuant to applicable law and in consideration of the benefits to be derived therefrom by the people of the State, the Director of the Budget, acting on behalf of the State, is authorized to enter into one or more Financing Agreements with the Issuer whereunder the State agrees, subject to the making of annual appropriations therefor by the State Legislature, to make annual payments to the Issuer, and authorize the Issuer to pledge and assign the State payments to be made as security for Bonds or other obligations which the Issuer may issue or incur in order to finance Authorized Purposes; and

WHEREAS, the State and the Issuer agree that their mutual public purposes and their best interests will be promoted by the execution of this Financing Agreement, as the same may be modified, supplemented or amended from time to time; and

WHEREAS, the Issuer Board authorized its Authorized Officer to enter into, execute and amend this Financing Agreement;

NOW, THEREFORE, the parties mutually agree as follows:

I. ISSUANCE OF BONDS BY THE ISSUER

1.1 The State agrees that the Issuer may, subject to the provisions of this Financing Agreement and the Acts, issue one or more Series of its State Personal Income Tax Revenue Bonds (Economic Development and Housing), secured by this Financing Agreement and the payments to be made by the State as herein provided. The Bonds shall be issued in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to fund Authorized Purposes having a cost not in excess of the amount specified by applicable law. The State recognizes that in order to realize net proceeds in the aforesaid amounts from the sale of Bonds, the Issuer may also issue Bonds in amounts sufficient to pay Costs of Issuance, and the amount of capitalized interest, if any, included in the issuance and sale of the Bonds.

1.2 The Bonds issued by the Issuer pursuant to the provisions of Section 1.1 hereof shall be subject to the following conditions and limitations:

(a) The Resolution shall have been approved by the Issuer Board in accordance with the Acts.

(b) Unless the Issuer and the State shall otherwise agree (and any such agreement may include, among other things, the agreement of the State to pay or to reimburse the Issuer in the manner set forth in the Resolution for any additional fees, costs and expenses incurred in connection with the issuance and administration of Variable Interest Rate Bonds or costs and expenses relating to a Qualified Swap, including without limitation, the fees, costs and expenses of any provider of a Credit Facility, except to the extent any such fees, costs or expenses are deemed costs and expenses incurred in connection with the issuance and sale of such Variable Interest Rate Bonds for purposes of Section 1.1 of this Financing Agreement and are paid from Bond proceeds), each Bond shall bear a fixed rate of interest determined at the time of its issuance, which rate of interest shall not be subject to change or adjustment prior to the scheduled maturity of such Bond.

(c) Unless the Issuer and the State shall otherwise agree, the aggregate amount of principal, principal installments and interest payable in each State Fiscal Year during which principal payments or installments are made or provided for shall, with respect to each Series of Bonds (other than Variable Interest Rate Bonds), or the aggregate of all Bonds (not including Variable Interest Rate Bonds), as the Issuer shall elect, be as nearly equal as practicable.

1.3 The Issuer agrees that prior to its issuance of any Bonds it will inform the Director of the Budget of the approximate date on which it anticipates entering into a bond purchase agreement or other binding commitment with the prospective underwriters or purchasers of such Bonds and of the estimated interest rate or rates thereof. If the Director of the Budget shall request the Issuer to postpone the sale of such Bonds, or if the Issuer shall for any reason determine to defer the issuance and sale of any Bonds, the Issuer may, in accordance with the provisions of the Resolution, issue and sell State Personal Income Tax Revenue (Economic Development and Housing) Bond Anticipation Notes ("BANs") in such principal amount so that the Issuer may realize from the sale thereof an amount not exceeding the aggregate of (i) an amount equal to the net proceeds available for Costs of a Project which the Issuer would have realized from the sale of the Bonds in anticipation of which the BANs are issued (or, in the case of renewal BANs, an amount necessary to pay the outstanding BANs in full), (ii) an amount sufficient to pay interest on the BANs until their scheduled maturity and (iii) an amount equal to Issuer Expenses incurred and to be incurred in connection with the issuance and sale of the BANs. Unless the State shall pay to the Issuer an amount sufficient to pay the BANs at their maturity or upon an earlier redemption date in accordance with their terms, the State shall, in accordance with Section 5.1 hereof, timely furnish such information to the Issuer as shall be deemed necessary by the Issuer in order to enable it to disseminate an official statement and issue the Bonds in anticipation of which the BANs had been issued on or prior to the scheduled maturity or redemption date of the BANs. Notwithstanding the provisions of Section 1.1 hereof, in the event the Issuer shall issue BANs as herein provided, the Issuer (i) may issue Bonds in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to pay or redeem such BANs in accordance with their terms, and (ii) may use and pledge the proceeds from the sale of the Bonds in anticipation of which the BANs had been issued for and to the payment of such BANs and related Issuer Expenses in accordance with the Resolution.

1.4 The Issuer and the State agree that this Financing Agreement is executed in part in order to induce persons to purchase the Bonds to be issued to finance Authorized Purposes and for the purposes of securing such Bonds and, accordingly, all of the covenants and agreements on the part of the Issuer and the State set forth in this Financing Agreement are hereby declared to be for the benefit of the Holders from time to time of the Bonds. Accordingly:

(a) The Issuer may pledge, assign, or transfer the right to receive and collect Financing Agreement Payments from moneys on deposit and paid from the Revenue Bond Tax Fund and other sources authorized under Section 68-b, together with the Issuer's rights to enforce this Financing Agreement, and from and after such pledge, assignment, or transfer, such assignee shall have the Issuer's rights and privileges hereunder to the extent, and as conferred, in such pledge, assignment, and transfer and as further provided in the Resolution.

(b) In connection with the State's exercise of its right under Section 68-c and under the Resolution, upon the amendment of the State Constitution allowing the issuance or assumption of bonds, notes or other obligations secured by revenues, which may include the Revenues securing the Bonds, (i) to assume, in whole or part, the Bonds, (ii) to extinguish the existing lien of such Resolution, and (iii) to substitute security for the Bonds, in each case only so long as such assumption, extinguishment or substitution is completed in accordance with such Resolution, the Issuer may make such pledge, assignment and transfer set forth in paragraph (a) above to such successor entity, as provided by law. Upon completion of such assumption, extinguishment or substitution, the Issuer shall no longer be obligated under this Financing Agreement or under the Resolution.

1.5 Each Series of Bonds or other obligations issued pursuant to the Acts and the Resolution shall be enumerated in a schedule appended to this Agreement. It shall be sufficient, with the approval of the parties hereto, in connection with the issuance by the Issuer of Bonds or other obligations to cause a supplemental schedule to be certified by the Director of the Budget with the same force and effect as if incorporated herein. The foregoing provisions shall be applicable, subject to the Resolution, to the issuance of Subordinated Indebtedness or other obligations under the Resolution and the Acts.

II. DUTIES OF AND PAYMENTS BY THE STATE

2.1 No later than thirty (30) days after the submission of the executive budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate setting forth the amount of monthly receipts anticipated to be deposited in the Revenue Bond Tax Fund during the fiscal year beginning April first of that year together with the monthly amounts necessary to be set aside from the receipts of such Fund, as shall be sufficient to meet the total cash requirements of the Issuer during such fiscal year, based on information that shall be provided by the Issuer and in the manner required by Section A-607 of the Resolution.

The Director of the Budget may revise such certification at such times as necessary, *provided*, *however*, that the Director of the Budget shall (i) promptly revise such certification if additional amounts are necessary to meet the cash requirements of the Issuer and (ii) as necessary, revise such certification not later than thirty (30) days after the issuance of any Bonds, including Refunding Bonds, and after the adoption of any Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap, Subordinated Indebtedness or other financial arrangement affecting the cash requirements of the Issuer and as authorized by the Resolution.

2.2 (a) Subject to the provisions of Section 2.7 hereof, the State agrees to pay to the Trustee, on behalf of the Issuer, no later than five Business Days prior to the time payment is required to be made to Holders of the Bonds or holders of Parity Reimbursement Obligations or other obligations in any year for which the Issuer shall have Bonds Outstanding or Parity Reimbursement Obligations or other obligations outstanding, a sum of money constituting Financing Agreement Payments equal to the amount necessary to provide for the payment of the principal of (including Mandatory Sinking Fund payments) and interest on the Bonds or amounts due on any Parity Reimbursement Obligations or other obligations coming due on the next succeeding Bond payment date, as certified in writing by an Authorized Officer of the Issuer to the Director of the Budget. Such Financing Agreement Payments shall include Issuer Expenses, as certified by such Authorized Officer, with the concurrence of the Director of the Budget, and amounts due on any Subordinated Indebtedness or other obligations incurred under the Resolution, to the Director of the Budget.

(b) In the event any Bonds, Parity Reimbursement Obligations or other obligations shall bear interest at other than a fixed interest rate, the State shall pay interest as follows: (i) the amount accrued at the actual rate or rates borne, to the extent such rate or rates are known in advance of the Bond payment date, plus; (ii) if necessary, an amount accrued at the Estimated Average Interest Rate through the next scheduled Bond payment date, less; (iii) any amount paid pursuant to (ii) relating to the preceding Bond payment date in excess of the amount paid to Bondholders and holders of Parity Reimbursement Obligations or other obligations through such preceding Bond payment date.

2.3 (a) The State may, at any time in its sole discretion, choose to prepay all or any part of the payments payable under Section 2.2 hereof. Any amounts so prepaid shall be credited to the payments to be made by the State under Section 2.2 hereof.

(b) The State may, at any time in its sole discretion, make payments to the Issuer for the purpose of (i) directly funding Authorized Purposes which will not be funded with the proceeds of Bonds; (ii) paying BANs at their maturity or earlier redemption date, as provided in Section 1.3 hereof; (iii) redeeming Bonds pursuant to the exercise by the Issuer of any option it may have under the Resolution; and (iv) defeasing Bonds or BANs prior to their maturity or redemption date as permitted by and in accordance with the procedures for defeasance set forth in the Resolution or otherwise. Any payments made by the State to the Issuer for the purposes set forth in this subsection shall, subject to the provisions of the Resolution, be applied by the Issuer to such purpose, and, if so directed herein or in the Resolution, shall be deposited in a Fund or account established under the Resolution or set aside with the Trustee, if any, or the Paying Agent as provided herein or in the Resolution.

2.4 The State further agrees upon request of the Issuer to pay all amounts constituting Financing Agreement Payments (i) which may become due to any provider of a Credit Facility in connection with a Credit Facility which may have been obtained if and to the extent such obligation arises as a result of the State's failure to make any payment pursuant to Section 2.1 hereof and (ii) which may become due pursuant to any agreement relating to a Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap or the issuance of Variable Interest Rate Bonds as contemplated by Section 1.2(b) of this Financing Agreement.

2.5 The State agrees to pay to the Issuer such amounts (constituting Financing Agreement Payments) as may be necessary in order for the Issuer to maintain the exclusion from gross income of interest on Bonds issued as Tax-exempt Bonds under the Code, including without limitation, amounts required to be paid by the Issuer to the United States as rebate of investment earnings and amounts required to be deposited by the Issuer in a yield restricted sinking fund, at such times as the Issuer deems necessary to maintain such exclusion.

2.6 The State agrees that, subject to the provisions of Section 2.7 hereof, its obligation to make the payments provided for in this Financing Agreement shall be absolute and unconditional, without any rights of set-off, recoupment or counterclaim the State may have against the Issuer or any other person or entity having an interest in this Financing Agreement or the payments made hereunder.

2.7 Notwithstanding anything in this Financing Agreement to the contrary (i) the obligation of the State acting by and through the Director of the Budget to make any Financing Agreement Payments required to be paid under this Financing Agreement is subject to annual appropriation by the State Legislature; and (ii) the obligation of the State acting by and through the Director of the Budget to pay any Financing Agreement Payments hereunder shall not constitute a debt of the State within the meaning of any constitutional or statutory provisions and shall be deemed executory only to the extent of monies available and no liability shall be incurred by the State beyond the moneys available for that purpose. Furthermore, this Financing Agreement does not constitute a debt of the State or a contractual obligation in excess of the amounts appropriated therefore and the State has no continuing legal or moral obligation to appropriate moneys for any Financing Agreement Payment due hereunder.

2.8 The term of this Financing Agreement shall continue until all Bonds or other obligations incurred under the Resolution, have been paid at maturity or the debt service on such Bonds or other obligations has been provided for and the Bonds are no longer Outstanding under the Resolution and the State has fulfilled all its obligations under this Agreement.

III. DUTIES OF THE ISSUER

3.1 The Issuer agrees to issue the Bonds for the purpose of carrying out the provisions of the Resolution and the Acts.

3.2 The Issuer agrees to apply the proceeds derived from the sale of the Bonds and from Financing Agreement Payments in accordance with the applicable provisions of the Resolution and the Acts.

3.3 Upon the issuance of the Bonds, the provisions of the Resolution relating to all Funds and accounts and the application and investment thereof shall apply.

3.4 No later than ten (10) business days after the issuance of Bonds or any other obligation under the Resolution, the Issuer shall furnish to the Director of the Budget a schedule of the Financing Agreement Payments, including debt service to be made on each date with respect to such Bonds or other obligations and related Issuer Expenses. Interest on Bonds or other obligations bearing interest at other than a fixed rate shall be calculated using the Estimated Average Interest Rate.

3.5 Upon payment to the Issuer of the amount required therefore and the State's direction to the Issuer to do so, the Issuer shall exercise any option it may have under the Resolution to redeem all or any portion of the Bonds, and the Issuer shall deposit into the Debt Service Fund all payments received from the State and designated for such purpose.

3.6 In addition to the duties of the Issuer with respect to the statutory audit powers granted the State, the Issuer agrees to keep or cause to be kept accounts and records which clearly identify the purposes for which moneys received by the Issuer (including Bond proceeds) pursuant to this Financing Agreement have been expended. The Issuer agrees to submit annual financial reports to the State within ninety (90) days after the end of each Issuer fiscal year during which this Financing Agreement is in force. The Issuer agrees to make available for inspection by the State its accounts and records as may be determined necessary or desirable by the State.

3.7 During each year the Issuer shall have Outstanding Bonds or other obligations outstanding under the Resolution, the Issuer shall, no later than October first, certify in writing to the Director of the Budget the schedule of anticipated cash requirements due from the State pursuant to Sections 2.1, 2.2, 2.4 and 2.5 of this Financing Agreement for the next State Fiscal Year, and for the four State Fiscal Years following such Fiscal Year, in such detail as the Director of the Budget may require. Any such schedule of anticipated cash requirements shall set forth any amounts held in Funds or accounts under the Resolution and available for a credit against such Financing Agreement Payment requirements as provided in this Financing Agreement. In calculating the amount of anticipated cash requirements with respect to Qualified Swaps, the Issuer shall include an amount not less than eighteen percent (18%) of the aggregate notional amount of all Qualified Swaps then in effect (or such other percentage as may be agreed to by the Issuer and the State from time to time).

3.8 Any moneys received by the Issuer from a Qualified Swap Provider shall be deposited in the Debt Service Fund.

3.9 In order to allow the Director of the Budget to comply with his or her obligations under the Enabling Act or the Resolution, the Issuer, upon the request of the Director of the Budget, shall provide to the Director current cash requirements relating to Finance Agreement Payments due to the Issuer.

3.10 The Issuer agrees, upon request of the State, to use its best efforts to issue Bonds to refund or otherwise repay, in accordance with the terms of the Resolution, all or any portion of Outstanding Bonds or Prior Obligations. Such Refunding Bonds shall be deemed Bonds for all purposes of this Financing Agreement, except that, notwithstanding the provisions of Section 3.1 hereof, the net proceeds derived from the sale of such Refunding Bonds shall be used by the Issuer to pay or provide for the payment of the Bonds or Prior Obligations to be refunded or repaid and Issuer Expenses.

3.11 When all Bonds issued under the Resolution and all other obligations incurred under the Resolution have been paid or deemed paid within the meaning of the Resolution, the Issuer shall promptly remit or cause to be remitted to the State any moneys remaining in any of the Funds and accounts not required for the payment or redemption of Bonds or other obligations not theretofore surrendered for such payment or redemption (all after transfer of any necessary moneys to the Rebate Fund). Any moneys or investments paid by the State to the Issuer or the Trustee or other fiduciary for the purposes of economically defeasing Bonds, shall be held for such purpose for the benefit of the Holders of such Bonds in accordance with the instructions of the Director of the Budget, consistent with the terms of the Resolution.

IV. PLEDGE AND ASSIGNMENT

4.1 The State hereby consents to the pledge and assignment by the Issuer to the Holders of any of its Bonds, or to any trustee acting on their behalf, of all or any part of the benefits or rights of the Issuer herein, and to the holders or trustees of other obligations issued under the Resolution, of the payments by the State as provided herein and of the Funds and accounts established under the Resolution (except for the Rebate Fund and other Funds as provided in the Resolution).

V. SPECIAL COVENANTS

5.1 The State agrees that whenever requested by the Issuer, with reasonable advance notification, it shall provide and certify information concerning the State and various other related entities (i) for publication in an official statement, placement memorandum or other similar disclosure document relating to the sale or issuance of the Bonds or other obligations under the Resolution, and (ii) necessary to allow the Issuer to make undertakings or contractual commitments which would permit underwriters or dealers to comply with federal securities law including, without limitation, the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. Such information shall be in the standard format utilized for State issuances. The State also agrees to make available any information necessary to enable the Issuer to make any reports required by law or government regulations in connection with the Bonds or other obligations under the Resolution.

5.2 Neither the Issuer nor the State will terminate this Financing Agreement for any cause including, without limiting the generality of the foregoing, an Event of Default by either party, any acts or circumstances which may constitute failure of consideration or frustration of purpose or the failure of either party to perform and observe any duty, liability or obligation arising out of or connected with this Financing Agreement.

5.3 Subject to the limitations contained in the Resolution, the State and the Issuer reserve the right to amend, modify or rescind this Financing Agreement or any Supplemental Agreement in any manner; *provided* that no such amendment, modification or rescission shall materially adversely affect the interest of the Holders of Bonds or holders of Parity Reimbursement Obligations or other obligations. Specifically, and without limiting the generality of the foregoing, this Financing Agreement may be amended or modified (i) to provide for additional payments to the Issuer, (ii) to provide for modified payment provisions, including timing thereof, consistent with the provisions of the Resolution in connection with the issuance of Bonds, Parity Reimbursement Obligations or other obligations (iii) to cure any ambiguity or (iv) to correct or supplement any provisions contained in this Financing Agreement which may be defective or inconsistent with any other provisions contained herein. For the purposes of this Section, Bonds, Parity Reimbursement Obligations or other obligations shall be deemed to be materially adversely affected by an amendment, modification or rescission of this Financing Agreement, if the same materially adversely affects or diminishes the rights of the Holders of the Bonds, holders of Parity Reimbursement Obligations or other obligations or any provider of a Credit Facility. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provision, Bonds, Parity Reimbursement Obligations or other obligations would be materially adversely affected by any amendment, modification or rescission, and such determination shall be binding and conclusive on the State, Bondholders, holders of Parity Reimbursement Obligations or other obligations, the Trustee and the provider of a Credit Facility.

5.4 The State acknowledges and agrees that, in the event of any conflict between any of the provisions of this Financing Agreement and any of the provisions of the Resolution, the provisions of the Resolution shall be controlling; *provided*, *however*, that neither the Resolution nor any supplement or amendment thereto shall purport to limit or supersede the provisions set forth in Section 2.7 hereof.

5.5 The State, acknowledges and agrees that moneys in the Funds and accounts established under the Resolution may be invested in Investment Obligations authorized by the Resolution and that the Issuer may restrict such investments, or the yield to be realized therefrom, as it may deem necessary or appropriate in order to maintain the exclusion from gross income of interest on the Bonds issued as Tax-Exempt Bonds under the Code. Investment earnings shall be applied as permitted by the Resolution.

5.6 The State, to the extent authorized by law, shall indemnify and save harmless the Issuer from and against any and all liability, loss, damage, interest, judgments and liens growing out of, and any and all costs and expenses (including, but not limited to, counsel fees and disbursements) arising out of or incurred in connection with any and all claims, demands, suits, actions or proceedings which may be made or brought against the Issuer arising out of any determinations made or actions taken or omitted to be taken or compliance with any obligations under or pursuant to the Enabling Act, including the issuance, incurrence and delivery of Bonds, BANs, Parity Reimbursement Obligations, Subordinated Indebtedness or other obligations under the Resolution.

5.7 The State agrees to request appropriations during the term of this Financing Agreement in an amount at least equal to the amounts certified to by the Issuer pursuant to Section 3.7 of this Financing Agreement. The State also agrees to request appropriations during the term of all financing agreements entered into with all Authorized Issuers pursuant to the Enabling Act in amounts at least equal to the amounts certified by each Authorized Issuer pursuant to such financing agreements and to meet its other obligations under such financing agreements.

VI. EVENTS OF DEFAULT BY THE STATE AND REMEDIES

6.1 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 Financing Agreement Payments, or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Issuer 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 may appear necessary or desirable to collect the payments then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the State hereunder.

6.2 The remedies conferred upon or reserved to the Issuer under Section 6.1 hereof 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 Financing Agreement, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

6.3 The State shall promptly notify the Issuer in writing that an Event of Default has occurred under the Resolution, including any events of default under resolutions or financing agreements of any Authorized Issuer related to obligations authorized by the Enabling Act. The State also agrees that upon the occurrence of an Event of Default, or event of default described in the preceding sentence, funds available through appropriation from the Revenue Bond Tax Fund will be available on an equitable basis among Authorized Issuers under the Enabling Act.

VII. EVENTS OF DEFAULT BY THE ISSUER AND REMEDIES

7.1 If the Issuer shall fail to observe or perform any covenant, condition or agreement contained in this Financing Agreement or the Resolution on its part to be observed or performed and such failure to observe or perform shall have continued for sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the Issuer 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 may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Issuer hereunder.

7.2 The remedies conferred upon or reserved to the State under Section 7.1 hereof 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 the Financing Agreement or of the obligations of the State to make the payments provided for in Article II hereof, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

VIII. MISCELLANEOUS

8.1 The revenues, facilities, properties and any and all other assets of the Issuer of any name and nature, other than the Pledged Property, may not be used for, or as a result of any court proceedings or otherwise applied to, the payment of Bonds, any redemption premium therefore or the interest thereon or any other obligations under the Resolution, and under no circumstances shall these be available for such purposes.

8.2 The waiver by either party of a breach by the other shall not be deemed to waive any other breach hereunder nor shall any delay or omission to exercise any right or power upon any default impair any such right or power or be construed as a waiver thereof.

8.3 In the event any provision of this Financing Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

8.4 All notices provided for in this Financing Agreement shall be in writing and shall be delivered personally to or sent by certified or registered mail to the respective offices of the State and the Issuer as follows:

If to the State:	Director of the Budget State of New York Executive Department Division of the Budget State Capitol, Room 113 Albany, New York 12224
If to the Issuer:	General Counsel Dormitory Authority of the State of New York 515 Broadway Albany, New York 12207

The Issuer or the State may from time to time designate in writing other representatives with respect to receipt of notices.

8.5 This Financing Agreement, including any schedules referred to in Section 1.5, represents the entire agreement between the parties. It may not be amended or modified otherwise than by a written instrument executed by both parties. Such amendments shall not be contrary to the provisions of Section 5.2 or 5.3 hereof.

8.6 Nothing in this Financing Agreement shall be construed to confer upon or to give to any person or corporation other than the State, the Issuer, a Holder of any Bonds, a holder of other obligations under the Resolution, or any trustee acting under the Resolution, any right, remedy or claim under or by reason of this Financing Agreement or any provision thereof.

8.7 This Financing Agreement shall be construed and interpreted in accordance with the laws of the State of New York and any suits or actions arising out of this Financing Agreement shall be instituted in a court of competent jurisdiction in the State.

8.8 This Financing Agreement may be executed in several counterparts, each of which shall be deemed to be an original but such counterparts together shall constitute one and the same instrument.

8.9 Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Resolution.

IN WITNESS WHEREOF, the State has caused this Financing Agreement to be executed in its name by the Director of the Budget and the Issuer has caused this instrument to be signed by its Authorized Officer all as of the date and year first above written.

Approval as to form: Attorney General	State of New York
By:______________________________ Date:_____________________________	______________________________ Director of the Budget
Approved:	Dormitory Authority of the State of New York
By:______________________________ State Comptroller Date:_____________________________	______________________________ Authorized Officer

APPENDIX C-II

COPY OF FINANCING AGREEMENT
(HEALTHCARE)

STATE PERSONAL INCOME TAX REVENUE BONDS (HEALTHCARE) FINANCING AGREEMENT (the “Financing Agreement”), dated as of February 1, 2008, by and between the Dormitory Authority of the State of New York, a corporate governmental agency of the State of New York (the “Issuer”), and the State of New York (the “State”), acting by and through the Director of the Budget of the State (the “Director of the Budget”).

WHEREAS, the Issuer has, pursuant to the Dormitory Authority of the State of New York Act, constituting Title 4 of Article 8 of the Public Authorities Law, as amended, together with any other provisions of State law relating to the authorization or financing of Costs of a Project, (the “Issuer Act”) and Article 5-C of the State Finance Law, as may be hereafter amended from time to time (the “Enabling Act”, which together with the Issuer Act is referred to herein as the “Acts”), adopted its State Personal Income Tax Revenue Bonds (Healthcare) General Bond Resolution on January 23, 2008 (including Annex A thereto, as amended and supplemented), and a Supplemental Resolution (collectively, the “Resolution”) for the purpose of issuing from time to time one or more series of bonds (the “Bonds”), notes or other obligations to be secured by this Financing Agreement, as may be amended or supplemented from time to time, with the State; and

WHEREAS, in order to assist the Issuer in the financing of one or more authorized purposes as provided in the Enabling Act (“Authorized Purposes”) pursuant to applicable law and in consideration of the benefits to be derived therefrom by the people of the State, the Director of the Budget, acting on behalf of the State, is authorized to enter into one or more Financing Agreements with the Issuer whereunder the State agrees, subject to the making of annual appropriations therefor by the State Legislature, to make annual payments to the Issuer, and authorize the Issuer to pledge and assign the State payments to be made as security for Bonds or other obligations which the Issuer may issue or incur in order to finance Authorized Purposes; and

WHEREAS, the State and the Issuer agree that their mutual public purposes and their best interests will be promoted by the execution of this Financing Agreement, as the same may be modified, supplemented or amended from time to time; and

WHEREAS, the Issuer Board authorized its Authorized Officer to enter into, execute and amend this Financing Agreement;

NOW, THEREFORE, the parties mutually agree as follows:

I. ISSUANCE OF BONDS BY THE ISSUER

1.1 The State agrees that the Issuer may, subject to the provisions of this Financing Agreement and the Acts, issue one or more Series of its State Personal Income Tax Revenue Bonds (Healthcare), secured by this Financing Agreement and the payments to be made by the State as herein provided. The Bonds shall be issued in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to fund Authorized Purposes having a cost not in excess of the amount specified by applicable law. The State recognizes that in order to realize net proceeds in the aforesaid amounts from the sale of Bonds, the Issuer may also issue Bonds in amounts sufficient to pay Costs of Issuance, and the amount of capitalized interest, if any, included in the issuance and sale of the Bonds.

1.2 The Bonds issued by the Issuer pursuant to the provisions of Section 1.1 hereof shall be subject to the following conditions and limitations:

(a) The Resolution shall have been approved by the Issuer Board in accordance with the Acts.

(b) Unless the Issuer and the State shall otherwise agree (and any such agreement may include, among other things, the agreement of the State to pay or to reimburse the Issuer in the manner set forth in the Resolution for any additional fees, costs and expenses incurred in connection with the issuance and administration of Variable Interest Rate Bonds or costs and expenses relating to a Qualified Swap, including without limitation, the fees, costs and expenses of any provider of a Credit Facility, except to the extent any such fees, costs or expenses are deemed costs and expenses incurred in connection with the issuance and sale of such Variable Interest Rate Bonds for purposes of Section 1.1 of this Financing Agreement and are paid from Bond proceeds), each Bond shall bear a fixed rate of interest determined at the time of its issuance, which rate of interest shall not be subject to change or adjustment prior to the scheduled maturity of such Bond.

(c) Unless the Issuer and the State shall otherwise agree, the aggregate amount of principal, principal installments and interest payable in each State Fiscal Year during which principal payments or installments are made or provided for shall, with respect to each Series of Bonds (other than Variable Interest Rate Bonds), or the aggregate of all Bonds (not including Variable Interest Rate Bonds), as the Issuer shall elect, be as nearly equal as practicable.

1.3 The Issuer agrees that prior to its issuance of any Bonds it will inform the Director of the Budget of the approximate date on which it anticipates entering into a bond purchase agreement or other binding commitment with the prospective underwriters or purchasers of such Bonds and of the estimated interest rate or rates thereof. If the Director of the Budget shall request the Issuer to postpone the sale of such Bonds, or if the Issuer shall for any reason determine to defer the issuance and sale of any Bonds, the Issuer may, in accordance with the provisions of the Resolution, issue and sell State Personal Income Tax Revenue (Healthcare) Bond Anticipation Notes ("BANs") in such principal amount so that the Issuer may realize from the sale thereof an amount not exceeding the aggregate of (i) an amount equal to the net proceeds available for Costs of a Project which the Issuer would have realized from the sale of the Bonds in anticipation of which the BANs are issued (or, in the case of renewal BANs, an amount necessary to pay the outstanding BANs in full), (ii) an amount sufficient to pay interest on the BANs until their scheduled maturity and (iii) an amount equal to Issuer Expenses incurred and to be incurred in connection with the issuance and sale of the BANs. Unless the State shall pay to the Issuer an amount sufficient to pay the BANs at their maturity or upon an earlier redemption date in accordance with their terms, the State shall, in accordance with Section 5.1 hereof, timely furnish such information to the Issuer as shall be deemed necessary by the Issuer in order to enable it to disseminate an official statement and issue the Bonds in anticipation of which the BANs had been issued on or prior to the scheduled maturity or redemption date of the BANs. Notwithstanding the provisions of Section 1.1 hereof, in the event the Issuer shall issue BANs as herein provided, the Issuer (i) may issue Bonds in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to pay or redeem such BANs in accordance with their terms, and (ii) may use and pledge the proceeds from the sale of the Bonds in anticipation of which the BANs had been issued for and to the payment of such BANs and related Issuer Expenses in accordance with the Resolution.

1.4 The Issuer and the State agree that this Financing Agreement is executed in part in order to induce persons to purchase the Bonds to be issued to finance Authorized Purposes and for the purposes of securing such Bonds and, accordingly, all of the covenants and agreements on the part of the Issuer and the State set forth in this Financing Agreement are hereby declared to be for the benefit of the Holders from time to time of the Bonds. Accordingly:

(a) The Issuer may pledge, assign, or transfer the right to receive and collect Financing Agreement Payments from moneys on deposit and paid from the Revenue Bond Tax Fund and other sources authorized under Section 68-b, together with the Issuer's rights to enforce this Financing Agreement, and from and after such pledge, assignment, or transfer, such assignee shall have the Issuer's rights and privileges hereunder to the extent, and as conferred, in such pledge, assignment, and transfer and as further provided in the Resolution.

(b) In connection with the State's exercise of its right under Section 68-c and under the Resolution, upon the amendment of the State Constitution allowing the issuance or assumption of bonds, notes or other obligations secured by revenues, which may include the Revenues securing the Bonds, (i) to assume, in whole or part, the Bonds, (ii) to extinguish the existing lien of such Resolution, and (iii) to substitute security for the Bonds, in each case only so long as such assumption, extinguishment or substitution is completed in accordance with such Resolution, the Issuer may make such pledge, assignment and transfer set forth in paragraph (a) above to such successor entity, as provided by law. Upon completion of such assumption, extinguishment or substitution, the Issuer shall no longer be obligated under this Financing Agreement or under the Resolution.

1.5 Each Series of Bonds or other obligations issued pursuant to the Acts and the Resolution shall be enumerated in a schedule appended to this Agreement. It shall be sufficient, with the approval of the parties hereto, in connection with the issuance by the Issuer of Bonds or other obligations to cause a supplemental schedule to be certified by the Director of the Budget with the same force and effect as if incorporated herein. The foregoing provisions shall be applicable, subject to the Resolution, to the issuance of Subordinated Indebtedness or other obligations under the Resolution and the Acts.

II. DUTIES OF AND PAYMENTS BY THE STATE

2.1 No later than thirty (30) days after the submission of the executive budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate setting forth the amount of monthly receipts anticipated to be deposited in the Revenue Bond Tax Fund during the fiscal year beginning April first of that year together with the monthly amounts necessary to be set aside from the receipts of such Fund, as shall be sufficient to meet the total cash requirements of the Issuer during such fiscal year, based on information that shall be provided by the Issuer and in the manner required by Section A-607 of the Resolution.

The Director of the Budget may revise such certification at such times as necessary, provided, however, that the Director of the Budget shall (i) promptly revise such certification if additional amounts are necessary to meet the cash requirements of the Issuer and (ii) as necessary, revise such certification not later than thirty (30) days after the issuance of any Bonds, including Refunding Bonds, and after the adoption of any Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap, Subordinated Indebtedness or other financial arrangement affecting the cash requirements of the Issuer and as authorized by the Resolution.

2.2 (a) Subject to the provisions of Section 2.7 hereof, the State agrees to pay to the Trustee, on behalf of the Issuer, no later than five Business Days prior to the time payment is required to be made to Holders of the Bonds or holders of Parity Reimbursement Obligations or other obligations in any year for which the Issuer shall have Bonds Outstanding or Parity Reimbursement Obligations or other obligations outstanding, a sum of money constituting Financing Agreement Payments equal to the amount necessary to provide for the payment of the principal of (including Mandatory Sinking Fund payments) and interest on the Bonds or amounts due on any Parity Reimbursement Obligations or other obligations coming due on the next succeeding Bond payment date, as certified in writing by an Authorized Officer of the Issuer to the Director of the Budget. Such Financing Agreement Payments shall include Issuer Expenses, as certified by such Authorized Officer, with the concurrence of the Director of the Budget, and amounts due on any Subordinated Indebtedness or other obligations incurred under the Resolution, to the Director of the Budget.

(b) In the event any Bonds, Parity Reimbursement Obligations or other obligations shall bear interest at other than a fixed interest rate, the State shall pay interest as follows: (i) the amount accrued at the actual rate or rates borne, to the extent such rate or rates are known in advance of the Bond payment date, plus; (ii) if necessary, an amount accrued at the Estimated Average Interest Rate through the next scheduled Bond payment date, less; (iii) any amount paid pursuant to (ii) relating to the preceding Bond payment date in excess of the amount paid to Bondholders and holders of Parity Reimbursement Obligations or other obligations through such preceding Bond payment date.

2.3 (a) The State may, at any time in its sole discretion, choose to prepay all or any part of the payments payable under Section 2.2 hereof. Any amounts so prepaid shall be credited to the payments to be made by the State under Section 2.2 hereof.

(b) The State may, at any time in its sole discretion, make payments to the Issuer for the purpose of (i) directly funding Authorized Purposes which will not be funded with the proceeds of Bonds; (ii) paying BANs at their maturity or earlier redemption date, as provided in Section 1.3 hereof; (iii) redeeming Bonds pursuant to the exercise by the Issuer of any option it may have under the Resolution; and (iv) defeasing Bonds or BANs prior to their maturity or redemption date as permitted by and in accordance with the procedures for defeasance set forth in the Resolution or otherwise. Any payments made by the State to the Issuer for the purposes set forth in this subsection shall, subject to the provisions of the Resolution, be applied by the Issuer to such purpose, and, if so directed herein or in the Resolution, shall be deposited in a Fund or account established under the Resolution or set aside with the Trustee, if any, or the Paying Agent as provided herein or in the Resolution.

2.4 The State further agrees upon request of the Issuer to pay all amounts constituting Financing Agreement Payments (i) which may become due to any provider of a Credit Facility in connection with a Credit Facility which may have been obtained if and to the extent such obligation arises as a result of the State's failure to make any payment pursuant to Section 2.1 hereof and (ii) which may become due pursuant to any agreement relating to a Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap or the issuance of Variable Interest Rate Bonds as contemplated by Section 1.2(b) of this Financing Agreement.

2.5 The State agrees to pay to the Issuer such amounts (constituting Financing Agreement Payments) as may be necessary in order for the Issuer to maintain the exclusion from gross income of interest on Bonds issued as Tax-exempt Bonds under the Code, including without limitation, amounts required to be paid by the Issuer to the United States as rebate of investment earnings and amounts required to be deposited by the Issuer in a yield restricted sinking fund, at such times as the Issuer deems necessary to maintain such exclusion.

2.6 The State agrees that, subject to the provisions of Section 2.7 hereof, its obligation to make the payments provided for in this Financing Agreement shall be absolute and unconditional, without any rights of set-off, recoupment or counterclaim the State may have against the Issuer or any other person or entity having an interest in this Financing Agreement or the payments made hereunder.

2.7 Notwithstanding anything in this Financing Agreement to the contrary (i) the obligation of the State acting by and through the Director of the Budget to make any Financing Agreement Payments required to be paid under this Financing Agreement is subject to annual appropriation by the State Legislature; and (ii) the obligation of the State acting by and through the Director of the Budget to pay any Financing Agreement Payments hereunder shall not constitute a debt of the State within the meaning of any constitutional or statutory provisions and shall be deemed executory only to the extent of monies available and no liability shall be incurred by the State beyond the moneys available for that purpose. Furthermore, this Financing Agreement does not constitute a debt of the State or a contractual obligation in excess of the amounts appropriated therefore and the State has no continuing legal or moral obligation to appropriate moneys for any Financing Agreement Payment due hereunder.

2.8 The term of this Financing Agreement shall continue until all Bonds or other obligations incurred under the Resolution, have been paid at maturity or the debt service on such Bonds or other obligations has been provided for and the Bonds are no longer Outstanding under the Resolution and the State has fulfilled all its obligations under this Agreement.

III. DUTIES OF THE ISSUER

3.1 The Issuer agrees to issue the Bonds for the purpose of carrying out the provisions of the Resolution and the Acts.

3.2 The Issuer agrees to apply the proceeds derived from the sale of the Bonds and from Financing Agreement Payments in accordance with the applicable provisions of the Resolution and the Acts.

3.3 Upon the issuance of the Bonds, the provisions of the Resolution relating to all Funds and accounts and the application and investment thereof shall apply.

3.4 No later than ten (10) Business Days after the issuance of Bonds or any other obligation under the Resolution, the Issuer shall furnish to the Director of the Budget a schedule of the Financing Agreement Payments, including debt service to be made on each date with respect to such Bonds or other obligations and related Issuer Expenses. Interest on Bonds or other obligations bearing interest at other than a fixed rate shall be calculated using the Estimated Average Interest Rate.

3.5 Upon payment to the Issuer of the amount required therefore and the State's direction to the Issuer to do so, the Issuer shall exercise any option it may have under the Resolution to redeem all or any portion of the Bonds, and the Issuer shall deposit into the Debt Service Fund all payments received from the State and designated for such purpose.

3.6 In addition to the duties of the Issuer with respect to the constitutional and statutory audit powers granted the State or any officer thereof, the Issuer agrees to keep or cause to be kept accounts and records which clearly identify the purposes for which moneys received by the Issuer (including Bond proceeds) pursuant to this Financing Agreement have been expended. The Issuer agrees to submit annual financial reports to the State within ninety (90) days after the end of each Issuer fiscal year during which this Financing Agreement is in force. The Issuer agrees to make available for inspection by the State its accounts and records as may be determined necessary or desirable by the State.

3.7 During each year the Issuer shall have Outstanding Bonds or other obligations outstanding under the Resolution, the Issuer shall, no later than October first, certify in writing to the Director of the Budget the schedule of anticipated cash requirements due from the State pursuant to Sections 2.1, 2.2, 2.4 and 2.5 of this Financing Agreement for the next State Fiscal Year, and for the four State Fiscal Years following such Fiscal Year, in such detail as the Director of the Budget may require. Any such schedule of anticipated cash requirements shall set forth any amounts held in Funds or accounts under the Resolution and available for a credit against such Financing Agreement Payment requirements as provided in this Financing Agreement. In calculating the amount of anticipated cash requirements with respect to Qualified Swaps, the Issuer shall include an amount not less than eighteen percent (18%) of the aggregate notional amount of all Qualified Swaps then in effect (or such other percentage as may be agreed by the Issuer and the State from time to time).

3.8 Any moneys received by the Issuer from a Qualified Swap Provider shall be deposited in the Debt Service Fund.

3.9 In order to allow the Director of the Budget to comply with his or her obligations under the Enabling Act or the Resolution, the Issuer, upon the request of the Director of the Budget, shall provide to the Director current cash requirements relating to Finance Agreement Payments due to the Issuer.

3.10 The Issuer agrees, upon request of the State, to use its best efforts to issue Bonds to refund or otherwise repay, in accordance with the terms of the Resolution, all or any portion of Outstanding Bonds or Prior Obligations. Such Refunding Bonds shall be deemed Bonds for all purposes of this Financing Agreement, except that, notwithstanding the provisions of Section 3.1 hereof, the net proceeds derived from the sale of such Refunding Bonds shall be used by the Issuer to pay or provide for the payment of the Bonds or Prior Obligations to be refunded or repaid and Issuer Expenses.

3.11 When all Bonds issued under the Resolution and all other obligations incurred under the Resolution have been paid or deemed paid within the meaning of the Resolution, the Issuer shall promptly remit or cause to be remitted to the State any moneys remaining in any of the Funds and accounts not required for the payment or redemption of Bonds or other obligations not theretofore surrendered for such payment or redemption (all after transfer of any necessary moneys to the Rebate Fund). Any moneys or investments paid by the State to the Issuer or the Trustee or other fiduciary for the purposes of economically defeasing Bonds, shall be held for such purpose for the benefit of the Holders of such Bonds in accordance with the instructions of the Director of the Budget, consistent with the terms of the Resolution.

IV. PLEDGE AND ASSIGNMENT

4.1 The State hereby consents to the pledge and assignment by the Issuer to the Holders of any of its Bonds, or to any trustee acting on their behalf, of all or any part of the benefits or rights of the Issuer herein, and to the holders or trustees of other obligations issued under the Resolution, of the payments by the State as provided herein and of the Funds and accounts established under the Resolution (except for the Rebate Fund and other Funds as provided in the Resolution).

V. SPECIAL COVENANTS

5.1 The State agrees that whenever requested by the Issuer, with reasonable advance notification, it shall provide and certify information concerning the State and various other related entities (i) for publication in an official statement, placement memorandum or other similar disclosure document relating to the sale or issuance of the Bonds or other obligations under the Resolution, and (ii) necessary to allow the Issuer to make undertakings or contractual commitments which would permit underwriters or dealers to comply with federal securities law including, without limitation, the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. Such information shall be in the standard format utilized for State issuances. The State also agrees to make available any information necessary to enable the Issuer to make any reports required by law or government regulations in connection with the Bonds or other obligations under the Resolution.

5.2 Neither the Issuer nor the State will terminate this Financing Agreement for any cause including, without limiting the generality of the foregoing, an Event of Default by either party, any acts or circumstances which may constitute failure of consideration or frustration of purpose or the failure of either party to perform and observe any duty, liability or obligation arising out of or connected with this Financing Agreement.

5.3 Subject to the limitations contained in the Resolution, the State and the Issuer reserve the right to amend, modify or rescind this Financing Agreement or any Supplemental Agreement in any manner; provided that no such amendment, modification or rescission shall materially adversely affect the interest of the Holders of Bonds or holders of Parity Reimbursement Obligations or other obligations. Specifically, and without limiting the generality of the foregoing, this Financing Agreement may be amended or modified (i) to provide for additional payments to the Issuer, (ii) to provide for modified payment provisions, including timing thereof, consistent with the provisions of the Resolution in connection with the issuance of Bonds, Parity Reimbursement Obligations or other obligations (iii) to cure any ambiguity or (iv) to correct or supplement any provisions contained in this Financing Agreement which may be defective or inconsistent with any other provisions contained herein. For the purposes of this Section, Bonds, Parity Reimbursement Obligations or other obligations shall be deemed to be materially adversely affected by an amendment, modification or rescission of this Financing Agreement, if the same materially adversely affects or diminishes the rights of the Holders of the Bonds, holders of Parity Reimbursement Obligations or other obligations or any provider of a Credit Facility. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provision, Bonds, Parity Reimbursement Obligations or other obligations would be materially adversely affected by any amendment, modification or rescission, and such determination shall be binding and conclusive on the State, Bondholders, holders of Parity Reimbursement Obligations or other obligations, the Trustee and the provider of a Credit Facility.

5.4 The State acknowledges and agrees that, in the event of any conflict between any of the provisions of this Financing Agreement and any of the provisions of the Resolution, the provisions of the Resolution shall be controlling; provided, however, that neither the Resolution nor any supplement or amendment thereto shall purport to limit or supersede the provisions set forth in Section 2.7 hereof.

5.5 The State, acknowledges and agrees that moneys in the Funds and accounts established under the Resolution may be invested in Investment Obligations authorized by the Resolution and that the Issuer may restrict such investments, or the yield to be realized therefrom, as it may deem necessary or appropriate in order to maintain the exclusion from gross income of interest on the Bonds issued as Tax-Exempt Bonds under the Code. Investment earnings shall be applied as permitted by the Resolution.

5.6 The State, to the extent authorized by law, shall indemnify and save harmless the Issuer from and against any and all liability, loss, damage, interest, judgments and liens growing out of, and any and all costs and expenses (including, but not limited to, counsel fees and disbursements) arising out of or incurred in connection with any and all claims, demands, suits, actions or proceedings which may be made or brought against the Issuer arising out of any determinations made or actions taken or omitted to be taken or compliance with any obligations under or pursuant to the Enabling Act, including the issuance, incurrence and delivery of Bonds, BANs, Parity Reimbursement Obligations, Subordinated Indebtedness or other obligations under the Resolution.

5.7 The State agrees to request appropriations during the term of this Financing Agreement in an amount at least equal to the amounts certified to by the Issuer pursuant to Section 3.7 of this Financing Agreement. The State also agrees to request appropriations during the term of all financing agreements entered into with all Authorized Issuers pursuant to the Enabling Act in amounts at least equal to the amounts certified by each Authorized Issuer pursuant to such financing agreements and to meet its other obligations under such financing agreements.

VI. EVENTS OF DEFAULT BY THE STATE AND REMEDIES

6.1 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 Financing Agreement Payments, or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Issuer 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 may appear necessary or desirable to collect the payments then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the State hereunder.

6.2 The remedies conferred upon or reserved to the Issuer under Section 6.1 hereof 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 Financing Agreement, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

6.3 The State shall promptly notify the Issuer in writing that an Event of Default has occurred under the Resolution, including any events of default under resolutions or financing agreements of any Authorized Issuer related to obligations authorized by the Enabling Act. The State also agrees that upon the occurrence of an Event of Default, or event of default described in the preceding sentence, funds available through appropriation from the Revenue Bond Tax Fund will be available on an equitable basis among Authorized Issuers under the Enabling Act.

VII. EVENTS OF DEFAULT BY THE ISSUER AND REMEDIES

7.1 If the Issuer shall fail to observe or perform any covenant, condition or agreement contained in this Financing Agreement or the Resolution on its part to be observed or performed and such failure to observe or perform shall have continued for sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the Issuer 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 may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Issuer hereunder.

7.2 The remedies conferred upon or reserved to the State under Section 7.1 hereof 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 the Financing Agreement or of the obligations of the State to make the payments provided for in Article II hereof, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

VIII. MISCELLANEOUS

8.1 The revenues, facilities, properties and any and all other assets of the Issuer of any name and nature, other than the Pledged Property, may not be used for, or as a result of any court proceedings or otherwise applied to, the payment of Bonds, any redemption premium therefore or the interest thereon or any other obligations under the Resolution, and under no circumstances shall these be available for such purposes.

8.2 The waiver by either party of a breach by the other shall not be deemed to waive any other breach hereunder nor shall any delay or omission to exercise any right or power upon any default impair any such right or power or be construed as a waiver thereof.

8.3 In the event any provision of this Financing Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

8.4 All notices provided for in this Financing Agreement shall be in writing and shall be delivered personally to or sent by certified or registered mail to the respective offices of the State and the Issuer as follows:

If to the State:	Director of the Budget State of New York Executive Department Division of the Budget State Capitol, Room 113 Albany, New York 12224
If to the Issuer:	General Counsel Dormitory Authority of the State of New York 515 Broadway Albany, New York 12207

The Issuer or the State may from time to time designate in writing other representatives with respect to receipt of notices.

8.5 This Financing Agreement, including any schedules referred to in Section 1.5, represents the entire agreement between the parties. It may not be amended or modified otherwise than by a written instrument executed by both parties. Such amendments shall not be contrary to the provisions of Section 5.2 or 5.3 hereof.

8.6 Nothing in this Financing Agreement shall be construed to confer upon or to give to any person or corporation other than the State, the Issuer, a Holder of any Bonds, a holder of other obligations under the Resolution, or any trustee acting under the Resolution, any right, remedy or claim under or by reason of this Financing Agreement or any provision thereof.

8.7 This Financing Agreement shall be construed and interpreted in accordance with the laws of the State of New York and any suits or actions arising out of this Financing Agreement shall be instituted in a court of competent jurisdiction in the State.

8.8 This Financing Agreement may be executed in several counterparts, each of which shall be deemed to be an original but such counterparts together shall constitute one and the same instrument.

8.9 Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Resolution.

IN WITNESS WHEREOF, the State has caused this Financing Agreement to be executed in its name by the Director of the Budget and the Issuer has caused this instrument to be signed by its Authorized Officer all as of the date and year first above written.

Approval as to form: Attorney General	State of New York
By: ________________________ Date:________________________	________________________ Director of the Budget
Approved:	Dormitory Authority of the State of New York
By:________________________ State Comptroller Date: ________________________	________________________ Authorized Officer

APPENDIX D

PROPOSED FORMS OF BOND COUNSEL OPINIONS

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March 12, 2008

Dormitory Authority of the State of New York
515 Broadway
Albany, New York 12207

We have acted as bond counsel to the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic of the State of New York (the "State") constituting a public benefit corporation organized and existing under the laws of the State, 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 Financing Consolidation Act, being Title 4-B of the Public Authorities Law of the State, as amended to the date hereof (the "Authority Act"), in connection with the Authority's issuance of its $107,265,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2008A (the "Series 2008A Economic Development Bonds") and its $94,270,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2008B (Federally Taxable) (the "Series 2008B Economic Development Bonds" and, together with the Series 2008A Economic Development Bonds, the "Series 2008 Economic Development Bonds").

The Series 2008 Economic Development Bonds are authorized to be issued in accordance with the Authority Act and Part I of Chapter 383 of the Laws of New York of 2001 (the "Enabling Act"), and pursuant and subject to the provisions, terms and conditions of (i) the State Personal Income Tax Revenue Bonds (Economic Development and Housing) General Bond Resolution of the Authority adopted on January 22, 2003 (the "Economic Development General Resolution") and (ii) the Authority's Supplemental Resolution 2006-1 Authorizing State Personal Income Tax Revenue Bonds (Economic Development and Housing), adopted by the Authority on January 25, 2006 (the "Series 2008 Economic Development Supplemental Resolution") (such Economic Development General Resolution, together with the Series 2008 Economic Development Supplemental Resolution, being herein, except as the context otherwise indicates, called the "Economic Development Resolutions"). Unless otherwise defined herein, capitalized terms used herein have the respective meanings given to them in the Economic Development Resolutions.

The Series 2008 Economic Development Bonds, together with any additional series of bonds which have heretofore been issued or may hereafter be issued under the Economic Development General Resolution (collectively, the "Economic Development Bonds"), are authorized to be issued from time to time for the purposes authorized by the Enabling Act and the Economic Development General Resolution, as then in effect, and without limitation as to amount, except as provided in the Economic Development General Resolution or as may be limited by law. The Series 2008 Economic Development Bonds are being issued for the purposes set forth in the Economic Development Resolutions. The Authority is authorized to issue Economic Development Bonds, in addition to the Series 2008 Economic Development Bonds, only upon the terms and conditions set forth in the Economic Development General Resolution, as then in effect, and such Economic Development Bonds, when issued, will with the Series 2008 Economic Development Bonds be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Economic Development Resolutions.

The Series 2008 Economic Development Bonds are issuable only in the form of fully registered Bonds in denominations of $5,000 or integral multiples thereof. Interest on the Series 2008 Economic Development Bonds is to be payable on June 15 and December 15 of each year commencing June 15, 2008. The Series 2008 Economic Development Bonds are dated and bear interest from their date of delivery and mature on December 15 in each of the years in the respective principal amounts, and bear interest at the respective rates set forth in the related Certificate of Determination executed and delivered pursuant to the Series 2008 Economic Development Supplemental Resolution concurrently with the issuance of the Series 2008 Economic Development Bonds.

Each Series of the Series 2008 Economic Development Bonds are numbered consecutively from one upward in order of issuance.

The Authority and the State, acting through the Director of the Division of the Budget (the "Director of the Budget") have entered into a Financing Agreement, dated as of March 1, 2003, as amended and supplemented (as amended and supplemented, the "Financing Agreement"), by which the State is obligated to make payments, subject to appropriation, sufficient to pay the principal and Redemption Price of and interest on Outstanding Economic Development Bonds, including the Series 2008 Economic Development Bonds. All amounts payable under the Financing Agreement have been pledged by the Authority for payment of the principal or Redemption Price of and interest on the Economic Development Bonds, including the Series 2008 Economic Development Bonds.

The Authority is issuing its State Personal Income Tax Revenue Bonds (Healthcare), Series 2008A (the "Series 2008A Healthcare Bonds") concurrently with the issuance of the Series 2008 Economic Development Bonds. The Series 2008A Healthcare Bonds are issued pursuant to and subject to the provisions of the State Personal Income Tax Revenue Bonds (Healthcare) General Bond Resolution of the Authority adopted on January 23, 2008 (the "Healthcare General Resolution"), and the Authority's Supplemental Resolution 2008-1 Authorizing State Personal Income Tax Revenue Bonds (Healthcare), adopted by the Authority on January 23, 2008 (the "Series 2008A Healthcare Supplemental Resolution" and, together with the Healthcare General Resolution, the "Healthcare Resolutions").

In rendering the opinions set forth herein, we have reviewed the Economic Development Resolutions, the Financing Agreement, the Tax Certificate of the Authority dated as of the date hereof (the "Tax Certificate"), an opinion of counsel to the Authority, 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.

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, with the right and lawful authority and power to adopt the Economic Development Resolutions and to issue the Series 2008 Economic Development Bonds thereunder.

2. The Series 2008 Economic Development Supplemental Resolution has been duly adopted by the Authority in accordance with the provisions of the Economic Development General Resolution and is authorized and permitted by the Economic Development General Resolution. The Economic Development Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

3. The Series 2008 Economic Development Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State, including the Authority Act and the Enabling Act, and in accordance with the Economic Development Resolutions. The Series 2008

Economic Development Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Economic Development Resolutions, are enforceable in accordance with their terms and the terms of the Economic Development Resolutions and are entitled to the benefits of the Economic Development Resolutions, the Authority Act and the Enabling Act.

4. The Authority has the right and lawful authority and power to enter into the Financing Agreement and the Financing Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms; and pursuant to the terms of the Financing Agreement, the obligation of the State, subject to the executory provisions contained in the Financing Agreement, to fund or to pay the amounts provided to be funded or paid thereunder is absolute and unconditional.

5. The Series 2008 Economic Development Bonds are payable solely from the sources described in the Economic Development Resolutions and do not constitute a debt or liability of the State.

6. Neither the Authority nor the Holders of the Series 2008 Economic Development Bonds has any lien on moneys on deposit in the Revenue Bond Tax Fund established pursuant to Section 92-z of the State Finance Law.

7. The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2008A Economic Development Bonds and the Series 2008A Healthcare Bonds (referred to collectively as the "Series 2008 Tax Exempt Bonds") for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with any of such provisions could cause the interest on the Series 2008 Tax Exempt Bonds to be included in gross income retroactive to the date of issue of the Series 2008 Tax Exempt Bonds. The Authority has covenanted in the Series 2008 Economic Development Supplemental Resolution to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2008A Economic Development Bonds from gross income for federal income tax purposes. The Authority has further covenanted in the Healthcare Resolutions authorizing the issuance of the Series 2008A Healthcare Bonds to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2008A Healthcare Bonds from gross income for federal income tax purposes. The State has agreed in the Financing Agreement to pay to the Authority on a timely basis such amount as is necessary to maintain the exclusion of the interest on the Series 2008A Economic Development Bonds from gross income for federal income tax purposes. In addition, the Authority, the State and certain other entities benefiting from the Series 2008 Tax Exempt Bonds have made in their certificates certain representations and certifications relating to compliance with certain federal income tax matters.

Except as provided in the following two sentences, interest on the Series 2008 Tax Exempt Bonds is not includable in the gross income of the Holders thereof for purposes of federal income taxation. Interest on the Series 2008 Tax Exempt Bonds will be includable in gross income for purposes of federal income taxation retroactive to their date of issuance if the Authority, the State or another entity benefiting from the Series 2008 Tax Exempt Bonds, as described above, fails to comply subsequent to the issuance of the Series 2008 Tax Exempt Bonds with the covenants, agreements, representations and certifications described above relating to compliance with certain federal income tax matters, including requirements of the Code and covenants regarding the use, expenditure and investment of the Series 2008 Tax Exempt Bond proceeds and the timely payment of certain investment earnings to the U.S. Treasury. We express no opinion as to the exclusion from gross income of the interest on the Series 2008 Tax Exempt Bonds for federal income tax purposes (i) in the event the Economic Development Resolutions or Healthcare Resolutions have been modified or amended in any manner which affects the exclusion of interest on the Series 2008 Tax Exempt Bonds for federal income tax purposes without the approval of this firm, or (ii) on or after the date on which any change contemplated by the documents executed and delivered in connection with the authorization, sale or issuance of the Series 2008 Tax Exempt Bonds occurs or action is taken that adversely affects the exclusion of interest on the Series 2008 Tax Exempt Bonds for federal income tax purposes upon the approval of counsel other than this firm.

8. Interest on the Series 2008A Economic Development Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of ownership of such Series 2008A Economic Development Bonds or the inclusion in certain computations (including without limitation those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

9. Under existing law, interest on the Series 2008 Economic Development Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof, including The City of New York and the City of Yonkers by virtue of the Authority Act.

We have examined an executed Series 2008A Economic Development Bond and an executed Series 2008B Economic Development Bond and, in our opinion, the form of said Bonds and their execution are regular and proper.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur and we have no obligation to update this opinion in light of such actions or events.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2008 Economic Development Bonds, the Economic Development Resolutions and the Financing Agreement may be limited by applicable bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Very truly yours,

March 12, 2008

Dormitory Authority of the State of New York
515 Broadway
Albany, New York 12207

We have acted as bond counsel to the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic of the State of New York (the "State") constituting a public benefit corporation organized and existing under the laws of the State, 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 Financing Consolidation Act, being Title 4-B of the Public Authorities Law of the State, as amended to the date hereof (the "Authority Act"), in connection with the Authority's issuance of its $69,380,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (Healthcare), Series 2008A (the "Series 2008A Healthcare Bonds").

The Series 2008A Healthcare Bonds are authorized to be issued in accordance with the Authority Act and Part I of Chapter 383 of the Laws of New York of 2001 (the "Enabling Act"), and pursuant and subject to the provisions, terms and conditions of (i) the State Personal Income Tax Revenue Bonds (Healthcare) General Bond Resolution of the Authority adopted on January 23, 2008 (the "Healthcare General Resolution") and (ii) the Authority's Supplemental Resolution 2008-1 Authorizing State Personal Income Tax Revenue Bonds (Healthcare), adopted by the Authority on January 23, 2008 (the "Series 2008A Supplemental Resolution") (such Healthcare General Resolution, together with the Series 2008A Supplemental Resolution, being herein, except as the context otherwise indicates, called the "Healthcare Resolutions"). Unless otherwise defined herein, capitalized terms used herein have the respective meanings given to them in the Healthcare Resolutions.

The Series 2008A Healthcare Bonds, together with any additional series of bonds which have heretofore been issued or may hereafter be issued under the Healthcare General Resolution (collectively, the "Healthcare Bonds"), are authorized to be issued from time to time for the purposes authorized by the Enabling Act and the Healthcare General Resolution, as then in effect, and without limitation as to amount, except as provided in the Healthcare General Resolution or as may be limited by law. The Series 2008A Healthcare Bonds are being issued for the purposes set forth in the Healthcare Resolutions. The Authority is authorized to issue Healthcare Bonds, in addition to the Series 2008A Healthcare Bonds, only upon the terms and conditions set forth in the Healthcare General Resolution, as then in effect, and such Healthcare Bonds, when issued, will with the Series 2008A Healthcare Bonds be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Healthcare Resolutions.

The Series 2008A Healthcare Bonds are issuable only in the form of fully registered Bonds in denominations of $5,000 or integral multiples thereof. Interest on the Series 2008A Healthcare Bonds is to be payable on March 15 and September 15 of each year commencing September 15, 2008. The Series 2008A Healthcare Bonds are dated and bear interest from their date of delivery and mature on March 15 in each of the years in the respective principal amounts, and bear interest at the respective rates set forth in the Certificate of Determination executed and delivered pursuant to the Series 2008A Supplemental Resolution concurrently with the issuance of the Series 2008A Healthcare Bonds.

The Series 2008A Healthcare Bonds are numbered consecutively from one upward in order of issuance.

The Authority and the State, acting through the Director of the Division of the Budget (the "Director of the Budget") have entered into a Financing Agreement, dated as of February 1, 2008, as amended and supplemented (as amended and supplemented, the "Financing Agreement"), by which the State is obligated to make payments, subject to appropriation, sufficient to pay the principal and Redemption Price of and interest on Outstanding Healthcare Bonds, including the Series 2008A Healthcare Bonds. All amounts payable under the Financing Agreement have been pledged by the Authority for payment of the principal or Redemption Price of and interest on the Healthcare Bonds, including the Series 2008A Healthcare Bonds.

The Authority is issuing its State Personal Income Tax Revenue Bonds (Economic Development), Series 2008A (the "Series 2008A Economic Development Bonds") concurrently with the issuance of the Series 2008A Healthcare Bonds. The Series 2008A Economic Development Bonds are issued pursuant to and subject to the provisions of the State Personal Income Tax Revenue Bonds (Economic Development and Housing) General Bond Resolution of the Authority adopted on January 23, 2008 (the "Economic Development General Resolution"), and the Authority's Supplemental Resolution 2006-1 Authorizing State Personal Income Tax Revenue Bonds (Economic Development and Housing), adopted by the Authority on January 25, 2006 (the "Series 2008A Economic Development Supplemental Resolution" and, together with the Economic Development General Resolution, the "Economic Development Resolutions").

In rendering the opinions set forth herein, we have reviewed the Healthcare Resolutions, the Financing Agreement, the Tax Certificate of the Authority dated as of the date hereof (the "Tax Certificate"), an opinion of counsel to the Authority, 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.

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, with the right and lawful authority and power to adopt the Healthcare Resolutions and to issue the Series 2008A Healthcare Bonds thereunder.

2. The Series 2008A Supplemental Resolution has been duly adopted by the Authority in accordance with the provisions of the Healthcare General Resolution and is authorized and permitted by the Healthcare General Resolution. The Healthcare Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

3. The Series 2008A Healthcare Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State, including the Authority Act and the Enabling Act, and in accordance with the Healthcare Resolutions. The Series 2008A Healthcare Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Healthcare Resolutions, are enforceable in accordance with their terms and the terms of the Healthcare Resolutions and are entitled to the benefits of the Healthcare Resolutions, the Authority Act and the Enabling Act.

4. The Authority has the right and lawful authority and power to enter into the Financing Agreement and the Financing Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms; and pursuant to the terms of the Financing Agreement, the obligation of the State, subject

to the executory provisions contained in the Financing Agreement, to fund or to pay the amounts provided to be funded or paid thereunder is absolute and unconditional.

5. The Series 2008A Healthcare Bonds are payable solely from the sources described in the Healthcare Resolutions and do not constitute a debt or liability of the State.

6. Neither the Authority nor the Holders of the Series 2008A Healthcare Bonds has any lien on moneys on deposit in the Revenue Bond Tax Fund established pursuant to Section 92-z of the State Finance Law.

7. The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2008A Healthcare Bonds and the Series 2008A Economic Development Bonds (referred to collectively as the "Series 2008 Tax Exempt Bonds") for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with any of such provisions could cause the interest on the Series 2008 Tax Exempt Bonds to be included in gross income retroactive to the date of issue of the Series 2008 Tax Exempt Bonds. The Authority has covenanted in the Series 2008 Healthcare Supplemental Resolution to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2008A Healthcare Bonds from gross income for federal income tax purposes. The Authority has further covenanted in the Economic Development Resolutions authorizing the issuance of the Series 2008A Economic Development Bonds to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2008A Economic Development Bonds from gross income for federal income tax purposes. The State has agreed in the Financing Agreement to pay to the Authority on a timely basis such amount as is necessary to maintain the exclusion of the interest on the Series 2008A Healthcare Bonds from gross income for federal income tax purposes. In addition, the Authority, the State and certain other entities benefiting from the Series 2008 Tax Exempt Bonds have made in their certificates certain representations and certifications relating to compliance with certain federal income tax matters.

Except as provided in the following two sentences, interest on the Series 2008 Tax Exempt Bonds is not includable in the gross income of the Holders thereof for purposes of federal income taxation. Interest on the Series 2008 Tax Exempt Bonds will be includable in gross income for purposes of federal income taxation retroactive to their date of issuance if the Authority, the State or another entity benefiting from the Series 2008 Tax Exempt Bonds, as described above, fails to comply subsequent to the issuance of the Series 2008 Tax Exempt Bonds with the covenants, agreements, representations and certifications described above relating to compliance with certain federal income tax matters, including requirements of the Code and covenants regarding the use, expenditure and investment of the Series 2008 Tax Exempt Bond proceeds and the timely payment of certain investment earnings to the U.S. Treasury. We express no opinion as to the exclusion from gross income of the interest on the Series 2008 Tax Exempt Bonds for federal income tax purposes (i) in the event the Healthcare Resolutions or Economic Development Resolutions have been modified or amended in any manner which affects the exclusion of interest on the Series 2008 Tax Exempt Bonds for federal income tax purposes without the approval of this firm, or (ii) on or after the date on which any change contemplated by the documents executed and delivered in connection with the authorization, sale or issuance of the Series 2008 Tax Exempt Bonds occurs or action is taken that adversely affects the exclusion of interest on the Series 2008 Tax Exempt Bonds for federal income tax purposes upon the approval of counsel other than this firm.

8. Interest on the Series 2008A Healthcare Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of ownership of such Series 2008A Healthcare Bonds or the inclusion in certain computations (including

without limitation those related to the corporate alternative minimum tax) of interest that is excluded from gross income. This Contract of Purchase may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all of such counterparts shall together constitute one and the same instrument. This Contract of Purchase may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all of such counterparts shall together constitute one and the same instrument.

9. Under existing law, interest on the Series 2008A Healthcare Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof, including The City of New York and the City of Yonkers by virtue of the Authority Act.

We have examined an executed Series 2008A Healthcare Bond and, in our opinion, the form of said Bonds and its execution are regular and proper.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur and we have no obligation to update this opinion in light of such actions or events.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2008A Healthcare Bonds, the Healthcare Resolutions and the Financing Agreement may be limited by applicable bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Very truly yours,

DORMITORY AUTHORITY OF THE STATE OF NEW YORK • STATE PERSONAL INCOME TAX REVENUE BONDS
(ECONOMIC DEVELOPMENT AND HOUSING) SERIES 2008A, (ECONOMIC DEVELOPMENT AND HOUSING) SERIES 2008B (FEDERALLY TAXABLE) AND (HEALTHCARE) SERIES 2008A

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