



New York State
2003-2004
Enacted Budget
Report



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Introduction

This Financial Plan Report is submitted pursuant to section 23 of the State Finance Law, which requires the Governor to submit a revised financial plan that reflects action by the Legislature on the Executive Budget. This report includes detailed estimates for the major categories of receipts and disbursements. The report is available on-line at www.budget.state.ny.us or by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 473-8705.

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Overview

Enacted Budget

The 2003-04 Executive Budget reflected recommendations to close a combined 2002-03 and 2003-04 budget gap of over \$11.5 billion. These recommendations included savings from spending restraint of \$6.3 billion, tobacco securitization proceeds of \$3.8 billion, and revenue/fee increases of \$1.4 billion. Assuming these budget recommendations were enacted in their entirety, the Executive Budget projected potential outyear budget gaps of \$2.8 billion in 2004-05 and \$4.1 billion in 2005-06.

The Legislature completed action on the budget for the 2003-04 fiscal year on May 15, overriding the Governor's vetoes of \$3.2 billion in tax increases and spending additions. The Division of the Budget (DOB) analysis of the Enacted Budget, which is detailed in this report and in a preliminary report released on May 1, 2003, indicates that changes since the Executive Budget will increase General Fund spending by \$2.3 billion above the levels recommended by the Governor. As compared to the Executive Budget, revenues are projected to increase by \$1.4 billion, reflecting enacted tax and revenue increases offset by lower revenue results for 2002-03 and the April income tax settlement. This leaves the General Fund Financial Plan with a potential imbalance of roughly \$900 million in 2003-04, and increases the outyear gaps by \$3.7 billion in 2004-05 and \$4.2 billion in 2005-06, before potential benefits provided by recently enacted Federal aid changes and savings from a Fiscal Management Plan being developed. Also excluded are revenues from certain measures enacted by the Legislature that DOB considers to be highly speculative at this time. The combination of Federal aid and management actions will keep the 2003-04 budget in balance and are discussed in more detail later in this report.

Summary of General Fund Revenue Changes

Legislative changes are projected to increase revenues by \$1.9 billion in 2003-04, \$1.4 billion in 2004-05, and \$605 million in 2005-06. The outyear values of the revenue proposals decrease primarily because of "sunset" provisions enacted for the tax increases. In addition to these changes, revenues are projected to decrease from the Executive Budget forecast by \$462 million in 2003-04 primarily due to the impact of 2002-03 actuals on the current year, and the April 2003 income tax settlement. The net 2003-04 revenue change since the Executive Budget is therefore \$1.4 billion.

Not counted within these revenue totals are certain other revenue measures adopted by the Legislature that DOB considers to be speculative. Examples include receipts from VLTs at racetracks, collection of cigarette and motor fuel taxes on Indian reservations, and use tax collections. These speculative revenue sources are discussed in more detail later in this report.

Net revenue changes since the Executive Budget include the following:

Net Revenue Changes from 30-Day Estimates Increases (Decreases) (millions of dollars)			
	2003-04	2004-05	2005-06
Personal Income Tax Surcharge	1,400	1,200	1,000
Increase Sales Tax by 1/4 Cent	450	572	100
Restrict Sales Tax on Clothing	86	(315)	(435)
Recapture Bonus Depreciation	58	100	90
Redirect State Sales Tax to NYC	(170)	(170)	(170)
Revenue Losses	(462)	(609)	(609)
All Other	39	20	20
Net Revenue Increases	1,401	798	(4)

These revenue changes are described in more detail later in this report.

Summary of General Fund Spending Changes

General Fund spending is projected to increase from the Executive Budget by a net \$2.3 billion in 2003-04, \$4.5 billion in 2004-05 and \$4.2 billion in 2005-06. This spending increase reflects net legislative restorations and adds to the Governor's 2003-04 Executive Budget, including the denial of the Governor's pension reform proposals included in the Executive Budget (\$434 million in 2004-05 and \$197 million in 2005-06, after deferring required 2003-04 payments with interest to 2005-06). It also reflects increased outyear costs resulting from the May 15, 2003 school aid database update (\$184 million in 2004-05 and \$60 million in 2005-06).

In addition, the net spending changes include costs DOB projects but which the Legislature believes may not occur. Examples include a \$200 million lump sum appropriation for member items which DOB values at \$200 million in costs and which the Legislature valued at \$100 million; various Medicaid savings DOB believes are not fully attainable; and higher costs associated with shelter allowances for welfare recipients.

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Net General Fund Spending Changes from 30-Day Estimates Increases (Decreases) (millions of dollars)			
	2003-04	2004-05	2005-06
Medicaid (including HCRA)	840	1,681	1,494
School Aid (including 5/15 Database update)	599	1,354	1,409
Member Items	200	0	0
Higher Education	193	323	303
Handicapped/All Other Education	132	110	111
Welfare	114	157	157
Public Health	40	100	136
General State Charges (including pension deferral)	34	555	338
State Operations	2	94	102
All Other	171	132	101
Net Spending Increases	2,325	4,506	4,151

These spending changes are described in more detail later in this report.

Spending Projections

As a result of the deferred tobacco securitization proceeds and payment delays, 2002-03 actual receipts and disbursements were understated by \$1.9 billion and 2003-04 estimates will be overstated by a like amount. To provide a meaningful year-to-year comparison of receipts and disbursements, the 2002-03 actuals and 2003-04 Enacted Budget estimates have been adjusted for this transaction in most of the tabular data in this report. Specifically, Miscellaneous Receipts and various spending categories (mainly Grants to Local Governments) were increased by \$1.9 billion in 2002-03 and decreased by a like amount in 2003-04. (See Financial Plan tables at the end of this report for the detailed adjustments.)

2002-03 General Fund Payment Deferrals (millions of dollars)	
School Aid	1,312
CUNY Senior Colleges	219
Medicaid Payment to Counties	82
Education	54
Welfare	47
All Other	186
Total Payment Deferrals	1,900

The following table summarizes current spending levels for the General Fund, State Funds and All Governmental Funds under the 2003-04 Enacted Budget, after adjusting for the 2002-03 payment deferrals.

2003-04 Spending Projections (millions of dollars)				
	2002-03 Adjusted Actuals	2003-04 Adjusted Enacted	\$ Change from 2002-03	% Change from 2002-03
General Fund	39,513	40,837	1,324	3.4
State Funds	57,712	61,087	3,375	5.8
All Governmental Funds	90,956	94,474	3,518	3.9

Note: Adjusted actuals account for the impact of \$1.9 billion in spending deferrals described earlier that would reduce 2002-03 actual spending and increase 2003-04 estimates from the amounts shown above.

Annual spending is projected to increase by \$1.3 billion (3.4 percent) in the General Fund, by \$3.4 billion (5.8 percent) in State Funds, and by \$3.5 billion (3.9 percent) in All Governmental Funds. These changes are explained in more detail below, and do not reflect any increased Federal aid or possible spending reductions associated with the Fiscal Management Plan.

Fiscal Management Plan/Federal Assistance

The recently enacted Federal economic stimulus legislation provides \$20 billion nationwide in fiscal relief to states, to be distributed as \$10 billion in revenue sharing grants and \$10 billion from a 15-month increase in the Federal share of Medicaid. DOB expects New York to receive \$2.1 billion as a result of this legislation over the next two State fiscal years.

The State's revenue sharing grant is estimated to be \$645 million. The impact of the 2.95 percent increase in the Federal share of Medicaid costs is estimated to yield \$1.4 billion for the State and its local governments. The State's share of this total is roughly \$900 million.

In order to manage cash flow, assure budget balance in the current fiscal year, and begin to address significant 2004-05 and 2005-06 budget gaps, the Governor has directed DOB to develop a Fiscal Management Plan to reduce State operations costs, curtail non-essential spending, and identify other cost containment actions to bring the General Fund into balance. This plan will be developed in cooperation with State agency managers and is expected to be detailed by the time the State's First Quarterly Financial Plan Update is released in July. Elements of the plan are expected to include:

- Continuing statewide austerity measures that limit discretionary spending, ban non-essential travel, and restrict or terminate lower-priority capital spending and other contractual liabilities.
- Mandating agency management plans to eliminate, consolidate, and streamline governmental services.
- Making significant further reductions in the State workforce.
- Maximizing Federal aid.
- Developing cost containment proposals that can be presented for legislative action later this year.

As noted in the messages accompanying the Governor's vetoes, certain appropriations and spending authorizations may be legally flawed. The State will review all such authorizations and continue to assess the degree to which any legal deficiencies may reduce overall spending levels.

DOB will also monitor and work to achieve additional revenues, as specified in the Senate Finance Committee Staff Report on the Budget, from certain measures enacted by the Legislature that DOB believes are speculative in nature and thus not reflected in the Financial Plan. These include Video Lottery Terminals (VLTs) at racetracks (legislative value of \$150 million), collection of cigarette and motor fuel taxes on Indian Reservations (legislative value of \$186 million), and collection of use tax (legislative value of \$25 million), as well as other measures that the Legislature believes will reduce the outyear gaps (casino revenue and streamlined sales tax are examples).

Explanation of the Financial Plan _____

The State's Enacted Budget Financial Plan forecasts receipts and disbursements for the fiscal year. The economic forecast of the Division of the Budget (DOB) and the State's tax and fee structure serve as the basis for projecting receipts. After consulting with public and private sector experts, DOB prepares a detailed economic forecast for both the nation and New York, showing Gross Domestic Product (GDP), employment levels, inflation, wages, consumer spending, and other relevant economic indicators. It then projects the yield of the State's revenue structure against the backdrop of these forecasts.

Projected disbursements are based on agency staffing levels, program caseloads, levels of service needs, 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 criminal justice, spending estimates are based on recent trends and data from the criminal justice system, as well as on estimates of the State's prison population. All projections account for the timing of payments, since not all the amounts appropriated in the Budget are disbursed in the same fiscal year.

The State's Fund Structure _____

The State accounts for all of its spending and receipts by the fund in which the activity takes place (such as the General Fund or the Capital Projects Fund), and the broad category or purpose of that activity (such as State Operations or Capital Projects). The Financial Plan tables sort all State projections and results by fund and category.

The General Fund receives the majority of State taxes. State Funds include the General Fund and funds specified for dedicated purposes, with the exception of Federal Funds. The All Governmental Funds Financial Plan, which includes State Funds and Federal Funds, is comprised of four major fund types, and includes:

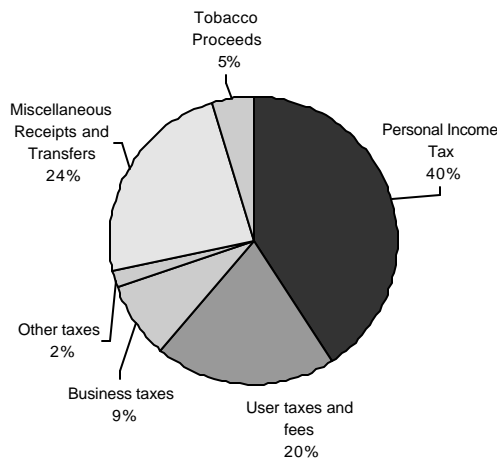
- The General Fund, which receives most of the State's tax revenue and accounts for spending on programs that are not supported directly by dedicated fees and revenues;
- Special Revenue Funds, which receive Federal grants, certain dedicated taxes, fees and other revenues that are used for a specified purpose;
- 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.

Within each of these fund types, revenues and spending are classified by major categories of the Financial Plan (e.g., Taxes, Miscellaneous Receipts, Grants to Local Governments, State Operations). Activity in these Financial Plan categories is described in greater detail later in this Report. Summary charts display the annual change for each category of the Financial Plan, and a narrative explanation of major changes follows each chart. The tables at the end of the Report summarize projected General Fund, State Funds and All Governmental Funds receipts and disbursements for the 2003-04 fiscal year.

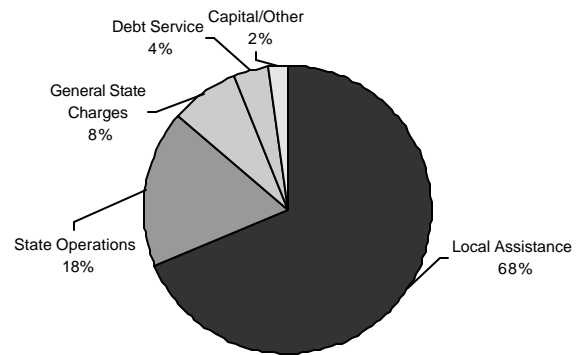
2003-04 General Fund Financial Plan

Where It Comes/Where It Goes

**General Fund
2003-04 Adjusted Enacted**



Receipts



Disbursements

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 fund and receives almost all State taxes and other resources not dedicated to particular purposes. In the State's 2003-04 fiscal year, the General Fund is expected to account for approximately 41 percent of All Governmental Funds disbursements. General Fund moneys are also transferred to and from other funds, primarily to support certain capital projects and debt service payments in other fund types. The graphs above depict the components of projected receipts and disbursements in the General Fund (in percent).

Many complex political, social and economic forces influence the State's economy and finances, which may in turn affect the State Financial Plan and increase the likelihood that current projections will differ materially from the projections set forth in this Enacted Budget Report. These forces may affect the State unpredictably from fiscal year to fiscal year and are influenced by governments, institutions, and organizations that are not subject to the State's control. The 2003-04 Enacted Plan is also necessarily based upon forecasts of national and State economic activity. Economic forecasts have frequently failed to predict accurately the timing and magnitude of changes in the national and State economies.

National Economy

U.S. economic growth slowed to 1.6 percent during the first quarter of 2003, partly due to severe weather conditions and the uncertainty surrounding the war in Iraq. Now that the war is over, the nation's economic recovery is expected to gain momentum. The national economy grew at a slower pace than anticipated in the Executive Budget during early 2003. However, higher growth toward the end of the year is expected to bring real U.S. GDP growth up to 2.3 percent for 2003, only slightly below the Executive Budget projection of 2.4 percent. Buttressed by low inflation and high productivity growth, the national economy is expected to grow 3.4 percent during 2004.

Although a boost in Federal spending contributed positively to GDP growth, the impact of the war on the labor market was clearly negative, with 220,000 reservists having been called up for duty as of April 2003. The Budget Division now expects no net growth in employment for 2003, compared to the 0.6 percent growth projected in the Executive Budget. Income growth for 2003, especially in wages, is also expected to be modestly below the Executive Budget projection. This is mainly due to the downward revision made to the data for the third quarter of 2003 by the U.S. Bureau of Economic Analysis.

Higher output growth toward the end of this year is expected to be fueled by a rebound in private investment activity. If business sector financial conditions do not improve, hiring may be delayed, leading to an even weaker labor market than now anticipated. On the positive side of the ledger, given the current and lagged effects of expansionary monetary and fiscal policy, the economy could grow faster than expected. A lower dollar could lead to higher exports and, therefore, higher output growth.

Major Economic Indicators			
	2002	2003	2004
Gross Domestic Product (real)	2.4	2.3	3.4
Personal Income	2.8	3.8	5.2
Corporate Profits	(0.7)	12.7	15.2
Unemployment Rate	5.8	5.8	5.5
Consumer Price Index	1.6	2.5	2.3
Note: Numbers above are percent change/calendar year, except for unemployment rate. The New York State Division of the Budget estimates are based on National Income and Product Account data through April 2003, except for nonagricultural employment and the unemployment rate which are based on U.S. Department of Labor data through early May 2003.			

State Economy

The September 11th terrorist attack had a more severe impact on the New York economy than on that of any other state. Therefore, not surprisingly, the State's economy is only now emerging from the most recent recession.

DOB now estimates that State employment fell 1.8 percent in 2002, and wage income is estimated to have declined 3.8 percent. The unemployment rate for 2002 was 6.1 percent and is expected to remain virtually unchanged for 2003.

Employment growth was weaker than expected during the last quarter of 2002. The weaker job base, combined with the sluggishness of the national economic recovery, has led

DOB to anticipate marginally lower employment growth for the 2003-04 State fiscal year than projected in the Executive Budget. Growth in wages and salaries is expected to be marginally lower as well.

In addition to the risks associated with the national economic forecast, there are specific risks to the State economy. Chief among them is a more prolonged downturn in the financial sector than is currently projected, producing sharper declines in both employment and compensation. Moreover, significant numbers of business relocations out of the State could imply slower job and income growth as well. In contrast, a stronger national economy than expected could result in stronger equity market growth and, in turn, a stronger demand for financial market services, fueling a rebound in income growth in that sector.

Major Economic Indicators			
	2002	2003	2004
Personal Income	0.0	3.0	4.1
Nonagricultural Employment	(1.8)	0.3	1.0
Unemployment Rate	6.1	6.0	5.5
Note: Numbers above are percent change/calendar year. Personal income and nonagricultural employment growth for 2002 and all forecasts for 2003 and 2004 are projected by the Division of the Budget.			

General Fund Revenue Actions

Revenue actions included with the 2003-04 Enacted Budget include: a personal income tax increase (\$1.4 billion); a limited liability company filing fee increase (\$26 million); income tax withholding for certain partnerships (\$15 million); reduced interest for late refunds (\$5 million); increasing the State sales tax rate from 4 percent to 4.25 percent (\$450 million); temporarily replacing the permanent sales tax exemption on items of clothing and shoes priced under \$110 with a sales tax free week in August 2003 and another in January 2004 for the same items and thresholds (\$449 million); including the New York City cigarette excise tax in the sales tax base (\$7 million); changing the tax structure for insurance companies (\$158 million); decoupling from the Federal bonus depreciation provisions (\$58 million); decoupling from Federal expensing provisions for SUVs; and reducing the time period for collecting abandoned property related to the demutualization of insurance companies (\$75 million). In total, the Budget includes over \$2.4 billion in revenue actions including those contained in the Executive Budget.

As part of the Enacted Budget, the Legislature also enacted tobacco securitization legislation that creates a bankruptcy-remote corporation to securitize all or a portion of the State's future share of tobacco settlement payments. The corporation will issue debt backed by payments from the tobacco industry under the master settlement agreement (MSA) and a contingent-contractual obligation on behalf of the State to pay debt service if MSA payments prove insufficient. The structure is designed to reduce overall borrowing costs to a level comparable to a typical State bond sale.

The Financial Plan assumes net proceeds of \$3.8 billion (\$1.9 billion on an adjusted basis) from this transaction in 2003-04 and \$400 million in 2004-05; these amounts are reflected as miscellaneous receipts in the Financial Plan. It is possible that, in order to reduce costs of issuance, take advantage of current low interest rates and improve its cash flow balances, the State may securitize amounts sufficient to receive the entire \$4.2 billion in 2003-04, reserving the \$400 million for 2004-05 budget balance.

General Fund Receipts

General Fund Receipts (millions of dollars)				
	2002-03 Adjusted Actuals	2003-04 Adjusted Enacted	Annual \$ Change	Change from 30-Day Estimate
Total Tax Receipts	27,977	28,561	584	1,148
All Other Receipts	11,319	11,279	(40)	255
Total Receipts	39,296	39,840	544	1,403

Total General Fund receipts in support of the 2003-04 Financial Plan are projected to be \$39.84 billion, an increase of \$544 million from the \$39.30 billion recorded in 2002-03. This total includes \$28.56 billion in tax receipts, \$3.67 billion in miscellaneous receipts, and \$7.61 billion in transfers from other funds. The increase largely reflects the impact of revenue actions adopted with the Budget. There are additional legislative actions enacted with the 2003-04 Budget that may have a positive impact on revenues but are too speculative at this point to value with any confidence, including the addition of a use tax line on the personal income tax return, non-resident sales of real property, six-day liquor sales, and VLTs.

General Fund receipts net of refund reserve account transactions are estimated at \$39.69 billion for 2003-04. Adjusting for the impact of revenue actions, General Fund tax receipts have been reduced by \$463 million from estimates released with the 30-day amendments to the Executive Budget. This revision reflects several factors including: the impact of lower-than-anticipated 2002-03 receipts on the 2003-04 revenue base; a modest net loss in personal income tax receipts due to a lower-than-expected net settlement of 2002 income tax liability in April and May; and continued weakness in corporate tax collections.

Personal Income Tax (millions of dollars)			
2002-03 Adjusted Actuals	2003-04 Adjusted Enacted	Annual \$ Change	Change from 30-Day Estimate
16,791	16,285	(506)	833

General Fund personal income tax receipts are projected to decrease by \$506 million from 2002-03. This is due to economic improvement in 2003-04 and enactment of a temporary tax increase, more than offset by a lower settlement for 2002 tax returns, a reduction in revenue reserves flowing through the refund reserve accounts, and a higher deposit into the Revenue Bond Tax Fund. Overall, net of law changes, personal income tax payments associated with the 2002 tax year are down modestly from what was anticipated in the Executive Budget.

The estimate for withholding tax collections increased by \$1.03 billion from the Executive Budget estimate, reflecting the enacted temporary tax increase offset somewhat by lower wage growth than forecast with the Executive Budget. Estimated tax installment payments have been increased by \$300 million, again reflecting the enacted temporary tax increase.

Additionally, reflecting April and May results on the settlement of 2002 tax liabilities, the estimate for payments with final returns has been increased by \$100 million and the estimate for refunds has been increased by \$175 million.

The estimate for delinquent collections of the personal income tax has been reduced by \$50 million, reflecting the State tax amnesty program bringing greater-than-expected receipts forward into 2002-03.

General Fund personal income tax receipts, including refund reserve account transactions, are expected to be \$833 million higher than the 30-day amendments to the Executive Budget adjusted for a higher net contribution from the refund reserve account. This increase is due to the temporary tax increase, offset somewhat by the lower-than-anticipated income tax settlement for 2002 tax liability, lower withholding resulting from a weaker-than-expected economy for 2003-04, lower expected assessment collections, and a higher STAR fund deposit due to the Legislature's rejection of the STAR spending limitation proposed in the Executive Budget.

User Taxes and Fees (millions of dollars)			
2002-03 Adjusted Actuals	2003-04 Adjusted Enacted	Annual \$ Change	Change from 30-Day Estimate
7,063	8,007	944	499

Receipts for user taxes and fees for 2003-04 are projected to total \$8.01 billion, an increase of \$944 million from reported 2002-03 collections. Included in this category are: receipts from the State sales tax, cigarette and tobacco products taxes; alcoholic beverage taxes and fees; and motor vehicle license and registration fees.

The projected growth in sales tax cash receipts of 15.1 percent is largely attributable to the enactment of a temporary increase in the overall tax rate (to 4.25 percent) and a change in the clothing and footwear exemption. The Enacted Budget eliminated the exemption on items of clothing and footwear for one year, effective June 1, 2003, and replaced it with two temporary one-week exemptions with the same \$110 thresholds -- one in August 2003 and another in January 2004. Growth in the sales tax base, after adjusting for tax law changes and other factors, is projected at 4.3 percent.

The decline in General Fund cigarette tax receipts is the result of a continuation of the long-term consumption decline in cigarettes.

User taxes and fees are expected to rise by \$499 million from the 30-day amendments to the Executive Budget. This adjustment mainly reflects tax increases contained in the Enacted Budget.

Business Taxes (millions of dollars)			
2002-03 Adjusted Actuals	2003-04 Adjusted Enacted	Annual \$ Change	Change from 30-Day Estimate
3,380	3,498	118	(184)

Receipts for business taxes for 2003-04 are projected to total \$3.50 billion, an increase of \$118 million from 2002-03 collections. Business taxes include the corporate franchise tax, corporation and utilities taxes, the insurance franchise tax, and the bank franchise tax. Business tax receipts for 2003-04 have been revised down by \$184 million from the 30-day amendments to the Executive Budget to reflect lower 2002-03 actuals during closeout and

anticipated enhanced refund activity. These negatives in 2002-03 have been offset by the effect of decoupling from the Federal bonus depreciation.

Corporate franchise tax receipts have been revised down by \$141 million from the 30-day amendments to the Executive Budget. The difference is attributable to a closeout adjustment and enhanced refund activity. These reductions are offset by an increase in revenues of \$58 million based on decoupling from Federal bonus depreciation provisions.

Corporation and utilities taxes, and insurance franchise tax receipts remain unchanged from the 30-day Executive Budget estimate.

Bank tax receipts are estimated to be \$43 million lower than the 30-day Executive Budget estimate. This result is primarily attributable to continued weak earnings growth, and the decline in the 2002-03 base.

Other Taxes (millions of dollars)			
2002-03 Adjusted Actuals	2003-04 Adjusted Enacted	Annual \$ Change	Change from 30-Day Estimate
743	771	28	0

Other tax receipts are now projected to total \$771 million or \$28 million above last year's amount. Sources in this category include the estate and gift tax, the real property gains tax and pari-mutuel taxes.

Previously enacted legislation to repeal both the real property gains tax and the gift tax and to reduce the estate and pari-mutuel taxes have significantly reduced the yield from this category of receipts.

Other taxes estimated in this category are unchanged from the 30-day estimate.

Miscellaneous Receipts (millions of dollars)			
2002-03 Adjusted Actuals	2003-04 Adjusted Enacted	Annual \$ Change	Change from 30-Day Estimate
3,991	3,669	(322)	90

Miscellaneous receipts, adjusted for the tobacco securitization, are expected to reach \$3.67 billion, a decrease of \$322 million from 2002-03 and an increase of \$90 million from the 30-day estimate. The annual decrease in receipts is the result of several non-recurring actions taken in the 2002-03 Enacted Budget, including transferring available balances from various State authorities. The increase in receipts from the 30-day estimates is attributed to a delay in the collection of a settlement recovery from various Wall Street firms originally expected in 2002-03, as well as the net impact of several legislative actions, which on balance increase receipts by an estimated \$50 million.

Transfers From Other Funds (millions of dollars)				
	2002-03 Adjusted Actuals	2003-04 Adjusted Enacted	Annual \$ Change	Change from 30-Day Estimate
PIT in Excess of Revenue Bond Debt Service	4,215	5,125	910	260
Sales Tax in Excess of LGAC Debt Service	1,919	1,853	(66)	(146)
Real Estate Taxes in Excess of CW/CA Debt Service	263	202	(61)	0
All Other Transfers	931	430	(501)	51
Total Transfers From	7,328	7,610	282	165

Transfers from other funds are expected to total \$7.61 billion, or \$282 million more than total receipts from this category during 2002-03 and \$165 million higher than the 30-day estimates. The \$910 million year-to-year increase in transfers of personal income tax (PIT) in excess of revenue bond debt service requirements is primarily attributable to higher dedicated PIT receipts (\$1.1 billion), including legislative tax increases, offset by increased debt service requirements (\$222 million). The \$260 million net increase from the 30-day estimate reflects the legislative tax increases, offset by increased debt service costs.

The annual decrease of \$66 million in transfers from the sales tax in excess of LGAC debt service reflects increased debt service requirements (\$67 million) and an annual payment to New York City intended to cover debt service costs related to restructuring NYC MAC debt for City fiscal relief (\$170 million), offset by increased sales tax receipts (\$171 million). The 2003-04 estimate is \$146 million lower than the 30-day estimate primarily due to the legislation requiring a payment of State sales tax to New York City.

Provisions enacted with the 2003-04 Budget relating to the Local Government Assistance Corporation (LGAC) and the Municipal Assistance Corporation of the City of New York (MAC) appear to intend that the State assume responsibility for debt service payments on the remaining \$2.5 billion in outstanding MAC bonds. Thirty annual payments of \$170 million from sales tax receipts dedicated to LGAC are authorized to be pledged to a New York City-created not-for-profit corporation allowing the maturity of the debt to be extended through 2034, well beyond the original 2008 maturity of the outstanding MAC debt. The structure of this bonding may be flawed and counsel are continuing to evaluate the constitutional and legal issues raised by the legislation, the implications on the State's Debt Reform Act of 2000, and the impact on LGAC and other bondholders.

The annual decline of \$61 million in transfers from the real estate transfer tax is due to a projected decrease in tax receipts (\$43 million) and an increase in Clean Water/Clean Air debt service requirements (\$18 million). The 2003-04 enacted estimate is unchanged from the 30-day estimate.

The \$501 million expected annual decrease in all other transfers is primarily due to the loss of one-time 2002-03 transfers from the Environmental Protection Fund (\$269 million) and Federal reimbursement of World Trade Center related costs (\$231 million). All other transfers increased by \$51 million from the 30-day estimates due to an increase in expected receipts for the Waste Tire Management Recycling Act (\$20 million) and one-time transfers from various non-General funds (\$31 million).

General Fund Disbursements

General Fund Disbursements (millions of dollars)				
	2002-03 Adjusted Actuals	2003-04 Adjusted Enacted	Annual \$ Change	Change from 30-Day Estimate
Welfare	496	1,127	631	114
General State Charges	2,732	3,199	467	34
Member Items	105	455	350	200
Medicaid (including HCRA)	5,951	6,269	318	840
Public Health	525	566	41	40
School Aid (including 5/15 database update)	12,278	12,312	34	599
Handicapped/All Other Education	1,341	1,323	(18)	132
Higher Education	1,528	1,488	(40)	193
State Operations	7,715	7,168	(547)	2
All Other	6,842	6,930	88	171
Total General Fund Disbursements	39,513	40,837	1,324	2,325

Total General Fund disbursements, including transfers to support capital projects, debt service and other purposes, are estimated at \$40.84 billion for 2003-04, an increase of \$1.32 billion or 3.4 percent from 2002-03. The annual growth in spending is primarily attributable to the use of non-recurring offsets in the previous fiscal year for welfare assistance programs (\$631 million), higher costs for General State Charges mostly due to pensions and health insurance (\$467 million), additional spending for member items (\$350 million), and growth in Medicaid (\$318 million), offset by lower State Operations spending (\$547 million). The annual change in spending is explained by financial plan category in more detail below.

Total projected spending in the 2003-04 Enacted Budget is \$2.33 billion higher than the level recommended in the Governor's Executive Budget. Spending changes primarily reflect net legislative restorations and adds in Medicaid (\$840 million), school aid (\$599 million), funding for member items (\$200 million), higher education programs (\$193 million), handicapped/all other education programs (\$132 million), and welfare programs (\$114 million).

In addition, the net spending changes include certain costs resulting from the Legislature's action or inaction on several spending items. Examples include a \$200 million lump sum appropriation for member items which the Legislature valued at \$100 million; various Medicaid savings DOB believes are not fully attainable including additional Federal reimbursement for prescription drug costs and home care costs; and inaction on cost containment provisions which DOB believes results in higher welfare costs.

Grants to Local Governments (millions of dollars)			
2002-03 Adjusted Actuals	2003-04 Adjusted Enacted	Annual \$ Change	Change from 30-Day Estimate
26,713	28,009	1,296	2,229

Grants to Local Governments (also known as local assistance) include financial aid to local governments and non-profit organizations, as well as entitlement payments to individuals. The

largest shares of spending in local assistance are for aid to public schools (44 percent) and for the State's share of Medicaid payments to medical providers (22 percent). Spending for mental hygiene programs (6 percent), higher education programs (5 percent), welfare assistance (4 percent), and children and families services (4 percent) represent the next largest areas of local aid.

Spending in local assistance is estimated at \$28.01 billion in 2003-04, an increase of \$1.30 billion (4.9 percent) over the 2002-03 fiscal year. This net spending growth is primarily attributable to welfare assistance programs (\$631 million), Medicaid (\$318 million), additional spending in the Community Projects Fund (\$350 million), higher spending for the Higher Education Service Corporation (\$123 million) and various other local assistance programs. These increases are partially offset by an annual decline in spending for the City University of New York (\$176 million) and a scheduled decline in payments for the Yonkers settlement agreement (\$110 million).

General Fund spending for school aid on a State fiscal year basis is projected at \$12.31 billion in 2003-04, an increase of \$34 million over 2002-03. This net increase reflects the "tail" cost of the 2002-03 school year increase offset in part by the reduced spending in the 2003-04 enacted school year aid package. On a school year basis, school aid is projected at \$14.43 billion for 2003-04, a decrease of \$185 million from the prior school year. This decrease is primarily due to a reduction in operating aid (\$285 million), which is partially offset by increases in transportation aid, excess cost aid and BOCES.

Medicaid spending is estimated at \$6.27 billion in 2003-04, an increase of \$318 million (5.3 percent) from the prior year. The net increase is primarily attributable to expected underlying spending growth of approximately 8 percent (\$478 million), the sunset of the Tobacco Transfer Fund used to reimburse medical care providers for services rendered to Medicaid patients (\$91 million), the Federally mandated phase out of the nursing home intergovernmental transfers (\$90 million), and the reduction of the nursing home gross receipts assessment used to offset Medicaid costs (\$78 million). The growth in Medicaid spending is partially offset by increased Federal aid from an increase in disproportionate share payments to public hospitals (\$324 million), additional financing through the Health Care Reform Act (\$117 million), and various cost containment proposals, as well as the phase out of Disaster Relief Medicaid related to the September 11th attack on the World Trade Center. In addition, the Enacted Budget "rolls" the last Medicaid cycle payable on March 31, 2004 to the first day of the 2004-05 fiscal year (\$170 million), decreasing 2003-04 and increasing 2004-05 costs. The Medicaid estimate does not include possible savings related to the temporary increase in the Federal share of Medicaid costs.

Spending on welfare is projected at \$1.13 billion, an increase of \$631 million (127.2 percent) from 2002-03. This increase is due primarily to the use of Federal TANF reserve funds to offset welfare spending in 2002-03 (\$465 million) and the increased cost of the welfare caseload (\$166 million). The projected welfare caseload of 622,067 recipients represents an increase from 2002-03 of approximately 10,248 recipients.

Higher Education Services Corporation (HESC) spending is projected at \$442 million, an increase of \$123 million (38.6 percent) from 2002-03. This increase reflects underlying program growth (\$163 million) and a reduction in available Federal TANF funds (\$64 million), offset by a deferral of Tuition Assistance Program costs into the 2004-05 fiscal year (\$104 million).

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City University of New York (CUNY) spending is projected at \$681 million, a decrease of \$176 million (20.5 percent) from 2002-03. The decrease is primarily due to the impact of a tuition increase at the senior colleges used to offset General Fund spending (\$91 million) and a reduction in costs due to a one-time retroactive collective bargaining payment made in 2002-03 (\$70 million).

Spending for all other local assistance programs will total \$7.18 billion in 2003-04, a net increase of \$366 million (5.4 percent) from the 2002-03 fiscal year. This increase is largely attributable to additional spending for member items (\$350 million), increased spending for children and family services (\$90 million), public health programs (\$41 million), mental hygiene programs (\$27 million), and various other local assistance programs. These increases are offset by spending declines across other agencies and programs including an annual decrease in the funding for the Yonkers settlement agreement (\$110 million).

The 2003-04 enacted estimate for local assistance spending increased by \$2.23 billion from the 30-day estimate primarily as a result of net legislative adds and restorations of Executive Budget proposals. The largest adds and restorations occurred in Medicaid (\$840 million), school aid (\$599 million), additional funding for the Community Projects Fund (\$200 million), higher education programs (\$193 million), handicapped/all other education programs (\$132 million), and welfare programs (\$114 million). These net legislative adds reflect resources identified by the Legislature to delay the last Medicaid cycle in the 2003-04 fiscal year to the following fiscal year (\$170 million) and defer Tuition Assistance Program payments to colleges out of 2003-04 into 2004-05 (\$104 million).

State Operations (millions of dollars)			
2002-03 Adjusted Actuals	2003-04 Adjusted Enacted	Annual \$ Change	Change from 30-Day Estimate
7,715	7,168	(547)	2

State Operations accounts for the cost of operating the Executive, Legislative, and Judicial branches of government. Spending in this category is projected at \$7.17 billion, a decrease of \$547 million or 7.1 percent from 2002-03. The annual decline in State Operations spending is comprised of lower spending in both personal service (\$493 million) and non-personal service (\$54 million).

The State Operations estimates reflect \$1.03 billion in savings initiatives. Included in these savings are \$363 million from continuation of the strict Statewide hiring freeze, aggressive use of a retirement incentive for State employees, and various actions to restrain non-personal service spending in all agencies. A total of \$662 million in savings is projected to be available in 2003-04 from a variety of revenue maximization efforts to finance State Operations spending. Among these savings are additional SUNY revenues from an anticipated tuition increase and other revenue measures used to support General Fund costs (\$325 million), additional Federal revenues to offset spending on mental hygiene programs (\$174 million), and various shifts of General Fund costs to other funds (\$133 million) -- most notably funding \$93 million in Department of Motor Vehicles transportation-related spending in the Dedicated Highway Fund.

The savings initiatives and revenue maximization efforts are partially offset by base spending growth of \$478 million, including normal salary step increases and required non-personal service cost increases and the loss of one-time offsets used in 2002-03. Virtually all Executive agencies are held flat or reduced from 2002-03 levels.

The 2003-04 State Operations estimate is \$2 million higher than the estimate prepared at the time of the 30-day Amendments to the Executive Budget in February 2003. This additional spending represents minor legislative changes to the Executive Budget estimates.

The State's All Funds workforce is projected to be 186,000 at the end of 2003-04, a decrease of approximately 10,000 from November 2001 when the Governor announced a series of cost savings actions following the World Trade Center attacks. This reduction resulted from attrition and the use of early retirement incentives. Additional declines are possible as a result of the Fiscal Management Plan to be implemented during the fiscal year.

General State Charges (millions of dollars)			
2002-03 Adjusted Actuals	2003-04 Adjusted Enacted	Annual \$ Change	Change from 30-Day Estimate
2,732	3,199	467	34

General State Charges (GSCs) account for the costs of providing fringe benefits to State employees and retirees of the Executive, Legislative and Judicial branches, as well as certain fixed costs of 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 payments-in-lieu-of-taxes to local governments for certain State-owned lands, and the costs of litigation against the State and its public officers.

Total spending for GSCs is estimated at \$3.20 billion, an increase of \$467 million or 17.0 percent from the prior year. The projected annual growth is primarily attributable to higher pension and health insurance costs.

Pension investment losses resulting in significantly higher contributions to the New York State and Local Retirement System for the 2003-04 fiscal year. The employer pension contribution rate in the Executive Budget was projected to increase to 4 percent of payroll in 2003-04, increasing pension costs by \$250 million (171 percent). Pension reform legislation approved with the Enacted Budget requires a minimum pension contribution equal to 4.5 percent of payroll annually. This change along with higher than expected retirement incentive costs would increase the 2003-04 fiscal year contribution by an additional \$94 million to \$344 million. However, the Legislature did not provide sufficient appropriation authority to allow the entire pension bill to be paid to the retirement system in 2003-04. As a result, it is anticipated that the State will pay this unbudgeted amount in 2005-06 at 8 percent annual interest, for a total cost of approximately \$110 million.

Health insurance premiums are expected to increase by approximately \$178 million (11 percent) in 2003-04 to cover the rising costs of employee and retiree health care. The enacted budget reflects \$43 million in health benefit changes, which is expected to reduce the underlying growth in employee health insurance costs from \$221 million (13.7 percent). These changes, some of which are subject to negotiations with State employee unions, would: place restrictions on pharmacy benefits, require a higher co-payments for prescription drugs, modernize the hospital benefit plan, and increase employee co-payments, deductibles and coinsurance levels for doctor visits.

The \$34 million increase from the 30-day estimate is largely the result of the Legislature's denial of a proposal to change to the current 9 percent statutory interest rate on Court of Claims judgments to market-based rates, and partial restoration of Executive Budget proposals to change employee health insurance benefits.

Transfers to Other Funds (millions of dollars)				
	2002-03 Adjusted Actuals	2003-04 Adjusted Enacted	Annual \$ Change	Change from 30-Day Estimate
Transfers in Support of Debt Service	1,496	1,583	87	0
Transfers in Support of Capital Projects	170	251	81	45
Transfers in Support of State University	26	145	119	0
All Other Transfers	661	482	(179)	15
Total Transfers to Other Funds	2,353	2,461	108	60

Transfers to other funds are expected to total \$2.46 billion, or \$108 million higher than total receipts from this category during 2002-03 and \$60 million higher than the 30-day estimates. The annual net increase in debt service transfers of \$87 million reflects planned growth in underlying debt service costs, offset by debt reduction efforts. As compared to the 30-day estimate, transfers in support of debt service remain unchanged.

Transfers for capital projects provide General Fund support for projects that are not financed by bond proceeds, dedicated taxes, Federal grants or other revenues. The \$81 million projected increase in 2003-04 reflects year-to-year increases in pay-as-you-go spending for legislative adds for transportation and the environment (\$49 million) and changes in the timing of the receipt of bond proceeds to reimburse capital spending. Compared to the 30-day estimate for 2003-04, the \$45 million increase in capital projects transfers reflects the legislative adds for transportation and the environment.

The State's cost of transfers to the State University are estimated to increase by \$119 million over 2002-03 due to the timing of State subsidy payments to the SUNY hospitals (\$107 million) and the use of Dormitory Authority funds in 2002-03 to help subsidize the SUNY hospitals (\$12 million). This transfer remained unchanged from the 30-day estimate.

All other transfers are estimated to total \$482 million in 2003-04, a decline of \$179 million from 2002-03. This decline is primarily due to decreases in the Community Service Provider Assistance Program (\$100 million), the State's share of Medicaid payments to SUNY hospitals (\$48 million), and payments to the State Lottery Fund (\$17 million). All other transfers increased \$15 million from the 30-day estimates.

Non-Recurring Actions

A total of \$5.1 billion in gross nonrecurring actions, with a net impact of \$3.2 billion on the Financial Plan, are incorporated in the 2003-04 Enacted Budget. These include resources from the securitization of tobacco settlement payments (\$3.8 billion), the use of Federal TANF moneys to offset General Fund welfare, HESC, and school aid program spending (\$458 million), spending delays for a Medicaid cycle and TAP payments (\$274 million), the one-time shift of various pay-as-you-go capital projects to bonding (\$122 million), debt management actions to reduce debt service costs (\$161 million), recoveries of school aid and welfare overpayments

(\$88 million), abandoned property collections (\$75 million), and various routine fund sweeps (\$138 million).

The 2003-04 spending projections include \$1.9 billion of one-time payment delays from 2002-03 pending receipt of tobacco securitization proceeds. These one-time payment deferrals are “matched-up” with \$1.9 billion of the \$3.8 billion tobacco proceeds, for a net one-time impact of \$3.2 billion (\$5.1 billion of total actions offset by \$1.9 billion linked to one-time costs).

General Fund Closing Balance

The Enacted Budget Financial Plan projects a closing General Fund balance of \$730 million at the end of the 2003-04 fiscal year, unchanged from the 30-day projection. The closing balance represents monies on deposit in the Tax Stabilization Reserve Fund (\$710 million) and the Contingency Reserve Fund (\$20 million). The balance assumes achievement of \$912 million of savings from the Fiscal Management Plan including additional Federal aid described earlier.

Governmental Funds Financial Plans

State Funds

State Funds represent the portion of the State's budget supported exclusively by State revenues: taxes, fees, fines, and other revenues imposed and collected by the State. Federal grants are not included as part of State Funds.

State Funds Receipts (millions of dollars)				
	2002-03 Adjusted Actuals	2003-04 Adjusted Enacted	Annual \$ Change	Change from 30-Day Estimate
Taxes	40,676	42,672	1,996	1,541
Miscellaneous Receipts	15,903	17,483	1,580	297
Total State Funds Receipts	56,579	60,155	3,576	1,838

Total State Funds receipts are projected to total \$60.16 billion in 2003-04, an increase of \$3.58 billion or 6.3 percent from 2002-03. State Funds tax receipts are projected to total \$42.67 billion, an increase of \$2.0 billion from 2002-03 primarily reflecting a new personal income tax surcharge (\$1.4 billion) and a one-quarter percent increase in sales tax (\$450 million), offset by revenue losses associated with the closeout of 2002-03 and the April PIT settlement (\$462 million). These changes are discussed in more detail in the General Fund section above.

Miscellaneous receipts in the State Funds are projected to total \$17.48 billion, an increase of \$1.58 billion over 2002-03. The growth in miscellaneous receipts primarily reflects the timing of the receipt of bond proceeds to reimburse capital spending from the Dedicated Highway and Bridge Trust Fund (\$961 million), economic development spending that is not counted by the State Comptroller as spending even though the bond proceeds are counted as State-supported debt (\$325 million), and growth in SUNY revenues primarily attributable to an anticipated tuition increase (\$280 million). These increases are offset by a decline in General Fund miscellaneous receipts primarily due to the loss of non-recurring actions (\$322 million).

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The increase in State Funds receipts of \$1.84 billion over the 30-day estimates is comprised of a projected tax increase of \$1.54 billion and miscellaneous receipts increase of \$297 million. The projected tax growth is consistent with the enacted tax increases described above. The growth in miscellaneous receipts is primarily attributable to the timing of the receipt of bond proceeds to reimburse capital spending (\$482 million), offset by a decline in State Funds receipts in support of Medicaid due to the legislative restoration of the proposed home care and hospital assessments (\$281 million).

Total State Funds disbursements are projected at \$61.09 billion in 2003-04, an increase of \$3.38 billion or 5.8 percent from 2002-03. Of this amount, \$1.32 billion is due to a net increase in General Fund spending as described in detail above, and \$2.05 billion is due to growth in other State funds.

State Funds Disbursements (millions of dollars)				
	2002-03 Adjusted Actuals	2003-04 Adjusted Enacted	Annual \$ Change	Change from 30-Day Estimate
Welfare	496	1,127	631	114
General State Charges	3,088	3,608	520	43
Medicaid	8,413	8,852	439	559
Community Projects Fund	105	455	350	200
Debt Service	3,038	3,387	349	27
Public Health	2,023	2,218	195	88
SUNY	4,043	4,225	182	58
STAR	2,664	2,800	136	93
School Aid	14,121	14,225	104	608
Transportation	3,521	3,600	79	42
Handicapped/All Other Education	1,522	1,443	(79)	152
Mental Hygiene	2,645	2,572	(73)	42
Public Protection	2,902	2,899	(3)	18
All Other	9,131	9,676	545	172
Total State Funds Disbursements	57,712	61,087	3,375	2,216

State Funds Medicaid spending growth of \$439 million (5.2 percent) reflects increased General Fund spending of \$318 million (discussed in the General Fund section above) and an increase of \$121 million in Special Revenue Funds. Additional HCRA financing for the Family Health Plus program, workforce recruitment and retention initiatives, and additional funding for Medicaid pharmacy costs represent \$389 million of the net growth in the Special Revenue Funds. This increase is partially offset by lower spending attributable to the use of available pool balances in the Indigent Care Fund (\$125 million) in 2002-03, the sunset of the Tobacco Transfer Fund used to reimburse medical care providers for services rendered to Medicaid patients (\$91 million), and the legislative reduction of the nursing home gross receipts assessment from 6 percent to 5 percent (\$45 million).

Spending from Debt Service Funds is estimated to increase by \$349 million or 11.5 percent from 2002-03. The net increase in debt service spending reflects planned growth in costs, and additional bonding enacted by the Legislature for the CHIPs capital program and equipment for

E-911 cellular emergency systems. Net debt service costs increased modestly (\$27 million) from the 30-day estimates.

Public Health spending supported by State Funds is projected to increase \$195 million (9.6 percent) from the prior year, of which the General Fund supports \$41 million. The increase in other State-supported spending is primarily attributable to additional spending for the Elderly Pharmaceutical Insurance Coverage Program (EPIC) providing senior citizens with prescription drug insurance (\$105 million) and the Child Health Plus program providing health insurance to children up to age 19 (\$68 million).

Projected annual spending growth of \$182 million for SUNY is primarily attributable to enrollment growth at the State-operated campuses, hospital program expansion, and anticipated increases in disbursements for capital programs. The annual growth in the STAR program of \$136 million is mainly due to inflation and increased taxpayer participation.

Annual State Funds spending growth due mostly to General Fund changes include: Welfare (\$631 million), primarily reflecting the use of non-recurring Federal TANF reserve funds to offset 2002-03 welfare spending; General State Charges (\$520 million), primarily due to higher pension and health insurance costs; and increased spending from the Community Projects Funds (\$350 million).

Major areas experiencing modest annual increases or decreases on a State Funds basis include: school aid (up \$104 million), transportation (up \$79 million), handicapped/all other education (down \$79 million), mental hygiene (down \$73 million) and public protection (down \$3 million).

State Funds disbursements increased \$2.22 billion over the 30-day estimates primarily due to net legislative changes including school aid (\$608 million), Medicaid (\$559 million), the Community Projects Fund (\$200 million), handicapped/all other education (\$152 million), and welfare (\$114 million).

All Governmental Funds

All Governmental Funds includes activity in the four governmental funds types: the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service funds. All Governmental Funds spending combines State funds (discussed earlier) with Federal grants across these fund types. It excludes Fiduciary, Internal Services, and Enterprise Funds.

All Governmental Funds Receipts (millions of dollars)				
	2002-03 Adjusted Actuals	2003-04 Adjusted Enacted	Annual \$ Change	Change from 30-Day Estimate
Taxes	40,676	42,672	1,996	1,541
Miscellaneous Receipts	16,056	17,705	1,649	301
Federal Grants	33,242	33,444	202	1,426
Total All Governmental Funds Receipts	89,974	93,821	3,847	3,268

All Governmental Funds receipts are projected to be \$93.82 billion in 2003-04, an increase of \$3.85 billion or 4.3 percent from 2002-03. Tax receipts are projected to increase by \$2.0

billion to total \$42.67 billion primarily reflecting the impact of the enacted tax increases previously discussed.

Miscellaneous receipts are projected to increase by \$1.65 billion to total \$17.71 billion over 2002-03. The growth in All Governmental Funds miscellaneous receipts primarily reflects the timing of the receipt of bond proceeds to reimburse capital spending, economic development spending, and SUNY tuition increases, offset by a decline in General Fund miscellaneous receipts as discussed above.

Federal Grants are projected to total \$33.44 billion, an increase of \$202 million from 2002-03. Federal grants represent reimbursement from the Federal government for programs financed by the State in the first instance. Federal receipts are generally assumed to be received in the State fiscal year in which spending is incurred; therefore, the revisions to Federal receipts correspond to the adjustments to the federally-reimbursed spending revisions described below.

The All Governmental Funds receipts increase of \$3.27 billion over the 30-day estimates is comprised of enacted tax increases described above and Federal grants of \$1.43 billion primarily due to increases in Medicaid spending.

All Governmental Funds spending is estimated at \$94.47 billion in 2003-04, an annual increase of \$3.52 billion or 3.9 percent. The spending growth is comprised of the State Funds increases of \$3.38 billion and growth in Federal Funds of \$143 million. The growth in Federal spending is primarily due to increases for Medicaid (\$1.02 billion), offset by declines in welfare (\$426 million), World Trade Center costs (\$302 million) and education (\$180 million).

All Governmental Funds Disbursements (millions of dollars)				
	2002-03 Adjusted Actuals	2003-04 Adjusted Enacted	Annual \$ Change	Change from 30-Day Estimate
Medicaid	25,315	26,778	1,463	2,003
Public Health	3,230	3,778	548	137
General State Charges	3,272	3,774	502	43
Community Projects Fund	105	455	350	200
Debt Service	3,038	3,387	349	27
Welfare	2,803	3,008	205	124
Mental Hygiene	4,983	5,174	191	45
SUNY	4,208	4,368	160	58
STAR	2,664	2,800	136	93
School Aid	14,121	14,225	104	608
Handicapped/All Other Education	3,922	3,663	(259)	187
Transportation	4,907	4,834	(73)	13
Public Protection	3,096	3,027	(69)	18
All Other	15,292	15,203	(89)	109
Total All Funds Disbursements	90,956	94,474	3,518	3,665

All Governmental Funds Medicaid spending growth of \$1.46 billion reflects previously discussed State Funds spending growth of \$439 million, and an increase of \$1.02 billion (6.1

percent) in Medicaid spending supported by Federal Funds, which are estimated to total \$26.78 billion in 2003-04. The net increase is primarily attributable to expected underlying spending growth of approximately 8 percent (\$1.10 billion) and increased aid governed from an increase in disproportionate share payments to public hospitals (\$394 million). This increase is partially offset by the mandated phase out of the nursing home intergovernmental transfers (\$119 million), the phase out of Disaster Relief Medicaid related to the September 11th attack on the World Trade Center (\$83 million), nonrecurring additional indigent care payments (\$72 million), and various other cost containment proposals. The Medicaid estimate does not include possible savings related to the temporary increase in the Federal share of Medicaid costs.

Public health spending supported by All Governmental Funds is expected to increase by \$548 million from 2002-03 of which \$195 million is attributable to increased State Funds support and the remaining \$353 million consisting of additional Federal aid. The growth in Federal aid is largely attributable to increased spending for the Child Health Plus program (\$324 million).

Spending from All Governmental Funds in support of welfare initiatives increased \$205 million from 2002-03 actuals and reflects the State Funds increase described above (\$631 million) offset by decreased welfare spending from federal funds (\$426 million). The decreased spending is primarily due to the loss of one-time credits that were used to support 2002-03 spending.

All Governmental Funds spending growth largely attributable to State Funds spending includes growth for General State Charges (\$502 million), Community Projects Fund (\$350 million), debt service (\$349 million), SUNY (\$160 million), STAR (\$136 million), and school aid (\$104 million).

Major areas experiencing modest annual increases or decreases on an All Governmental Funds basis include: mental hygiene (up \$191 million), handicapped/all other education (down \$259 million), transportation (down \$73 million), and public protection (down \$69 million).

All Governmental Funds disbursements increased \$3.67 billion over the 30-day estimates due to State Funds spending increases of \$2.22 billion described above and growth in Federal Medicaid spending (\$1.45 billion) attributable to legislative restorations of various cost containment and revenue maximizations, as well as revised estimates for underlying Federal Medicaid spending.

First Quarter Cash Flow

Unlike previous years, the 2003-04 General Fund first quarter cash flow estimates assume continued implementation of emergency cash management actions implemented after delays in enacting tobacco securitization legislation led to potential cash imbalances. The General Fund cash flow position is expected to be extremely tight during the first quarter of the 2003-04 fiscal year and thus requires continued management actions to maintain positive balances until \$2.1 billion of tobacco proceeds are received in late June. DOB continues to monitor cash balances on a daily basis and has administratively managed the flow of funds and disbursements while continuing essential governmental operations through a statewide austerity plan. Under the current cash management plan, daily cash balances are expected to fluctuate significantly.

The General Fund balances assume continued deferrals of discretionary payments through June, including school aid payments scheduled in May and early June until the State receives

the tobacco securitization proceeds. Thereafter, cash balances are expected to be healthy until March of the fiscal year.

The General Fund is projected to end May with a balance of \$2.15 billion. This balance, along with June receipts, will be used to make the school aid payment deferred from March on June 2 (\$1.2 billion) as well as weekly Medicaid, payroll, and other critical payments. As a result, cash balances are expected to decline to very low levels by mid-June. The State expects to make the remaining May and June school aid payments (\$2.5 billion) in late June upon the receipt of tobacco securitization proceeds. Absent these proceeds, General Fund resources would be insufficient to pay school aid and end the month with a positive cash balance.

The 2003-04 Enacted Budget amends State Finance Law to permit the State Comptroller to make balances in other funds and accounts temporarily available to the General Fund for intra-month cash flow needs as long as such balances can be repaid by the end of the month. This provision is set to expire on March 31, 2004.

GAAP-Basis Financial Plans

The February Financial Plan included General Fund Financial Plans prepared in accordance with Generally Accepted Accounting Principles (GAAP) for State fiscal years 2002-03 through 2005-06. The accounting principles that DOB applied in preparing the GAAP projections are consistent with those applied by the State Comptroller for the 2001-02 GAAP-basis Financial Statements. Accordingly, the projections do not reflect the impact of any pending proposals of the Governmental Accounting Standards Board, including GASB 34. The changes mandated by GASB 34 are expected to significantly change the presentation of GAAP-basis financial results for state and local governments in 2002-03.

The General Fund GAAP Financial Plan issued as part of the February Financial Plan projected that the State would end the 2002-03 fiscal year with an operating imbalance of \$2.74 billion. The operating result reflected the use of reserves in response to the World Trade Center disaster. As a result of the operating deficit, the accumulated surplus was projected to decline from \$492 million at the end of 2001-02 to a \$2.24 billion accumulated deficit at the end of 2002-03.

Certain legislative actions, including deferring a Medicaid Cycle (\$170 million), and delaying TAP payments (\$104 million) are expected to negatively impact the GAAP Financial Plan.

Additionally, the deferral of \$1.9 billion in spending from 2002-03 until 2003-04 is expected to increase the 2002-03 accumulated GAAP-basis deficit, since the deferred payments are expected to be accrued to the 2002-03 fiscal year. However, the tobacco settlement revenues originally anticipated in 2002-03 but now expected in 2003-04 are likely to be accrued to the 2003-04 fiscal year resulting in no net change to the accumulated GAAP deficit by the end of 2003-04.

DOB expects to update the GAAP Financial Plan estimates for 2003-04 in the First Quarterly Financial Plan Update to be issued in July 2003.

Outyear General Fund Financial Plan Projections

General Fund budget gaps for the 2004-05 and 2005-06 fiscal years have increased significantly from the 30-day projections. It is currently estimated that spending and revenue

actions in the Enacted Budget in concert with events since presentation of the Executive Budget will increase gaps to over \$6 billion in 2004-05 and \$8 billion in 2005-06, before reflecting savings from the Fiscal Management Plan or extra Federal aid. The Fiscal Management Plan savings will be implemented in 2003-04, and these actions coupled with new Federal assistance are expected to produce recurring savings in the outyears, reducing the gaps by approximately \$900 million in each year.

Future budget gaps are subject to substantial revision as additional information becomes available about the national and State economies, financial sector activity, entitlement spending and social service caseloads, and State reimbursement obligations that are driven by local government activity. Key factors include: end-of-year business tax collections; calendar year economic results; year-end financial sector bonus income data; the school aid database update in November; and quarterly Medicaid cycle trend analysis.

These factors have historically been subject to a high degree of fluctuation across the forecast period, and could produce results above or below the current projections.

The outyear gap estimates do not assume any collective bargaining salary increases. If the projected budget gap for 2004-05 is closed fully with recurring actions, the 2005-06 budget gap would be reduced to under \$2 billion.

Revenues are projected to increase from the Executive Budget as a result of legislative changes by \$1.4 billion in 2004-05 and \$605 million in 2005-06. The revenue proposals decrease primarily because of "sunset" provisions enacted for the tax increases. New revenue actions include a personal income tax surcharge (\$1.2 billion in 2004-05 and \$1.0 billion in 2005-06), one-quarter percent increase in sales tax (\$572 million in 2004-05 and \$100 million in 2005-06), and a decoupling from Federal bonus depreciation provisions (\$100 million in 2004-05 and \$90 million in 2005-06). These revenue actions are offset by the loss of receipts due to the sales tax free week proposed in the Executive Budget (\$315 million in 2004-05 and \$435 million in 2005-06), and the intended transfer of State sales tax receipts to New York City (\$170 million annually).

In addition, revenues are expected to decrease by \$609 million in 2004-05 and 2005-06 primarily reflecting the impact of 2002-03 actuals and the April 2003 PIT settlement.

As compared to the Executive Budget, spending is projected to increase by \$4.5 billion in 2004-05 and \$4.2 billion in 2005-06. This spending increase reflects revisions based on actual results and net legislative adds to the Governor's Executive Budget, including Medicaid programs (\$1.7 billion in 2004-05 and \$1.5 billion in 2005-06), school aid, including revised estimates resulting from the May 15 database update (\$1.4 billion in 2004-05 and 2005-06), higher education (\$323 million in 2004-05 and \$303 million in 2005-06), and higher general state charges primarily driven by restorations of health insurance savings initiatives and the planned payment of the full required pension bill in 2004-05 and 2005-06 (\$555 million in 2004-05 and \$338 million in 2005-06).

2004-05 spending grows \$2.2 billion above the \$2.3 billion increase in 2003-04 from the Executive Budget (for a total 2004-05 increase of \$4.5 billion). This incremental growth is driven by the annualization of Medicaid restorations (\$403 million), HCRA (\$268 million), and the deferral of a 2003-04 Medicaid cycle into 2004-05 (\$170 million), the "tail" of school aid adds and restorations including the loss of proposed BOCES and Building Aid reforms (\$571 million), the May 15 school aid database revisions (\$184 million), and increased fringe benefits costs

including the denial of the Governor's proposed pension reforms and the restoration of proposed health insurance cost containment (\$521 million).

Fiscal Management Plan savings include continuing the statewide austerity measures implemented during 2003-04, mandating agencies to eliminate, consolidate, and streamline governmental services, reducing the State workforce further, maximizing Federal aid, and planning legislative actions that may include statutory modifications to programs.

A more detailed discussion of these revenue and spending changes, as well as the Fiscal Management Plan, is described in the Overview and General Fund sections above.

2003-2004 Enacted Budget Report

**CASH FINANCIAL PLAN
GENERAL FUND
2002-2003 and 2003-2004
ADJUSTED FOR 2002-2003 DELAYS
(millions of dollars)**

	<u>2002-2003 Adjusted Actual</u>	<u>2003-2004 Adjusted Enacted</u>	<u>Annual Change</u>
Opening fund balance	<u>1,032</u>	<u>815</u>	<u>(217)</u>
Receipts:			
Taxes:			
Personal income tax	16,791	16,285	(506)
User taxes and fees	7,063	8,007	944
Business taxes	3,380	3,498	118
Other taxes	743	771	28
Miscellaneous receipts	3,991	3,669	(322)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	4,215	5,125	910
Sales tax in excess of LGAC debt service	1,919	1,853	(66)
Real estate taxes in excess of CW/CA debt service	263	202	(61)
All other	<u>931</u>	<u>430</u>	<u>(501)</u>
Total receipts	<u>39,296</u>	<u>39,840</u>	<u>544</u>
Disbursements:			
Grants to local governments	26,713	28,009	1,296
State operations	7,715	7,168	(547)
General State charges	2,732	3,199	467
Transfers to other funds:			
Debt service	1,496	1,583	87
Capital projects	170	251	81
State University	26	145	119
Other purposes	<u>661</u>	<u>482</u>	<u>(179)</u>
Total disbursements	<u>39,513</u>	<u>40,837</u>	<u>1,324</u>
Fiscal Management Plan/Federal Aid	<u>0</u>	<u>912</u>	<u>912</u>
Change in fund balance	<u>(217)</u>	<u>(85)</u>	<u>132</u>
Closing fund balance	<u>815</u>	<u>730</u>	<u>(85)</u>
Tax Stabilization Reserve Fund	710	710	0
Contingency Reserve Fund	20	20	0
Community Projects Fund	85	0	(85)

2003-2004 Enacted Budget Report

**CASH FINANCIAL PLAN
GENERAL FUND
2003-2004
ADJUSTED FOR 2002-2003 DELAYS
(millions of dollars)**

	<u>30-Day</u>	<u>Change</u>	<u>Adjusted Enacted</u>
Opening fund balance	<u>805</u>	<u>10</u>	<u>815</u>
Receipts:			
Taxes:			
Personal income tax	15,452	833	16,285
User taxes and fees	7,508	499	8,007
Business taxes	3,682	(184)	3,498
Other taxes	771	0	771
Miscellaneous receipts	3,579	90	3,669
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	4,865	260	5,125
Sales tax in excess of LGAC debt service	1,999	(146)	1,853
Real estate taxes in excess of CW/CA debt service	202	0	202
All other	379	51	430
Total receipts	<u>38,437</u>	<u>1,403</u>	<u>39,840</u>
Disbursements:			
Grants to local governments	25,780	2,229	28,009
State operations	7,166	2	7,168
General State charges	3,165	34	3,199
Transfers to other funds:			
Debt service	1,583	0	1,583
Capital projects	206	45	251
State university	145	0	145
Other purposes	467	15	482
Total disbursements	<u>38,512</u>	<u>2,325</u>	<u>40,837</u>
Fiscal Management Plan/Federal Aid	<u>0</u>	<u>912</u>	<u>912</u>
Change in fund balance	<u>(75)</u>	<u>(10)</u>	<u>(85)</u>
Closing fund balance	<u>730</u>	<u>0</u>	<u>730</u>
Tax Stabilization Reserve Fund	710	0	710
Contingency Reserve Fund	20	0	20

Note: The 30-Day opening fund balance was reduced by \$198 million and the personal income tax receipts were increased by \$198 million to reflect the PIT refund reserve transaction.

2003-2004 Enacted Budget Report

**CASH FINANCIAL PLAN
GENERAL FUND
2002-2003 and 2003-2004
(millions of dollars)**

	<u>2002-2003 Actual</u>	<u>2003-2004 Enacted</u>	<u>Change</u>
Opening fund balance	<u>1,032</u>	<u>815</u>	<u>(217)</u>
Receipts:			
Taxes:			
Personal income tax	16,791	16,285	(506)
User taxes and fees	7,063	8,007	944
Business taxes	3,380	3,498	118
Other taxes	743	771	28
Miscellaneous receipts	2,091	5,569	3,478
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	4,215	5,125	910
Sales tax in excess of LGAC debt service	1,919	1,853	(66)
Real estate taxes in excess of CW/CA debt service	263	202	(61)
All other	931	430	(501)
Total receipts	<u>37,396</u>	<u>41,740</u>	<u>4,344</u>
Disbursements:			
Grants to local governments	24,887	29,835	4,948
State operations	7,678	7,205	(473)
General State charges	2,699	3,232	533
Transfers to other funds:			
Debt service	1,496	1,583	87
Capital projects	166	255	89
State University	26	145	119
Other purposes	661	482	(179)
Total disbursements	<u>37,613</u>	<u>42,737</u>	<u>5,124</u>
Fiscal Management Plan/Federal Aid	<u>0</u>	<u>912</u>	<u>912</u>
Change in fund balance	<u>(217)</u>	<u>(85)</u>	<u>132</u>
Closing fund balance	<u>815</u>	<u>730</u>	<u>(85)</u>
Tax Stabilization reserve Fund	710	710	0
Contingency Reserve Fund	20	20	0
Community Projects Fund	85	0	(85)

Note: Actuals reflect the amounts published in the Comptroller's Cash Basis Report released on April 15, 2003.

2003-2004 Enacted Budget Report

**CASH FINANCIAL PLAN
GENERAL FUND
2002-2003
(millions of dollars)**

	<u>Actual</u>	<u>Adjustments</u>	<u>Adjusted Actual</u>
Opening fund balance	<u>1,032</u>	<u>0</u>	<u>1,032</u>
Receipts:			
Taxes:			
Personal income tax	16,791	0	16,791
User taxes and fees	7,063	0	7,063
Business taxes	3,380	0	3,380
Other taxes	743	0	743
Miscellaneous receipts	2,091	1,900	3,991
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	4,215	0	4,215
Sales tax in excess of LGAC debt service	1,919	0	1,919
Real estate taxes in excess of CW/CA debt service	263	0	263
All other	931	0	931
Total receipts	<u>37,396</u>	<u>1,900</u>	<u>39,296</u>
Disbursements:			
Grants to local governments	24,887	1,826	26,713
State operations	7,678	37	7,715
General State charges	2,699	33	2,732
Transfers to other funds:			
Debt service	1,496	0	1,496
Capital projects	166	4	170
State University	26	0	26
Other purposes	661	0	661
Total disbursements	<u>37,613</u>	<u>1,900</u>	<u>39,513</u>
Change in fund balance	<u>(217)</u>	<u>0</u>	<u>(217)</u>
Closing fund balance	<u>815</u>	<u>0</u>	<u>815</u>
Tax Stabilization Reserve Fund	710	0	710
Contingency Reserve Fund	20	0	20
Community Projects Fund	85	0	85

Note: Actuals reflect the amounts published in the Comptroller's Cash Basis Report released on April 15, 2003.

2003-2004 Enacted Budget Report

CASH FINANCIAL PLAN GENERAL FUND 2003-2004 (millions of dollars)

	<u>Enacted</u>	<u>Adjustments</u>	<u>Adjusted Enacted</u>
Opening fund balance	<u>815</u>	<u>0</u>	<u>815</u>
Receipts:			
Taxes:			
Personal income tax	16,285	0	16,285
User taxes and fees	8,007	0	8,007
Business taxes	3,498	0	3,498
Other taxes	771	0	771
Miscellaneous receipts	5,569	(1,900)	3,669
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	5,125	0	5,125
Sales tax in excess of LGAC debt service	1,853	0	1,853
Real estate taxes in excess of CW/CA debt service	202	0	202
All other	430	0	430
Total receipts	<u>41,740</u>	<u>(1,900)</u>	<u>39,840</u>
Disbursements:			
Grants to local governments	29,835	(1,826)	28,009
State operations	7,205	(37)	7,168
General State charges	3,232	(33)	3,199
Transfers to other funds:			
Debt service	1,583	0	1,583
Capital projects	255	(4)	251
State University	145	0	145
Other purposes	482	0	482
Total disbursements	<u>42,737</u>	<u>(1,900)</u>	<u>40,837</u>
Fiscal Management Plan/Federal Aid	<u>912</u>	<u>0</u>	<u>912</u>
Change in fund balance	<u>(85)</u>	<u>0</u>	<u>(85)</u>
Closing fund balance	<u>730</u>	<u>0</u>	<u>730</u>
Tax Stabilization Reserve Fund	710	0	710
Contingency Reserve Fund	20	0	20

Note: The 30-Day opening fund balance was reduced by \$198 million and the personal income tax receipts were increased by \$198 million to reflect the PIT refund reserve transaction.

2003-2004 Enacted Budget Report

**CURRENT STATE RECEIPTS
GENERAL FUND
2002-2003 and 2003-2004
ADJUSTED FOR 2002-2003 DELAYS
(millions of dollars)**

	2002-2003 Adjusted Actual	2003-2004 Adjusted Enacted	Annual Change
Personal income tax	<u>16,791</u>	<u>16,285</u>	<u>(506)</u>
User taxes and fees	<u>7,063</u>	<u>8,007</u>	<u>944</u>
Sales and use tax	6,328	7,285	957
Cigarette and tobacco taxes	446	425	(21)
Motor vehicle fees	67	75	8
Alcoholic beverages taxes	180	180	0
Alcoholic beverage control license fees	42	42	0
Business taxes	<u>3,380</u>	<u>3,498</u>	<u>118</u>
Corporation franchise tax	1,407	1,450	43
Corporation and utilities tax	860	805	(55)
Insurance taxes	704	818	114
Bank tax	409	425	16
Other taxes	<u>743</u>	<u>771</u>	<u>28</u>
Estate tax	701	737	36
Gift tax	7	0	(7)
Real property gains tax	5	2	(3)
Pari-mutuel taxes	29	31	2
Other taxes	1	1	0
Total taxes	<u>27,977</u>	<u>28,561</u>	<u>584</u>
Miscellaneous receipts	<u>3,991</u>	<u>3,669</u>	<u>(322)</u>
Total	<u><u>31,968</u></u>	<u><u>32,230</u></u>	<u><u>262</u></u>

Note: Adjusted miscellaneous receipts include \$1.9 billion in tobacco securitization proceeds in 2002-03 that will be received in 2003-04.

2003-2004 Enacted Budget Report

**CURRENT STATE RECEIPTS
ALL GOVERNMENTAL FUNDS
2002-2003 and 2003-2004
ADJUSTED FOR 2002-2003 DELAYS
(millions of dollars)**

	2002-2003 Adjusted Actual	2003-2004 Adjusted Enacted	Change
Personal income tax	<u>23,698</u>	<u>24,460</u>	<u>762</u>
User taxes and fees	<u>10,804</u>	<u>11,984</u>	<u>1,180</u>
Sales and use taxes	8,796	9,956	1,160
Cigarette and tobacco taxes	446	425	(21)
Motor fuel tax	544	537	(7)
Motor vehicle fees	612	651	39
Highway use tax	147	149	2
Alcoholic beverage taxes	180	180	0
Alcoholic beverage control license fees	42	42	0
Auto rental tax	37	44	7
Business taxes	<u>4,983</u>	<u>5,052</u>	<u>69</u>
Corporation franchise tax	1,612	1,655	43
Corporation and utilities taxes	1,091	993	(98)
Insurance taxes	776	903	127
Bank tax	481	500	19
Petroleum business taxes	1,023	1,001	(22)
Other taxes	<u>1,191</u>	<u>1,176</u>	<u>(15)</u>
Estate tax	701	737	36
Gift tax	7	0	(7)
Real property gains tax	5	2	(3)
Real estate transfer tax	448	404	(44)
Pari-mutuel taxes	29	32	3
Other taxes	1	1	0
Total taxes	<u>40,676</u>	<u>42,672</u>	<u>1,996</u>
Miscellaneous receipts	<u>16,056</u>	<u>17,705</u>	<u>1,649</u>
Federal grants	<u>33,242</u>	<u>33,444</u>	<u>202</u>
Total	<u><u>89,974</u></u>	<u><u>93,821</u></u>	<u><u>3,847</u></u>

Note: Adjusted miscellaneous receipts include \$1.9 billion in tobacco securitization proceeds in 2002-03 that will be received in 2003-04.

2003-2004 Enacted Budget Report

**GENERAL FUND
TAX REFUND RESERVE ACCOUNT
2002-2003 AND 2003-2004
ADJUSTED FOR 2002-2003 DELAYS
(millions of dollars)**

	2002-2003 Adjusted Actual	2003-2004 Adjusted Enacted	Annual Change
Withholdings	19,959	22,135	2,176
Estimated Payments	4,855	4,780	(75)
Final Payments	1,334	1,241	(93)
Delinquencies	<u>796</u>	<u>670</u>	<u>(126)</u>
Gross Collections	26,944	28,826	1,882
State/City Offset	(288)	(300)	(12)
Refund Reserve	1,050	159	(891)
Refunds	<u>(4,008) ⁽¹⁾</u>	<u>(4,225) ⁽²⁾</u>	<u>(217)</u>
Reported Tax Collections	23,698	24,460	762
STAR	(2,664)	(2,800)	(136)
RBTF	<u>(4,243)</u>	<u>(5,375)</u>	<u>(1,132)</u>
General Fund	<u><u>16,791</u></u>	<u><u>16,285</u></u>	<u><u>(506)</u></u>

Net personal income tax collections are affected by transactions in the tax refund reserve account. The tax refund reserve account is used to hold moneys designated to pay tax refunds. The Comptroller deposits receipts into this account at the discretion of the Commissioner of Taxation and Finance. The deposit of moneys into the account during a fiscal year has the effect of reducing receipts for the fiscal year, and the withdrawal of moneys from the account has the effect of increasing receipts in the fiscal year of withdrawal. The tax refund reserve account also includes amounts made available as a result of the LGAC financing program. Beginning in 1998-99, a portion of personal income tax collections is deposited directly in the School Tax Reduction (STAR) Fund and used to make payments to reimburse local governments for their revenue decreases due to the STAR program.

Note 1: Reflects the payment of the balance of refunds on 2001 liability and payment of \$960 million of calendar year 2002 refunds in the last quarter of the State's 2002-03 fiscal year and a balance in the Tax Refund Reserve Account of \$627 million.

Note 2: Reflects the payment of the balance of refunds on 2002 liability and the projected payment of \$960 million of calendar year 2003 refunds in the last quarter of the State's 2003-04 fiscal year and a projected balance in the Tax Refund Reserve Account of \$468 million.

2003-2004 Enacted Budget Report

**CASH FINANCIAL PLAN
STATE FUNDS
2003-2004
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>815</u>	<u>894</u>	<u>(560)</u>	<u>158</u>	<u>1,307</u>
Receipts:					
Taxes	28,561	4,401	1,765	7,945	42,672
Miscellaneous receipts	5,569	9,880	3,232	702	19,383
Federal grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total receipts	<u>34,130</u>	<u>14,281</u>	<u>4,997</u>	<u>8,647</u>	<u>62,055</u>
Disbursements:					
Grants to local governments	29,835	10,191	1,095	0	41,121
State operations	7,205	4,561	0	8	11,774
General State charges	3,232	410	0	0	3,642
Debt service	0	0	0	3,387	3,387
Capital projects	<u>0</u>	<u>2</u>	<u>3,061</u>	<u>0</u>	<u>3,063</u>
Total disbursements	<u>40,272</u>	<u>15,164</u>	<u>4,156</u>	<u>3,395</u>	<u>62,987</u>
Other financing sources (uses):					
Transfers from other funds	7,610	801	401	4,844	13,656
Transfers to other funds	(2,465)	(231)	(1,068)	(10,093)	(13,857)
Bond and note proceeds	<u>0</u>	<u>0</u>	<u>248</u>	<u>0</u>	<u>248</u>
Net other financing sources (uses)	<u>5,145</u>	<u>570</u>	<u>(419)</u>	<u>(5,249)</u>	<u>47</u>
Fiscal Management Plan/Federal Aid	<u>912</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>912</u>
Change in fund balance	<u>(85)</u>	<u>(313)</u>	<u>422</u>	<u>3</u>	<u>27</u>
Closing fund balance	<u>730</u>	<u>581</u>	<u>(138)</u>	<u>161</u>	<u>1,334</u>

2003-2004 Enacted Budget Report

**CASH FINANCIAL PLAN
STATE FUNDS
2003-2004
ADJUSTED FOR 2002-2003 DELAYS
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>815</u>	<u>894</u>	<u>(560)</u>	<u>158</u>	<u>1,307</u>
Receipts:					
Taxes	28,561	4,401	1,765	7,945	42,672
Miscellaneous receipts	3,669	9,880	3,232	702	17,483
Federal grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total receipts	<u>32,230</u>	<u>14,281</u>	<u>4,997</u>	<u>8,647</u>	<u>60,155</u>
Disbursements:					
Grants to local governments	28,009	10,191	1,095	0	39,295
State operations	7,168	4,561	0	8	11,737
General State charges	3,199	410	0	0	3,609
Debt service	0	0	0	3,387	3,387
Capital projects	<u>0</u>	<u>2</u>	<u>3,057</u>	<u>0</u>	<u>3,059</u>
Total disbursements	<u>38,376</u>	<u>15,164</u>	<u>4,152</u>	<u>3,395</u>	<u>61,087</u>
Other financing sources (uses):					
Transfers from other funds	7,610	801	397	4,844	13,652
Transfers to other funds	(2,461)	(231)	(1,068)	(10,093)	(13,853)
Bond and note proceeds	<u>0</u>	<u>0</u>	<u>248</u>	<u>0</u>	<u>248</u>
Net other financing sources (uses)	<u>5,149</u>	<u>570</u>	<u>(423)</u>	<u>(5,249)</u>	<u>47</u>
Fiscal Management Plan/Federal Aid	<u>912</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>912</u>
Change in fund balance	<u>(85)</u>	<u>(313)</u>	<u>422</u>	<u>3</u>	<u>27</u>
Closing fund balance	<u>730</u>	<u>581</u>	<u>(138)</u>	<u>161</u>	<u>1,334</u>

2003-2004 Enacted Budget Report

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2003-2004
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>815</u>	<u>986</u>	<u>(791)</u>	<u>158</u>	<u>1,168</u>
Receipts:					
Taxes	28,561	4,401	1,765	7,945	42,672
Miscellaneous receipts	5,569	10,102	3,232	702	19,605
Federal grants	<u>0</u>	<u>31,806</u>	<u>1,638</u>	<u>0</u>	<u>33,444</u>
Total receipts	<u>34,130</u>	<u>46,309</u>	<u>6,635</u>	<u>8,647</u>	<u>95,721</u>
Disbursements:					
Grants to local governments	29,835	38,677	1,312	0	69,824
State operations	7,205	7,790	0	8	15,003
General State charges	3,232	576	0	0	3,808
Debt service	0	0	0	3,387	3,387
Capital projects	<u>0</u>	<u>2</u>	<u>4,350</u>	<u>0</u>	<u>4,352</u>
Total disbursements	<u>40,272</u>	<u>47,045</u>	<u>5,662</u>	<u>3,395</u>	<u>96,374</u>
Other financing sources (uses):					
Transfers from other funds	7,610	3,221	401	4,844	16,076
Transfers to other funds	(2,465)	(2,594)	(1,200)	(10,093)	(16,352)
Bond and note proceeds	<u>0</u>	<u>0</u>	<u>248</u>	<u>0</u>	<u>248</u>
Net other financing sources (uses)	<u>5,145</u>	<u>627</u>	<u>(551)</u>	<u>(5,249)</u>	<u>(28)</u>
Fiscal Management Plan/Federal Aid	<u>912</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>912</u>
Change in fund balance	<u>(85)</u>	<u>(109)</u>	<u>422</u>	<u>3</u>	<u>231</u>
Closing fund balance	<u>730</u>	<u>877</u>	<u>(369)</u>	<u>161</u>	<u>1,399</u>

2003-2004 Enacted Budget Report

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2003-2004
ADJUSTED FOR 2002-2003 DELAYS
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>815</u>	<u>986</u>	<u>(791)</u>	<u>158</u>	<u>1,168</u>
Receipts:					
Taxes	28,561	4,401	1,765	7,945	42,672
Miscellaneous receipts	3,669	10,102	3,232	702	17,705
Federal grants	<u>0</u>	<u>31,806</u>	<u>1,638</u>	<u>0</u>	<u>33,444</u>
Total receipts	<u>32,230</u>	<u>46,309</u>	<u>6,635</u>	<u>8,647</u>	<u>93,821</u>
Disbursements:					
Grants to local governments	28,009	38,677	1,312	0	67,998
State operations	7,168	7,790	0	8	14,966
General State charges	3,199	576	0	0	3,775
Debt service	0	0	0	3,387	3,387
Capital projects	<u>0</u>	<u>2</u>	<u>4,346</u>	<u>0</u>	<u>4,348</u>
Total disbursements	<u>38,376</u>	<u>47,045</u>	<u>5,658</u>	<u>3,395</u>	<u>94,474</u>
Other financing sources (uses):					
Transfers from other funds	7,610	3,221	397	4,844	16,072
Transfers to other funds	(2,461)	(2,594)	(1,200)	(10,093)	(16,348)
Bond and note proceeds	<u>0</u>	<u>0</u>	<u>248</u>	<u>0</u>	<u>248</u>
Net other financing sources (uses)	<u>5,149</u>	<u>627</u>	<u>(555)</u>	<u>(5,249)</u>	<u>(28)</u>
Fiscal Management Plan/Federal Aid	<u>912</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>912</u>
Change in fund balance	<u>(85)</u>	<u>(109)</u>	<u>422</u>	<u>3</u>	<u>231</u>
Closing fund balance	<u>730</u>	<u>877</u>	<u>(369)</u>	<u>161</u>	<u>1,399</u>

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**CASH FINANCIAL PLAN
SPECIAL REVENUE FUNDS
2003-2004
(millions of dollars)**

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Opening fund balance	<u>894</u>	<u>92</u>	<u>986</u>
Receipts:			
Taxes	4,401	0	4,401
Miscellaneous receipts	9,880	222	10,102
Federal grants	<u>0</u>	<u>31,806</u>	<u>31,806</u>
Total receipts	<u>14,281</u>	<u>32,028</u>	<u>46,309</u>
Disbursements:			
Grants to local governments	10,191	28,486	38,677
State operations	4,561	3,229	7,790
General State charges	410	166	576
Debt service	0	0	0
Capital projects	<u>2</u>	<u>0</u>	<u>2</u>
Total disbursements	<u>15,164</u>	<u>31,881</u>	<u>47,045</u>
Other financing sources (uses):			
Transfers from other funds	801	2,420	3,221
Transfers to other funds	(231)	(2,363)	(2,594)
Bond and note proceeds	<u>0</u>	<u>0</u>	<u>0</u>
Net other financing sources (uses)	<u>570</u>	<u>57</u>	<u>627</u>
Change in fund balance	<u>(313)</u>	<u>204</u>	<u>(109)</u>
Closing fund balance	<u>581</u>	<u>296</u>	<u>877</u>

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**CASH FINANCIAL PLAN
CAPITAL PROJECTS FUNDS
2003-2004
ADJUSTED FOR 2002-2003 DELAYS
(millions of dollars)**

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Opening fund balance	<u>(560)</u>	<u>(231)</u>	<u>(791)</u>
Receipts:			
Taxes	1,765	0	1,765
Miscellaneous receipts	3,232	0	3,232
Federal grants	<u>0</u>	<u>1,638</u>	<u>1,638</u>
Total receipts	<u>4,997</u>	<u>1,638</u>	<u>6,635</u>
Disbursements:			
Grants to local governments	1,095	217	1,312
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	<u>3,057</u>	<u>1,289</u>	<u>4,346</u>
Total disbursements	<u>4,152</u>	<u>1,506</u>	<u>5,658</u>
Other financing sources (uses):			
Transfers from other funds	397	0	397
Transfers to other funds	(1,068)	(132)	(1,200)
Bond and note proceeds	<u>248</u>	<u>0</u>	<u>248</u>
Net other financing sources (uses)	<u>(423)</u>	<u>(132)</u>	<u>(555)</u>
Change in fund balance	<u>422</u>	<u>0</u>	<u>422</u>
Closing fund balance	<u>(138)</u>	<u>(231)</u>	<u>(369)</u>

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**CASH FLOW
GENERAL FUND
2003-2004
(millions of dollars)**

	<u>April</u>	<u>May</u>	<u>June</u>
Opening fund balance	<u>815</u>	<u>2,786</u>	<u>2,145</u>
Receipts:			
Taxes:			
Personal income tax	2,811	304	1,582
Sales tax	450	462	737
User taxes and fees	103	56	59
Business taxes	56	(128)	722
Other taxes	49	67	73
Miscellaneous receipts	70	103	2,239
Transfers from other funds	<u>898</u>	<u>330</u>	<u>782</u>
Total receipts	<u>4,437</u>	<u>1,194</u>	<u>6,194</u>
Disbursements:			
Grants to local governments	1,462	694	5,284
State operations	743	814	611
General State charges	32	241	236
Transfers to other funds	<u>229</u>	<u>86</u>	<u>350</u>
Total disbursements	<u>2,466</u>	<u>1,835</u>	<u>6,481</u>
Change in fund balance	<u>1,971</u>	<u>(641)</u>	<u>(287)</u>
Closing fund balance	<u>2,786</u>	<u>2,145</u>	<u>1,858</u>