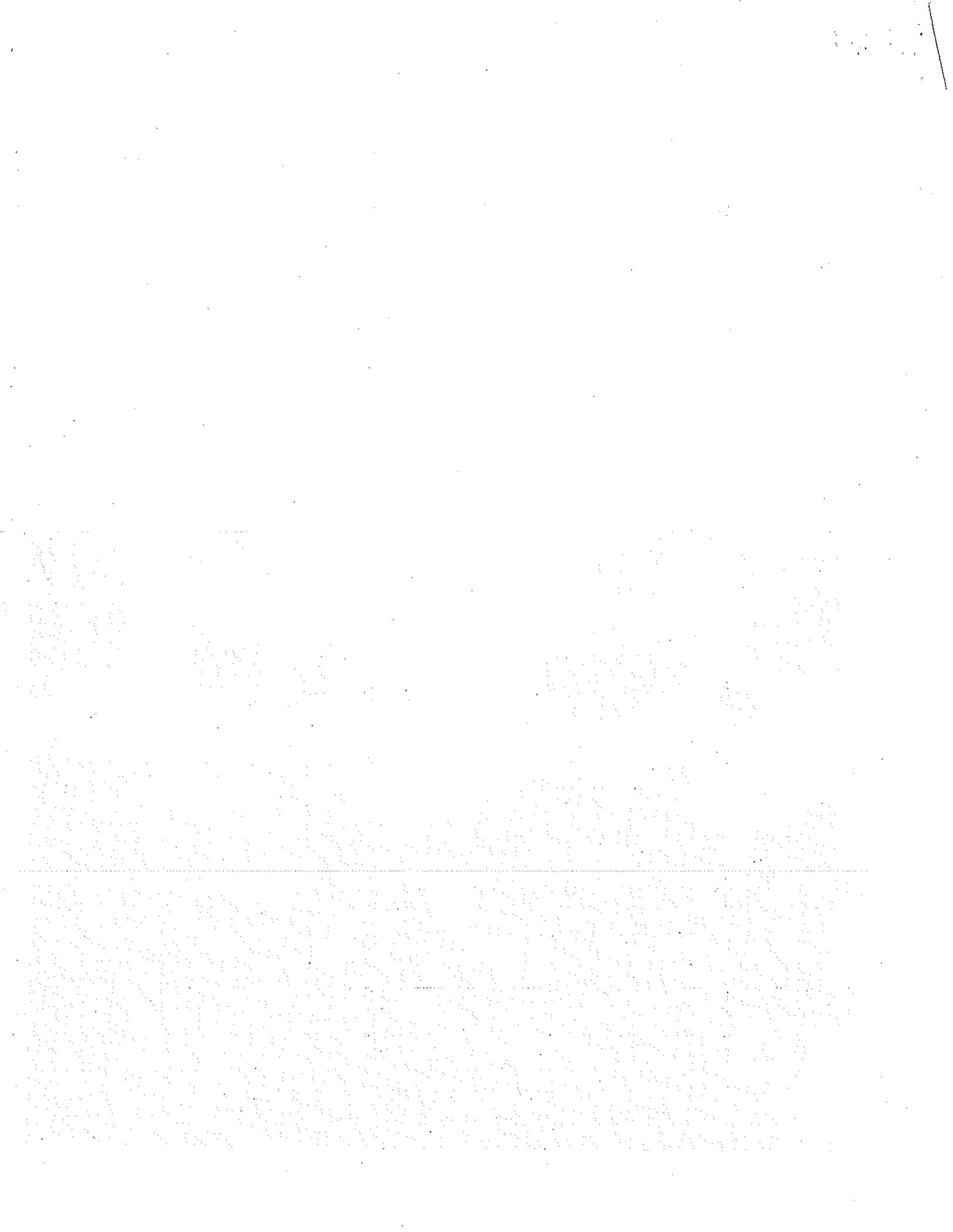


New York State Adopted Budget Report August 11, 1997





1997-98 FINANCIAL PLAN

Report on Adopted Budget

including
GAAP-Basis Financial Plan Update
and
First Quarterly Update

INTRODUCTION

The 1997-98 Financial Plan reflects the impact of New York's rebounding economy and the benefits produced by fiscal discipline over the last two years. The adopted budget includes multi-year tax reductions designed to accelerate economic growth and improve the State's competitive position vis-a-vis other states, and makes major new investments in New York's public schools. Highlights of the 1997-98 adopted budget are as follows:

- Completes the Governor's 20 percent personal income tax reduction package.
- Includes a new \$4.75 billion multi-year tax reduction program that includes the Governor's STAR property tax reduction program, estate tax relief, gross receipts tax reductions, further reductions in the State sales tax on clothing, and the gradual elimination of assessments on medical providers.
- Provides a total school aid increase of \$750 million on a school year basis, and includes a \$2.4 billion general obligation bond proposal for school facilities to be submitted to the voters this November.
- Increases investments in the environment, economic development, and public protection, including prison expansion.
- Reserves \$530 million to ensure General Fund budget balance throughout the 1997-98 fiscal year and provide resources for the 1998-99 fiscal year.
- Makes deposits to the State's "rainy day" fund (bringing the balance to an all-time high) and to the reserve for litigation contingencies.

CASH DISBURSEMENT COMPARISON			
(Millions of Dollars)			
	Actual 1996-97	Adopted Budget Projection 1997-98	Change \$
General Fund	32,897	34,600	1,703
State Funds	42,771	45,100	2,329
All Funds	62,951	67,366	4,415

- General Fund disbursements are projected at \$34.6 billion, an increase of 5 percent. The budget is only \$980 million above comparable spending in the 1994-95 fiscal year, producing an average annual growth rate over the last three years of less than one percent, well below the inflation rate over this period.
- State Funds disbursements (the portion of New York State's budget supported by State revenues) are projected at \$45.1 billion, an increase of 5.4 percent from comparable 1996-97 spending levels. All Governmental Funds disbursements are projected at \$67.4 billion, an increase of 7.0 percent from 1996-97.
- The Financial Plan includes increased reserves for contingencies: a projected General Fund Reserve of \$530 million which is set aside for future needs; a projected balance of \$332 million in the Tax Stabilization Reserve Fund (after an additional \$15 million deposit in 1997-98), and a balance of \$65 million in the Contingency Reserve Fund (after a deposit of \$24 million in 1997-98).

This report is submitted pursuant to section 23 of the State Finance Law, which requires the Governor to submit a Financial Plan revised to reflect action by the Legislature on the budget bills for the current fiscal year. In addition, section 23 requires a quarterly update of the Financial Plan in July (which summarizes actual experience for the April through June quarter), and an update to the GAAP-basis Financial Plan projections produced in January. These reports are also contained in this document.

This update does not include any subsequent actions that the Governor may take to exercise his line-item veto (or vetoing any companion legislation) before signing the 1997-98 budget appropriation bills into law. If the Governor were to take such action, the resulting impact on the Financial Plan would be positive.

Included in this Update are a new forecast of the National and State economies, detailed estimates of the major categories of receipts and disbursements in the Financial Plan, and a report on first quarter receipts and disbursements.

THE 1997-98 GENERAL FUND FINANCIAL PLAN

The State's Financial Plan contains forecasts of income and spending for the fiscal year. Projected receipts are based on the economic forecast of the Division of the Budget (DOB) and the State's tax and fee structure. DOB projects economic activity for both the nation and New York. After consulting with public and private sector experts, a detailed forecast is prepared, showing Gross Domestic Product (GDP), employment levels, inflation, wages, consumer spending, and other variables. The yield of the State's revenue structure is then projected against the backdrop of these forecasts.

A somewhat different approach is used to project spending. The Budget contains appropriations for hundreds of programs and activities, based on costs estimates of the service levels to be provided in 1997-98. Disbursements are projected based on staffing levels in agencies, program caseloads or the level of services that must be provided, formulas contained in State law, inflation and other factors. For example, welfare caseloads are projected using recent trends and the economic forecast, and prison populations are projected based on recent trends and data from the criminal justice system. Not all the amounts appropriated in the Budget are necessarily disbursed in the same fiscal year.

Economic Outlook

National Economy

MAJOR ECONOMIC INDICATORS			
Percent Change			
	1996	1997	1998
Gross Domestic Product (real)	2.4	3.6	2.1
Personal Income	5.5	6.0	5.0
Corporate Profits	6.8	5.0	1.6
Consumer Price Index	2.9	2.6	2.8

Note: Numbers above are percent change/calendar year

The national economy strengthened during 1996 and accelerated its rate of expansion as 1997 began. Growth in the first quarter of 1997 was robust but it weakened substantially during the second quarter. Growth in the second half of 1997, while moderate, is expected to be sufficiently rapid to make the Federal Reserve Bank, which raised the federal funds rate by one quarter of a percentage point in March, decide to increase the rate again before the end of 1997. These higher rates will put a brake on economic growth during 1998 as interest-rate-sensitive sectors respond.

The Division of the Budget projects that national economic growth will remain relatively strong through the end of 1997. Real Gross Domestic Product is projected to grow at an annual rate of 3.6 percent. The forecast is practically identical to the widely followed Blue Chip consensus of national economic forecasters. Inflation, as measured by the Consumer Price Index, is expected to increase by only 2.6 percent in 1997, with moderating economic growth preventing a dramatic acceleration in 1998. Job growth has been strong recently, but is expected to ease soon. Strong gains in the last four years have driven the unemployment rate down to a remarkably low level. Annual employment growth of about 2.1 percent in 1997 is expected to be followed by a 1.8 percent rise in 1998. Wage income, which is expected to grow at the rapid rate of 6.7 percent in 1997, will slow to 5.0 percent in 1998 as the rate of increase in the number of hours worked declines from 3.0 percent to 1.3 percent. Personal income growth will also slow from 6.0 percent in 1997 to 5.0 percent in 1998.

There are uncertainties inherent in any economic forecast. Stronger than expected growth could continue for the remainder of 1997 and all of 1998. Bond markets could react to incipient inflationary clues by pushing long-term yields substantially higher, resulting in a much weaker than expected economy in 1998. Alternatively, a continuation of unexpectedly good news on inflation along with restraint on wage growth could result in a quite different pattern of economic growth than that projected by the Division of the Budget.

State Economy

MAJOR ECONOMIC INDICATORS			
Percent Change			
	1996	1997	1998
Personal Income	4.9	6.1	4.5
Nonagricultural Employment	0.6	1.4	1.0
Unemployment Rate	6.2	6.3	6.1

Note: Income and Employment numbers are percent change/calendar year.

New York's employment growth will continue throughout 1997. With the exception of government and mining, every sector recorded employment gains during the first part of this year with the service and trade sectors accounting for most of the increase. Much of the service sector increase occurred in engineering and management, health (excluding hospitals), and business services. According to the most recent DOB estimate, New York has added 320,000 jobs since the recession trough of November 1992. The private sector added 367,000 jobs, while government declined by 47,000. Since December 1994, total employment has risen 160,000, with private employment up by 195,000 and government employment down by 34,000. The unemployment rate was 6.3 percent in May, down from a peak of 8.9 percent in July 1992.

Employment growth in 1997 will be significantly faster than in 1996, with growth in the second half of the year somewhat slower than in the first; banking and hospital employment will continue to shrink, and government employment will again decrease. Employment in the first quarter of 1998 is projected to be 84,000 above the level of a year earlier. DOB's forecast of the New York economy calls for employment growth to continue throughout 1998, adding some 78,000 jobs on an annual average basis.

Personal income should rise about 6.0 percent in 1997 and around 4.5 percent in 1998. Wage growth will approximate 7.0 percent and 5.0 percent, respectively. Wage rate growth is expected to slow in 1998 as the recent boom in bonus payments slackens.

The forecast for New York is subject to the same uncertainties as the national forecast as well as some specific to New York. For example, average wages could grow faster or slower than forecast, or economic or financial news could cause the stock and bond markets to react dramatically, resulting in profits in the security industry that are

inconsistent with the Division's bonus payment forecast. Similarly, there is the possibility of greater than anticipated private-sector restructuring and downsizing.

GENERAL FUND RECEIPTS

SFY:	RECEIPTS (\$ millions)		
	1996-97	1997-98	Change \$
Total Tax Receipts	29,331	31,676	2,345
All Other Receipts	3,712	3,418	(294)
Total Receipts	33,043	35,094	2,051

Total General Fund receipts in 1997-98 are now projected to be \$35.09 billion, an increase of over \$2 billion from the \$33.04 billion recorded in 1996-97. This total includes \$31.68 billion in tax receipts, \$1.48 billion in miscellaneous receipts, and \$1.94 billion in transfers from other funds.

The transfer of the roughly \$1.4 billion surplus recorded in 1996-97 to the 1997-98 fiscal period exaggerates the "real" growth in State receipts from year to year by depressing reported 1996-97 figures and inflating 1997-98 projections. Conversely, the incremental cost of tax reductions newly effective in 1997-98 and the impact of new earmarking statutes work to depress apparent growth below the "true" growth in the receipts base attributable to expansion of the State's economy. The table below, which deals only with tax receipts, attempts to account for the major items affecting growth from 1995-96 to 1997-98 in order to display a more consistent picture of the growth in the State revenue base across the two years.

	ADJUSTED TAX RECEIPTS (\$ millions)		
	1995-96	1996-97	1997-98
Reported tax collections	29,708	29,331	31,676
Adjustments:			
Timing of refund payments	(100)	117	(217)
Refund reserve transactions	400	1,183	(1,233)
Incremental value of tax changes	0	2,776	4,645
Other (inc. expanded earmarking)	31	237	427
Adjusted tax collections	30,039	33,644	35,298
Percent Change	N/A	12.0	4.9

As the adjusted numbers make clear, the extraordinary growth achieved in 1996-97 is not expected to continue throughout 1997-98. Some slowing is already evident. Business tax receipts, estimated personal income tax collections and the yield of the sales tax have all slowed materially during the current fiscal year. On the other hand, personal income payments on 1996 (prior year) liability and estate tax payments have continued to surge forward at dramatic rates. Estate tax collections in particular have been strong, with receipts averaging almost \$100 million per month in the first four months of the year— 40 percent higher than for the comparable period a year ago.

Personal Income Tax (\$ millions)			
SFY:	1996-97	1997-98	Change \$
	16,371	18,865	2,494

Net personal income tax collections are projected to reach \$18.87 billion, well over half of all General Fund receipts and a full \$2.5 billion above the reported 1996-97 collection total. Approximately 40 percent of the projected annual increase has been achieved through the first four months of the fiscal year. Virtually all of the projected annual growth, however, results from the transfer of the surplus from 1995-96 and 1996-97 to the current year. Without the refund and refund reserve transactions between the years, income tax receipts in 1996-97 and 1997-98 would be virtually flat.

This level year-to-year pattern is largely a function of the nearly 9 percent income tax cut being implemented in 1997, the completion of the Governor's three-year personal income tax reduction program. It also reflects the extraordinary collection strength in 1996-97, when installment payments rose 18 percent despite the second round of PIT cuts.

On a current law basis, 1997 income tax liability is expected to fall slightly, reflecting the tax cut. On a constant law basis, liability growth would be between 6 and 7 percent.

Significant statutory changes made this year include: adoption of a "college choice" program to provide tax incentives for saving for higher education; an increase in the child care credit; adoption of a variety of job enhancing credits (e.g., solar energy credit) and an expansion of the school property tax credit for farmers. Collections from this source will also be affected by recent changes in Federal income tax statutes.

User Taxes and Fees (\$ millions)			
SFY:	1996-97	1997-98	Change \$
	6,800	7,004	204

Receipts from user taxes and fees are projected to total \$7 billion, an increase of \$204 million from reported collections in the prior year. Nearly one-half of the projected

annual growth has been achieved during the first four months of the fiscal year. Included in this category are receipts from the State sales tax, cigarette, tobacco products, and alcoholic beverage taxes and fees; motor fuel taxes and motor vehicle license and registration fees; the container tax and a 5 percent levy on auto rentals.

The sales tax component of this category accounts for all of the 1997-98 growth, as changes in all the other sources decline \$3 million. The yield of most of the excises in this category show a long-term declining trend, particularly cigarette and alcoholic beverage taxes. These declines are offset in 1997-98 by an increase in anticipated motor vehicle fees arising, in large part, from legislative actions that raise additional receipts from this source.

Significant statutory changes made in the taxes in this category during the 1997-98 legislative Session include: the elimination of the State sales tax on clothing costing less than \$100 (effective 12/1/99); enactment of a variety of small sales tax exemptions; the repeal of the container tax (effective 10/1/98); and a liberalization of payment requirements for certain alcoholic beverage licenses.

SFY:	Business Taxes (\$ millions)		
	1996-97	1997-98	Change \$
	5,078	4,825	(253)

Total business tax collections in 1997-98 are now projected to be \$4.83 billion, approximately \$250 million less than received in the prior fiscal year. About 60 percent of the projected annual decline has been recorded in the first four months of the fiscal year. The category includes receipts from the largely income based levies on general business corporations, banks and insurance companies, gross receipts taxes on energy and telecommunication service providers and a per-gallon imposition on petroleum business.

The year-over-year decline in projected receipts in this category is a function of both statutory changes between the two years -- e.g., 1997 is the first "surcharge free" taxable period in this decade -- and a number of essentially one-time transactions that swelled receipts in the base year, including unusually large audit receipts under the bank tax.

Legislation enacted this year affecting receipts in this category includes: the "power for jobs" program that uses energy tax credits to promote industrial job retention through low cost energy; a phased reduction in the gross receipts tax from 3.5 percent to 2.5 percent; several insurance-related reforms; allowance of net operating losses (NOLs) in the bank tax; conformity to new Federal S-corp statutes; extension of the carry forward period for investment tax credits; and adoption of credits to encourage alternative fuel vehicle use.

SFY:	Other Taxes (\$ millions)		Change \$
	1996-97	1997-98	
	1,081	982	(99)

Other tax receipts are now projected to total \$992 million -- nearly \$100 million below last year's amount. Through four months, however, collections are running some 10 percent ahead of comparable receipts levels from the previous fiscal year. Sources in this category include the estate and gift tax, the real property gains tax, the pari-mutuel taxes and the transactions reported on the since-repealed real property gains tax.

Near 30 percent growth in estate tax collections for the first four months of the fiscal year have accounted for the growth in this category. The overall decline in this category for the full year reflects the redirection of real estate transfer tax receipts from the General Fund to the Clean Water/Clean Air Fund to provide debt service coverage for bonds issued under the new authorization and the first full year of the repeal of the real property gain tax.

Significant legislation affecting this group of sources in 1997 and thereafter includes the repeal of the gift tax and adoption of estate tax relief that raises the unified credit from \$115,000 to the scheduled Federal maximum amount of \$1,000,000.

SFY:	Miscellaneous Receipts (\$ millions)		Change \$
	1996-97	1997-98	
	2,072	1,482	(590)

SFY:	Transfers From Other Funds (\$ millions)		Change \$
	1996-97	1997-98	
Sales Tax in Excess of LGAC Debt Service	1,414	1,472	58
All Other Transfers	227	464	237
Total Transfers from Other Funds	1,641	1,936	295

Total miscellaneous receipts and transfers from other funds are expected to reach \$3.42 billion, down almost \$300 million from the prior year amount. The reduction reflects a significant diminution in the amount of "one-time" resources used in 1997-98 when compared to 1996-97. Transfers from other funds are expected to total \$1.94 billion, or

\$295 million above total receipts from this category during 1996-97. Total transfers of sales taxes in excess of LGAC debt service requirements are expected to increase by approximately \$58 million, while transfers from all other funds are expected to increase by \$237 million, primarily from a transfer of \$200 million for retroactive reimbursement of certain social services claims from the federal government.

GENERAL FUND DISBURSEMENTS

DISBURSEMENTS			
(\$ millions)			
SFY:	1996-97	1997-98	Change \$
	32,897	34,600	1,703

General Fund disbursements and transfers to capital, debt service and other funds are projected at \$34.6 billion, an increase of \$1.7 billion (5 percent) from comparable level of disbursements in 1996-97. Over the last two years, adjusted growth for most State agencies has been negative or flat, producing year-to-year declines in General Fund spending. The 1997-98 Budget reflects negotiated increases for State employee salaries, increased transfers for debt service, and other mandated increases, as well as increased investments in school aid, higher education, mental health, and public protection.

Grants to Local Governments			
(\$ millions)			
SFY:	1996-97	1997-98	Change \$
	22,772	23,634	862

Disbursements for grants to local governments are projected at \$23.6 billion, an increase of \$862 million from 1996-97 levels. The majority of the increase results from increases to school aid (up \$387 million on a fiscal year basis) and other educational programs (up \$76 million from last year), as well as increases in grants for mental health (\$72 million) and public protection (\$44 million). Revenue sharing and other general purpose aid is projected at \$802 million, an increase of approximately \$54 million from 1996-97. This category of the Financial Plan is also affected by the reclassification of costs formerly budgeted as City University local assistance that are now included in the transfers for debt service category, as well as the restatement of 1996-97 General Fund transfers to the Lottery Fund.

Spending for Medicaid is projected to total \$5.42 billion, an increase of \$45 million from last year. The adopted budget enacts Medicaid cost containment actions that are expected to save the State approximately \$120 million this year. Disbursements for welfare under the State's new welfare program are projected to total \$1.79 billion, a reduction of \$20 million from 1996-97. This reduction stems from continued State efforts

to reduce welfare fraud, declining caseloads, and changes produced by Federal welfare legislation enacted in 1996.

State Operations (\$ millions)			
SFY:	1996-97	1997-98	Change \$
	5,780	6,221	441

The cost of operating State agencies, programs and services is projected at \$6.22 billion for 1997-98, an increase of \$441 million from actual spending levels of a year ago. About \$200 million of this increase results from approved collective bargaining agreements and the impact of binding arbitration settlements. Other major increases include growth in State University operations, increased mental hygiene costs resulting from increased assessments on State-operated programs, public protection agency spending, which is increasing to reflect the impact of sentencing reforms and prison expansion, and higher spending by the Judiciary and Legislature.

General State Charges (\$ millions)			
SFY:	1996-97	1997-98	Change \$
	2,184	2,183	(1)

Disbursements in this category include fringe benefits and certain fixed costs. Spending is projected at \$2.2 billion, virtually unchanged from 1996-97 levels. Pension costs grow moderately year over year (up \$17 million), while most of the growth in fixed costs is related to increased payments to localities for State-owned lands. These increases are fully offset by continued savings from health care and worker's compensation reforms, which account for most of the cost containment savings in this area.

Debt Service (\$ millions)			
SFY:	1996-97	1997-98	Change \$
	10	11	1

Debt service paid directly from the General Fund reflects only the cost of bond anticipation notes and the State's commercial paper program, projected at \$11 million for 1997-98. This is approximately the same level as last year, reflecting projections for stable interest rates of 3.9 percent for the balance of the fiscal year.

Transfers In Support of Debt Service			
(\$ millions)			
SFY:	1996-97	1997-98	Change \$
	1,779	2,068	289

Transfers from the General Fund are made primarily to finance certain portions of capital spending and pay debt service on long-term bonds where these costs are not funded with other resources. Transfers to other funds for debt service are projected at \$2.07 billion in 1997-98, an increase of \$289 million. This reflects the increased debt service impact of prior year bond sales of \$130 million (net of refunding savings), as well as the inclusion of costs associated with the 1996-97 bond-out of previous pension liabilities at lower interest rates. This action has the effect of adding \$159 million in costs that would have otherwise been included with general State charges.

Transfers In Support of Capital Projects			
(\$ millions)			
SFY:	1996-97	1997-98	Change \$
	138	184	46

All Other Transfers			
(\$ millions)			
SFY:	1996-97	1997-98	Change \$
	234	299	65

Transfers for capital projects provide General Fund support for projects not otherwise financed through bond proceeds, dedicated taxes and other revenues and Federal grants. These transfers are projected at \$184 million for 1997-98, an increase of \$46 million. The Budget also includes \$299 million for subsidies or transfers to other State funds, an increase over last year's adjusted level of \$65 million.

FUND BALANCES

The 1997-98 Financial Plan projects a closing fund balance in the General Fund of \$927 million. This reflects a reserve of \$530 million available for future needs, a \$332 million balance in the Tax Stabilization Reserve Fund (following a payment of \$15 million during the year), and a balance of \$65 million in the Contingency Reserve Fund (following a projected deposit of \$24 million during 1996-97).

OUTYEAR GENERAL FUND FINANCIAL PLAN PROJECTIONS

The State will formally update its projections of receipts and disbursements for future years as a part of the 1998-99 Executive Budget submission. Preliminary analysis indicates that, after application of the 1997-98 Financial Plan Reserve, the State will face a 1998-99 budget gap that is about the same or smaller than that projected at the time of the Executive Budget 30-Day Financial Plan projections before assumed efficiencies. This gap is also smaller than those successfully closed for the three previous fiscal years.

GENERAL FUND CASH FLOW

The General Fund cash flow for 1997-98 is projected to have balances no lower than \$900 million in all months. Healthy balances early in the year are largely the result of reserving for or paying an additional \$1.3 billion in personal income tax refunds with the 1996-97 surplus. The closing balance in the General Fund in June was \$2.34 billion. Balances at the close of the second and third quarters of the fiscal year are projected to be approximately \$2.5 billion and \$2.9 billion, respectively.

OTHER GOVERNMENTAL FUNDS

The 1997-98 Financial Plan projections for All Governmental Funds is approximately \$67.37 billion, an increase of 7 percent from 1996-97 levels. Much of the increase (above the amounts discussed previously for the General Fund) is additional Federal support of about \$2 billion for costs associated with the State's social services programs, including Medicaid and welfare. State Funds spending is projected to increase by 5 percent to \$45.10 billion, consistent with the General Fund increase.

Special Revenue Funds

Total disbursements for programs supported by special revenue funds are projected at \$28.45 billion, an increase of \$2.43 billion from 1996-97 levels. Federal grants account for approximately three-quarters of all spending in the Special Revenue fund type. Disbursements from Federal funds are estimated at \$21.19 billion, an increase of \$2.06 billion or almost 11 percent. The single largest program in this fund group is Medicaid, which is projected at \$11.39 billion, an increase of \$891 million or 8.5 percent above 1996-97 levels. Federal support for the State's welfare program is projected at \$2.35 billion, \$607 million more in 1996-97, primarily related to increased funding from the Federal welfare block grant. Growth in Federal funds for foster care and day care programs account for most of the remaining increase. State special revenue spending is projected to be \$7.26 billion, an increase of \$368 million or 5.3 percent from last year's levels. Most of this increase is in programs supported by dedicated fees or other revenues.

Capital Projects Funds

Capital Projects funds spending in fiscal year 1997-98 is projected to increase by approximately \$150 million to \$3.7 billion. The major component of this growth is environmental programs, reflecting the first full year of project spending for the 1996 Clean Water/Clean Air Bond Act and increased disbursements from the Environmental Protection Fund (EPF). Another significant component of this projected increase is in the area of public protection, primarily for facility rehabilitation and construction of additional prison capacity.

Debt Service Funds

Debt service disbursements from the Debt Service funds type are estimated at \$3.17 billion in 1997-98, an increase of \$641 million from 1996-97 levels. This amount includes the reclassification of City University debt service costs in the General Fund which were previously budgeted as local assistance, as well as new costs associated with the refinancing of certain State pension obligations formerly budgeted as general State charges in the General Fund. After adjusting for these items, debt service spending is projected to increase by roughly \$275 million (10 percent). Adjusted debt service spending supported by the General Fund (either directly or indirectly) is projected to increase \$134 million (7.5 percent).

Of the adjusted increase, \$93 million is for transportation purposes, including bonding for State and local highway and bridge programs financed through the New York State Thruway Authority and supported by the Dedicated Highway and Bridge Trust Fund. Another \$93 million is for higher education purposes, including State and City University programs financed through the New York State Dormitory Authority. The remainder is for a variety of programs in such areas as mental health and corrections, and for general obligation financings.

1997-98 GAAP-BASIS FINANCIAL PLAN

The State Finance Law also requires that General Fund and All Governmental Funds Financial Plans also be prepared and updated in accordance with Generally Accepted Accounting Principles (GAAP). This section of the report fulfills the requirements for a GAAP-basis update to be provided to the Legislature by September 1. The GAAP projections are based on the accounting principles applied by the Comptroller in the financial statements issued for the 1996-97 State fiscal year, and do not reflect any pending proposals of the Governmental Accounting Standards Board.

The Financial Plan is projected to show a GAAP-basis surplus across two fiscal years. In 1996-97, the General Fund GAAP Financial Plan showed a GAAP-basis surplus of \$1.93 billion, with total revenues of \$33.89 billion, total expenditures of \$33.19 billion, and net other financing sources and uses of \$1.23 billion. The surplus primarily reflected an increase in tax revenues which drove the reported 1996-97 cash surplus of \$1.4 billion.

In 1997-98, the General Fund GAAP Financial Plan shows a net deficit of \$959 million, primarily reflecting the use of the 1996-97 cash surplus to fund 1997-98 liabilities, offset by the \$530 million reserve set aside for future needs. Projections reflect total revenues of \$33.37 billion, total expenditures of \$34.66 billion, and net other financing sources and uses of \$331 million. Across the two years, the General Fund accumulated GAAP deficit is reduced by \$974 million.

Comparisons of Actual and Projected GAAP Operating Results (\$ millions)						
Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	All Govern. Funds	Accumulated General Fund Deficit
March 31, 1998 (Proj.)	(959)	(122)	25	77	(979)	(1,954)
March 31, 1997	1,933	65	(37)	98	2,059	(995)
March 31, 1996	380	(409)	185	276	432	(2,928)
March 31, 1995	(1,426)	39	(38)	(366)	(1,791)	(3,308)

FIRST QUARTER CASH-BASIS RESULTS

The General Fund ended the first quarter with a balance of \$2.34 billion, reflecting both the large 1996-97 budget surplus and 1997-98 receipts growth. The closing fund balance is approximately \$377 million higher than the June closing balance from one year ago.

Receipts

Total General Fund receipts for the first quarter reached \$9.79 billion, up more than \$1.34 billion over the comparable quarter for 1996-97. Of this increase, over \$1 billion is attributable to refund reserve transactions that had the effect of increasing the year-to-year change in receipts to date by that amount. Another \$117 million is attributable to accelerated refund payments in the fourth quarter of 1996-97. After adjusting for these actions, total tax collections are up over the same period of the prior year by approximately \$34 million.

Disbursements

Total General Fund disbursements for the first quarter totaled \$7.66 billion, \$1.04 billion above 1996-97 levels for that period. This increase is almost entirely attributable to the payment of General Fund school aid in June rather than in July as had occurred a year ago. Most of the remaining variances are timing-related or are a result in the delay in enacting the 1997-98 budget, and are not expected to affect the 1997-98 Financial Plan projections.

**General Fund Cash Financial Plan
Comparison of 1996-97 vs. 1997-98
(millions of dollars)**

	<u>1996-97 Adjusted</u>	<u>1997-98 Enacted</u>	<u>Change</u>
Opening fund balance	<u>287</u>	<u>433</u>	<u>146</u>
<i>Receipts:</i>			
Taxes			
Personal income tax	16,371	18,865	2,494
User taxes and fees	6,800	7,004	204
Business taxes	5,078	4,825	(253)
Other taxes	1,081	982	(99)
Miscellaneous receipts	2,072	1,482	(590)
Transfers from other funds:			
--LGAC	1,414	1,472	58
--All other	227	464	237
Total receipts	<u>33,043</u>	<u>35,094</u>	<u>2,051</u>
<i>Disbursements:</i>			
Grants to local governments	22,772	23,634	862
State operations	5,780	6,221	441
General State charges	2,184	2,183	(1)
Debt service	10	11	1
Transfers to other funds:			
--Debt service	1,779	2,068	289
--Capital projects	138	184	46
--Other purposes	234	299	65
Total disbursements	<u>32,897</u>	<u>34,600</u>	<u>1,703</u>
Change in fund balance	<u>146</u>	<u>494</u>	<u>348</u>
Closing fund balance	<u>433</u>	<u>927</u>	<u>494</u>
--Tax Stabilization Reserve Fund	317	332	15
--Contingency Reserve Fund	41	65	24
--Community Projects Fund	75	0	(75)
--Reserve for Future Needs	0	530	530

**Cash Financial Plan
1997-98 General Fund
(millions of dollars)**

	<u>30-Day</u>	<u>Change</u>	<u>Enacted</u>
Opening fund balance	<u>358</u>	<u>75</u>	<u>433</u>
<i>Receipts:</i>			
<i>Taxes</i>			
Personal income tax	17,086	1,779	18,865
User taxes and fees	7,021	(17)	7,004
Business taxes	4,763	62	4,825
Other taxes	850	132	982
Miscellaneous receipts	1,505	(23)	1,482
<i>Transfers from other funds:</i>			
--LGAC	1,459	13	1,472
--All other	257	207	464
Total receipts	<u>32,941</u>	<u>2,153</u>	<u>35,094</u>
<i>Disbursements:</i>			
Grants to local governments	22,288	1,346	23,634
State operations	5,235	986	6,221
General State charges	2,264	(81)	2,183
Debt service	11	0	11
<i>Transfers to other funds:</i>			
--Debt service	1,888	180	2,068
--Capital projects	182	2	184
--State University	816	(816)	0
--Other purposes	218	81	299
Total disbursements	<u>32,902</u>	<u>1,698</u>	<u>34,600</u>
Change in fund balance	<u>39</u>	<u>455</u>	<u>494</u>
Closing fund balance	<u>397</u>	<u>530</u>	<u>927</u>
--Tax Stabilization Reserve Fund	332	0	332
--Contingency Reserve Fund	65	0	65
--Reserve for Future Needs	0	530	530

**Current State Receipts
General Fund
(millions of dollars)**

	<u>1996-97 Actual</u>	<u>1997-98 Enacted</u>	<u>Change</u>
Personal income tax	<u>16,371</u>	<u>18,865</u>	<u>2,494</u>
User taxes and fees	<u>6,800</u>	<u>7,004</u>	<u>204</u>
Sales and use tax	5,225	5,434	209
Cigarette and tobacco taxes	667	660	(7)
Motor fuel tax	158	160	2
Motor vehicle fees	472	496	24
Alcoholic beverage taxes	193	172	(21)
Hotel/motel tax	1	0	(1)
Alcoholic beverage control license fees	28	26	(3)
Container tax	25	31	6
Auto rental tax	31		(31)
Business taxes	<u>5,078</u>	<u>4,825</u>	<u>(253)</u>
Corporation franchise tax	2,067	1,972	(95)
Corporation and utilities taxes	1,577	1,525	(52)
Insurance taxes	653	625	(28)
Bank tax	640	595	(45)
Petroleum business taxes	141	108	(33)
Other taxes	<u>1,081</u>	<u>982</u>	<u>(99)</u>
Estate and gift taxes	889	931	42
Real property gains tax	42	9	(33)
Real estate transfer tax	107	0	(107)
Pari-mutuel taxes	42	41	(1)
Other taxes	1	1	0
Total taxes	<u>29,330</u>	<u>31,676</u>	<u>2,346</u>
Miscellaneous receipts	<u>2,072</u>	<u>1,482</u>	<u>(590)</u>
Total	<u><u>31,402</u></u>	<u><u>33,158</u></u>	<u><u>1,756</u></u>

**Cash Financial Plan
1997-98 All Governmental Funds
(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	433	600	(200)	150	983
<i>Receipts:</i>					
Taxes	31,676	1,286	996	2,032	35,990
Miscellaneous receipts	1,482	5,608	1,223	601	8,914
Federal grants	0	21,324	1,081	0	22,405
Total receipts	<u>33,158</u>	<u>28,218</u>	<u>3,300</u>	<u>2,633</u>	<u>67,309</u>
<i>Disbursements:</i>					
Grants to local governments	23,634	22,114	709	0	46,457
State operations	6,221	5,960	0	6	12,187
General State charges	2,183	338	0	0	2,521
Debt service	11	0	0	3,165	3,176
Capital projects	0	36	2,989	0	3,025
Total disbursements	<u>32,049</u>	<u>28,448</u>	<u>3,698</u>	<u>3,171</u>	<u>67,366</u>
<i>Other financing sources (uses):</i>					
Transfers from other funds	1,936	2,359	188	4,325	8,808
Transfers to other funds	(2,551)	(2,216)	(368)	(3,773)	(8,908)
Bond and note proceeds	0	0	605	0	605
Net other financing sources (uses)	<u>(615)</u>	<u>143</u>	<u>425</u>	<u>552</u>	<u>505</u>
Change in fund balance	<u>494</u>	<u>(87)</u>	<u>27</u>	<u>14</u>	<u>448</u>
Closing fund balance	<u>927</u>	<u>513</u>	<u>(173)</u>	<u>164</u>	<u>1,431</u>

**Cash Financial Plan
1997-98 State Funds
(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	433	716	(81)	150	1,218
<i>Receipts:</i>					
Taxes	31,676	1,286	996	2,032	35,990
Miscellaneous receipts	1,482	5,513	1,223	601	8,819
Federal grants	0	3	0	0	3
Total receipts	<u>33,158</u>	<u>6,802</u>	<u>2,219</u>	<u>2,633</u>	<u>44,812</u>
<i>Disbursements:</i>					
Grants to local governments	23,634	3,914	549	0	28,097
State operations	6,221	3,118	0	6	9,345
General State charges	2,183	190	0	0	2,373
Debt service	11	0	0	3,165	3,176
Capital projects	0	36	2,073	0	2,109
Total disbursements	<u>32,049</u>	<u>7,258</u>	<u>2,622</u>	<u>3,171</u>	<u>45,100</u>
<i>Other financing sources (uses):</i>					
Transfers from other funds	1,936	488	188	4,325	6,937
Transfers to other funds	(2,551)	(124)	(363)	(3,773)	(6,811)
Bond and note proceeds	0	0	605	0	605
Net other financing sources (uses)	<u>(615)</u>	<u>364</u>	<u>430</u>	<u>552</u>	<u>731</u>
Change in fund balance	<u>494</u>	<u>(92)</u>	<u>27</u>	<u>14</u>	<u>443</u>
Closing fund balance	<u>927</u>	<u>624</u>	<u>(54)</u>	<u>164</u>	<u>1,661</u>

**Cash Financial Plan
1997-98 Special Revenue Funds
(millions of dollars)**

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Opening fund balance	<u>716</u>	<u>(116)</u>	<u>600</u>
<i>Receipts:</i>			
Taxes	1,286	0	1,286
Miscellaneous receipts	5,513	95	5,608
Federal grants	3	21,321	21,324
Total receipts	<u>6,802</u>	<u>21,416</u>	<u>28,218</u>
<i>Disbursements:</i>			
Grants to local governments	3,914	18,200	22,114
State operations	3,118	2,842	5,960
General State charges	190	148	338
Capital projects	36	0	36
Total disbursements	<u>7,258</u>	<u>21,190</u>	<u>28,448</u>
<i>Other financing sources (uses):</i>			
Transfers from other funds	488	1,871	2,359
Transfers to other funds	(124)	(2,092)	(2,216)
Net other financing sources (uses)	<u>364</u>	<u>(221)</u>	<u>143</u>
Change in fund balance	<u>(92)</u>	<u>5</u>	<u>(87)</u>
Closing fund balance	<u>624</u>	<u>(111)</u>	<u>513</u>

**SUMMARY OF DISBURSEMENTS BY FUNCTION
GENERAL FUND
(Thousands of Dollars)**

	<u>1996-97 Adjusted</u>	<u>1997-98 Enacted</u>
ECONOMIC AFFAIRS AND GOVERNMENT OVERSIGHT		
Agriculture & Markets, Department of	27,003	29,508
Alcoholic Beverage Control, Division of	7,162	7,695
Consumer Protection Board, State	241	347
Economic Development, Department of	37,905	36,903
Empire State Development Corporation	66,507	69,711
Housing Finance Agency	97,876	91,042
Housing Trust Fund Corporation	713	690
Long Island Power Authority	6,650	0
Olympic Regional Development Authority	1,972	1,972
Science and Technology Foundation, New York State	18,015	19,240
Total	<u>264,044</u>	<u>257,108</u>
ENVIRONMENTAL/PARKS		
Adirondack Park Agency	3,203	3,379
Environmental Conservation, Department of	78,075	82,020
Parks, Recreation and Historic Preservation, Office of	98,775	88,341
Total	<u>180,053</u>	<u>173,740</u>
TRANSPORTATION		
Motor Vehicles, Department of	108,051	116,476
Transportation, Department of	362,179	377,251
Total	<u>470,230</u>	<u>493,727</u>
HEALTH & SOCIAL DEVELOPMENT		
Advocate for Disabled, Office of	757	835
Aging, Office for the	59,255	57,660
Children & Families, Council on	668	859
Children and Family Services, Department of	1,115,694	1,083,105
Health, Department of	6,021,999	6,068,700
Medical Assistance	5,373,637	5,417,920
MA Administration	79,232	81,050
All Other Local Aid	446,656	437,695
All Other Health Department	122,474	132,035
Human Rights, Division of	8,424	9,382
Labor, Department of	15,938	18,058
Social Services, Department of	2,167,432	2,201,649
Income Maintenance	1,807,996	1,788,300
Income Maintenance Administration	331,386	380,296
All Other Local Aid	6,581	13,418
All Other Social Services Department	21,469	19,635
Welfare Inspector General, Office of	333	365
Youth, Division for	0	0
Total	<u>9,390,500</u>	<u>9,440,613</u>
MENTAL HYGIENE		
Mental Hygiene, Department of	0	0
Mental Health, Office of	928,004	929,266
Mental Retardation and Developmental Disabilities, Office of	573,003	697,069
Alcoholism and Substance Abuse Services, Office of	266,483	284,661
Quality of Care for the Mentally Disabled, Commission on	2,937	2,772
Total	<u>1,770,427</u>	<u>1,913,768</u>

PUBLIC PROTECTION

Correction, Commission of	1,853	1,930
Correctional Services, Department of	1,496,926	1,553,717
Criminal Justice Services, Division of	90,767	97,650
Military and Naval Affairs, Division of	28,791	22,846
Parole, Probation and Correctional Alternatives, Division of	162,121	188,281
Probation, Division of	73,238	83,604
State Police, Division of	226,832	327,158
Total	<u>2,080,528</u>	<u>2,275,186</u>

EDUCATION

Arts, Council on the	33,045	39,773
City University of New York	621,742	633,992
Education, Department of	9,546,427	10,010,364
STAR	0	0
School Aid	8,415,616	8,802,600
Handicapped	653,757	695,600
All Other Local Aid	429,929	464,713
Agency Operations	47,125	47,451
Higher Education Services Corporation, New York State	631,917	641,591
State University of New York	961,269	1,061,621
Debt Service- SUNY Community Colleges	12,064	27,330
Total	<u>11,806,464</u>	<u>12,414,671</u>

GENERAL GOVERNMENT

Audit and Control, Department of	78,573	83,579
Budget, Division of the	26,015	25,801
Civil Service, Department of	23,883	22,814
Elections, State Board of	2,502	2,598
Employee Relations, Office of	3,671	3,663
Executive Chamber	12,164	11,805
General Services, Office of	100,778	103,109
Law, Department of	68,667	73,799
Public Employment Relations Board	3,082	3,133
Racing and Wagering Board, State	8,045	9,365
Real Property Services, Office of	21,852	27,718
Regulatory Reform, Governor's Office of	2,154	2,209
State, Department of	13,164	12,905
Taxation and Finance, Department of	274,745	259,995
Tax Appeals, Division of	2,797	3,109
Veterans Affairs, Division of	6,348	6,345
Total	<u>648,440</u>	<u>651,947</u>

ALL OTHER CATEGORY

Miscellaneous	121,458	291,220
Legislature	170,474	180,576
Judiciary	903,064	960,963
General State Charges	2,184,537	2,182,929
Short-Term Debt Service	9,466	11,193

**GAAP Financial Plan
General Fund
1997-98
(millions of dollars)**

	February	Change	August
<i>Revenues:</i>			
Taxes			
Personal income tax	16,424	1,146	17,570
User taxes and fees	7,002	12	7,014
Business taxes	4,797	143	4,940
Other taxes	830	117	947
Miscellaneous revenues	2,670	233	2,903
Total revenues	31,723	1,651	33,374
<i>Expenditures:</i>			
Grants to local governments	22,995	1,304	24,299
State operations	8,287	393	8,680
General State charges	1,697	(34)	1,663
Capital projects	0		0
Debt service	22		22
Total expenditures	33,001	1,663	34,664
<i>Other financing sources (uses):</i>			
Transfers from other funds	4,165	192	4,357
Transfers to other funds	(3,948)	(340)	(4,288)
Proceeds of bond sales and other financing arrangements	262		262
Net other financing sources (uses)	479	(148)	331
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(799)	(160)	(959)

**GAAP Financial Plan
All Governmental Funds
1997-98
(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>
<i>Revenues:</i>					
Taxes	30,471	1,284	996	2,032	34,783
Federal grants	0	23,651	1,118	0	24,769
Lottery	0	4,074	0	0	4,074
Patient fees	0	0	0	383	383
Miscellaneous revenues	2,903	420	87	64	3,474
Total revenues	<u>33,374</u>	<u>29,429</u>	<u>2,201</u>	<u>2,479</u>	<u>67,483</u>
<i>Expenditures:</i>					
Grants to local governments	24,299	23,049	688	0	48,036
State operations	8,680	3,812	0	5	12,497
General State charges	1,663	191	0	0	1,854
Debt service	22	0	0	2,698	2,720
Capital projects	0	36	3,099	0	3,135
Total expenditures	<u>34,664</u>	<u>27,088</u>	<u>3,787</u>	<u>2,703</u>	<u>68,242</u>
<i>Other Financing Sources (Uses)</i>					
Transfers from other funds	4,357	723	184	4,414	9,678
Transfers to other funds	(4,288)	(3,186)	(402)	(4,165)	(12,041)
Proceeds of general obligation bonds	0	0	605	0	605
Proceeds from financing arrangements/ advance refundings	262	0	1,276	0	1,538
Net other financing sources (uses)	<u>331</u>	<u>(2,463)</u>	<u>1,663</u>	<u>249</u>	<u>(220)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(959)</u>	<u>(122)</u>	<u>77</u>	<u>25</u>	<u>(979)</u>