

PART I

FINANCIAL PLAN OVERVIEW

FINANCIAL PLAN

The Financial Plan Overview (“Overview”) summarizes the Governor’s Executive Budget for 2004-05. The State Constitution and State Finance Law prescribe the content and format of budgetary information to be supplied by the Governor at the time of submission of the Executive Budget. This section of the Budget fulfills the requirements of section 22 of the State Finance Law, providing summary financial plans and explanations of projected receipts and disbursements for the State’s major governmental funds.

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EXECUTIVE SUMMARY

Consistent with the Division of the Budget (DOB) projections since last year's Enacted Budget, the 2003-04 Budget is soundly balanced while the baseline budget gap for 2004-05 is projected at \$5.1 billion and the outyear gaps at roughly \$7 billion to \$8 billion. The Executive Budget recommendations will close the entire 2004-05 gap, and significantly reduce the outyear gaps.

Like most states, New York continues to face significant fiscal challenges. The national recession, in conjunction with the economic dislocation caused by the September 11th attacks, produced consecutive year-to-year declines in total tax receipts. Costs for employee pensions have increased dramatically, while Medicaid, welfare and other entitlement programs have also risen, reflecting the impact of the national recession and the jobless recovery that has followed. New York's fiscal difficulties were also compounded by last year's Enacted Budget process that resulted in spending growth in excess of recurring revenues. Flexible reserves, significantly increased when times were good, have now been depleted.

The 2004-05 Executive Budget projects that a strengthening economic recovery will produce a return to above-average rates of growth in tax revenues. The Financial Plan reflects overall tax receipt growth of 7.8 percent. Real Gross Domestic Product (GDP) growth for the United States is forecast at 4.7 percent, with employment growth expected to accelerate in 2004. The equity market rebound is expected to produce renewed growth in financial sector compensation and in taxable income gains for the owners of corporate equities. A detailed analysis of the economic and receipt forecast is contained later in this Overview.

Economic growth alone will not solve the State's fiscal problems. Thus, the Executive Budget moves toward structural budget balance with a prudent mix of recurring cuts, revenue actions and transitional financing. No new broad-based tax increases are proposed in the Budget.

Reforms are proposed to hold spending in line with available resources, particularly in Medicaid and pensions. State agency operations will continue to be made more efficient, in part through the expansion of operational "hosting" by one agency of administrative functions for multiple agencies. The State workforce is expected to remain level at roughly 187,900. Revenue proposals focus on maximization of Federal resources, closing tax loopholes and ensuring that fees adequately fund the activities they support. Rainy day reserves are increased, and modest but important targeted investments are recommended in economic development, including tax cuts. A detailed discussion of the proposed gap-closing plan follows this section.

The Executive Budget also includes funding in response to the State Court of Appeals ruling requiring the State to implement reforms that ensure all children have the opportunity for a sound basic education (SBE). This Budget takes the first step in a multi year effort to fund SBE costs by reserving all proceeds from video lottery terminals (VLTs) and providing additional General Fund support of \$100 million to New York City for this purpose. VLT proceeds from facilities now being developed and new ones proposed with the Executive Budget are projected at \$325 million in the 2004-05 school year growing to \$2 billion annually over the next five years.

The 2004-05 Executive Budget is expected to have a positive \$1.4 billion impact on local governments, and furthers the process of lowering the local property tax burden over a multi year period. The \$3 billion STAR program significantly reduced the school tax burden for New Yorkers. Recommendations this year would contain the growth in local property taxes through a proposed multi year takeover of Medicaid long-term care costs, reforms in pensions

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and health care that lower costs for both the State and its localities, and a cap on school district spending increases. In addition, a comprehensive mandate relief package is proposed to assist local governments.

Finally, this Budget begins rebuilding State reserves by making a maximum \$84 million deposit to the rainy day fund in 2003-04, the eighth such deposit made in the last nine years. The last several years have clearly demonstrated that adequate reserve levels are critical if the State is to withstand economic downturns without draconian local assistance budget cuts or massive layoffs.

SIZE OF 2004-05 EXECUTIVE BUDGET (millions of dollars)						
	2003-04 Revised	2004-05 Proposed	Actual		Adjusted	
			Annual Change	Percent Change	Annual Change	Percent Change
General Fund	42,060	41,885	(175)	(0.4)	1,725	4.3%
State Funds	62,112	63,498	1,386	2.2	3,286	5.5%
All Governmental Funds	98,293	99,806	1,513	1.5	3,413	3.5%

The 2003-04 projections and associated annual dollar and percentage changes described throughout this Overview continue to include \$1.9 billion of spending in 2003-04 deferred from 2002-03 due to a delay in enacting tobacco securitization legislation (hereafter "the 2002-03 payment deferrals"). The 2003-04 Enacted Budget Report (dated May 28, 2003) summarized the 2002-03 payment deferrals and a detailed chart is provided later in this section. That spending will be reported by the Office of the State Comptroller (OSC) in final results for 2003-04, and thus is counted as spending in the 2003-04 Financial Plan. The adjusted percentage change excludes this \$1.9 billion in spending from 2003-04 projections in order to provide a comparable basis for calculating the annual change.

The major components of the annual spending change are summarized in the following table, and are explained in more detail later in this report. The spending totals assume enactment of all cost containment proposals recommended in the Executive Budget.

SPENDING PROJECTIONS — AFTER RECOMMENDED SAVINGS MAJOR SOURCES OF ANNUAL CHANGE (millions of dollars)			
	General Fund	State Funds	All Governmental Funds
2003-04 Revised Estimate	42,060	62,112	98,293
Medicaid	373	672	738
Mental Hygiene	299	342	233
Debt Service	285	566	566
Employee Health Insurance	255	255	255
Higher Education	206	304	58
Pensions	184	184	184
School Aid	169	278	278
All Other	(46)	685	1,101
2002-03 Payment Deferrals	(1,900)	(1,900)	(1,900)
2004-05 Executive Budget	41,885	63,498	99,806
Annual \$ Change	(175)	1,386	1,513
Annual % Change	(0.4%)	2.2%	1.5%

CLOSING THE 2004-05 GENERAL FUND BUDGET GAP

SOURCES OF THE 2004-05 GAP

Prior to the Governor's recommended budget actions, the State faced potential General Fund budget gaps of \$5.1 billion in 2004-05, \$6.7 billion in 2005-06, and \$7.8 billion in 2006-07. The \$5.1 billion gap is consistent with estimates provided by DOB at the time of the 2003-04 Enacted Budget. Those projections indicated that the original 2004-05 Executive

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Budget gap of \$2.8 billion would increase to between \$5 billion and \$6 billion primarily as a result of additional recurring spending adds in the Enacted Budget. The current \$5.1 billion gap is at the lower end of the projected range due to modestly improved economic conditions and the expectation of continued increases in financial services incomes.

A summary explanation of the sources of the gap is provided below, and a more detailed analysis is provided later in this Overview.

CAUSES OF 2004-05 BUDGET GAP -- BEFORE RECOMMENDED SAVINGS	
ANNUAL RESOURCES/(COSTS) FROM 2003-04	
(millions of dollars)	
Total Annual Revenue Changes	(2,008)
Revenue Growth (7%)	2,800
Current Tax Law Changes	(265)
Loss of One-time Tobacco Securitization Receipts	(3,400)
Loss of One-time Federal Revenue Sharing	(645)
Debt Service Impact on Receipts	(268)
Loss of Other One-Time Revenues	(230)
Total Annual Spending Changes	(3,063)
Loss of One-time Payment Deferrals	1,900
Medicaid - includes Cycle Shift (\$170m); Loss of Temporary FMAP Increase (\$390m)	(1,268)
Pension Costs (137% Annual Increase)	(664)
Mental Hygiene - includes Loss of PIA (\$220m) and Extra Payroll (\$72m)	(596)
Welfare - includes Loss of TANF/Offsets (\$322 m)	(521)
Higher Education - includes TAP Spending Roll (\$104m); Loss of TANF (\$246m)	(489)
School Aid - includes Tail of 03-04 (\$183m)	(444)
Debt Service	(330)
State Employee Health Insurance Costs	(255)
All Other Spending/Fund Balance Changes	(396)
Total Projected 2004-05 Budget Gap	(5,071)

Underlying receipts growth in 2004-05, adjusted to exclude the impact of tax law changes, is projected to increase by roughly \$2.8 billion (7 percent) over 2003-04. The incremental value of existing tax law changes results in a net decrease of \$265 million in receipts, including the Sales Tax exemption on clothing (\$330 million), the college tuition deduction (\$50 million), Earned Income Tax Credit (\$44 million) and the marriage penalty (\$35 million), partially offset by net annual increases for the 2003 PIT and Sales tax increases. The underlying receipts growth is also offset by the loss of tobacco securitization proceeds which were used, as planned, to provide \$3.8 billion of resources in 2003-04 and \$400 million in 2004-05, resulting in a net decrease of \$3.4 billion. A one-time Federal revenue sharing grant of \$645 million provided by the Federal economic stimulus package is not available in 2004-05. In addition, increasing debt service costs reduce the amount of available General Fund taxes, including costs for the State Personal Income Tax (PIT) Revenue Bond Program and the Local Government Assistance Corporation (LGAC).

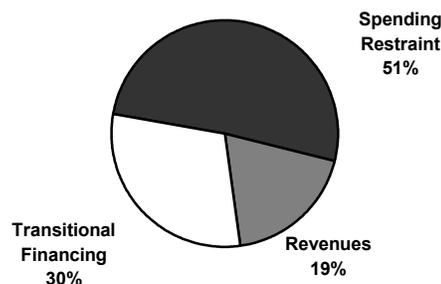
Annual spending (before Executive Budget recommendations) is projected to grow by \$3.1 billion, driven mainly by higher costs for employee pensions (up 137 percent); Medicaid, primarily to support current service levels and the inability to achieve proposed cost containment actions in the 2003-04 Enacted Budget; as well as for mental hygiene, higher education and welfare.

Also, one-time actions that reduced General Fund spending in the 2003-04 budget are not available in 2004-05, including a temporary increase in the Federal match rate for Medicaid, the use of Federal Temporary Assistance for Needy Families (TANF) for welfare-related spending, and Medicaid and Tuition Assistance Program (TAP) payment rolls that drive higher 2004-05 costs.

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Spending for debt service and employee health insurance is also projected to increase as a result of programmatic and inflationary pressures. These cost increases are partially offset by the 2002-03 payment deferrals.

Recommended Solutions to \$5.1B Gap



2004-05 GAP-CLOSING PLAN

The Governor's Executive Budget fully closes the \$5.1 billion General Fund budget gap in 2004-05 with a mix of spending restraint, revenue actions and transitional financing. Actions of nearly \$3.9 billion in 2005-06 and \$3.5 billion in 2006-07 reduce the outyear gaps to more manageable levels of \$2.9 billion in 2005-06 and \$4.3 billion in 2006-07. In addition, \$240 million in 2004-05 (\$325 million on a school year basis), growing to \$2 billion annually over the next five years is reserved from new VLT resources to fund the SBE requirements.

The major sources of these gap-closing actions are summarized below, and more detail on these specific actions is provided later in this Overview.

SOURCES OF PROPOSED GENERAL FUND GAP-CLOSING ACTIONS	SAVINGS/(COSTS) (millions of dollars)		
	2004-05	2005-06	2006-07
2004-05 Initial Budget Gaps	(5,071)	(6,727)	(7,805)
Total Spending Actions:	2,589	2,495	2,199
Medicaid/Health Care Cost Containment	425	539	555
Pension Reform	440	301	150
Restructure Welfare Programs/Maximize TANF	362	382	396
Mental Hygiene Cost Containment/PIA	298	285	214
Restructure TAP to Encourage Timely Degree Completion	227	268	234
Restrain Growth in BOCES/Bldg. Aid/Transp. Aid	186	244	268
Debt Management	150	150	174
NYC School Aid for SBE (Supplement to VLT Reserves)	(70)	(100)	(100)
Medicaid Long-Term Care Takeover	(24)	(132)	(258)
All Other Spending	595	558	566
Total Revenue Actions:	972	1,163	1,118
Provide Four Weekly Sales Tax Exemptions	400	429	451
Health Care Provider Assessments	323	475	475
Criminal Justice Fees	58	113	113
Quick Draw Enhancements	43	68	68
Abandoned Property	42	3	
Fixed Dollar Minimum	40	40	40
Pistol Permit Fee	31	11	11
STAR Tax Credit	(11)	(57)	(113)
All Other Revenue	46	81	73
Total Nonrecurring Actions:	1,510	219	139
Capital Projects Bond Financing	283	192	139
Use of 2003-04 Surplus	261		
Continued Delay of Medicaid Cycle	190	(190)	
Additional Tobacco Benefit	181		
LGAC Payment Restructuring	170		
Federal Welfare Funds	115		
Reverse Meyers Tax Decision	50		
Use Available HFA Reserves in 2005-06		225	
All Other	260	(8)	
Total Savings Actions	5,071	3,877	3,456
2004-05 Executive Budget Gaps	0	(2,850)	(4,349)

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Recommendations to restrain spending in the General Fund total \$2.59 billion and include a combination of program restructuring and the use of alternate funding sources. Significant savings proposals include:

- Medicaid/health care cost containment to restrain prescription drug costs, lower the cost of optional services, enhance case management and reduce the need for General Fund payments to finance Health Care Reform Act (HCRA) spending (\$425 million);
- Pension reforms, including a cap in the annual increases in employer contribution rates, to reduce the annual rate of increase in employer pension costs from 137 percent to 38 percent (\$440 million);
- Restructure welfare-related programs including enhanced mandated employment requirements (\$88 million) and use of Federal resources to support spending (\$274 million);
- Cost containment in mental hygiene programs (\$133 million) and initiatives to increase Patient Income Account (PIA) and other revenues (\$165 million);
- Lower debt service costs through debt management actions including refundings and, expanded use of variable rate debt (\$150 million);
- All other spending actions totaling \$595 million include recommended efficiencies in State agency operations and restraint in local assistance spending and transportation costs; offset by
- General Fund spending increases totaling \$94 million composed of \$70 million additional General Fund school aid support to New York City (\$100 million on a school year basis) that will supplement VLT reserves for SBE and initial costs for the proposed multi-year State takeover of local Medicaid costs for long-term care services (\$24 million).

Revenue proposals are expected to raise \$972 million in 2004-05 and include:

- Provision of four sales tax free weeks instead of a permanent exemption on clothing and footwear (\$400 million); and
- Reimposition of an assessment on hospital and home care revenues and an increase to the existing reimbursable nursing home revenue assessment to support health care programs (\$323 million).

The 2004-05 Financial Plan includes a total of \$1.51 billion in nonrecurring actions including:

- The shift of various pay-as-you-go capital projects to bond financing (\$283 million);
- A continuation of the legislative delay of the last Medicaid cycle payable at the end of the 2004-05 fiscal year (\$190 million);
- Additional revenues produced by the 2003-04 tobacco bond sale transaction (\$181 million);
- Implementation of an alternative proposal to provide support for New York City which eliminates legal uncertainty and protects LGAC bondholders while preserving expected City resources (\$170 million);
- Legislation to reverse the effect of the recent "Meyers" decision to eliminate delays in collecting tax payments (\$50 million); and,
- All other proposals include using available resources of the Power Authority of the State of New York (PASNY) to help finance the "Power-for-Jobs" program (\$100 million), sweeps of available fund balances (\$72 million) and continuation of bond issuance charges (\$50 million).

In addition, surplus reserves from the Housing Finance Agency (HFA) will be available in 2004-05 and used to lower the projected 2005-06 outyear gap.

THE 2003-04 FINANCIAL PLAN UPDATE

SUMMARY OF MAJOR 2003-04 CHANGES SINCE THE ENACTED BUDGET

In the Enacted Budget, DOB projected a potential imbalance in the General Fund of roughly \$900 million in 2003-04 prior to the anticipated receipt of Federal Funds from the Federal economic stimulus legislation. The stimulus package provided \$1.07 billion of fiscal relief to the State, including \$645 million in one-time Federal revenue sharing payments and \$422 million from a 15-month increase in the Federal matching rate on Medicaid costs (FMAP). An additional \$170 million of fiscal savings occurred from the delay in providing payments to New York City associated with the LGAC/Municipal Assistance Corporation (MAC) transaction for a total benefit of \$1.24 billion. All other revisions since the Enacted Budget resulted in no significant change to budget balance, and incorporate a slightly improved receipts forecast, higher spending in Medicaid, welfare and TAP, and lower spending in State Operations and debt service. DOB's current receipts projection assumes significant growth in tax receipts for the remainder of the year.

Thus, the net positive impact of \$1.24 billion, mostly from the Federal stimulus package, eliminated the potential \$912 million General Fund Enacted Budget imbalance, allowed a maximum deposit of \$84 million to the rainy day fund and generated a \$261 million surplus to help lower the 2004-05 budget gap.

RECAP OF 2003-04 GENERAL FUND SAVINGS/(COSTS) (millions of dollars)	
Enacted Budget Potential Imbalance	(912)
Federal Revenue Sharing	645
Federal FMAP	422
Sub-Total After Federal Aid	155
LGAC/MAC Payment Delay	170
All Spending Changes	(17)
All Receipts Changes	37
Deposit to Rainy Day Fund	(84)
Total to Help Balance 2004-05	261

At the time of the Enacted Budget, DOB projected 2003-04 All Governmental Funds spending at \$96.4 billion after reflecting legislative spending additions and the 2002-03 payment deferrals versus the legislative projection of \$92.8 billion. Based on actual results to date, All Funds spending is currently projected at \$98.3 billion, an increase of \$1.9 billion since the initial projections. This increase is primarily attributable to higher projected spending in Medicaid for direct program needs, upward re-estimates to Federal grant levels, and higher Federal matching aid related to the one-time FMAP increase (\$1.20 billion); an increase of Federal pass-through aid for the World Trade Center attacks (\$556 million); and growth in Federal aid for education (\$515 million) and child care spending (\$126 million). These increases are partially offset by lower projected disbursements from the Community Projects Fund (CPF) (\$300 million). All other spending increases and decreases result in no material change to total spending.

Revenue proposals added by the Legislature that DOB considered to be speculative and did not value in 2003-04, including Indian reservation taxes (\$164 million), VLTs (\$150 million) and intangible holding companies (\$115 million), have not yet generated any material revenues in 2003-04 consistent with initial DOB projections as detailed below.

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ESTIMATED IMPACT OF ENACTED BUDGET REVENUE PACKAGE ALL FUNDS TAX RECEIPTS - SFY 2003-04 (millions of dollars)		
	2003-04 Enacted	2003-04 Revised
Temporary PIT Increase	1,400	1,115
Sales Tax 0.25 Percent	451	445
Clothing	449	441
VLTs (Tracks Only)	0	0
Insurance Premiums Tax	158	158
Recapture of Bonus Depreciation	58	58
Intangible Holding Companies	0	0
Indians - Cigarettes and Gas	0	0
LLC's Filing Fees and Single Member	26	26
Non-Resident Partnership Withholding	15	15
Non-Resident Sales of Real Property	0	7
City Portion of Excise Tax	7	7
Reduced Refund for Late Refunds	5	5
Use Tax Line on PIT Return	0	0
SUV Decoupling	1	1
Regulatory Fees (Racing)	2	2
Six-Day Liquor Sales	0	1
Streamlined Sales Tax	0	0
Grand Total	2,572	2,281

The detail on all spending and revenue changes since the Enacted Budget are reflected in the Quarterly Financial Plans released in July, October and in this Overview. The following table provides a summary recap of all General Fund changes since the Enacted Budget, as reflected in each Quarterly Financial Plan Update published by DOB.

RECAP OF 2003-04 YEAR CHANGES SINCE ENACTED BUDGET GENERAL FUND (millions of dollars)				
	July	October	January	Total
Potential Enacted Budget Imbalance	(912)	0	0	(912)
Federal Revenue Sharing	645	0	0	645
Federal FMAP	371	51	0	422
LGAC Payment Delay	170	0	0	170
Member Items	100	0	0	100
Revenue Forecast	(193)	30	200	37
Medicaid	(100)	(54)	0	(154)
Welfare	(40)	(31)	0	(71)
Health Insurance	(26)	0	0	(26)
Lottery	(15)	15	0	0
TAP	0	(31)	0	(31)
State Operations	0	0	87	87
Debt Service **	0	0	26	26
All Other	0	20	32	52
Total	0	0	345	345
Deposit to TSRF				(84)
Net Surplus (used in 2004-05)				261

**\$47 million of debt service costs appear as lower receipts transfers in the January estimate.

SUMMARY OF CHANGES SINCE OCTOBER UPDATE

DOB has revised the 2003-04 Financial Plan (the "January Update") based on a review of actual operating results through mid-January 2004, and an updated analysis of underlying economic, revenue and spending trends. DOB projects the State will end the 2003-04 fiscal year with General Fund cash resources of \$345 million above the levels projected in the Mid-Year Financial Plan Update issued October 28, 2003 (the "October Update"). Of this amount \$261 million will reduce the 2004-05 budget gap and the remaining \$84 million will be deposited to the Tax Stabilization Reserve Fund (the State's "rainy day reserve").

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Total 2003-04 spending is projected at \$42.06 billion in the General Fund and \$62.11 billion in State Funds. Since the October Update, projected spending has been adjusted downward by \$392 million in the General Fund and \$752 million in State Funds. All Governmental Funds spending, projected to total \$98.29 billion in 2003-04, has been revised upward by \$314 million. These changes, as detailed below, consist primarily of higher Federal spending in education and Medicaid, offset by lower State-supported spending for the Community Projects Fund, State Operations, and debt service.

The projected General Fund closing balance of \$1.01 billion consists of \$794 million in the Tax Stabilization Reserve Fund (the Rainy Day Fund), \$200 million in the CPF, and \$20 million in the Contingency Reserve Fund for litigation (CRF). The projected increase of \$284 million from the October Update reflects an additional \$200 million balance in the CPF resulting from spending delays and a planned deposit of \$84 million to the Rainy Day Fund (the eighth deposit in the last nine years). In addition, an additional deposit of \$661 million to the Tax Refund Reserve Account will be made at year-end to account for the movement of \$400 million in tobacco securitization proceeds planned for use in 2004-05 and the 2003-04 cash surplus of \$261 million to help balance the 2004-05 fiscal year.

DETAIL OF 2003-04 CHANGES SINCE THE OCTOBER UPDATE

Current revenue and spending estimates for the General Fund, State Funds and All Governmental Funds are detailed below.

2003-04 REVENUE ESTIMATES (millions of dollars)			
	October Update	January Update	Change from October Update
General Fund	42,367	42,259	(108)
State Funds	62,647	62,394	(253)
All Governmental Funds	98,322	99,053	731

General Fund revenues are projected to total \$42.26 billion in 2003-04 and have been revised downward by \$108 million from the October Update. The net decrease reflects an increase in PIT receipts (\$235 million) before a \$661 million deposit to the Refund Reserve Account, Estate Taxes (\$60 million) and higher transfers to the General Fund related to the Real Estate Transfer Tax (\$35 million). These increases are offset by reductions in User Taxes (\$90 million) and Business Taxes (\$41 million). Adjusting for the impact of the Refund Reserve transaction and transfers to other funds, tax receipts have increased by roughly \$200 million from the October Update.

Excluding the impact of the Refund Reserve transactions, All Funds tax receipts are expected to increase by \$3.06 billion, or 7.7 percent in 2003-04. Over \$2.16 billion or 70 percent of this increase is the result of tax actions adopted in the 2003-04 Enacted Budget.

Total State Funds receipts are now projected to be \$62.39 billion, a decrease of \$253 million from the October Update. This revision reflects State Funds receipts growth resulting from higher than anticipated revenues for CUNY (\$141 million), additional State University of New York (SUNY) receipts primarily due to the use of bond funds to support SUNY capital equipment spending (\$66 million), and higher than anticipated deposits from HCRA pools to a dedicated Special Revenue Fund (SRF) that supports spending for the Family Health Plus (FHP) health care program for low income families (\$80 million). These increases are offset by a decline in Capital Projects Fund receipts resulting from the exclusion of capital projects receipts and disbursements in a manner consistent with the practice by OSC for reporting actual results, a reduction in miscellaneous receipts to HCRA where a nonrecurring transfer from the General Fund financed legislative restorations for health care (\$128 million), and the General Fund decrease described above.

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All Governmental Funds receipts are projected to total \$99.05 billion, an increase of \$731 million from the October Update, consisting mainly of upward revisions to the estimates of Federal aid for education (\$518 million), Medicaid (\$379 million), and children and families services (\$142 million). Federal receipts are generally assumed to be received in the state fiscal year in which spending is projected to occur; therefore, the revisions to Federal receipts correspond to the federally-reimbursed spending adjustments described below.

2003-04 SPENDING ESTIMATES (millions of dollars)			
	October Update	January Update	Change from October Update
General Fund	42,452	42,060	(392)
State Funds	62,864	62,112	(752)
All Governmental Funds	97,979	98,293	314

Spending in the General Fund is projected to total \$42.06 billion in 2003-04, a decrease of \$392 million from the October Update. The revisions include lower estimated spending from the CPF (\$200 million) now projected to occur in 2004-05, which does not affect budget balance since the resources required to pay this spending have already been set aside in a separate account. The remaining decrease of \$192 million primarily reflects: a net reduction in State Operations spending (\$87 million) including increased mental hygiene offsets, lower spending for the Judiciary, and a net reduction in costs across several agencies from the ongoing statewide austerity measures; lower debt service costs provided from debt management actions (\$73 million); and downward reestimates to all other transfers (\$41 million), offset by a projected deficiency in nonpublic school aid (\$16 million).

State Funds spending is projected to total \$62.11 billion in 2003-04, a decrease of \$752 million from the October Update. This downward revision includes lower capital projects spending estimates to conform with OSC's accounting methods and the decrease in General Fund spending described earlier.

All Governmental Funds spending in 2003-04 is projected at \$98.29 billion. The increase of \$314 million from the October Update for federally-funded programs consists of: higher than anticipated disbursements for education (\$518 million); Medicaid costs relating to the 15-month increase in the Federal matching rate (\$379 million), and child care spending (\$142 million). These Federal increases are partially offset by the State Funds decline described above.

2002-03 GENERAL FUND PAYMENT DEFERRALS

While total spending projections include the 2002-03 payment deferrals, the 2003-04 spending estimates within various programmatic areas have been adjusted to exclude the spending associated with this deferral which resulted from the delay in securing authorization to issue tobacco bonds. The adjustment, as detailed below, avoids distorting annual growth trends in a particular program area.

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2002-03 GENERAL FUND PAYMENT DEFERRALS (millions of dollars)	
School Aid	1,312
CUNY Senior Colleges	219
Medicaid - Mentally Disabled Payments	82
Welfare - Administration	38
Empire State Development Corporation	35
Education - All Other	30
Education - Preschool Special Education	24
HESC	10
Division of Military and Naval Affairs	10
Welfare	8
All Other Local Assistance	58
Total Local Assistance	1,826
State Police	26
World Trade Center	9
All Other State Operations	2
Total State Operations	37
General State Charges	33
Capital Projects	4
Total 2002-03 Payment Deferrals	1,900

ECONOMIC OUTLOOK

U.S. ECONOMY

Following an unusually sluggish recovery period, the U.S. economy finally appears to be on a sustainable expansionary path. Since the simultaneous collapse of equities and the high-tech sector in 2000, the national economy absorbed three additional but distinct shocks: the September 11th terrorist attacks, a string of corporate governance scandals, and the war in Iraq and its aftermath. These events created an environment of uncertainty that lengthened the period of adjustment for the business sector from the unrealistic expectations of the late 1990s. However, the climate of uncertainty appears to have subsided and business confidence appears to be improving. Equity prices are rising in response to brisk profit growth and monetary policy is expected to remain accommodative. Household spending is expected to rise, supported by rising employment and incomes, and the continued impact of the 2003 tax cuts. Finally, the combined impact of a moderately falling dollar and accelerating growth in the world economy is expected to increase the demand for U.S. exports in 2004, although on balance, the trade deficit is projected to widen.

Strong real GDP growth of 4.7 percent is projected for 2004, following growth of 3.1 percent for 2003. Total nonagricultural employment is projected to rise 1.1 percent in 2004, following a decline of 0.2 percent in 2003. The U.S. unemployment rate is expected to decline to 5.7 percent in 2004, from 6.0 percent in 2003. Persistent slack in the economy and declining oil prices are expected to lower the inflation rate, as measured by growth in the Consumer Price Index (CPI), to 1.8 percent in 2004 from 2.3 percent in 2003. Personal income is expected to increase 4.7 percent in 2004 following an increase of 3.3 percent in 2003.

THE NEW YORK STATE ECONOMY

The New York State economy is slowly emerging from recession. The long recovery from September 11th and the loss of momentum in the national recovery due to corporate governance scandals and international tensions resulted in a lengthening of the State's recession. However, employment losses have stabilized and growth is evident in several sectors. State nonagricultural employment is projected to rise 0.8 percent in 2004, the first increase in four years. Moreover, with the first sustained rise in equity prices in three years and interest rates remaining low, the outlook for the finance industry has brightened, improving prospects for bonuses and wages. Bonuses in the finance and insurance sector

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are projected to rise 11.7 percent in 2004-05, following growth of 23.2 percent for 2003-04. Total New York wages are expected to grow 5.1 percent in 2004, the best performance in four years. Personal income is also expected to increase by 5.1 percent in 2004, primarily reflecting the strength in wage growth. Consistent with national trends, inflation in New York is projected to fall from 2.8 percent in 2003 to 2.1 percent in 2004.

A detailed account of the economic forecast is contained later in this volume (see Explanation of Receipts Estimates).

THE 2004-05 FINANCIAL PLAN

This section provides a comprehensive explanation of the Financial Plan activity within key functional areas (e.g. Medicaid) across all governmental fund types. The State accounts for all budgeted receipts and disbursements that support programs and other administrative costs of running State government within the All Governmental Funds type. The All Governmental Funds, comprised of funding supported by State Funds and Federal Funds, provides the most comprehensive view of the financial operations of the State. State Funds includes the General Fund, which is the principal operating fund of the State, and other State-supported funds including State SRFs, Capital Projects Funds and Debt Service Funds. A more detailed explanation of the State's fund structure is provided later in this Overview under the section entitled "Explanation of the Financial Plan tables."

RECEIPTS OUTLOOK

TOTAL RECEIPTS (millions of dollars)				
	2003-04	2004-05	Annual Change	% Change
General Fund	42,259	41,835	(424)	(1.0)
State Fund	62,394	63,137	743	1.2
All Governmental Funds	99,053	99,516	463	0.5

All Governmental Funds receipts are estimated to reach \$99.05 billion in 2003-04, an increase of \$10.98 billion (12.5 percent) from 2002-03. The increase reflects both gradually improving economic conditions and significant policy actions taken with the 2003-04 Enacted Budget. These actions included \$4.20 billion in tobacco securitization proceeds as well as temporary increases in PIT rates and in the base and rate of the sales tax. The estimate is \$731 million above the October estimate as discussed previously.

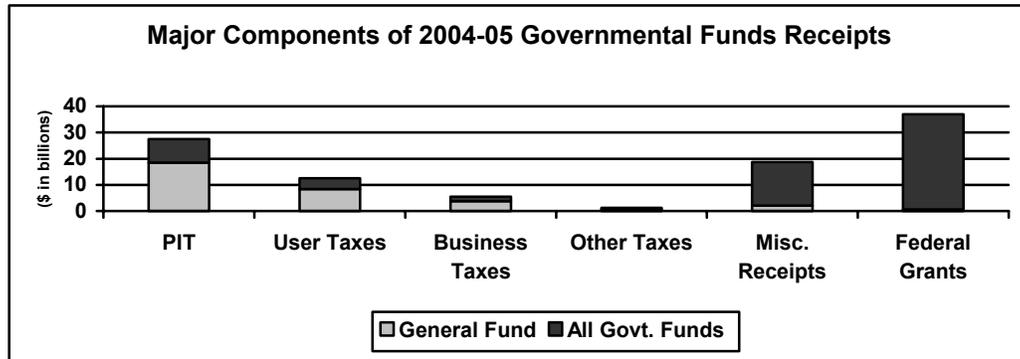
General Fund receipts are estimated to reach \$42.26 billion in 2003-04, an increase of \$4.86 billion (13.0 percent) from 2002-03. The increase is largely the result of the collection of \$4.2 billion in tobacco securitization proceeds and \$645 million in Federal revenue sharing grants. This estimate is \$108 million below the October estimate. Adjusting for the Refund Reserve transaction and transfers out of the General Fund, tax receipts are expected to exceed October estimates by \$200 million.

All Governmental Funds receipts are projected to reach \$99.52 billion in 2004-05, an increase of \$463 million (0.5 percent) from 2003-04. The small net increase is due to the one-time nature of tobacco securitization and federal revenue sharing received in 2003-04 offset by expected improvements in economic conditions that will increase tax receipts significantly, and by revenue actions taken with the 2003-04 budget.

General Fund receipts are projected to reach \$41.83 billion in 2004-05, a decrease of \$424 million (1.0 percent) from 2003-04. The major source of the annual change in the General Fund is the impact of the \$4.2 billion in tobacco securitization proceeds and \$645 million from Federal revenue sharing grants, which were received in 2003-04, but will not recur in 2004-05. This loss is offset, in part, by increased receipts from both the PIT and Sales Tax, as a result of temporary tax increases adopted as part of the 2003-04 Enacted

FINANCIAL PLAN OVERVIEW

Budget. Overall, improved economic performance and a resurgence in financial service sector compensation are also expected to increase 2004-05 receipts. For a more detailed description of all receipts sources, please see the Explanation of Receipts section later in this volume.



Total Governmental Receipts comprise revenues from the PIT (\$27.46 billion), user taxes and fees (\$12.48 billion), business taxes (\$5.44 billion), other taxes (\$1.22 billion), miscellaneous receipts (\$16.64 billion), and Federal Grants (\$36.26 billion). As can be seen in the chart, a significant share of receipts are deposited into non-General Fund accounts.

ALL GOVERNMENTAL FUNDS 2003-04 TAX RECEIPTS ESTIMATES (millions of dollars)								
	All Governmental Funds				General Fund			
	2002-03 Actual	2003-04 Revised	Annual Change	Percent Change	2002-03 Actual	2003-04 Revised	Annual Change	Percent Change
Personal Income Tax (PIT)	23,698	24,083	385	1.6%	16,791	15,791	(1,000)	(6.0)%
PIT (Excluding Refund Reserve)	22,648	24,660	2,012	8.9%	15,741	16,368	627	4.0%
User Taxes and Fees	10,804	11,816	1,012	9.4%	7,063	7,897	834	11.8%
Business Taxes	4,983	4,983	0	0.0%	3,380	3,395	15	0.4%
Other Taxes	1,191	1,234	43	3.7%	743	784	41	5.5%
Total Taxes	40,676	42,116	1,440	3.5%	27,977	27,867	(110)	(0.4)%
Total Taxes (Excluding Refund Reserve)	39,626	42,692	3,066	7.7%	26,927	28,444	1,517	5.6%

ALL GOVERNMENTAL FUNDS 2004-05 TAX RECEIPTS ESTIMATES (millions of dollars)								
	All Governmental Funds				General Fund			
	2003-04 Revised	2004-05	Annual Change	Percent Change	2003-04 Revised	2004-05	Annual Change	Percent Change
Personal Income Tax (PIT)	24,083	27,462	3,379	14.0%	15,791	18,520	2,729	17.3%
PIT (Excluding Refund Reserve)	24,660	26,769	2,109	8.6%	16,368	17,827	1,459	8.9%
User Taxes and Fees	11,816	12,483	667	5.7%	7,897	8,340	443	5.6%
Business Taxes	4,983	5,440	457	9.2%	3,395	3,739	344	10.1%
Other Taxes	1,234	1,223	(11)	(0.9)%	784	762	(22)	(2.8)%
Total Taxes	42,116	46,608	4,492	10.7%	27,867	31,361	3,494	12.5%
Total Taxes (Excluding Refund Reserve)	42,692	45,913	3,221	7.5%	28,444	30,668	2,224	7.8%

Personal Income Tax

PIT net receipts for 2003-04 are estimated to reach \$24.08 billion, an increase of \$385 million (1.6 percent) from 2002-03 due largely to a modestly improved economic environment and the first-year impact of the temporary three-year PIT increase enacted in 2003. The increase is partially offset by a \$1.63 billion lower contribution from the Refund Reserve account. Net of Refund Reserve transactions, All Funds income tax receipts are expected to grow 8.9 percent over 2002-03 results. The estimate is \$235 million above the October Update forecast (adjusting for Refund Reserve transactions).

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PIT General Fund receipts for 2003-04 are estimated to reach \$15.79 billion, a decrease of \$1 billion (5.9 percent) from 2002-03, due to the positive factors affecting All Funds receipts, more than offset by increased RBTF and STAR deposits of \$1.2 billion and \$171 million, respectively.

PIT net receipts for 2004-05 are projected to reach \$27.46 billion, an increase of \$3.38 billion (14.0 percent) from 2003-04 due largely to three factors: an increase in underlying liability growth associated with improved economic conditions; the temporary three-year tax increase enacted in 2003; and a \$1.27 billion higher contribution from the Refund Reserve account. Net of the Refund Reserve transaction, All Funds income tax receipts are projected to increase by 8.6 percent over 2003-04.

PIT General Fund receipts for 2004-05 (net of the Refund Reserve transaction) are projected to reach \$17.83 billion, an increase of \$1.46 billion (8.9 percent) from 2003-04, due to the factors affecting All Funds receipts, somewhat offset by increased Revenue Bond Tax Fund (RBTF) and STAR deposits of \$487 million and \$163 million, respectively.

User Taxes and Fees

All Governmental Funds user taxes and fees receipts are estimated to reach \$11.82 billion, an increase of \$1.01 billion (9.4 percent) from 2002-03. The sales and use tax increased an estimated \$1.03 billion (11.7 percent) from 2002-03, due mainly to modest improvement in the economy, the impact of the 0.25 percent surcharge imposed in 2003 (raising the State sales tax rate to 4.25 percent), and the substitution of tax-free weeks for clothing and footwear items costing less than \$110 for the permanent exemption of clothing and footwear costing less than \$110. The remainder of this category declined by an estimated \$15 million (0.7 percent), due mainly to declines in taxable cigarette consumption. The estimate is \$91 million below the October Update estimate.

General Fund user taxes and fees net receipts are estimated to reach \$7.9 billion, an increase of \$834 million (11.8 percent) from 2002-03. The sales and use tax increased an estimated \$850 million (13.4 percent) from 2002-03, due mainly to the 0.25 percent surcharge and the changes to the clothing and footwear exemption. The other user taxes and fees declined by an estimated \$16 million (2.2 percent), due mainly to declines in taxable cigarette consumption.

All Funds user taxes and fees net receipts for 2004-05 are projected to reach \$12.48 billion, an increase of \$667 million (5.7 percent) from 2003-04. The sales and use tax is projected to increase \$662 million (6.8 percent) from 2003-04 due largely to increases in employment, income and overall consumption, which expanded the estimated taxable base. The 2004-05 projections include the proposed impact of retaining the clothing exemption for specified tax-free weeks at a higher threshold of \$500 per item. The other user taxes and fees are projected to increase \$5 million (0.2 percent) from 2003-04.

General Fund user taxes and fees net receipts for 2004-05 are projected to reach \$8.34 billion, an increase of \$443 million (5.6 percent) from 2003-04. The sales and use tax is projected to increase \$488 million (6.8 percent) from 2003-04 due to increased economic growth and the recommended changes to the clothing and footwear exemption. The other user taxes and fees are projected to decrease \$44 million (6.2 percent) from 2003-04, due mainly to the increased dedication of motor vehicle fee receipts to transportation funds.

Business Taxes

All Governmental Funds business tax receipts are expected to reach \$5.0 billion in 2003-04, which is unchanged from 2002-03. Receipts are estimated to have remained roughly flat due to the offsetting impacts of weak profit performance in the corporate and

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banking sector in 2002 and 2003 with increased insurance tax collections associated with policy actions adopted in 2003. The estimate is \$38 million below the October Update forecast as actual results continue to lag expectations.

General Fund business tax receipts in 2003-04 are estimated to be \$3.39 billion, or \$15 million (0.43 percent) over 2002-03. Receipts are slightly higher, due primarily to an increase in insurance tax collections as a result of tax restructuring.

All Governmental Funds business tax receipts in 2004-05 are expected to be \$5.39 billion, or \$411 million (8.3 percent) above 2003-04. This is primarily because of the anticipated increase in insurance tax receipts associated with continued premium growth and the expectation of strengthening corporate and bank profitability.

General Fund business tax receipts in 2004-05 are projected to be \$3.74 billion, or \$344 million (10.1 percent) over 2003-04. This is due primarily to tax law changes enacted in 2003-04 relating to intangible income and the de-coupling from certain Federal tax provisions, and the expectation of strengthening corporate and bank profits.

Other Taxes

All Funds other taxes, which include estate, pari-mutuel, gift, real property gains, real estate transfer, and racing admissions/boxing and wrestling exhibition taxes, are estimated at \$1.23 billion in 2003-04, an increase of \$43 million (3.7 percent) over 2002-03. The increase is primarily caused by an increase in the collections of the estate tax, which reflects an increase of equity values that improves the value of estates. The estimate is \$93 million above the October Update forecast.

General Fund other taxes, which include estate, pari-mutuel, gift, real property gains, and racing admissions/boxing and wrestling exhibition taxes, are estimated at \$784 million in 2003-04, an increase of \$41 million (5.5 percent) over 2002-03. The increase is principally caused by a boost in the collections of the estate tax, which reflects an increase of market equity values from the recent improvement of the economy.

The estimate for All Funds other taxes in 2004-05 is \$1.22 billion, which is \$11 million (0.9 percent) below 2003-04. The decline is the result of a projected decrease in estate tax collections of \$22 million partially offset by a projected increase in real estate transfer tax receipts of \$11 million. This estimate reflects an anticipated leveling off of market equity values in the second half of 2004-05.

The estimate for General Fund other taxes in 2004-05 is \$762 million, which is \$22 million (2.8 percent) below 2003-04. This estimate also reflects an anticipated leveling off of market equity values in the second half of 2004-05.

MISCELLANEOUS RECEIPTS (millions of dollars)				
	2003-04	2004-05	Annual Change	% Change
General Fund	5,970	2,087	(3,883)	(65.0)
State Funds	19,621	16,517	(3,104)	(15.8)
All Governmental Funds	19,750	16,643	(3,107)	(15.7)

All Governmental Funds miscellaneous receipts for 2003-04 are projected to reach \$19.75 billion, an increase of \$5.60 billion (39.6 percent) from 2002-03. This increase primarily reflects the one-time receipt of tobacco securitization proceeds in the General Fund totaling \$4.2 billion and projected growth of \$1.40 billion in other State Funds. The revision reflects an increase of \$195 million (1.0 percent) from the October Update, composed of the General Fund increase of \$400 million from the acceleration of tobacco securitization proceeds offset by the projected decline of \$205 million in other State funds.

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Miscellaneous receipts in State Funds are projected at \$19.62 billion, an increase of \$5.62 billion (40.1 percent) from 2002-03. This increase is comprised of the net increase in the General Fund described below augmented by the projected growth of \$1.74 billion in other State funds. Growth in other State funds includes higher receipts in transportation (\$870 million), SUNY (\$435 million), school aid (\$113 million), CUNY (\$87 million), and modest increases in numerous other programs. The estimate represents an increase of \$197 million (1.0 percent) from the October Update. This increase from October is comprised of the General Fund changes described above, offset by the \$225 million decrease in State Funds. This downward revision includes lower capital receipts estimates to conform with OSC's accounting methods (\$325 million), partially offset by higher than anticipated revenues for CUNY (\$141 million) and use of bond funds to support SUNY capital equipment spending (\$66 million).

General Fund miscellaneous receipts for 2003-04 are estimated to reach \$5.97 billion, including \$4.2 billion in tobacco securitization proceeds, an increase of \$3.88 billion (65.0 percent) from 2002-03. With tobacco securitization proceeds excluded, miscellaneous receipts are estimated to decrease by \$321 million (15.4 percent) from 2002-03, largely due to lower collections in unclaimed and abandoned property. This estimate is \$423 million above the October estimate, primarily the result of \$400 million in tobacco securitization proceeds which were originally deposited in 2003-04 and will be used as anticipated in 2004-05.

All Governmental Funds miscellaneous receipts for 2004-05 are projected to reach \$16.64 billion, a decrease of \$3.10 billion (15.7 percent) from 2003-04. This decrease is primarily due to the one-time receipt of tobacco bond proceeds in 2003-04 of \$4.2 billion, offset by projected growth of \$779 million in other State funds.

Miscellaneous receipts in State Funds are projected at \$16.52 billion in 2004-05, a decline of \$3.10 billion (15.8 percent) from the current year. This net decrease is comprised of the decrease in the General Fund described above, offset by \$779 million in State funds growth. Growth in other State funds includes higher receipts in lottery for anticipated VLT proceeds (\$240 million), increased provider assessments reflecting the proposed assessments on nursing home, hospital and home care revenues (\$258 million), and additional HCRA financing of health care costs (\$279 million).

General Fund miscellaneous receipts are projected to total \$2.09 billion in 2004-05, a decrease of \$3.88 billion (65.0 percent) from the current fiscal year. This decrease is due largely to the tobacco securitization proceeds described above. Excluding these proceeds, General Fund miscellaneous receipts would increase by \$317 million. This increase is due primarily to increased collections of Licenses and Fees, and an additional payment of \$100 million from PASNY to offset the remaining cost of the "Power for Jobs" program.

TRANSFERS FROM OTHER FUNDS				
(millions of dollars)				
	2003-04	2004-05	Annual Change	Percent Change
PIT in Excess of Revenue Bond Debt Service	5,242	5,628	386	7.4
Sales Tax in Excess of LGAC Debt Service	1,944	2,047	103	5.3
Real Estate Taxes in Excess of CW/CA Debt Service	247	240	(7)	2.8
All Other Transfers	344	472	128	37.2
Total Transfers from Other Funds	7,777	8,387	610	7.8

Transfers to the General Fund from PIT receipts deposited to the RBTF in excess of debt service payable on State PIT Bonds is projected at \$5.63 billion, an increase of \$386 million from 2003-04. This increase is attributable to overall growth in personal income taxes, partially offset by a \$102 million increase in debt service costs on those bonds.

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The \$103 million annual increase in transfers to the General Fund of sales tax receipts deposited to the Local Government Assistance Tax Fund in excess of debt service due on LGAC bonds is attributable to overall growth in sales tax receipts partially offset by a \$16 million increase in debt service costs on LGAC bonds. These transfers are projected to total \$2.0 billion in 2004-05.

Transfers to the General Fund of receipts from the real estate transfer tax deposited to the Clean Water/Clean Air (CW/CA) Debt Service Fund in excess of debt service due on those general obligation bonds is projected to total \$240 million, a decrease of \$7 million from 2003-04. This decrease reflects overall growth in real estate transfer taxes, partially offset by a \$18 million increase in debt service costs.

All other transfers are projected to total \$472 million in 2004-05, an increase of \$127 million. This is due primarily to one-time fund sweeps (\$91 million), a transfer from SUNY to reimburse the General Fund for equipment costs (\$90 million) and increased transfers from the Waste Tire Management and Recycling program (\$20 million), partially offset by a \$59 million decrease in the transfer from the Environmental Protection Fund (EPF).

FEDERAL GRANTS (millions of dollars)				
	2003-04	2004-05	Annual Change	Percent Change
General Fund	645	0	(645)	(100.0)
State Funds	657	12	(645)	(98.2)
All Governmental Funds	37,187	36,265	(922)	(2.5)

All Governmental Funds Federal grants for 2003-04 are projected to reach \$37.19 billion, an increase of \$3.94 billion (11.8 percent) from 2002-03. This increase primarily reflects growth in federal spending in the following program areas: Medicaid (\$2.44 billion), World Trade Center pass-through costs (\$885 million), and the increase in the General Fund described below. The estimate represents an increase of \$997 million (2.8 percent) from the October Update consisting mainly of upward revisions to the estimates of Federal aid for education (\$518 million), Medicaid (\$379 million), and children and family services (\$142 million).

Federal Grants reported in State Funds are projected at \$657 million in 2003-04, an increase of \$657 million from 2002-03. This increase reflects primarily the one-time Federal revenue sharing payments received in 2003-04. This estimate has been revised modestly from the October Update (\$12 million).

Federal Grants in the General Fund are projected at \$645 million in 2003-04, an increase of \$645 million from 2002-03. This increase reflects the one-time Federal revenue sharing payments received in 2003-04. The estimate remains unchanged from the October Update.

All Governmental Funds Federal grants for 2004-05 are projected to reach \$36.27 billion, a decrease of \$922 million (2.5 percent) from 2003-04. This decrease reflects primarily the General Fund decrease of \$645 million from the current fiscal year, augmented by the decrease in World Trade Center pass-through costs (\$200 million).

Federal Grants in State Funds are projected at \$12 million, a decline of \$633 million (96.3 percent) from the current year. This net decrease is comprised primarily of the decrease in the General Fund described above.

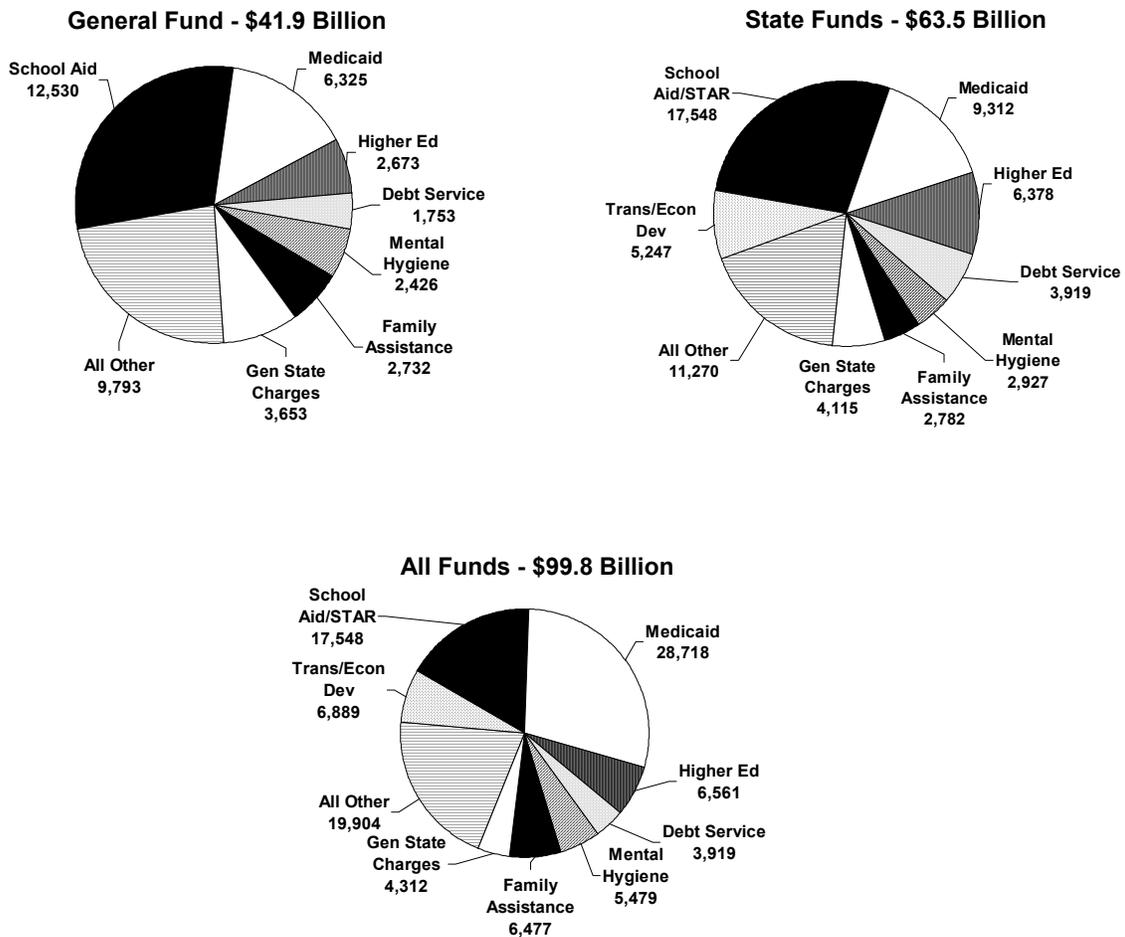
There are no projected Federal Grants in 2004-05 in the General Fund, a decrease of \$645 million from the current fiscal year. This decrease reflects the loss of the one-time Federal revenue sharing payments received in 2003-04.

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DISBURSEMENTS OUTLOOK

TOTAL DISBURSEMENTS (millions of dollars)				
	2003-04 Revised	2004-05 Proposed	Actual Annual Change	Actual Percent Change
General Fund	42,060	41,885	(175)	(0.4)
State Funds	62,112	63,498	1,386	2.2
All Governmental Funds	98,293	99,806	1,513	1.5

The Financial Plan projections assume that the 2004-05 Executive Budget and all accompanying proposals are enacted in their entirety. Absent the Executive Budget recommendations designed to reduce the growth in annual spending, General Fund spending would increase by more than \$3 billion over 2003-04. (See “Sources of the 2004-05 Budget Gap” earlier in this Overview.) The following charts show the budget spending levels for 2004-05 by major function.



The major sources of annual spending changes between 2003-04 and 2004-05 (after reflecting all Executive Budget recommendations) are summarized in the table below. The 2003-04 projected spending totals are consistent with the reporting of actuals by OSC. Results within program areas (e.g. school aid, CUNY, Medicaid) are adjusted to eliminate the impact of the 2002-03 payment deferrals described earlier and provide a comparable basis of the annual change in each program area.

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SPENDING PROJECTIONS -- AFTER RECOMMENDED SAVINGS MAJOR SOURCES OF ANNUAL CHANGE (millions of dollars)			
	General Fund	State Funds	All Governmental Funds
2003-04 Revised Estimate	42,060	62,112	98,293
Medicaid	373	672	738
Mental Hygiene	299	342	233
Debt Service	285	566	566
Employee Health Insurance	255	255	255
Higher Education	206	304	58
Pensions	184	184	184
School Aid	169	278	278
All Other	(46)	685	1,101
2002-03 Payment Deferrals	(1,900)	(1,900)	(1,900)
2004-05 Executive Budget	41,885	63,498	99,806
Annual \$ Change	(175)	1,386	1,513
Annual % Change	(0.4%)	2.2%	1.5%

Primary sources of the annual change in projected disbursements are concentrated in the major areas of spending as detailed below.

Medicaid

DEPARTMENT OF HEALTH MEDICAID SPENDING PROJECTIONS (millions of dollars)				
	Adjusted 2003-04	2004-05	Annual Change	Percent Change
General Fund	5,952	6,325	373	6.3
Other State Support	2,688	2,987	299	11.1
State Funds	8,640	9,312	672	7.8
Federal Funds	19,340	19,406	66	0.3
All Governmental Funds	27,980	28,718	738	2.6

Medicaid, the single most expensive program budgeted in New York State, finances health care for low-income individuals, long-term care for the elderly, and services for disabled individuals, primarily through payments to health care providers.

New York's Medicaid program is financed jointly by the Federal government, the State, and counties (including New York City). Total Medicaid financing (including administrative costs) from all sources is projected to reach \$42.7 billion in 2004-05, consisting of \$21.9 billion in Federal support, \$13.8 billion in State funding, and \$7.0 billion in local government financing. The Financial Plan does not include the local government share of Medicaid funding, but does include the entire Federal share of the program.

Medicaid spending is budgeted principally in the Department of Health (DOH), but also appears in the Office of Mental Health (OMH), the Office of Mental Retardation and Developmental Disabilities (OMRDD), Office of Alcohol and Substance Abuse Services (OASAS) and the State Education Department (SED). Projected Medicaid spending of \$28.72 billion in DOH consists of \$19.4 billion in Federal Funds and \$9.3 billion in State Funds. Medicaid spending by other State agencies and administrative costs account for the remaining \$2.5 billion in Federal and \$4.5 billion in State support.

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SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) IN DOH MEDICAID (millions of dollars)			
	General Fund	Other State Supported Funds	Federal Funds
Inflationary/Utilization/All Other	619	(175)	1,050
Loss of Federal Matching Rate (FMAP)	390		(584)
Nursing Home IGT Phase Out	90		(112)
2003-04 Medicaid Cycle Delay	170		340
2004-05 Medicaid Cycle Delay	(190)		(270)
Assessments	(323)	429	
Additional Support by HCRA	(163)	45	
Pharmacy Cost Containment	(93)		(191)
All Other Cost Containment	(170)		(256)
State Takeover/Increased Support	43		89
Total Annual Change	373	299	66

Inflation/Utilization Growth/All Other: Projected growth of approximately 7.4 percent reflects growth in medical cost inflation and utilization increases for hospitals, nursing homes, managed care programs and prescription drugs. The total Medicaid caseload is projected at 3.7 million in 2004-05, an increase of 5 percent from the current fiscal year. Other changes primarily include a “tobacco guarantee” payment to HCRA to replace the loss of revenue from the securitization of tobacco proceeds (\$118 million).

Loss of Federal Matching Rate (FMAP): Expiration in June 2004 of the temporary 15-month increase in FMAP for Medicaid costs results in higher General Fund costs (\$390 million) and lower spending from Federal Funds (\$584 million). Total projected DOH General Fund savings from FMAP is \$610 million in 2003-04 (another \$80 million offsets in Mental Hygiene Medicaid costs) decreasing to \$220 million in 2004-05. The additional FMAP support lowered Medicaid costs for the State and local governments by \$1.01 billion in 2003-04 and provided \$268 in resources to HCRA in 2003-04.

Nursing Home Intergovernmental Transfer (IGT) Phase Out: The planned phase-out of nursing home intergovernmental transfers implemented in 2001-02 increases General Fund costs by \$90 million and reduces Federal Funds spending by \$112 million (the remaining \$22 million in costs accrue to local governments).

Cycle Payment Delays: The 2003-04 Enacted Budget deferred the last Medicaid cycle from March 31, 2004 into the 2004-05 fiscal year, producing an annual increase of \$170 million. The 2004-05 Executive Budget continues this legislative action by delaying payment of the March 30, 2005 Medicaid cycle until April 1, 2005 (\$190 million).

Assessments: The Executive Budget proposes a restoration of a 0.7 percent assessment on hospital and home care revenues and restoring the nursing home reimbursable assessment from 5.0 percent to 6.0 percent of revenues in order to finance State Medicaid spending. This recommendation lowers General Fund spending by \$323 million and increases costs in the Provider Assessment Special Revenue Fund by \$429 million, which is supported by the assessment revenues.

Additional Support by HCRA: Cost containment initiatives in FHP and the Child Health Plus (CHP) program produce HCRA savings that will support additional General Fund offloads related to pharmacy costs (\$45 million). In addition, other proposed actions to reduce costs of programs supported by HCRA and the receipt of FMAP moneys have reduced the need for General Fund support for HCRA (\$118 million).

Pharmacy Cost Containment: Several proposals to control the rising costs of prescription drugs would reduce spending growth in the General Fund (\$93 million) and Federal Funds (\$191 million). These proposals include establishing a preferred drug program that requires

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manufacturers to provide higher rebates to the State to secure placement of drugs on a preferred drug list; requiring prior authorization for certain high cost drugs; reducing pharmacy reimbursement; and increasing pharmacy co-payments for Medicaid recipients.

All Other Cost Containment: Recommended actions reduce General Fund costs by \$170 million and Federal Funds spending by \$256 million. These actions include General Fund reductions resulting from the elimination of various optional services provided to Medicaid recipients (\$32 million), the payment of Federal Medicare premiums by, and implementation of a managed care program for, individuals who are dually eligible under both the Medicaid and Medicare programs (\$46 million), elimination of long-term care eligibility loopholes (\$25 million), nursing home cost containment initiatives including the elimination of payment “add-ons” for facilities with more than 300 beds and hospital-based facilities (\$22 million), continuing the reduced payment levels to counties for services provided to mentally disabled individuals (\$20 million), implementation of a case management program in partnership with counties for certain high cost individuals (\$8 million), and other cost containment initiatives.

State Takeover/Increased Support: The 2004-05 Executive Budget includes higher General Fund costs for the proposed multi year State takeover of local Medicaid costs of long-term care services (\$24 million) and a revision to the 1993 wage equalization factor used in the calculation of nursing home reimbursement rates (\$19 million).

School Aid

SCHOOL AID SPENDING PROJECTIONS (millions of dollars)				
	Adjusted 2003-04	Projected 2004-05	Annual Change	Percent Change
General Fund	12,361	12,530	169	1.4
Other State Support	1,911	2,020	109	5.7
State Funds	14,272	14,550	278	1.9
All Governmental Funds	14,272	14,550	278	1.9

School aid, the single largest program financed by the General Fund and State Funds, helps support elementary and secondary education provided to New York pupils enrolled in 680 school districts throughout the State. State funding is provided to districts based on aid formulas governed by statute and through reimbursement for various categorical programs.

On a school year basis (July 1 through June 30), support for general school aid is recommended at \$14.6 billion, an increase of \$147 million (1.0 percent) over the current school year. In addition to \$14.6 billion for general school aid, the budget sets aside all revenues from VLTs to support SBE requirements. Based upon VLT facilities now being developed and new ones proposed with the Executive Budget, receipts are projected at \$325 million in the 2004-05 school year, growing to \$2 billion annually over the next five years. To supplement the VLT revenues, New York City will also receive a separate \$100 million SBE matching grant (\$70 million on a State fiscal year basis) as part of its general school aid. General Fund spending in 2004-05 is projected at \$12.53 billion on a State fiscal year basis.

The school aid recommendations to restrain spending growth include targeted reforms in building aid, transportation aid and BOCES to generate savings of \$186 million. Proposed reforms would restrain cost increases for building aid (\$62 million) and transportation aid (\$52 million). Other building aid reforms include establishment of priority-based project selection; a simplified State aid calculation; and a State clearinghouse for more efficient construction practices. Transportation aid reforms build on recent reforms for State reimbursement of school construction to reimburse costs consistent with the useful life of the assets. Other actions in school aid that reduce General Fund costs include recovery of overpayments and one-time State-supported bond financing of transportation capital costs as part of the transition to the new reimbursement program.

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In addition, these recommendations include a Flex Aid program to provide school districts with needed flexibility by consolidating seven separate categories of aid totaling nearly \$10 billion into a single aid program.

The State Lottery Fund contribution is projected at \$1.95 billion, an increase of \$110 million in additional lottery revenues, including \$43 million associated with proposed enhancements to the Quick Draw program. In addition, \$240 million is reserved from VLT revenues (\$325 million on a school year basis) to support SBE reforms.

In addition to the school year totals referenced above, Federal Funds also provide \$2.89 billion in education funding to school districts in 2004-05. This spending includes support for various programs such as: free and reduced price meals to low income children; supplemental funding for educational services to low achieving students; special education services to students with disabilities; professional development activities for teachers; and programs that prevent school violence.

Welfare

WELFARE SPENDING PROJECTIONS (millions of dollars)				
	Adjusted 2003-04	Projected 2004-05	Annual Change	Percent Change
General Fund	1,379	1,423	44	3.2
State Funds	1,379	1,423	44	3.2
Federal Funds	2,049	1,979	(70)	(3.4)
All Governmental Funds	3,428	3,402	(26)	(0.8)

Welfare programs provide a wide range of benefits to poor families including cash assistance grants, child welfare services, tax credits for eligible low-income workers, and services that assist welfare recipients in securing and retaining employment. Funding is also provided for local administration of welfare programs. Total welfare caseload is estimated at 653,041 in 2004-05, an increase of 36,201 from the current fiscal year. Federal assistance consists of funds provided through the TANF block grant.

SOURCES OF ANNUAL SPENDING CHANGES IN WELFARE (millions of dollars)		
	General Fund	Federal Funds
Caseload/Expenditure Growth	125	
Loss of Offsets/TANF	322	(70)
Local Administration	74	
TANF Reprogramming	(372)	
Welfare Eligibility/Benefit Changes	(77)	
All Other	(28)	
Total Annual Change	44	(70)

Caseload/Expenditure Growth: Additional General Fund costs from caseload and expenditure growth reflect a projected 4.7 percent increase in the family caseload, a 10 percent increase in the single adult/childless couples caseload, and 3 percent growth in expenditures per person. Federal funding for welfare is a fixed amount provided through a TANF block grant and does not increase or decrease based on changes in caseload or State expenditures.

Loss of Offsets/TANF: 2004-05 General Fund increases resulting from the loss of TANF in 2003-04 (\$322 million), include the one-time delay in the transfer of TANF funds to the Child Care Block Grant and the availability of one-time unprogrammed TANF initiative funding. The \$70 million decrease in Federal Funds primarily reflects this reduced Federal funding available to support TANF-funded initiatives.

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Local Administration Funding: Additional General Fund costs reflect increased funding for welfare employment and other initiatives (\$63 million) and the use of one-time administration credits in 2003-04 (\$56 million), which are partially offset by the annualization of the reduction in local administrative reimbursement enacted in 2003-04 (\$45 million).

TANF Reprogramming: Actions proposed in the Budget will reprogram the remaining TANF funds to reduce General Fund costs by reducing the TANF to Title XX transfer from 10 percent to 5 percent (\$122 million); reprogramming unspent prior-year TANF initiative funding (\$104 million); utilizing prior-year child care funding (\$83 million); budgeting the minimum TANF maintenance-of-effort level (\$45 million); and reducing TANF for systems and other program initiatives (\$18 million).

Proposed Welfare Eligibility/Benefit Changes: The 2004-05 Executive Budget reduces General Fund costs by \$77 million through recommendations that would restructure welfare eligibility requirements, require full family sanctions that eliminate benefits if adults do not comply with mandated employment requirements, and impose a 10 percent reduction in welfare benefits to longer term participants.

All Other: The remaining annual decrease in General Fund costs relates primarily to a one-time prior year Federal settlement (\$16 million), requiring a two-year limit on claiming local administrative reimbursement and rescinding unspent prior year contract funding (\$12 million).

Office of Children and Family Services

CHILDREN AND FAMILY SERVICES SPENDING PROJECTIONS (millions of dollars)				
	Adjusted 2003-04	Projected 2004-05	Annual Change	Percent Change
General Fund	1,261	1,309	48	3.8
Other State Support	36	50	14	38.9
State Funds	1,297	1,359	62	4.8
Federal Funds	1,865	1,716	(149)	(8.0)
All Governmental Funds	3,162	3,075	(87)	(2.8)

The Office of Children and Family Services (OCFS) provides child welfare services including foster care, adoption, child protective services and childcare. The net decrease in All Funds spending is attributable primarily to a reduction of the Federal TANF for Child Care and Title XX program support (\$150 million), partially offset by growth in State child welfare costs for preventive services, child protective services, and adoption subsidies supported by the General Fund (\$48 million) and other State support (\$14 million). In the General Fund, the impact of the reduced TANF to Title XX transfer produces increased child welfare spending by \$58 million.

Mental Hygiene

MENTAL HYGIENE SPENDING PROJECTIONS (millions of dollars)				
	Adjusted 2003-04	Projected 2004-05	Annual Change	Percent Change
General Fund	2,127	2,426	299	14.1
Other State Support	458	501	43	9.4
State Funds	2,585	2,927	342	13.2
Federal Funds	2,661	2,552	(109)	4.1
All Governmental Funds	5,246	5,479	233	4.4

OMH, OMRDD and OASAS collectively provide a wide array of services to special needs populations. Services are administered to individuals with mental illnesses, developmental

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disabilities and/or chemical dependencies through institutional and community-based settings. Many of these services are partially financed with State and Federal Medicaid dollars.

Annual General Fund growth of \$299 million is attributable primarily to increased State Operations costs including payment of an “extra” institutional facilities payroll (\$95 million), local services and program enhancements including the OMRDD New York State - Creating Alternatives in Residential Environments and Services (NYS-CARES) program and OMH community-based housing initiatives (\$85 million), and a reduction in available patient care revenues, primarily as a result of nonrecurring debt management actions (\$69 million) and the expiration of the temporary 15-month increase in the Federal Medicaid matching rate (\$40 million) used to support State Operations costs in the General Fund.

Absent proposed budget actions, mental hygiene agencies would have otherwise experienced roughly double the projected General Fund growth of \$299 million in 2004-05, due mainly to the loss of nonrecurring offsets provided in 2003-04 by the temporary Medicaid matching rate increase and debt service savings that permitted more patient income revenues to be used for operations, and the extra institutional payroll due in 2004-05. Recommended cost containment actions to restrict this growth include Federal, local and third-party revenue maximization efforts primarily in the patient income account (\$165 million), 5 percent reductions in various local assistance programs (\$32 million) and a variety of State operations efficiencies (\$56 million).

Higher spending of \$43 million in other State-supported funds is attributable to growth in OMRDD’s Provider of Services SRF that supports development under the NYS-OPTS (New York State - Options for People Through Services) program.

The Federal Funds decline of \$109 million primarily reflects an annual decrease in available patient care revenues due to nonrecurring actions implemented in the current year, including the Federal Medicaid matching rate (\$40 million). This Federal Funds decline results in higher General Fund costs as these resources are no longer available to reduce the State’s cost of providing mental hygiene services in 2004-05.

Higher Education

HIGHER EDUCATION SPENDING PROJECTIONS				
(millions of dollars)				
	Adjusted 2003-04	Projected 2004-05	Annual Change	Percent Change
General Fund	2,467	2,673	206	8.4
Other State Support	3,637	3,735	98	2.7
State Funds	6,104	6,408	304	5.0
Federal Funds	428	182	(246)	(57.5)
All Governmental Funds	6,532	6,590	58	0.9

Higher education includes operational and administrative costs for SUNY, CUNY and the Higher Education Services Corporation (HESC) which is responsible for administering TAP grant awards to income eligible students.

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SOURCES OF ANNUAL SPENDING CHANGE IN HIGHER EDUCATION (millions of dollars)			
	General Fund	Other State Supported Funds	Federal Funds
HESC Impact of TAP Roll	104		
HESC Nonrecurring TANF Funds	246		(246)
SUNY/CUNY/HESC Support	139	25	0
SUNY/CUNY CC Base Aid	(19)		
SUNY/CUNY Equipment Bonding	(37)	43	
HESC/TAP Restructuring	(227)		
Capital Matching Grants	0	30	0
Total Annual Change	206	98	(246)

HESC Impact of TAP Roll: General Fund costs increase by \$104 million in 2004-05 as a result of legislative actions in the 2003-04 Enacted Budget that deferred TAP costs into 2004-05.

HESC Nonrecurring TANF Funds: TANF funding used in 2003-04 to finance the TAP program is no longer available in 2004-05 and thus General Fund spending increases (\$246 million) and Federal spending decreases (\$246 million).

SUNY/CUNY/HESC Support: The 2004-05 Executive Budget provides funding for higher costs at SUNY and CUNY for salaries and fringe benefits, community college enrollment growth, inflationary increases and growth in the number of TAP recipients.

SUNY/CUNY Community College Base Aid: Base aid decreases by 5 percent or \$115 per student (\$19 million).

SUNY/CUNY Equipment Bonding: The use of bond proceeds to support SUNY/CUNY capital equipment purchases will reduce General Fund spending (\$37 million) and increase capital expenditures in the SRFs.

HESC/TAP Restructuring: Changes at HESC include the proposed restructuring of the TAP program, which would defer one-third of each student's award until graduation as an incentive for timely degree completion (\$227 million).

Capital Matching Grants: The other funds increase reflects the first year of capital spending under the new \$350 million Capital Matching Grants Program for public and private colleges and universities (\$30 million).

Debt Service

DEBT SERVICE SPENDING PROJECTIONS (millions of dollars)				
	Adjusted 2003-04	Projected 2004-05	Annual Change	Percent Change
General Fund	1,468	1,753	285	19.4
Other State Support	1,885	2,166	281	14.9
State Funds	3,353	3,919	566	16.9
All Governmental Funds	3,353	3,919	566	16.9

Debt Service Funds are the conduits through which the State pays debt service on all State-supported bonds, including General Obligation bonds for which the State is constitutionally obligated to pay debt service and bonds issued by State public authorities (e.g., Empire State Development Corporation, Dormitory Authority, Thruway Authority, Local Government Assistance Corporation) for which the State is contractually obligated to pay debt service subject to an appropriation. Debt service is paid by transfers from the General Fund, dedicated taxes and fees, and other resources such as patient income revenues.

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The growth in the General Fund is the result of increases in net debt service payments to support capital projects for Corrections (\$86 million), SUNY Educational Facilities (\$71 million), CUNY (\$68 million), the Metropolitan Transportation Authority (MTA) (\$41 million) and the Housing Finance Agency (\$26 million), offset by modest reductions in other programs. The increase in net debt service costs related to other State-supported funds is also attributable to SUNY dormitory facilities (\$32 million), Mental Hygiene facilities (\$93 million), transportation (\$70 million), economic development (\$58 million) and educational capital programs (\$38 million).

Recommendations to generate savings include expanded use of variable rate debt, increased use of swaps and other new refundings opportunities, streamlined approvals for refundings, and generating lower costs through the flexible use of issuers in the PIT program. Savings from these initiatives impact both spending and revenue in the General Fund by lowering debt service costs and/or increasing transfers of dedicated taxes from debt service funds.

General State Charges

GENERAL STATE CHARGES SPENDING PROJECTIONS				
(millions of dollars)				
	Adjusted 2003-04	Projected 2004-05	Annual Change	Percent Change
General Fund	3,257	3,652	395	12.1
State Funds	3,670	4,114	444	12.1
All Governmental Funds	3,842	4,312	470	12.2

General State Charges (GSCs) account for the costs of fringe benefits to State employees and retirees of the Executive, Legislative and Judicial branches, as well as for taxes on public lands and litigation. The General Fund supports approximately 85 percent of GSCs spending. 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 defending lawsuits against the State and its public officers.

Higher projected contributions to the New York State and Local Retirement Systems for fiscal year 2004-05 are associated with prior year pension investment losses and the expansion of retiree benefits. Baseline projections from OSC show an employer pension contribution rate of 12.3 percent of payroll in 2004-05 that would produce an annual State pension cost increase of \$664 million (136.8 percent) in 2004-05. The Executive Budget proposes a series of pension reforms that will moderate these costs and produce a total employer pension contribution of \$669 million, an annual increase of \$184 million (37.9 percent).

Providing health insurance to State employees and retirees is projected to total \$2.05 billion in 2004-05, an increase of \$255 million. This is attributable primarily to underlying growth of 13 percent in premium costs to cover the rising expense and utilization of employee health care, including escalating prescription drug costs.

All Other

In addition to the programs described above, the Executive Budget includes funding for Economic Development, Parks, the Environment, Public Health, Education, Public Protection, General Government, the Judiciary, and various other programs.

FINANCIAL PLAN OVERVIEW

Other significant savings actions contained in this Budget, include:

- \$150 million in recurring State operations efficiencies (across the remaining agencies not discussed earlier) through continued application of a strict hiring freeze, savings from contract reviews, elimination of inflationary increases, and maximization of non-General Fund resources;
- Over \$56 million in savings due to reductions in local public health programs and maximization of HCRA. In addition, significant reforms are proposed in the Early Intervention program that contribute savings in the outyears of the Financial Plan;
- \$117 million in transportation savings by eliminating one-time legislative adds and maximizing non-General Fund resources; and
- Savings from modest five percent reductions to a variety of local assistance programs.

All other State Funds spending is projected to increase \$685 million over the current fiscal year. Growth in other State-supported spending includes economic development capital projects (\$320 million), capital projects related to the E-911 program (\$100 million), increased taxpayer participation and tax levy growth in STAR (\$163 million), spending from the Indigent Legal Services Fund (\$31 million), and inflationary increases and higher enrollment in the Elderly Pharmaceutical Insurance Coverage (EPIC) program (\$73 million).

All Governmental Funds spending for these programs is projected to increase by \$1.10 billion from the current fiscal year. This increase includes State Funds spending growth of \$685 million and higher Federal spending of \$416 million for, among other things, transportation-related capital projects (\$172 million), implementation of the Help America Vote Act of 2002 (\$142 million), and reimbursement for World Trade Center costs (\$200 million).

THE 2004-05 GOVERNMENTAL FUNDS FINANCIAL PLAN

The following sections summarize activity within the four major fund types that comprise the All Governmental Fund type: General Fund, SRFs, Capital Projects Funds and Debt Service Funds.

GENERAL FUND

The Financial Plan presentation of receipts and disbursement activity within each fund type is detailed below.

Receipts Outlook

GENERAL FUND RECEIPTS				
(millions of dollars)				
	2003-04	2004-05	Annual Change	Percent Change
Personal Income Tax	15,791	18,520	2,729	17.3
User Taxes and Fees	7,897	8,340	443	5.6
Business Taxes	3,395	3,739	344	10.1
Other Taxes	784	762	(22)	(2.8)
Miscellaneous Receipts	5,970	2,087	(3,883)	(65.0)
Federal Grants	645	0	(645)	(100.0)
Transfers From Other Funds	7,777	8,387	610	7.8
Total Receipts	42,259	41,835	(424)	(1.0)

The State projects General Fund receipts of \$41.83 billion in 2004-05, a decrease of \$424 million (1.0 percent) from the current year. The decline in General Fund receipts is the result of one-time revenues from tobacco securitization (\$4.20 billion) and Federal revenue sharing grants (\$645 million) received in 2003-04 which will not recur in 2004-05. This is partially offset by increased collections from PIT and sales and use taxes resulting from temporary tax

FINANCIAL PLAN OVERVIEW

actions taken in the 2003-04 Enacted Budget as well as underlying growth resulting from the improving economic climate and the Refund Reserve transaction that moves \$661 million in PIT resources from 2003-04 to 2004-05.

More detail on the receipts outlook is provided earlier in this Overview, as well as in the Explanation of Receipts Estimates later in this volume.

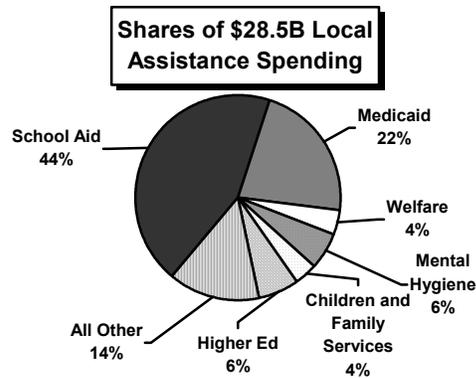
Disbursements Outlook

The State projects General Fund disbursements of \$41.89 billion in 2004-05, a decrease of \$175 million (0.4 percent) from the current year. The change in General Fund disbursements reflects higher spending in Grants to Local Governments, State Operations, GSCs and Debt Service, partially offset by lower spending in Capital Projects and Transfers to Other Funds (for a detailed discussion on annual changes in major spending areas please see the 2004-05 Financial Plan section earlier in this Overview).

GENERAL FUND DISBURSEMENTS (millions of dollars)				
	2003-04	Projected 2004-05	Annual Change	Percent Change
Grants to Local Governments	29,311	28,455	(856)	(2.9)
State Operations	7,055	7,251	196	2.8
General State Charges	3,257	3,652	395	12.1
Debt Service	1,468	1,753	285	19.4
Capital Projects	227	187	(40)	(17.6)
Transfers to Other Funds	742	587	(155)	(20.9)
Total Disbursements	42,060	41,885	(175)	(0.4)

Grants to Local Governments

Grants to Local Governments include financial aid to local governments and non-profit organizations, as well as entitlement payments to individuals. The most significant areas of spending in local assistance are for aid to public schools (44 percent) and for Medicaid (22 percent). Other large areas of spending include mental hygiene (6 percent), higher education (6 percent), children and family services (4 percent), welfare assistance (4 percent), general purpose aid to counties and municipalities (3 percent), preschool special education (3 percent), and public health (2 percent).



Local assistance spending is projected to be \$28.46 billion in 2004-05, a decrease of \$856 million (2.9 percent) from 2003-04. Spending growth of roughly \$3.4 billion is offset by the local assistance share of the 2002-03 payment deferrals (\$1.8 billion) plus a combination of recommended cost containment initiatives and the use of alternative financing sources totaling nearly \$2.5 billion, as described earlier. Reforms are proposed to continue to provide planned fiscal relief to New York City while eliminating legal concerns associated with the current linkage to LGAC. The recommendations would eliminate all impacts on LGAC, and reduce total taxpayer costs (financed by both State and City taxpayers) by \$1.9 billion, through legislation authorizing a refunding of MAC debt for a period of 10 years rather than 30 years. The State would provide additional resources of \$170 million annually to New York

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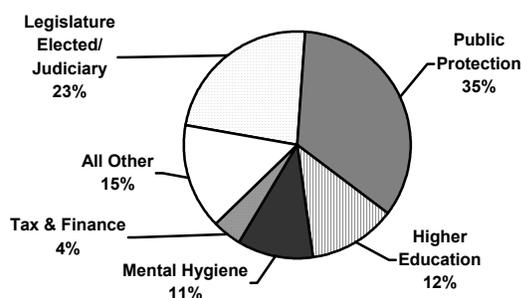
City to help them finance this refunding by directing certain State sales tax receipts previously received by the State to New York City. In addition, the recommendations would generate recurring savings to New York City of another \$80 million through a variety of proposals.

Excluding payment deferrals, the annual increase in local assistance spending would be \$970 million and is primarily attributable to higher spending in Medicaid (\$373 million), HESC (\$176 million), school aid (\$169 million), preschool special education programs (\$89 million), OCFS (\$57 million) and mental hygiene (\$55 million). These annual changes are discussed in more detail earlier in this Overview under "The 2004-05 Financial Plan."

State Operations

State Operations accounts for the cost of running the Executive, Legislative, and Judicial branches of government and is projected to total \$7.25 billion in 2004-05, an increase of \$196 million (2.8 percent) from the current year. Personal service costs (e.g., State employee payroll) comprise 73 percent of State Operations spending and the remaining 27 percent represents non-personal service costs for contracts, rent, supplies, and other operating expenses.

Shares of \$7.3B State Operations Spending



The projected \$196 million annual increase in State Operations costs includes higher spending of \$130 million for an extra institutional payroll occurring in 2004-05. Spending for the Legislature and Judiciary is projected to remain unchanged.

Proposed savings initiatives designed to reduce annual spending growth associated with performance advances and inflation include various revenue maximization initiatives (\$171 million), and the continuation of the strict statewide hiring freeze and other actions to restrain spending in agency operations (\$142 million).

The revenue maximization efforts to finance State Operations spending include Federal revenue initiatives in mental hygiene programs (\$70 million) and extending current provisions of the Motor Vehicle Insurance Fee to support State Police activities (\$51 million). No general salary increases are budgeted in either 2003-04 or 2004-05.

The State's Executive agency All Funds workforce is projected to total 187,900 by the end 2004-05, level with the current year. Since 1994-95, the State workforce has declined by approximately 23,300.

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 fixed costs for taxes on public lands and litigation costs.

Spending for GSCs is projected to be \$3.65 billion in 2004-05, an increase of \$395 million (12.1 percent) over the current year. This annual increase is due mostly to rising costs of employee health benefits to \$2.05 billion (an increase of \$255 million) and higher costs related to employer pension contributions to a level of \$669 million (an increase of \$184 million) after reflecting savings for proposed pension reforms. A more detailed discussion is provided earlier in this Overview under "The 2004-05 Financial Plan."

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Transfers to Other Funds

Transfers to Other Funds is projected to total \$2.53 billion in 2004-05, an increase of \$90 million (3.7 percent) from the current year and include General Fund transfers to support debt service (\$1.75 billion), capital projects (\$187 million), and other funds (\$587 million), including SUNY, banking services, and the Judiciary.

General Fund support for debt service is estimated to increase by \$285 million (19.4 percent) to pay primarily for prior-year financings for CUNY, SUNY and correctional facilities partially offset by savings from the use of variable rate and interest rate exchange agreements to refund outstanding bonds and reduce borrowing costs.

The \$40 million (17.6 percent) reduction in capital projects spending financed by the General Fund primarily reflects the use of bond proceeds to finance SUNY capital costs previously supported by the General Fund, as well as minor reestimates to other areas of capital projects spending.

All other transfers are projected to decline by \$155 million in 2004-05 due to a nonrecurring transfer to the HCRA SRF that financed 2003-04 legislative restorations (\$128 million) and the "doubling up" of 2002-03 and 2003-04 State subsidy payments to SUNY hospitals in 2003-04.

SPECIAL REVENUE FUNDS

SRFs receive State and Federal revenues dedicated to finance specific activities. SRFs are intended to be self-supporting with receipts equaling or exceeding disbursements. When statutorily authorized, certain funds and accounts may borrow from the State's Short-Term Investment Pool (STIP) to cover temporary cash shortfalls resulting from the timing of receipts and disbursements (i.e., disbursements occurring prior to receipts being received).

SRF spending accounts for 51 percent of projected All Governmental Funds disbursements in 2004-05. The SRFs have grown steadily as a percentage of All Governmental Funds in recent years as the State continues to identify alternate funding sources to support costs otherwise financed by the General Fund, and to maximize Federal revenues where available.

Receipts

SPECIAL REVENUE FUNDS RECEIPTS (millions of dollars)			
	2003-04	2004-05	Annual Change
Taxes	4,458	4,784	326
Miscellaneous Receipts:			
SUNY	2,240	2,303	63
Lottery	2,030	2,318	288
Indigent Care	901	876	(25)
HCRA	2,477	2,756	279
Provider Assessments	371	629	258
All Other	2,377	2,596	219
Total Miscellaneous Receipts	10,396	11,478	1,082
Federal Grants	34,921	34,425	(496)
Total Receipts	49,775	50,687	912

Total SRF receipts are projected to be \$50.69 billion, an increase of \$912 million (1.8 percent) from 2003-04. This growth is due primarily to increases in taxes (\$326 million) and miscellaneous receipts (\$1.08 billion), partially offset by a decrease in Federal grants (\$496 million), as detailed below.

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Taxes

Taxes dedicated to support programs funded in the SRFs total \$4.78 billion in 2004-05, an increase of \$326 million (7.3 percent) over 2003-04, and primarily include STAR and mass transportation programs. Taxes comprise 9 percent of total SRF receipts. The increase in taxes is due to increased deposits into the STAR fund (\$163 million), increased collections from surcharges earmarked for the mass transportation funds (\$118 million), and the imposition of a new surcharge on sales tax, which will be deposited into the New York State Wireless Telephone Emergency Service Account (\$39 million).

Miscellaneous Receipts

Miscellaneous receipts comprise 23 percent of total SRF receipts and are projected to total \$11.48 billion in 2004-05, an increase of \$1.08 billion (10.4 percent) from the current fiscal year. These receipts include SUNY tuition, lottery receipts, transfers from the "off-budget" HCRA pools, assessments on regulated industries, and a variety of fees and licenses. Changes in miscellaneous receipts are generally consistent with the spending changes in the major program areas described below with the exception of Medicaid, where a nonrecurring General Fund transfer of \$128 million in 2003-04 (rather than miscellaneous receipts) supports legislative restorations.

Federal Grants

Federal grants are projected to total \$34.43 billion, a decrease of \$496 million (1.4 percent) from 2003-04. Federal grants comprise 68 percent of total receipts in the SRFs primarily for health and welfare programs. The State is required to adhere to specific Federal guidelines governing use of grant moneys. In most cases, the State finances programs in the first instance, then receives reimbursement from the Federal government. In addition, the State is subject to the Federal Cash Management Improvement Act, which imposes interest penalties on the State if Federal Funds are not spent expeditiously. Federal reimbursement is assumed to be received in the State fiscal year in which the spending occurs; however, timing-related variances can produce temporary negative balances in these funds.

Changes to Federal grants correspond to changes in federally-reimbursed spending as described below with the exception of the nonrecurring deposit of \$289 million in Federal Funds to support HCRA health care costs.

Disbursements

SPECIAL REVENUE FUNDS DISBURSEMENTS				
(millions of dollars)				
	2003-04	2004-05	Annual State Change	Annual Federal Change
STAR	2,835	2,998	163	0
Medicaid	22,028	22,393	299	66
SUNY	2,894	2,940	46	0
Education	2,823	2,889	(7)	73
Lottery	1,990	2,105	115	0
Welfare/OCFS	3,932	3,717	5	(220)
Transportation	1,650	1,750	100	0
World Trade Center	1,484	1,640	0	156
Labor	714	711	2	(5)
HESC	319	76	3	(246)
Child Health Plus (CHP)	745	809	25	39
EPIC	646	719	73	0
All Other	8,200	8,373	122	51
Total Disbursements	50,260	51,120	946	(86)
Annual % change		1.7%		

FINANCIAL PLAN OVERVIEW

Disbursements from SRFs are projected to be \$51.12 billion, an increase of \$860 million (1.7 percent) from 2003-04. Of this amount, \$16.64 billion is supported by State revenues and \$34.48 billion is supported by Federal grants. Additional Federal grants support capital spending for a grand total in Federal grants of \$36.27 billion. The growth in SRF is attributable primarily to projected spending increases in Medicaid, STAR, SUNY, education and transportation programs, partially offset by the loss of TANF block grant funds that support OCFS programs and TAP in 2003-04.

The following describes projected activity in the major SRFs in 2004-05, including sources of funding, programs supported, and an explanation of annual growth or decline.

Medicaid: The SRF structure of Medicaid is detailed below. For a detailed discussion of the annual changes in Medicaid, please refer to "the 2004-05 Financial Plan" section earlier in this Overview.

- **Federal Medicaid:** The Federal Medicaid Fund accounts for the receipt and disbursement of the Federal government's share of direct payments made to health care providers and reimbursement to local governments for the administrative costs of the program. Federal support for the Medicaid program is projected to total \$19.41 billion in 2004-05, which represents roughly 40 percent of total Federal SRF spending.
- **Indigent Care:** The Indigent Care Fund receives revenue through transfers from the Health Care Initiatives Pool, Bad Debt and Charity Care Pools, and the Tobacco Control and Insurance Initiatives Pool. These HCRA pools are financed with taxes, assessments and surcharges on hospital revenues and third-party payers. The Indigent Care Fund makes Medicaid payments to providers and municipalities for the cost of providing care to the uninsured. Total disbursements from the Indigent Care Fund are estimated at \$906 million in 2004-05, a decrease of \$30 million from the current year.
- **Provider Assessments:** This account, created in 2002-03, is currently financed by a reimbursable assessment on nursing home revenues. The 2004-05 Executive Budget proposes an increase in the Medicaid reimbursable assessment on nursing home revenues from 5 percent to 6 percent and the restoration of a nonreimbursable 0.7 percent assessment on hospital and home care revenues. These assessments are expected to generate \$629 million to finance Medicaid.
- **Health Care Reform Act Transfer:** This fund is supported by transfers from the Tobacco Control and Insurance Initiatives Pool and is used to finance a portion of the State's Medicaid program, including expansion of programs such as the FHP program and the workforce recruitment and retention program. Spending from this fund is projected to total \$1.45 billion in 2004-05, an increase of \$71 million over the current year.

STAR: This fund receives PIT receipts dedicated to the STAR property tax relief program. Spending for STAR is estimated at \$3.0 billion in 2004-05, an increase of \$163 million from 2003-04. STAR will provide \$2.4 billion in local property tax relief for eligible homeowners statewide. In addition, residents of New York City, who pay property, income, and other taxes to fund City education services, will receive \$560 million in City PIT reductions. Increased participation by taxpayers and local tax levy growth are largely responsible for the higher projected spending in 2004-05. The estimates include \$20 million in savings from proposed legislation that would cap school district spending.

Lottery: The Lottery Fund supports public elementary and secondary school education through proceeds received from the sale of lottery tickets and the expected implementation of VLTs at racetracks. The 2004-05 Executive Budget projects roughly \$2.32 billion in total lottery proceeds will be available to fund \$2.19 billion of school aid costs and a reserve of

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\$240 million (\$325 million on a school year basis) from VLT proceeds to finance SBE. The remaining \$160 million supports administrative costs of operating lottery games. Lottery prize money is held in a separate fiduciary account.

SUNY: SUNY receives revenues from tuition, third-party payers, room rents, user fees and the Federal government which support the costs of operating hospitals, dormitories and regular campus services. The University's spending from SRFs is projected to total \$2.94 billion in 2004-05, comprising of \$2.77 billion in State funds and \$172 million in Federal Funds. Federal spending remains unchanged from 2003-04, but State spending is projected to increase by \$163 million.

Transportation: State funding for transit systems comprises the majority of transportation SRF spending. Over \$1.67 billion of 2004-05 transit aid is supported by taxes dedicated to the Mass Transportation Operating Assistance (MTOA) Fund and the Dedicated Mass Transportation Trust Fund. Total disbursements from transportation SRFs are projected to be \$1.75 billion in 2004-05, \$100 million above the current year. This increase reflects the shift of \$50 million in transit local aid from the General Fund to the SRFs, and a scheduled \$46 million increase in capital support for the MTA from the Dedicated Mass Transportation Trust Fund.

CHP: The CHP program finances health insurance coverage for children of low-income families up to the age of 18. The 2004-05 Executive Budget projects total spending of \$809 million, an increase of \$64 million over 2003-04. Funding for this program comes from the State (\$375 million financed by transfers from the Tobacco Control and Insurance Initiatives Pool) and Federal government (\$434 million). The annual increase reflects shifting eligible children currently covered under Medicaid into CHP.

EPIC: EPIC provides prescription drug insurance to low-income senior citizens. This program is projected to cost \$719 million in 2004-05, an increase of \$73 million from 2003-04. Projected EPIC spending in 2004-05 is supported by \$494 million in State transfers from the Tobacco Control and Insurance Initiatives Pool, \$23 million in premiums/fees, and \$202 million from manufacturer rebates.

Welfare: The State receives Federal welfare funding through the TANF block grant. In 2004-05, Federal welfare spending will total \$1.98 billion, a decrease of \$70 million from 2003-04, resulting primarily from the use of one-time available Federal funding to support TANF-funded initiatives.

Education: Education spending in SRFs, including educational programs for disabled children and disadvantaged pupils, is projected to total \$2.89 billion in 2004-05. Increased Federal funding of \$73 million will provide additional resources to school districts for programs that serve these students.

HESC: Federally-supported spending for HESC is projected to decrease by \$246 million as a result of the elimination of TAP financing with TANF block grant funds. The remaining spending on student financial aid programs is supported by State and Federal sources (\$66 million and \$10 million, respectively).

OCFS: The State receives \$1.72 billion in Federal funding for children and family services from several sources including the TANF block grant, Title IV-E Foster Care and Adoption Assistance Federal Payments, and the Title XX Social Services Block Grant. In 2004-05, State and Federal spending for children and family services is projected to total \$1.74 billion, a decrease of \$145 million from the current fiscal year. This decrease is attributable primarily to a reduction in TANF block grant moneys available to support child care and locally provided services to children and families.

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Labor: Labor programs are supported primarily by Federal grants and include job training and re-employment services. Labor spending is estimated at \$711 million in 2004-05 and remains virtually unchanged from 2003-04 levels.

All Other: Spending for all other SRFs is projected to total \$8.37 billion in 2004-05, an increase of \$173 million (2.1 percent) and primarily includes support for health care, public protection and general government programs.

CAPITAL PROJECTS FUNDS

The Capital Projects Fund group accounts for spending from the Capital Projects Fund, which is supported by a transfer from the General Fund, and spending from other funds for specific capital purposes, including transportation, mental health, housing, public protection, education and the environment. Those other funds include the Dedicated Highway and Bridge Trust Fund, Mental Hygiene Capital Facilities Improvement Fund, Housing Assistance and Housing Program Funds, the Correctional Facilities Capital Improvement Fund, the SUNY Residence Hall Rehabilitation Fund, the Hazardous Waste Remedial Fund, and EPF. Receipts from dedicated State taxes, miscellaneous receipts (which include proceeds from State-supported bonds issued by certain State public authorities), and Federal grants finance disbursements in the Capital Projects Fund group.

The following tables for Capital Projects Funds reflect an accounting adjustment for capital projects activity because certain capital spending is not reported by OSC in actual cash spending results, although it is reflected in the Generally Accepted Accounting Principles (GAAP) Financial Statements. This spending is related to programs which are financed in the first instance by bond proceeds, rather than with a short-term loan from the General Fund. This includes capital spending for local transportation projects for the CHIPS Program (\$340 million), education projects for CUNY higher education facilities (\$215 million), SUNY Community Colleges and Dormitory Facilities (\$125 million), the Department of Mental Hygiene projects (\$90 million) and a variety of economic development projects including the Community Enhancement Facilities Assistance Program (\$540 million). These receipts and disbursements are included in this section in order to present a comprehensive picture of State capital projects spending.

CAPITAL PROJECTS FUNDS RECEIPTS				
(millions of dollars)				
	2003-04	2004-05	Annual Change	Percent Change
Taxes	1,752	1,806	54	3.1
Miscellaneous Receipts	3,685	3,741	56	1.5
Federal Grants	1,621	1,840	219	13.5
Total Receipts	7,058	7,387	329	4.7
Accounting Adjustment	(995)	(1,310)	(315)	(31.7)
Financial Plan Total	6,063	6,077	14	0.2

Taxes deposited to the Capital Projects Funds are projected to be \$1.81 billion, an increase of \$54 million (3.1 percent) from 2003-04. This includes highway-related taxes earmarked for the Dedicated Highway and Bridge Trust Fund and real estate transfer taxes that are designated for the EPF. The \$54 million increase is due solely to projected growth in highway related taxes, as the EPF receives a statutory dedication of \$112 million annually from the Real Estate Transfer Tax.

Miscellaneous receipts include bond proceeds that finance capital projects across all major functional areas, as well as other miscellaneous fees such as State park fees, industry-specific environmental fees and receipts from the sale of surplus State land. Miscellaneous

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receipts are projected to total \$3.7 billion, an increase of \$56 million (1.5 percent) from 2003-04. The estimated growth reflects a \$34 million increase in authority bond proceeds and a projected increase of \$22 million in other miscellaneous receipts.

Federal grants primarily support capital projects for transportation and the environment and are estimated at \$1.84 billion, an increase of \$219 million (13.5 percent) over 2003-04. Environmental grants are projected to remain unchanged, while grants for transportation and the World Trade Center highway reconstruction increase by \$219 million.

CAPITAL PROJECTS FUNDS DISBURSEMENTS (millions of dollars)				
	2003-04	2004-05	Annual Change	Percent Change
Transportation	3,461	3,538	77	2.2
Parks and Environment	688	649	(39)	(5.7)
Economic Development & Government Oversight	361	802	441	122.2
Health and Social Welfare	143	128	(15)	(10.5)
Education	748	807	59	7.9
Public Protection	206	215	9	4.4
Mental Health	299	298	(1)	(0.3)
General Government	80	185	105	131.3
Other	57	75	18	31.6
Total Disbursements	6,043	6,697	654	10.8
Accounting Adjustment	(995)	(1,310)	(315)	(31.7)
Financial Plan Total	5,048	5,387	339	6.7

The increase is attributable primarily to prior-year commitments in the areas of economic development (\$441 million) and general government for financing of local public safety answering point equipment upgrades for wireless E-911 service (\$100 million). See the Capital Program and Financing Plan for more details on capital spending.

DEBT SERVICE FUNDS

DEBT SERVICE FUNDS RECEIPTS (millions of dollars)				
	2003-04	2004-05	Annual Change	Percent Change
Taxes	8,039	8,657	618	7.7
Miscellaneous Receipts	694	647	(47)	(6.8)
Total Receipts	8,733	9,304	571	6.5

This increase is attributable primarily to growth in dedicated State PIT receipts deposited to the RBTF (\$487 million). Similar increases are projected for sales and use taxes deposited to the Local Government Assistance Tax Fund to support debt service on LGAC bonds (\$120 million) and real estate transfer taxes deposited in the CW/CA Bond Debt Service Fund (\$11 million). Receipts in excess of those required to satisfy the State's debt service obligations are transferred back to the General Fund. The projected decrease in miscellaneous receipts of \$47 million is attributable to reduced funding of the Debt Reduction Reserve Fund, offset by a modest increase in receipts for health-related programs.

DEBT SERVICE FUNDS DISBURSEMENTS (millions of dollars)				
	2003-04	2004-05	Annual Change	Percent Change
General Debt Service Fund	2,742	3,229	487	17.8
LGAC	296	312	16	5.4
Mental Health	166	259	93	56.0
All Other	149	119	(30)	(20.1)
Total Disbursements	3,353	3,919	566	16.9

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This increase, which is explained in more detail earlier in this Overview, reflects the growth in debt service costs after implementation of policy and statutory initiatives that have resulted in debt service savings over the last several years. Projected debt service costs and corresponding levels of State-supported debt outstanding are projected to remain within the caps and limitations imposed by the Debt Reform Act of 2000. See the Capital Program and Financing Plan for more details on debt projections.

FINANCIAL PLAN RESERVES AND RISKS

The State projects that balances in its principal reserves to guard against unbudgeted risks will total \$815 million at the close of 2003-04 will remain unchanged through 2004-05. The reserves include \$794 million in the TSRF (the State's rainy day fund) and \$21 million in the CRF for litigation. To permanently improve the State's reserve levels, the Executive Budget includes legislation to gradually increase both the maximum size of the State's rainy day fund from 2 percent to 5 percent of General Fund spending, and the maximum annual deposits from two-tenths of one percent to five-tenths of one percent of spending. Absent this legislation, the State will reach its statutory maximum balance in the fund of 2 percent or \$840 million with the next annual deposit.

The 2004-05 Financial Plan does not set aside specific reserves to cover potential costs that could materialize as a result of adverse rulings in pending litigation, future collective bargaining agreements with State employee unions, Federal disallowances, or other Federal actions that could adversely affect the State's projections of receipts and disbursements.

The State is a defendant in several court cases that could ultimately result in costs to the State Financial Plan. The most significant litigation is the State Court of Appeals ruling that the State's financing system for New York City public schools is unconstitutional. This ruling directs the State to submit a remedy to the Court by July 30, 2004. The 2004-05 Executive Budget provides \$100 million in General Fund support and reserves all VLT revenues to provide SBE funding while the Governor's Commission on Educational Reform outlines a series of options for the State to consider. The VLT revenues are projected to increase from \$240 million in 2004-05 to \$950 million in 2005-06 and \$1.3 billion in 2006-07.

Other litigation includes ongoing claims by several Indian Nations alleging wrongful possession of lands by the State and several counties, as well as claims involving the adequacy of shelter allowances for families on public assistance. The State has implemented a court-ordered increase in the shelter allowance schedule for public assistance families that became effective on November 1, 2003. The Court has also directed the parties to return on March 30, 2004 for further proceedings. For a complete summary of significant litigation affecting the State, please refer to the State's Annual Information Statement, as updated.

The State is negotiating new labor contracts with several State employee unions. The recently expired four-year agreements included a \$500 nonrecurring lump sum payment and salary increases of 3.0 percent in 1999-2000 (effective mid-year), 3.0 percent in 2000-01 and 3.5 percent in 2001-02 and 2002-03, at a cost to the General Fund of approximately \$2.5 billion over the life of the agreement. Each future one percent salary increase would cost the General Fund roughly \$75 million annually.

The Federal government is currently auditing Medicaid claims submitted since 1993 under the school supportive health services program. At this point, these audits have not been finalized, and, as a result, the liability of the State and school districts for any disallowances cannot be determined. Federal regulations include an appeals process that could postpone repayment of any disallowances. The Financial Plan assumes the Federal government will fully reimburse these costs.

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In addition, through December 2003, a portion of Federal Medicaid payments related to school supportive health services have been deferred by the Federal Centers for Medicare and Medicaid Services pending finalization of audits. Since the State has continued to reimburse school districts for these costs, these Federal deferrals, if not resolved, could negatively impact future health care spending.

In December 2003, the State received partial Federal approval of the Medicaid State Plan Amendment necessary to make disproportionate share hospital (DSH) payments over two years to public hospitals throughout the State, including the New York City Health and Hospital Corporation (HHC), SUNY and other State and county operated hospitals. Although full payment for SUNY and State-operated hospitals was secured with the initial approval, the State continues to seek Federal approval of the balance of anticipated payments totaling roughly \$1.3 billion for HHC and other county hospitals. Failure of the Federal government to approve these remaining payments could have an adverse impact on the State's health care financing system.

CASH FLOW

In 2004-05, the General Fund is projected to have quarterly balances of \$2.0 billion in June, \$2.20 billion in September, \$1.22 billion by the end of December, and \$964 million at the end of March. The lowest projected month-end cash flow balance other than March is \$1.2 billion in December. The 2004-05 General Fund cash flow estimates assume the Executive Budget is enacted on time and in its entirety.

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

OSC is authorized to make temporary loans from STIP to cover temporary cash shortfalls in certain funds and accounts resulting from the timing of receipts and disbursements. The Legislature authorizes the funds and accounts that may receive loans each year, based on legislation submitted with the Executive Budget. Loans may be granted only for amounts that the Director of the Budget certifies are "receivable on account" or can be repaid from the current operating receipts of the fund (i.e., loans cannot be granted in expectation of future revenue enhancements). In addition, the 2003-04 Enacted Budget included legislation that expires on March 31, 2004 permitting OSC to temporarily loan balances in other funds to the General Fund within any month. This authorization was utilized on September 12 and 15, 2003 to support intra-month cash flow needs; however, as required under the legislation, the General Fund ended September 2003 with a positive cash balance of \$2.6 billion. The 2004-05 Executive Budget includes legislation to permanently extend this authorization.

OSC makes repayment of such loans from the first cash receipts into the fund. Fund balances outside the General Fund are presented on a net basis, i.e., they are reduced by the amount of outstanding temporary loans from the State's STIP. The total outstanding loan balance at March 31, 2003 was \$1.68 billion. The sources of this outstanding loan balance include timing-related delays in the receipt from Federal Funds and the sale of bonds used to finance capital projects, a delinquent SUNY hospital loan, and unreimbursed costs related to the Office for Technology Internal Service funds.

GAAP-BASIS FINANCIAL PLANS

In addition to the cash-basis Financial Plans, the General Fund and All Governmental Funds Financial Plans are prepared on a Generally Accepted Accounting Principles basis (GAAP) in accordance with Governmental Accounting Standards Board (GASB) regulations.

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Tables comparing the cash basis and GAAP basis General Fund Financial Plans are provided at the end of this Overview. The GAAP projections for both years are based on the accounting principles applied by the State Comptroller in the financial statements issued for 2002-03. They reflect the impact of GASB Statement 34 which has significantly changed the presentation of GAAP financial information for State and local governments. The changes are intended to portray the State's net overall financial condition, including activities that affect State assets and liabilities during the fiscal year. The GASB 34 results for 2002-03 show the State in a net positive overall financing condition of \$42.40 billion.

In 2003-04, the General Fund GAAP Financial Plan shows total revenues of \$37.31 billion, total expenditures of \$43.41 billion, and net other financing sources of \$7.43 billion, resulting in an operating surplus of \$1.33 billion. This operating result reflects the receipt of the tobacco bond proceeds originally anticipated in 2002-03 but received in 2003-04, and the cash surplus in 2003-04. As a result, the accumulated deficit is expected to improve from \$3.32 billion at the end of 2002-03 to an accumulated deficit of \$1.99 billion at the end of 2003-04.

In 2004-05, the General Fund GAAP Financial Plan shows total revenues of \$35.65 billion, total expenditures of \$43.97 billion, and net other financing sources of \$7.63 billion, resulting in an operating deficit of \$691 million due to the use of 2003-04 cash reserves in 2004-05. The accumulated deficit is projected at \$2.68 billion at the end of 2004-05, an improvement of \$641 million from the 2002-03 actual results.

GENERAL FUND FINANCIAL PLAN OUTYEAR PROJECTIONS

At the beginning of the 2004-05 budget cycle, the State faced potential budget gaps of \$6.7 billion in 2005-06 and \$7.8 billion in 2006-07. The 2004-05 Executive Budget recommendations reduce the gaps by proposing roughly \$3.5 billion in recurring savings. The gaps assume the Legislature will enact the 2004-05 Executive Budget and accompanying legislation in its entirety, and do not include any funding for possible collective bargaining salary increases or productivity savings.

OUTYEAR SAVINGS FROM 2004-05 EXECUTIVE BUDGET RECOMMENDATIONS (millions of dollars)		
	2005-06	2006-07
Projected Base Level Gaps	(6,727)	(7,805)
Spending Actions	2,495	2,199
Revenue Proposals	1,163	1,118
Nonrecurring Actions	219	139
Remaining Gaps	(2,850)	(4,349)

The statewide austerity measures limiting discretionary spending, travel, and low-priority capital spending will remain in force, and all State agencies will continue to operate under a hiring freeze, consistent with existing guidelines. State agencies will continue to identify opportunities where agencies, through increased administrative flexibility, statutory changes or other means, can achieve greater productivity, improve services, and reduce costs to help lower the outyear budget gaps.

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OUTYEAR RECEIPTS

GENERAL FUND RECEIPTS (millions of dollars)				
	2005-06	Percent Change	2006-07	Percent Change
Personal Income Tax (PIT)	18,864	1.9	19,685	4.4
PIT Adjusted for Refund Reserve	18,899	6.0	19,727	4.4
User Taxes and Fees	7,963	(4.5)	8,176	2.7
Business Taxes	3,890	4.0	3,967	2.0
Other Taxes	820	7.6	878	7.1
Total Taxes	31,537	0.6	32,706	3.7
Total Taxes Adjusted for Refund Reserve	31,572	2.9	32,748	3.7
Miscellaneous Receipts	1,989	(4.7)	1,821	(8.4)
Total Transfers from Other Funds	8,461	0.9	8,699	2.8
Total Receipts	41,987	0.4	43,226	3.0
Total Receipts Adjusted for Refund Reserve	42,022	2.1	43,268	3.0

General Fund receipts are estimated at \$41.98 billion in 2005-06 and \$43.27 billion in 2006-07. Receipts growth is expected to exceed historical averages as is typical of an economy in its expansionary stages. Tax receipts adjusted for Refund Reserve transactions, are expected to increase by 2.9 percent in 2005-06 and 3.7 percent in 2006-07. The reduced increases in both years reflect the phase-out of temporary tax increases in PIT and sales tax. Adjusting for the impact of law changes, tax receipt growth is expected to average 5 percent. The growth in tax receipts is consistent with a forecast of US and New York economic recovery extending into 2005 and 2006 and continued profitability in the financial services sector of the economy. A more detailed comparison of historical and projected growth rates for tax receipts is contained in the Explanation of Receipts Estimates section later in this volume.

Personal Income Tax

In general, income tax growth for 2005-06 and 2006-07 is governed by projections of growth in taxable personal income and its major components, including wages, interest and dividend earnings, realized taxable capital gains, and business net income and income derived from partnerships and S Corporations.

PIT receipts are projected to increase to \$18.86 billion in 2005-06. The modest increase from 2004-05 largely reflects growth in underlying liability, offset by the phase out of the 2003 surcharge in tax year 2006. In addition, receipts are reduced by the incremental value of the STAR tax reduction program.

PIT receipts for 2006-07 are projected to increase by more than \$800 million to \$19.69 billion.

Wages are estimated to continue to improve steadily in 2005-06 and 2006-07, reflecting stronger employment growth, increases in bonuses paid, and the continuing return to normalcy after the 2001 World Trade Center attack.

Realized capital gains are expected to return to a robust level of growth in 2005 and 2006. This growth represents the continuation of the recovery of the stock market from the anemic period of 2001 through 2003.

The 2005-06 and 2006-07 projections also assume increases in the other major components of income, consistent with continued growth in the overall economy. The Explanation of Estimated Receipts Economic Backdrop section contains a more detailed discussion of these estimates.

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There is significant uncertainty associated with the forecast of the outyear income components. In many cases, a reasonable range of uncertainty around the predicted income components would include a significant range around outyear income tax estimates.

User Taxes and Fees

Receipts from user taxes and fees are estimated to total \$7.96 billion in 2005-06, a decrease of \$377 million from 2004-05. The decrease is due to the scheduled decline in the State sales tax rate from 4.25 percent to 4 percent on June 1, 2005, and the loss of \$170 million in receipts due to changes in the State sales tax base in New York City associated with the proposed MAC refinancing, offset in part by expected growth in the sales tax base.

User taxes and fees receipts are expected to grow to \$8.18 billion in 2006-07. The economy is expected to be growing at trend rates over this period, resulting in sales tax growth more in line with historical averages. This is expected to result in underlying growth in the sales tax base of 4 percent to 5 percent.

Business Taxes

Business tax receipts are expected to increase to \$3.89 billion in 2005-06. This is primarily due to the anticipated growth in corporate and bank profits, as well as the continued growth in insurance premiums. Receipts are projected to increase to \$3.97 billion in 2006-07 reflecting continued modest increases in underlying liability.

Other Taxes

The receipts from other taxes are expected to increase to \$820 million in 2005-06, which reflects the expected growth in stock market prices on the value of taxable estates. In 2006-07, receipts rise to \$878 million, reflecting the expectation of continued growth in estate tax liability.

Miscellaneous Receipts

Miscellaneous Receipts for 2005-06 are estimated to be \$1.99 billion. Receipts in this category are projected to be \$1.82 billion in 2006-07.

TRANSFERS FROM OTHER FUNDS		
(millions of dollars)		
	2005-06	2006-07
PIT in Excess of Revenue Bond Debt Service	5,820	5,985
Sales Tax in Excess of LGAC Debt Service	2,085	2,152
Real Estate Taxes in Excess of CW/CA Debt Service	245	255
All Other Transfers	311	307
Total Transfers from Other Funds	8,461	8,699

Transfers from other funds are estimated to grow to \$8.46 billion in 2005-06 and \$8.70 billion in 2006-07. Both the 2005-06 and 2006-07 projections reflect growth in the dedicated portions of PIT, sales tax and the real estate transfer tax, which comprise a significant portion of transfers from other funds each year. The growth of \$74 million in 2005-06 is due to projected growth in income, sales and real estate taxes, offset by net increases in debt service related to PIT Revenue Bonds, LGAC Bonds and CW/CA General Obligation debt service of \$180 million. The growth of \$238 million in 2006-07 is due to growth in income, sales and real estate taxes, offset by net increases in debt service related PIT Revenue Bonds, LGAC Bonds and CW/CA General Obligation debt service of \$164 million.

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OUTYEAR DISBURSEMENTS

GENERAL FUND DISBURSEMENTS (millions of dollars)		
	2005-06	2006-07
Total Disbursements	44,987	47,575

Absent additional spending controls greater than those proposed in the 2004-05 Executive Budget, DOB currently projects that General Fund spending would grow by \$3.10 billion (7.4 percent) in 2005-06 and \$2.59 billion (5.8 percent) in 2006-07. The primary sources of this growth are itemized in the table below, and are described in further detail following the table.

PROJECTED ANNUAL SPENDING GROWTH (millions of dollars)		
	2005-06	2006-07
Medicaid (including tobacco guarantee)	1,411	1,249
Welfare	366	225
School Aid (excluding SBE reserve)	214	285
Mental Hygiene	100	53
All Other Local Assistance	252	50
Employee Health Insurance	335	309
Pensions	237	174
State Operations	191	234
Debt Service	97	(24)
All Other	(101)	33
Total Annual \$ Growth	3,102	2,588
Total Annual % Growth	7.4	5.8

GRANTS TO LOCAL GOVERNMENTS (millions of dollars)		
	2005-06	2006-07
Grants to Local Governments	30,798	32,660

Local assistance spending is projected to increase by \$2.34 billion (8.2 percent) in 2005-06 and another \$1.86 billion (6.0 percent) in 2006-07, primarily attributable to growth in the areas of Medicaid, welfare, and school aid.

General Fund spending for Medicaid is expected to grow by \$1.41 billion in 2005-06 and another \$1.25 billion in 2006-07. This increase is attributable largely to inflationary and utilization growth of \$721 million in 2005-06 and \$837 million in 2006-07 on the State's gross share of Medicaid costs totaling roughly \$10 billion, which represent projected underlying growth of approximately 7.5 percent. These estimates are based on programmatic trends experienced in New York State's Medicaid program and the Congressional Budget Office national average projections. The remaining growth is attributable primarily to the loss of nonrecurring financing sources in 2004-05 including Federal FMAP (\$220 million), payment of the March 30, 2005 cycle payment in 2005-06 (\$190 million), and increased General Fund support over the two years for HCRA including the repayment of a 2002-03 loan (\$200 million) and planned "tobacco guarantee" payments in 2006-07 (\$435 million).

Welfare spending is projected to increase by \$366 million (34 percent) in 2005-06 and by another \$255 million (16 percent) in 2006-07 due to projected increases in family caseload (4.7 percent), the single adult/childless couples caseload (10 percent), and growth in expenditures per person (3 percent).

General school aid on a school year basis is projected to grow approximately \$350 million (2.4 percent) in 2005-06 and \$235 million (1.6 percent) in 2006-07. The general school aid projections assume growth in expense-based programs, and reflect the impact of recommended reforms to building aid, ongoing limits in transportation aid and maintenance of current levels for most other aid categories. On a state fiscal year basis, school aid spending

FINANCIAL PLAN OVERVIEW

is projected to grow by approximately \$214 million (1.7 percent) in 2005-06 and \$285 million (2.2 percent) in 2006-07. However, the SBE reserves (financed with VLT revenues), are not yet included in these spending totals, and would add an estimated \$950 million in fiscal year 2005-06 and \$1.30 billion in 2006-07.

Mental hygiene programs are projected to increase by \$100 million (6.2 percent) in 2005-06 and an additional \$53 million (3.1 percent) in 2006-07. This growth is primarily attributable to bed development for community mental health services and OMRDD NYSCARES programs that provide services to the mentally ill and mentally retarded and developmentally disabled populations.

All other local assistance programs increase by \$252 million (3.6 percent) in 2005-06 and by \$50 million (0.7 percent) in 2006-07. This two-year increase is largely due to programmatic growth in higher education costs primarily for payments to CUNY (\$150 million), funding for ESDC economic development programs (\$75 million), children and family services (\$74 million), and preschool special education (\$96 million) and various other programmatic growth across all other agencies. These increases are partially offset by reduced funding for community projects (\$150 million) and the phase of the final payments to the City of Yonkers relating to a court ordered settlement (\$35 million).

STATE OPERATIONS (millions of dollars)		
	2005-06	2006-07
State Operations	7,442	7,676

State Operations spending is expected to increase by \$191 million, or 2.6 percent, in 2005-06 and \$236 million (3.2 percent) in 2006-07. The growth in State Operations spending is due to normal salary step increases and increases for non-personal service costs (valued at roughly \$125 million) and the decline in resources used to offset spending in the General Fund valued at roughly \$175 million in 2005-06 and \$100 million in 2006-07. The annual growth in 2005-06 is reduced by the loss of the extra institutional payroll in 2004-05. No general salary increases or productivity savings are budgeted in either 2005-06 or 2006-07.

GENERAL STATE CHARGES (millions of dollars)		
	2005-06	2006-07
General State Charges	4,109	4,612

GSCs are expected to increase by \$457 million (12.5 percent) in 2005-06 and another \$503 million (12.2 percent) in 2006-07 to finance anticipated cost increases in pension and health insurance benefits for State employees and retirees. Prior year pension fund investment losses are expected to increase the employer contribution rate to the New York State and Local Retirement Systems from 6.5 percent in 2004-05 to 8.6 percent of employee salaries in 2005-06 and 10.6 percent in 2006-07. These rates, which assume the 2004-05 Executive Budget pension reform recommendation are enacted, will still require additional State spending of \$237 million in 2005-06 and another \$174 million in 2006-07, for a total of \$1.08 billion by 2006-07. Spending for employee health care costs is expected to increase by \$335 million in 2005-06 and another \$309 million in 2006-07 for a total of \$2.70 billion in 2006-07. This funding level assumes 15 percent annual premium trend increases, and does not incorporate any potential productivity savings or other changes to existing labor contracts.

TRANSFERS TO OTHER FUNDS (millions of dollars)		
	2005-06	2006-07
Debt Service	1,850	1,826
Capital Projects	201	204
All Other	587	597
Total Transfers to Other Funds	2,638	2,627

FINANCIAL PLAN OVERVIEW

Transfers to the Debt Service Funds increase by \$97 million in 2005-06 and decrease by \$24 million 2006-07. The change in debt service in the outyears is due primarily to the loss of refunding savings that occurred in the prior years and the use of PIT revenue bonds to finance the debt service costs for capital projects previously financed by the General Fund transfer.

Capital projects transfers are projected to increase by \$14 million in 2005-06 and \$3 million in 2006-07. These increases reflect routine reestimates based upon projected program activity.

All other transfers are projected to remain virtually unchanged through 2006-07.

HEALTH CARE REFORM ACT

In accordance with Chapters 62 and 686 of the Laws of 2003, the following provides the Financial Plan information regarding HCRA receipts and disbursements for 2004-05. As required, the estimates of receipts and disbursements are detailed on a quarterly basis.

OVERVIEW

In 1996, New York enacted landmark health care reform legislation – HCRA – that replaced the hospital reimbursement system established in 1983 with a deregulated system for most non-Medicare payers. This Act was designed to improve the fiscal health of hospitals and ensure that affordable and quality health care coverage was available to all New Yorkers. The Act was subsequently extended and modified in both 2000 and 2002 to expand CHP, initiate both FHP and Healthy New York, and provide needed funding to attract, train and recruit a high quality health care workforce. Last year (2003), this legislation was extended through June 30, 2005.

Historically, HCRA cash balances have been significant because the revenues have generally accumulated as anticipated, but the programs often took longer to implement and reach projected expenditure levels. The HCRA cash balance on December 31, 2001 was \$1.93 billion, as certified in an audit completed by Fust Charles Chambers, LLP. Since then, spending levels in many major programs, such as FHP and EPIC, have significantly increased, outpacing the growth in recurring revenues. As a result, the HCRA cash balance as of April 1, 2004 is projected to be \$406 million.

Chapters 62 and 686 of the Laws of 2003 also created the Tobacco Revenue Guarantee Fund which provides for replenishment by the General Fund of revenues up to the level of tobacco settlement dollars otherwise available to HCRA had these revenues not been securitized.

To mitigate HCRA's reliance on the General Fund and to improve the fiscal viability of HCRA in the outyears, a series of cost savings actions are proposed that produce a State Financial Plan benefit of more than \$240 million in 2004-05. These proposals include actions that: reduce the cost of the EPIC program; bring FHP coverage more in line with that offered by private insurance policies; maximize the use of Medicaid dollars in the financing of Graduate Medical Education costs; and eliminate two unnecessary insurance pilot programs.

HCRA RECEIPTS

Public Goods Pool Receipts are estimated to total \$2.20 billion in 2004-05. The sources of receipts include surcharges and assessments on hospital revenues, and a covered lives assessment that is paid by insurance carriers.

FINANCIAL PLAN OVERVIEW

Tobacco Control and Insurance Initiatives Pool Receipts are projected to accumulate to \$2.23 billion in 2004-05. These receipts are comprised of a portion of cigarette tax revenues, proceeds from insurance conversions, Federal revenues received with the renewal of the State's Medicaid managed care waiver and Federal relief associated with the World Trade Center disaster.

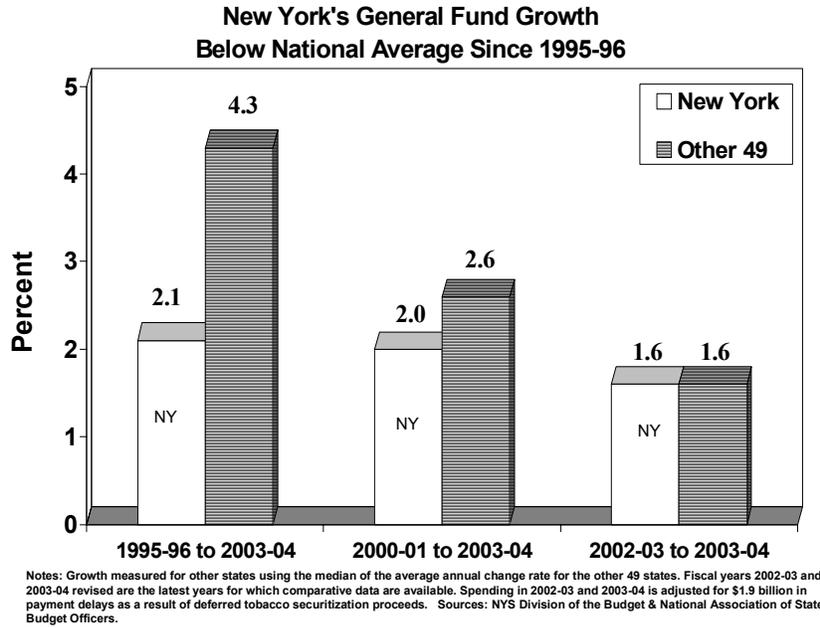
HCRA DISBURSEMENTS

Nearly three-quarters of HCRA disbursements (including indigent care) are appropriated in the State Budget. Total disbursements of \$4.37 billion are projected in 2004-05. Major disbursement categories include: hospital indigent care; EPIC; Graduate Medical Education; CHP; FHP; provider workforce recruitment and retention funds paid through Medicaid rates; and transfers to accommodate various Medicaid and public health costs.

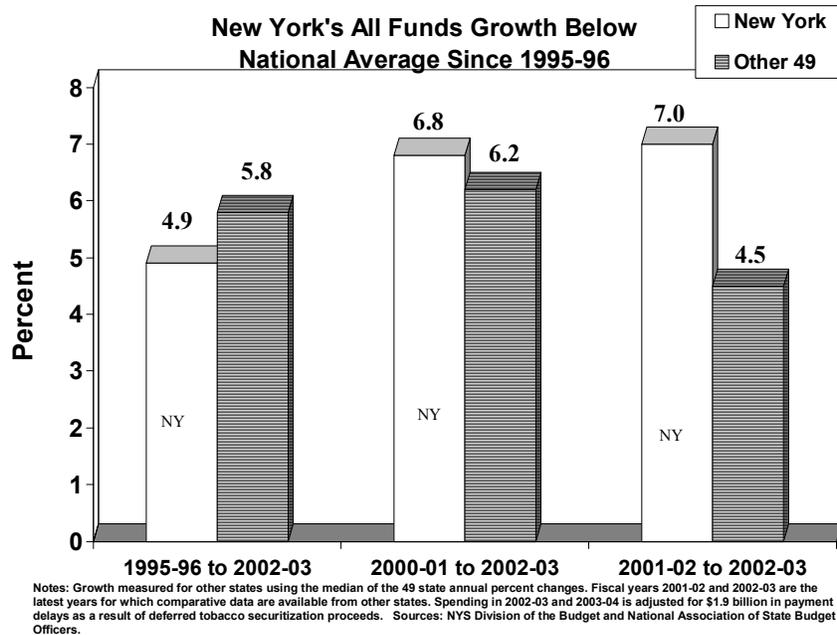
Additional detail on quarterly receipts and disbursements is contained in the Financial Plan tables later in this Overview. Based on the Executive Budget's recommendations, the cash balance at the end of 2004-05 will be \$475 million, declining to approximately \$150 million on June 30, 2005, when the HCRA statute expires.

HISTORICAL FINANCIAL PLAN DATA

The following tables illustrate historical trends in the areas of spending, reserves, government workforce, debt levels, tax collections, pensions, credit ratings, and demographics. The information is meant to aid readers in understanding changes in State finances over time and in comparison to other states.



Since 1995, average annual spending growth in the General Fund has been lower in New York than in the other 49 states. However, in the most recent year for which comparable data is available, other states have pared back General Fund spending significantly and grew at approximately the same rate as New York.



Since 1995, average annual spending growth for All Funds has been lower in New York than in the other 49 states. However, in recent years New York's All Funds spending has grown above the national median, primarily reflecting increased Federal Funds spending for World Trade Center relief efforts, Medicaid, and welfare.

FINANCIAL PLAN OVERVIEW

Sources of General Fund Spending Growth Ten-Year and Five-Year Growth Trends

	Ten-Year Growth	
	General Fund	Share of Growth
1994-95 Spending	33,399	
School Aid	4,415	52.0%
Gen State Charges	1,435	16.9%
Corrections	478	5.6%
Medicaid	447	5.3%
Judiciary	425	5.0%
Pre-K Special Education	370	4.4%
Mental Health	313	3.7%
Public Health	298	3.5%
Children and Families	266	3.1%
Debt Service	145	1.7%
Housing	(47)	-0.6%
Motor Vehicles	(107)	-1.3%
Transportation	(470)	-5.5%
Welfare	(1,114)	-13.1%
All Other (Net)	1,632	19.2%
2004-05 Spending	41,885	
<i>Dollar Change</i>	8,486	
<i>Percent Change</i>	25.4%	

	Five-Year Growth	
	General Fund	Share of Growth
1999-00 Spending	37,170	
School Aid	1,913	40.6%
General State Charges	1,566	33.2%
Medicaid	542	11.5%
Corrections	285	6.0%
Children and Families	251	5.3%
Judiciary	230	4.9%
Mental Health	227	4.8%
Pre-K Special Education	177	3.8%
State University	145	3.1%
Mental Retardation	101	2.1%
Motor Vehicles	(118)	-2.5%
Welfare	(198)	-4.2%
Transportation	(220)	-4.7%
Debt Service	(489)	-10.4%
All Other (Net)	303	6.4%
2004-05 Spending	41,885	
<i>Dollar Change</i>	4,715	
<i>Percent Change</i>	12.7%	

Source: NYS Division of the Budget

FINANCIAL PLAN OVERVIEW

Sources of State Funds Spending Growth Ten-Year and Five-Year Growth Trends

	Ten-Year Growth	
	State Funds	Share of Growth
1994-95 Spending	42,560	
School Aid	5,274	25.2%
STAR	2,998	14.3%
Medicaid	2,848	13.6%
General State Charges	1,774	8.5%
Public Health	1,556	7.4%
Debt Service	1,537	7.3%
State University	1,511	7.2%
Judiciary	538	2.6%
Economic Development	501	2.4%
Transportation	472	2.3%
Corrections	471	2.2%
City University	425	2.0%
Energy Research (ORDA)	(8)	0.0%
Crime Victims	(16)	-0.1%
Housing	(41)	-0.2%
Welfare	(1,114)	-5.3%
All Other (Net)	2,212	10.6%
2004-05 Spending	63,498	
<i>Dollar Change</i>	20,938	
<i>Percent Change</i>	49.2%	

	Five-Year Growth	
	State Funds	Share of Growth
1999-00 Spending	49,794	
Medicaid	2,665	19.4%
School Aid	2,589	18.9%
STAR	1,803	13.2%
General State Charges	1,606	11.7%
State University	993	7.2%
Public Health	959	7.0%
Economic Development	501	3.7%
Transportation	458	3.3%
Mental Health	411	3.0%
City University	370	2.7%
Debt Service	342	2.5%
Crime Victims	(27)	-0.2%
Technology	(43)	-0.3%
Welfare Administration	(98)	-0.7%
Welfare	(198)	-1.4%
All Other (Net)	1,373	10.0%
2004-05 Spending	63,498	
<i>Dollar Change</i>	13,704	
<i>Percent Change</i>	27.5%	

Source: NYS Division of the Budget

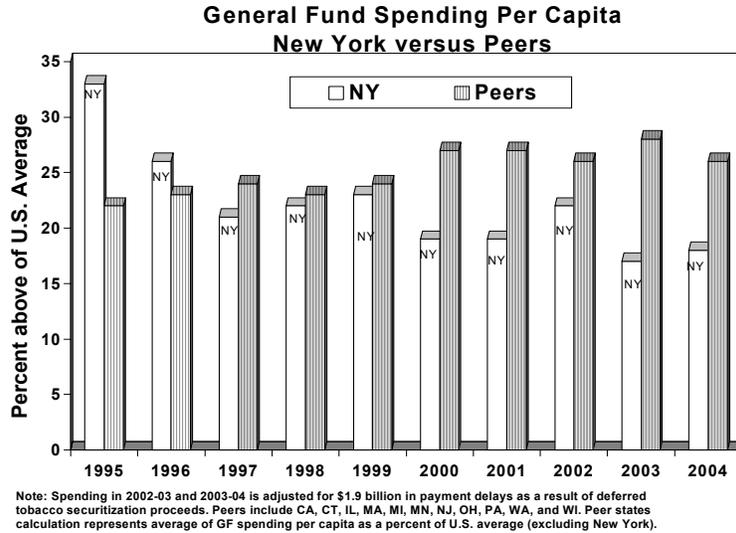
FINANCIAL PLAN OVERVIEW

Sources of All Governmental Funds Spending Growth Ten-Year and Five-Year Growth Trends

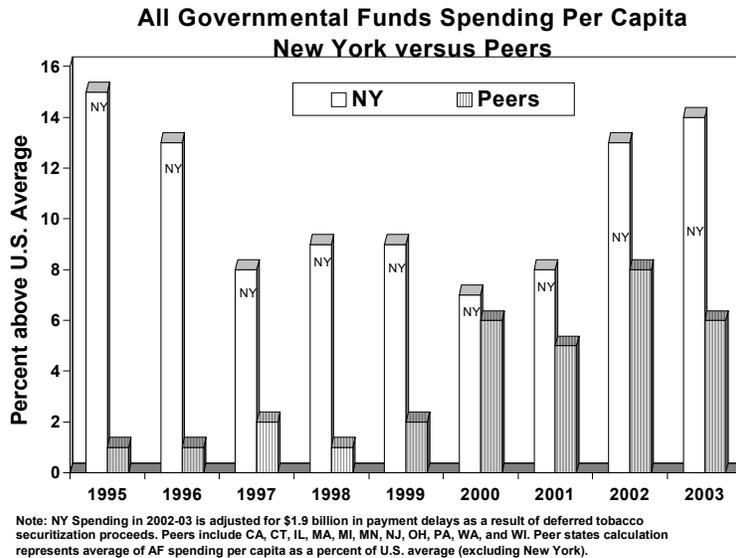
	Ten-Year Growth	
	All Funds	Share of Growth
1994-95 Spending	61,898	
Medicaid	12,798	33.8%
School Aid	5,274	13.9%
STAR	2,998	7.9%
Public Health	2,416	6.4%
General State Charges	1,916	5.1%
World Trade Center	1,700	4.5%
State University	1,592	4.2%
Debt Service	1,537	4.1%
Transportation	1,165	3.1%
Mental Retardation	979	2.6%
Energy Research (ORDA)	(31)	-0.1%
Housing	(39)	-0.1%
Welfare Administration	(147)	-0.4%
Welfare	(1,350)	-3.6%
All Other (Net)	7,100	18.7%
2004-05 Spending	99,806	
<i>Dollar Change</i>	37,908	
<i>Percent Change</i>	61.2%	

	Five-Year Growth	
	All Funds	Share of Growth
1999-00 Spending	73,266	
Medicaid	9,432	35.5%
School Aid	2,589	9.8%
STAR	1,803	6.8%
World Trade Center	1,700	6.4%
General State Charges	1,671	6.3%
Public Health	1,313	4.9%
State University	1,048	3.9%
Transportation	863	3.3%
Mental Retardation	801	3.0%
Welfare	763	2.9%
Children and Families	638	2.4%
Technology	(43)	-0.2%
Crime Victims	(44)	-0.2%
Welfare Administration	(98)	-0.4%
All Other (Net)	4,104	15.5%
2004-05 Spending	99,806	
<i>Dollar Change</i>	26,540	
<i>Percent Change</i>	36.2%	

Source: NYS Division of the Budget

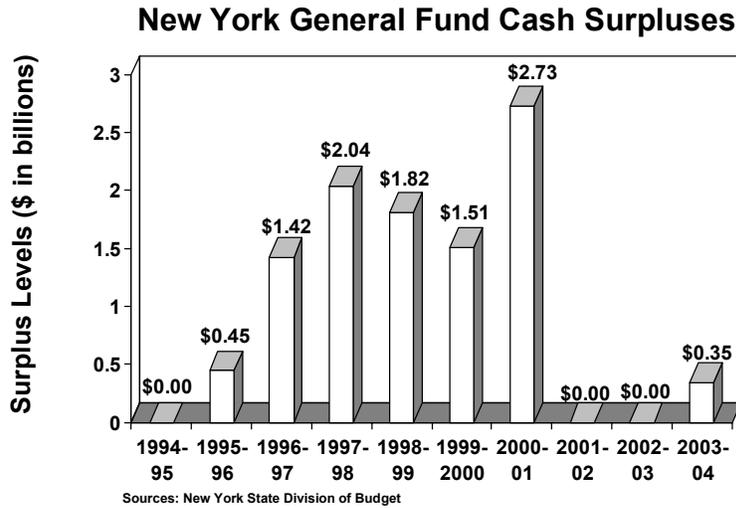


Since 1995, General Fund per capita spending in New York and in its peer states has ranged from approximately 120 percent to 130 percent of the U.S. average. New York's General Fund per capita spending decreased from 133 to 118 percent of the U.S. average between 1995 and 2004. During the same period, the average General Fund per capita spending for its peer states increased from 122 to 126 percent of the U.S. average. At 118 percent of the U.S. average, New York's General Fund per capita spending is now less than the average of its peers. New York's per capita spending level of \$2,113 ranked it tenth among the states in 2003-04.

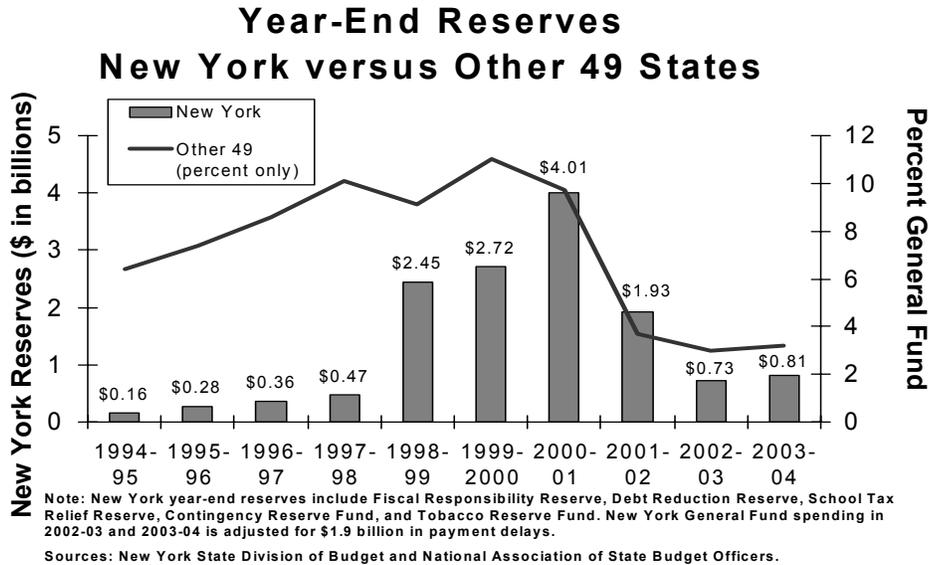


During the mid-to-late 1990s, All Funds spending per capita in New York was reduced from 115 percent to 107 percent of the U.S. average, approximately the same level as the average of its peer states in 1999-2000. However, in 2002 and 2003, All Funds spending per capita in New York began to increase and in 2003 was 114 percent of the U.S. average, a modest decrease from its 1995 level. During the same period, average All Funds spending per capita for its peer states increased from 101 to 106 percent of the U.S. average. New York's 2002-03 All Funds spending per capita of \$4,654 ranks it eleventh among the states.

FINANCIAL PLAN OVERVIEW

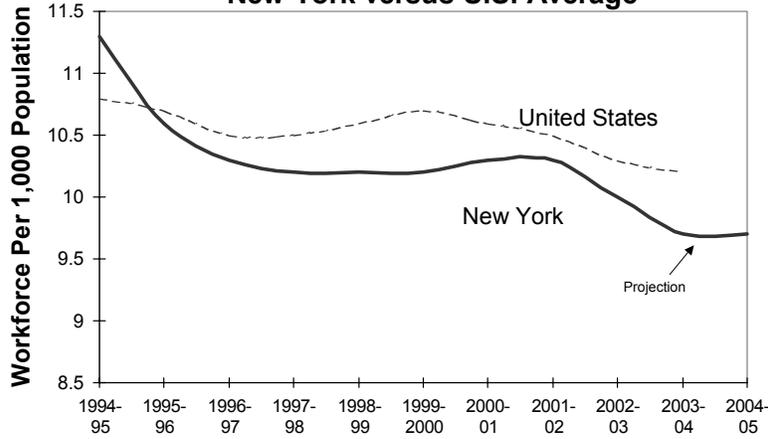


During the strong economic period of the mid-to-late 1990s as revenues exceeded spending, New York achieved six consecutive cash basis surpluses (1995-96 through 2000-01) that reached a high of \$2.7 billion in 2000-01. Since 2001, amid a slowing national economy, the September 11th terrorist attacks, and continued spending pressures, New York and nearly every other state has struggled to maintain budget balance.



New York's reserve levels grew in the late 1990s and remained relatively strong through 2001-02. However, the State has drawn down over \$3 billion in reserves to maintain budget balance in the aftermath of September 11th and the national recession. Accordingly, the State now has reserve levels that are again below the average of other states. The economic growth of the late 1990s allowed states to bolster their financial reserves, reaching a high in 2000 equal to 11 percent of General Fund spending. However, in the national economic downturn that began in 2000, those reserves fell to the current level of approximately three percent of General Fund spending.

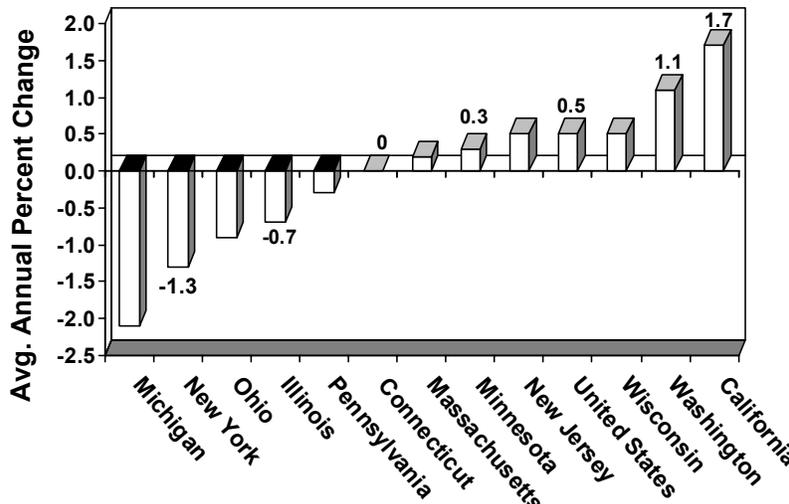
**10-Year Change in Workforce
Per 1,000 of Population
New York versus U.S. Average**



Notes: Comparable workforce data not available for Wyoming. United States information represents aggregate state workforce for other 48 states per 1,000 of total population for other 48 states. New York workforce numbers do not include non-annual positions and employees of the Judiciary and Legislature.
Sources: New York State Division of Budget and National Association of State Budget Officers.

While the 10-year national trend shows that state workforces per capita have been on the decline, the trend is more pronounced in New York. Faced with continued fiscal pressures since 2001-02, New York and many other states have curtailed spending growth, producing the first workforce reductions per capita since 1997. Since 1995, a State hiring freeze and targeted refilling of critical positions has reduced the New York State workforce by more than 20,000 filled positions. Today, there are 9.7 State employees for every 1,000 New Yorkers, compared to a workforce of 10.2 per 1,000 of population for other states.

**Average Annual Change in Workforce Since 1995
New York versus Peer States and National Total**

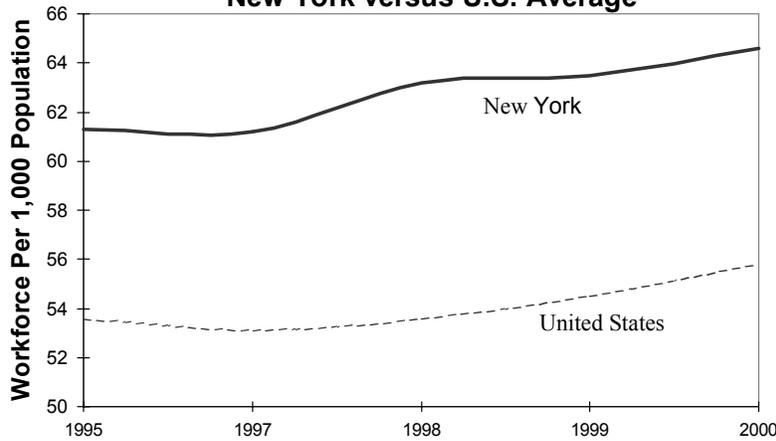


Sources: New York State Division of Budget and National Association of State Budget Officers.

Since 1994-95, New York's workforce has been reduced by an average of 1.3 percent annually while the total of other state workforces has increased by an average 0.5 percent annually (despite the average annual increase of 0.5 percent, the U.S. workforce per 1,000 of population still shows a decline because total population was increasing by an average 1.2 percent annually during this time period). Nationally, only three states had workforce reductions during this time period that were greater than New York's.

FINANCIAL PLAN OVERVIEW

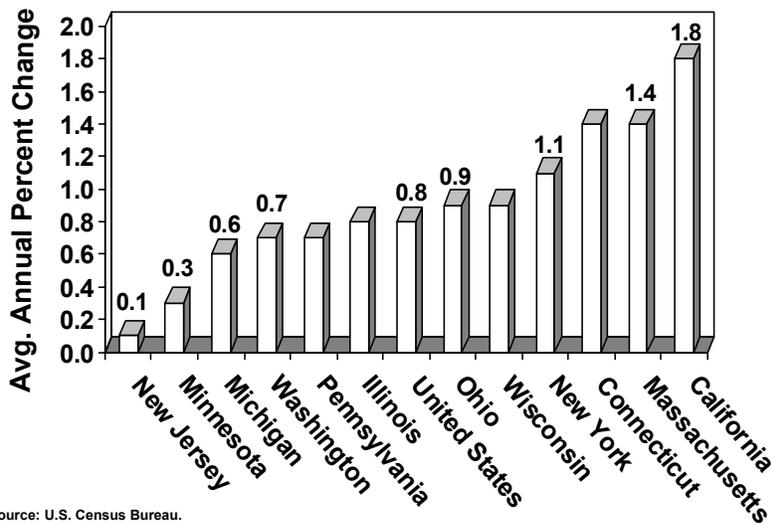
**Combined State and Local Workforce
Per 1,000 of Population
New York versus U.S. Average**



Notes: Comparative data not available for 1996.
Source: U.S. Census Bureau.

New York had 65 State and local government employees per 1,000 residents as of March 2000, the latest period for which comparative data are available. New York is approximately 16 percent higher than the national average.

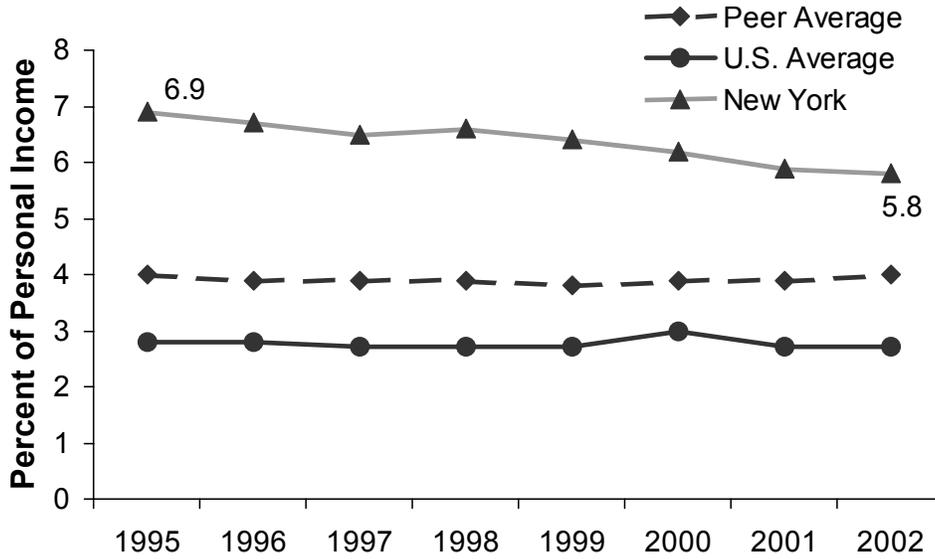
**Average Annual Change in Combined
State and Local Workforce: 1996-2000**



Source: U.S. Census Bureau.

Since 1995, New York's combined State and local workforce has increased by an average of 1.1 percent annually, compared to a U.S. average of 0.8 percent annually. The peer states of California, Massachusetts, and Connecticut have shown greater increases during this time period.

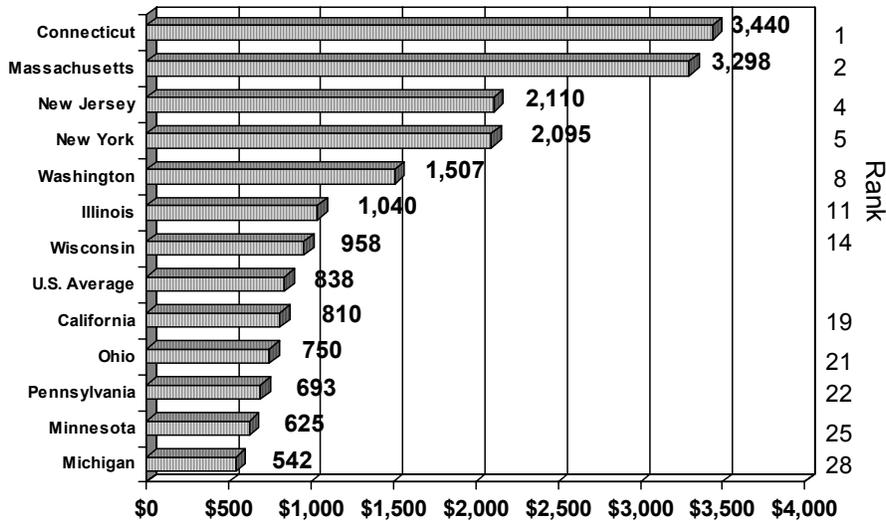
Debt as % of Personal Income



Note: Data points represent debt at the calendar year-end as a percent of the previous year's personal income.
 Source: Moody's Investors Service, Inc.

Since 1995, New York's debt as a percent of personal income has decreased from 6.9 percent to 5.8 percent and moved closer to the average of four percent for its peer states. New York's personal income was growing faster than its outstanding debt. In other states, debt burdens relative to personal income generally remained stable during this time period.

**2002 Total Per Capita State Debt
 New York and Peer State Rankings**

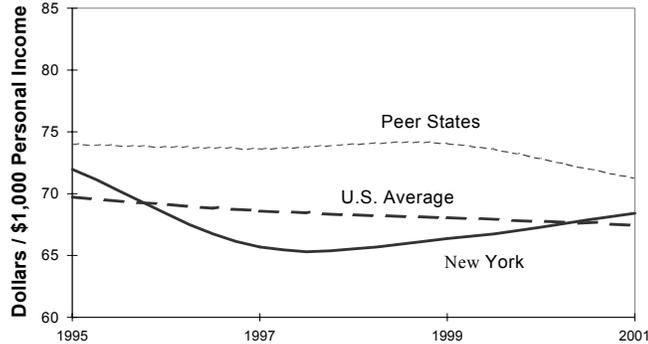


Source: Moody's Investors Service, Inc.

Although growth in debt outstanding has slowed in recent years, New York's debt per capita of \$2,095 still ranks fifth highest in the nation. Only Connecticut, Massachusetts, Hawaii and New Jersey have a higher debt per capita than New York.

FINANCIAL PLAN OVERVIEW

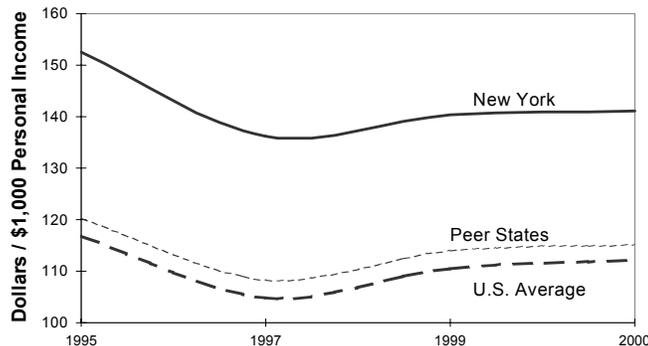
**State Tax Collections
per \$1,000 Personal Income**



Note: Fiscal year 2001 is the most recent year for which comparative data are available.
Source: State of New York, Department of Tax and Finance, *New York State Tax Source Book*.

Since 1995, the New York State tax burden, as measured by State tax collections per \$1,000 of personal income, decreased from 7.2 percent to 6.8 percent, approximately equal to the U.S. average and consistently lower than the average of its peer states. When comparing New York to other states in this way, it is important to note that the State collects a significant amount of taxes from non-residents, which has the effect of overstating tax collections as a share of personal income since non-resident income is not counted in the calculation. New York generates a relatively larger portion of its tax collections from non-resident visitors and from workers who commute to New York City from Connecticut and New Jersey. Furthermore, New York incomes are higher than the national average and, as a result, even if the New York tax structure were applied in all states, New York State taxes would appear higher because more affluent New York residents are subject to higher tax rates given the State's progressive rate structure. Finally, capital gains are not included in the definition of personal income, even though New York State residents pay tax on capital gains realizations. These factors, when coupled with a strong national economy, further overstate the tax-to-income ratio for New York and help explain why, despite State tax cuts, State tax collections per \$1,000 of personal income increased from \$66 to \$68 between 1997 and 2001.

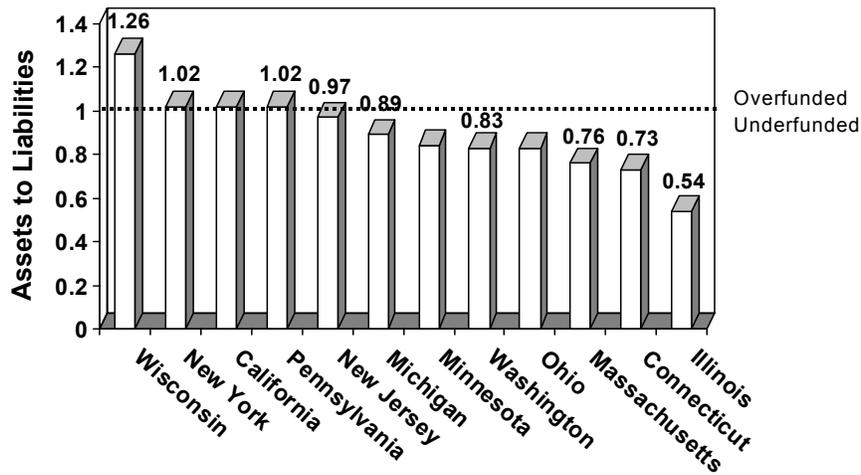
**State and Local Tax Collections
per \$1,000 Personal Income**



Note: Fiscal year 2000 is the most recent year for which comparative data are available.
Source: State of New York, Department of Tax and Finance, *New York State Tax Source Book*.

Since 1995, the New York State and local tax burden decreased from 15.3 percent to 14.1 percent of personal income. The combined State and local tax burden has been reduced, but is still higher than the national average. Some of this disparity is due to factors described above. Since data is available only through 2000, many of the New York State tax cuts of recent years are not yet fully reflected in this data.

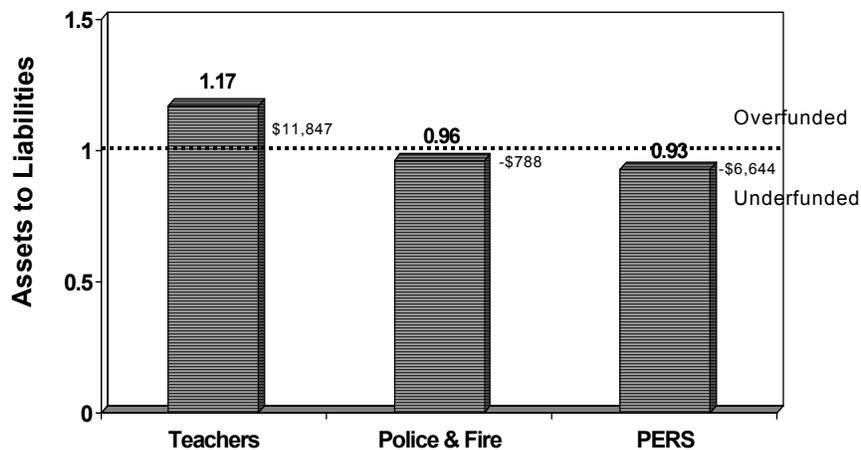
**State Retirement System Funding in 2002
New York versus Peer State Ratios**



Source: Wilshire Associates, Inc.

Falling asset values combined with continued growth in liabilities left the majority of state pension plans underfunded in 2002, the last year for which comparable data is available. New York and three of its peer states, Wisconsin, California, and Pennsylvania, were among only nine states in the nation with asset values exceeding liabilities as of 2002, down from 23 in 2001. Five states, including Illinois, have funding ratios of less than 70 percent, up from only three states in 2001. In nine states, including Illinois and Ohio, the amount of unfunded pension liability exceeds the level of General Fund spending. Compared to the other 49 states, New York's funding ratio in 2002 of 1.02 ranked it sixth best among the states.

**New York State Retirement System
Funding Ratios As of 2002**

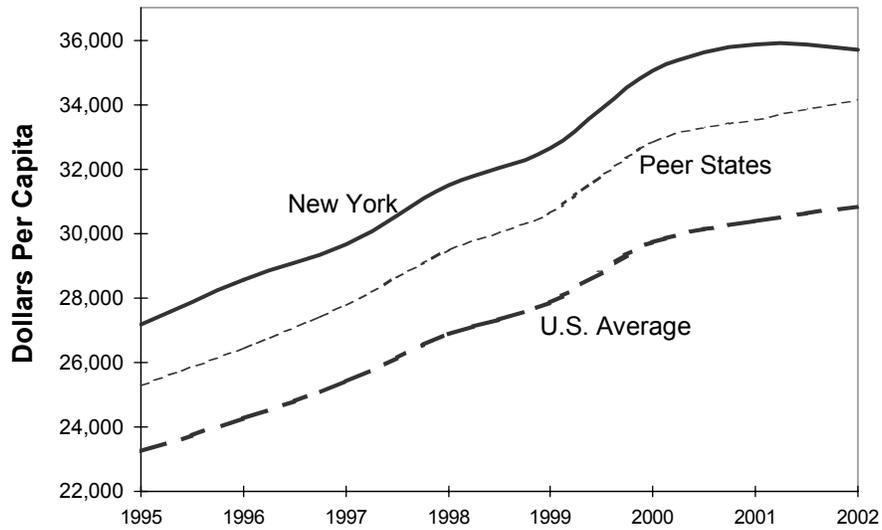


Source: Wilshire Associates, Inc.

As of 2002, the combined assets of New York's three statewide retirement systems (New York Teachers, New York Police and Fire, and New York PERS) exceed its combined liabilities by two percent. The combined overfunding of \$4.4 billion was fifth highest in the nation.

FINANCIAL PLAN OVERVIEW

Per Capita Personal Income

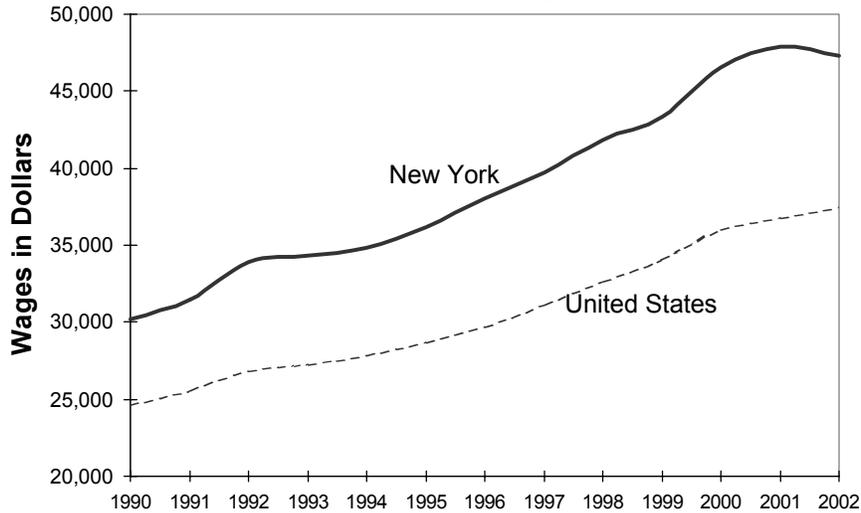


Note: Peer states line represents an average of peer state per capita personal incomes. United States is overall per capita personal income.

Source: U.S. Bureau of Economic Analysis.

Since 1995, per capita personal income for New York has been higher than the average of its peer states which has in turn been higher than the United States overall. During this time period, per capita personal income has grown an average of 4.0 percent annually in New York, 4.4 percent annually in its peer states, and 4.1 percent annually for the United States overall. In 2002, only Connecticut, Massachusetts and New Jersey had a higher per capita personal income than New York's \$35,708.

Average Wages

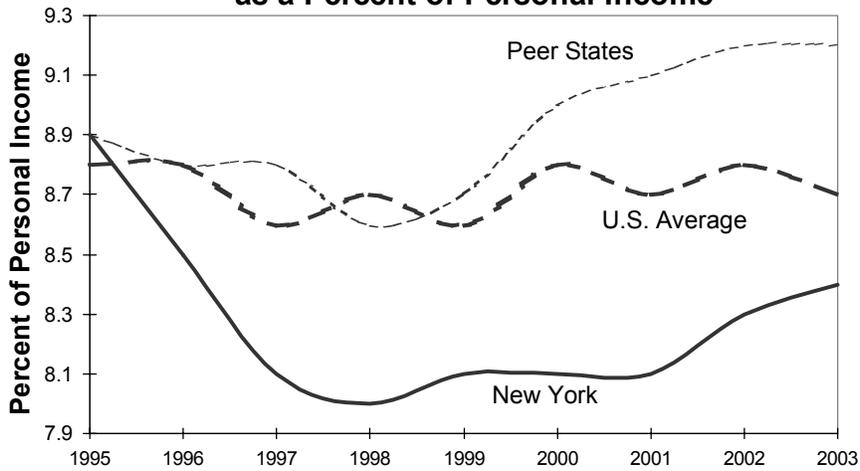


Notes: United States total excludes New York.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

New York's wages are higher than the national average and have grown faster than the national average. Since 1990, New York's average wages have grown by an average 3.8 percent annually while average wages for the rest of the nation have grown by 3.6 percent annually. Compared to other states, New York's wages rank in the top ten for most sectors and first in the legal, education, and sales sectors.

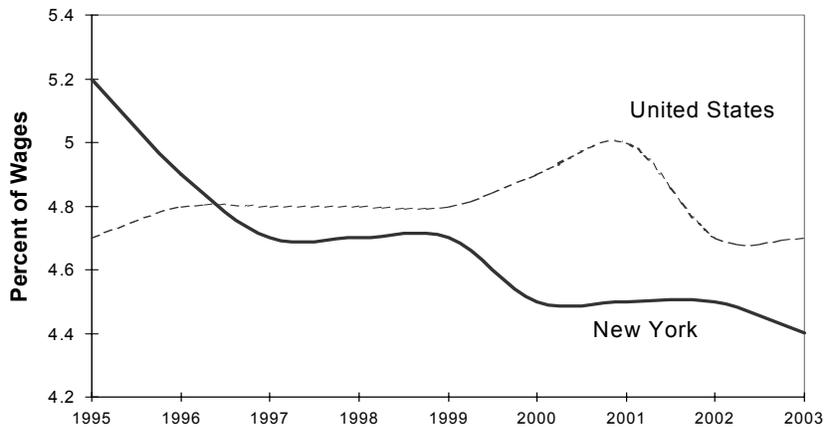
**State Funds Spending
as a Percent of Personal Income**



Note: Peer states line represents an average of State Funds spending as a percent of personal income for New York's peer states. United States is overall State Funds spending as a percent of overall personal income.
Sources: U.S. Bureau of Economic Analysis and National Association of State Budget Officers.

Except for 1994-95, New York's State Funds spending as a percent of personal income has been lower than the average of its peer states and lower than the United States overall in every fiscal year. Since 1994-95, State Funds spending as a percent of personal income has declined by 0.5 percent in New York, increased by 0.3 percent in New York's peer states, and remained relatively stable in the United States overall. Unlike its peer states, New York's average State Funds spending growth (3.9 percent annually) was lower than its average personal income growth (4.6 percent annually) during this time period.

**General Fund Spending Per Capita
as a Percent of Average Wages**

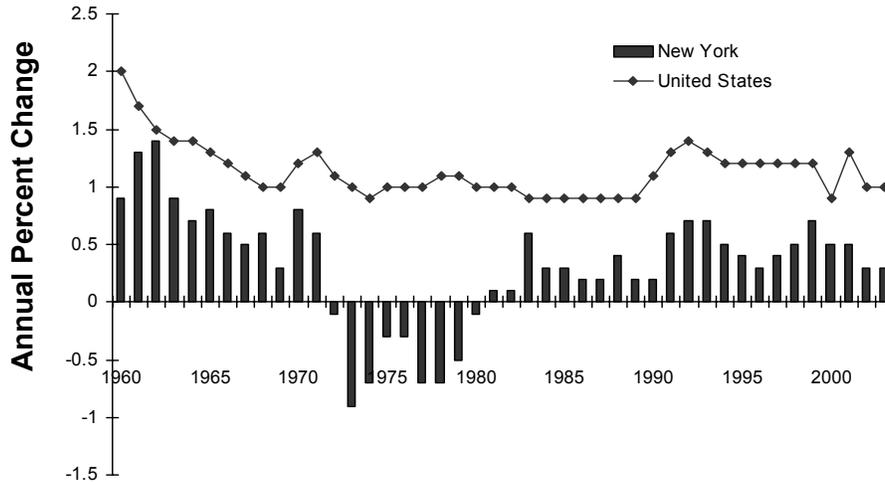


Source: U.S. Census Bureau, U.S. Department of Labor, Bureau of Labor Statistics and National Association of State Budget Officers.

Since 1995, New York's General Fund per capita spending, as a percent of average annual wages, declined from 5.2 percent to 4.4 percent and since 1997 has been lower than the rest of the nation. While New York is higher than the U.S. average on both General Fund per capita spending and average annual wages, its spending to wages ratio is lower than the U.S. average.

FINANCIAL PLAN OVERVIEW

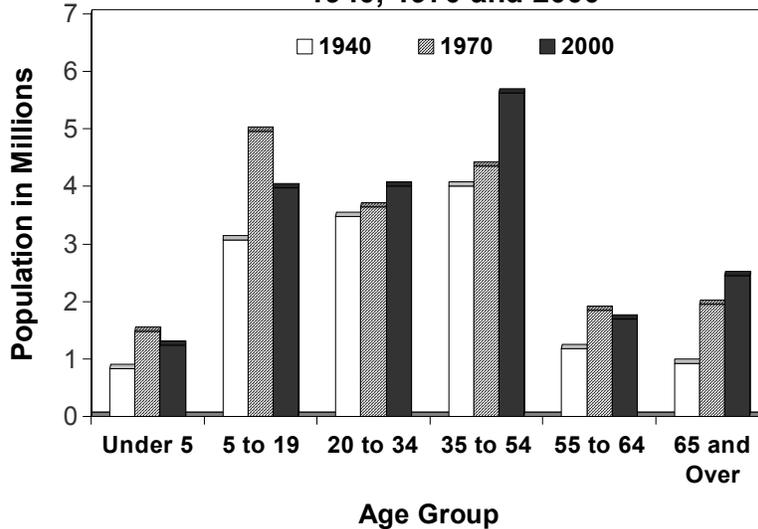
Annual Population Change Since 1960



Source: U.S. Census Bureau.

Since the 1950s, New York's population has grown more slowly than the national population. The national population, for most of this time period, has grown by approximately 1.0 percent annually. New York, apart from experiencing some population decline during the 1970s, has grown at approximately 0.5 percent annually, fueled primarily by immigration. Although New York is growing more slowly than the nation, it is still the third most populous state with approximately 19.2 million residents.

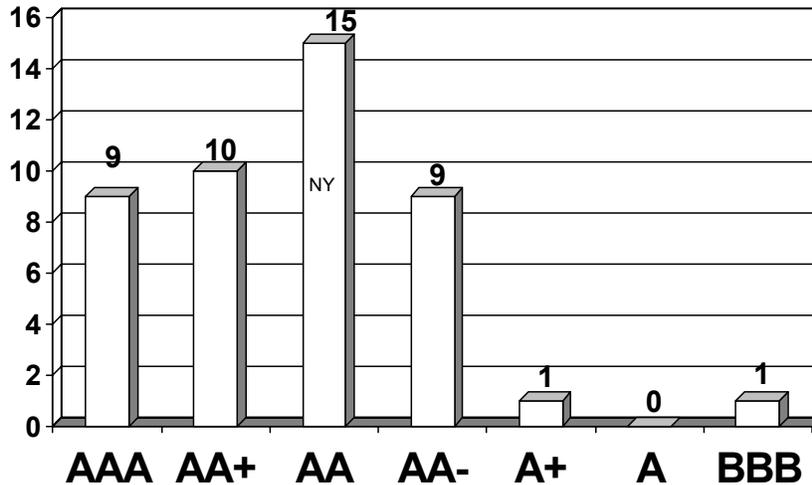
New York State Population by Age 1940, 1970 and 2000



Source: U.S. Census Bureau

Between 1940 and 2000, the population of New York increased by 41 percent from 13.5 million to 19 million. New York's population in each of the six age groups increased in size since 1940, although not at a similar pace.

**Standard & Poor's General Obligation Bond Ratings
Distribution of State Ratings**



Source: Standard & Poor's.

New York is currently one of among 15 states that are rated AA by Standard & Poor's. Since 2001, Standard & Poor's has downgraded eight states (California, Colorado, Kentucky, Michigan, New Hampshire, New Jersey, Oregon and Wisconsin). Ten states now have negative outlooks, including New York.

New York State General Obligation Rating History

Year	S&P	Fitch	Moody's
1990	Downgrade AA- to A	A+	Downgrade A1 to A2
1991	A	A+	A2
1992	Downgrade A to A-	A+	A2
1993	A-	A+	A2
1994	A-	A+	A2
1995	A-	A+	A2
1996	A-	A+	A2
1997	Upgrade A- to A	A+	A2
1998	A	A+	A2
1999	Upgrade A to A+	A+	A2
2000	Upgrade A+ to AA	A+	A2
2001	AA	Upgrade A+ to AA	A2
2002	AA	AA	A2
2003	AA	Downgrade AA to AA-	A2

Standard & Poor's has upgraded New York three times since 1995, the most recent upgrade in 2001 by two notches from A+ to AA. Fitch currently assigns New York the AA-rating after three upgrades since 2000 and one downgrade in May 2003. Moody's has not adjusted New York's credit rating since 1990 when it downgraded the State from A1 to A2.

FINANCIAL PLAN OVERVIEW

EXPLANATION OF THE FINANCIAL PLAN TABLES

The State's Executive Budget Financial Plan forecasts receipts and disbursements for each fiscal year. The economic forecast of 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 State Constitution requires the Governor to submit an Executive Budget that is balanced in the General Fund — the Fund that receives the majority of State taxes. State Funds include the General Fund and funds specified for dedicated purposes, with the exception of Federal Funds. All Governmental Funds, which includes State Funds and Federal Funds, comprises four major fund types, and provides the most comprehensive view of the financial operations of the State. It 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;
- SRFs, 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 Overview. Summary charts display the annual change for each category of the Financial Plan, and a narrative explanation of major changes follows each chart. The following tables summarize projected General Fund, State Funds and All Governmental Funds receipts and disbursements for the 2003-04 through 2006-07 fiscal years.

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FINANCIAL PLAN OVERVIEW

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

	<u>October</u>	<u>Change</u>	<u>January</u>
Opening fund balance	<u>815</u>	<u>0</u>	<u>815</u>
Receipts:			
Taxes:			
Personal income tax	16,276	(485)	15,791
User taxes and fees	7,964	(67)	7,897
Business taxes	3,436	(41)	3,395
Other taxes	726	58	784
Miscellaneous receipts	5,547	423	5,970
Federal grants	645	0	645
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	5,173	69	5,242
Sales tax in excess of LGAC debt service	1,960	(16)	1,944
Real estate taxes in excess of CW/CA debt service	210	37	247
All other transfers	430	(86)	344
Total receipts	<u>42,367</u>	<u>(108)</u>	<u>42,259</u>
Disbursements:			
Grants to local governments	29,629	(318)	29,311
State operations	7,142	(87)	7,055
General State charges	3,258	(1)	3,257
Transfers to other funds:			
Debt service	1,541	(73)	1,468
Capital projects	255	(28)	227
Other purposes	627	115	742
Total disbursements	<u>42,452</u>	<u>(392)</u>	<u>42,060</u>
Change in fund balance	<u>(85)</u>	<u>284</u>	<u>199</u>
Closing fund balance	<u>730</u>	<u>284</u>	<u>1,014</u>
Tax Stabilization Reserve Fund	710	84	794
Contingency Reserve Fund	20	0	20
Community Project Fund	0	200	200

Note: Changes reflect the reclassification of \$128 million in certain Medicaid disbursements from grants to local governments to transfers to other funds, pursuant to legislation enacted in 2003.

FINANCIAL PLAN OVERVIEW

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

	<u>Enacted</u>	<u>Change</u>	<u>January</u>
Opening fund balance	<u>815</u>	<u>0</u>	<u>815</u>
Receipts:			
Taxes:			
Personal income tax	16,285	(494)	15,791
User taxes and fees	8,007	(110)	7,897
Business taxes	3,498	(103)	3,395
Other taxes	771	13	784
Miscellaneous receipts	5,569	401	5,970
Federal grants	0	645	645
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	5,125	117	5,242
Sales tax in excess of LGAC debt service	1,853	91	1,944
Real estate taxes in excess of CW/CA debt service	202	45	247
All other	430	(86)	344
Total receipts	<u>41,740</u>	<u>519</u>	<u>42,259</u>
Disbursements:			
Grants to local governments	29,835	(524)	29,311
State operations	7,205	(150)	7,055
General State charges	3,232	25	3,257
Transfers to other funds:			
Debt service	1,583	(115)	1,468
Capital projects	255	(28)	227
Other purposes	627	115	742
Total disbursements	<u>42,737</u>	<u>(677)</u>	<u>42,060</u>
Fiscal Management Plan/Federal Aid	<u>912</u>	<u>(912)</u>	<u>0</u>
Change in fund balance	<u>(85)</u>	<u>284</u>	<u>199</u>
Closing fund balance	<u>730</u>	<u>284</u>	<u>1,014</u>
Tax Stabilization Reserve Fund	710	84	794
Contingency Reserve Fund	20	0	20
Community Project Fund	0	200	200

Note: Changes reflect the reclassification of \$128 million in certain Medicaid disbursements from grants to local governments to transfers to other funds, pursuant to legislation enacted in 2003.

FINANCIAL PLAN OVERVIEW

**CASH FINANCIAL PLAN
GENERAL FUND
2003-2004 AND 2004-2005
(millions of dollars)**

	<u>2003-2004</u> <u>January</u>	<u>2004-2005</u> <u>Recommended</u>	<u>Change</u>
Opening fund balance	<u>815</u>	<u>1,014</u>	<u>199</u>
Receipts:			
Taxes:			
Personal income tax	15,791	18,520	2,729
User taxes and fees	7,897	8,340	443
Business taxes	3,395	3,739	344
Other taxes	784	762	(22)
Miscellaneous receipts	5,970	2,087	(3,883)
Federal grants	645	0	(645)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	5,242	5,628	386
Sales tax in excess of LGAC debt service	1,944	2,047	103
Real estate taxes in excess of CW/CA debt service	247	240	(7)
All other	344	472	128
Total receipts	<u>42,259</u>	<u>41,835</u>	<u>(424)</u>
Disbursements:			
Grants to local governments	29,311	28,455	(856)
State operations	7,055	7,251	196
General State charges	3,257	3,652	395
Transfers to other funds:			
Debt service	1,468	1,753	285
Capital projects	227	187	(40)
Other purposes	742	587	(155)
Total disbursements	<u>42,060</u>	<u>41,885</u>	<u>(175)</u>
Change in fund balance	<u>199</u>	<u>(50)</u>	<u>(249)</u>
Closing fund balance	<u>1,014</u>	<u>964</u>	<u>(50)</u>
Tax Stabilization Reserve Fund	794	794	0
Contingency Reserve Fund	20	20	0
Community Project Fund	200	150	(50)

FINANCIAL PLAN OVERVIEW

**CASH FINANCIAL PLAN
GENERAL FUND
2004-2005 THROUGH 2006-2007
(millions of dollars)**

	<u>2004-2005 Recommended</u>	<u>2005-2006 Projected</u>	<u>2006-2007 Projected</u>
Receipts:			
Taxes:			
Personal income tax	18,520	18,864	19,685
User taxes and fees	8,340	7,963	8,176
Business taxes	3,739	3,890	3,967
Other taxes	762	820	878
Miscellaneous receipts	2,087	1,989	1,821
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	5,628	5,820	5,985
Sales tax in excess of LGAC debt service	2,047	2,085	2,152
Real estate taxes in excess of CW/CA debt service	240	245	255
All other	472	311	307
Total receipts	<u>41,835</u>	<u>41,987</u>	<u>43,226</u>
Disbursements:			
Grants to local governments	28,455	30,798	32,660
State operations	7,251	7,442	7,676
General State charges	3,652	4,109	4,612
Transfers to other funds:			
Debt service	1,753	1,850	1,826
Capital projects	187	201	204
Other purposes	587	587	597
Total disbursements	<u>41,885</u>	<u>44,987</u>	<u>47,575</u>
Deposit to/(use of) Community Projects Fund	<u>(50)</u>	<u>(150)</u>	<u>0</u>
Margin	<u>0</u>	<u>(2,850)</u>	<u>(4,349)</u>

FINANCIAL PLAN OVERVIEW

**GENERAL FUND
PERSONAL INCOME TAX COMPONENTS
2002-2003 THROUGH 2004-2005
(millions of dollars)**

	<u>2002-2003 Actual</u>	<u>2003-2004 Estimated</u>	<u>2004-2005 Recommended</u>
Withholdings	19,959	22,085	23,104
Estimated Payments	4,855	5,130	5,785
Final Payments	1,334	1,275	1,645
Delinquencies	796	595	660
Gross Collections	26,944	29,085	31,194
State/City Offset	(288)	(270)	(250)
Refund Reserve	1,050	(577)	693
Refunds	(4,008) ⁽¹⁾	(4,155) ⁽²⁾	(4,175) ⁽³⁾
Reported Tax Collections	23,698	24,083	27,462
STAR	(2,664)	(2,835)	(2,998)
RBTF	(4,243)	(5,457)	(5,944)
General Fund	16,791	15,791	18,520

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 \$1.20 billion.

Note 3: Reflects the payment of the balance of refunds on 2003 liability and the projected payment of \$960 million of calendar year 2004 refunds in the last quarter of the State's 2004-05 fiscal year and a projected balance in the Tax Refund Reserve Account of \$511 million.

FINANCIAL PLAN OVERVIEW

**CASH FINANCIAL PLAN
STATE FUNDS
2002-2003
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	1,032	1,090	(153)	169	2,138
Receipts:					
Taxes	27,977	4,205	1,690	6,804	40,676
Miscellaneous receipts	2,091	9,427	1,677	807	14,002
Federal grants	0	0	0	0	0
Total receipts	<u>30,068</u>	<u>13,632</u>	<u>3,367</u>	<u>7,611</u>	<u>54,678</u>
Disbursements:					
Grants to local governments	24,887	10,036	399	0	35,322
State operations	7,678	4,069	0	7	11,754
General State charges	2,699	356	0	0	3,055
Debt service	0	0	0	3,038	3,038
Capital projects	0	4	2,578	0	2,582
Total disbursements	<u>35,264</u>	<u>14,465</u>	<u>2,977</u>	<u>3,045</u>	<u>55,751</u>
Other financing sources (uses):					
Transfers from other funds	7,328	1,131	183	4,383	13,025
Transfers to other funds	(2,349)	(212)	(1,223)	(8,960)	(12,744)
Bond and note proceeds	0	0	245	0	245
Net other financing sources (uses)	<u>4,979</u>	<u>919</u>	<u>(795)</u>	<u>(4,577)</u>	<u>526</u>
Change in fund balance	<u>(217)</u>	<u>86</u>	<u>(405)</u>	<u>(11)</u>	<u>(547)</u>
Closing fund balance	<u>815</u>	<u>1,176</u>	<u>(558)</u>	<u>158</u>	<u>1,591</u>

FINANCIAL PLAN OVERVIEW

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	815	1,230	(558)	158	1,645
Receipts:					
Taxes	27,867	4,458	1,752	8,039	42,116
Miscellaneous receipts	5,970	10,267	2,690	694	19,621
Federal grants	645	12	0	0	657
Total receipts	<u>34,482</u>	<u>14,737</u>	<u>4,442</u>	<u>8,733</u>	<u>62,394</u>
Disbursements:					
Grants to local governments	29,311	10,596	1,221	0	41,128
State operations	7,055	4,680	0	9	11,744
General State charges	3,257	413	0	0	3,670
Debt service	0	0	0	3,353	3,353
Capital projects	0	5	2,212	0	2,217
Total disbursements	<u>39,623</u>	<u>15,694</u>	<u>3,433</u>	<u>3,362</u>	<u>62,112</u>
Other financing sources (uses):					
Transfers from other funds	7,777	935	266	4,881	13,859
Transfers to other funds	(2,437)	(215)	(1,081)	(10,240)	(13,973)
Bond and note proceeds	0	0	248	0	248
Net other financing sources (uses)	<u>5,340</u>	<u>720</u>	<u>(567)</u>	<u>(5,359)</u>	<u>134</u>
Change in fund balance	<u>199</u>	<u>(237)</u>	<u>442</u>	<u>12</u>	<u>416</u>
Closing fund balance	<u>1,014</u>	<u>993</u>	<u>(116)</u>	<u>170</u>	<u>2,061</u>

The Special Revenue Funds opening fund balance has been increased by \$54 million to reflect the reclassification of the Expendable and Non-expendable Trust Funds from the Fiduciary fund type to the Special Revenue fund type pursuant to GASB34.

FINANCIAL PLAN OVERVIEW

**CASH FINANCIAL PLAN
STATE FUNDS
2004-2005
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	1,014	993	(116)	170	2,061
Receipts:					
Taxes	31,361	4,784	1,806	8,657	46,608
Miscellaneous receipts	2,087	11,352	2,431	647	16,517
Federal grants	0	12	0	0	12
Total receipts	<u>33,448</u>	<u>16,148</u>	<u>4,237</u>	<u>9,304</u>	<u>63,137</u>
Disbursements:					
Grants to local governments	28,455	11,336	1,609	0	41,400
State operations	7,251	4,843	0	22	12,116
General State charges	3,652	462	0	0	4,114
Debt service	0	0	0	3,919	3,919
Capital projects	0	2	1,947	0	1,949
Total disbursements	<u>39,358</u>	<u>16,643</u>	<u>3,556</u>	<u>3,941</u>	<u>63,498</u>
Other financing sources (uses):					
Transfers from other funds	8,387	815	225	5,241	14,668
Transfers to other funds	(2,527)	(333)	(1,099)	(10,616)	(14,575)
Bond and note proceeds	0	0	131	0	131
Net other financing sources (uses)	<u>5,860</u>	<u>482</u>	<u>(743)</u>	<u>(5,375)</u>	<u>224</u>
Change in fund balance	<u>(50)</u>	<u>(13)</u>	<u>(62)</u>	<u>(12)</u>	<u>(137)</u>
Closing fund balance	<u>964</u>	<u>980</u>	<u>(178)</u>	<u>158</u>	<u>1,924</u>

FINANCIAL PLAN OVERVIEW

**CASH FINANCIAL PLAN
STATE FUNDS
2005-2006
(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	0	980	(178)	158	960
Receipts:					
Taxes	31,537	4,987	1,757	9,072	47,353
Miscellaneous receipts	1,989	12,278	2,214	656	17,137
Federal grants	0	12	0	0	12
Total receipts	<u>33,526</u>	<u>17,277</u>	<u>3,971</u>	<u>9,728</u>	<u>64,502</u>
Disbursements:					
Grants to local governments	30,798	11,624	1,004	0	43,426
State operations	7,442	4,921	0	22	12,385
General State charges	4,109	520	0	0	4,629
Debt service	0	0	0	4,372	4,372
Capital projects	0	1	2,239	0	2,240
Total disbursements	<u>42,349</u>	<u>17,066</u>	<u>3,243</u>	<u>4,394</u>	<u>67,052</u>
Other financing sources (uses):					
Transfers from other funds	8,461	811	238	5,457	14,967
Transfers to other funds	(2,638)	(240)	(1,208)	(10,804)	(14,890)
Bond and note proceeds	0	0	170	0	170
Net other financing sources (uses)	<u>5,823</u>	<u>571</u>	<u>(800)</u>	<u>(5,347)</u>	<u>247</u>
Deposit to/(use of) Community Projects Fund	<u>(150)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(150)</u>
Change in fund balance	<u>(2,850)</u>	<u>782</u>	<u>(72)</u>	<u>(13)</u>	<u>(2,153)</u>
Closing fund balance	<u>(2,850)</u>	<u>1,762</u>	<u>(250)</u>	<u>145</u>	<u>(1,193)</u>

FINANCIAL PLAN OVERVIEW

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	1,762	(250)	145	1,657
Receipts:					
Taxes	32,706	5,063	1,762	9,478	49,009
Miscellaneous receipts	1,821	12,777	2,284	665	17,547
Federal grants	0	12	0	0	12
Total receipts	<u>34,527</u>	<u>17,852</u>	<u>4,046</u>	<u>10,143</u>	<u>66,568</u>
Disbursements:					
Grants to local governments	32,660	11,752	880	0	45,292
State operations	7,676	4,982	0	22	12,680
General State charges	4,612	546	0	0	5,158
Debt service	0	0	0	4,718	4,718
Capital projects	0	1	2,264	0	2,265
Total disbursements	<u>44,948</u>	<u>17,281</u>	<u>3,144</u>	<u>4,740</u>	<u>70,113</u>
Other financing sources (uses):					
Transfers from other funds	8,699	824	242	5,515	15,280
Transfers to other funds	(2,627)	(241)	(1,332)	(10,933)	(15,133)
Bond and note proceeds	0	0	161	0	161
Net other financing sources (uses)	<u>6,072</u>	<u>583</u>	<u>(929)</u>	<u>(5,418)</u>	<u>308</u>
Change in fund balance	<u>(4,349)</u>	<u>1,154</u>	<u>(27)</u>	<u>(15)</u>	<u>(3,237)</u>
Closing fund balance	<u>(4,349)</u>	<u>2,916</u>	<u>(277)</u>	<u>130</u>	<u>(1,580)</u>

FINANCIAL PLAN OVERVIEW

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2002-2003
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	1,032	1,047	(268)	169	1,980
Receipts:					
Taxes	27,977	4,205	1,690	6,804	40,676
Miscellaneous receipts	2,091	9,570	1,678	807	14,146
Federal grants	0	31,684	1,567	0	33,251
Total receipts	<u>30,068</u>	<u>45,459</u>	<u>4,935</u>	<u>7,611</u>	<u>88,073</u>
Disbursements:					
Grants to local governments	24,887	38,249	855	0	63,991
State operations	7,678	7,303	0	7	14,988
General State charges	2,699	540	0	0	3,239
Debt service	0	0	0	3,038	3,038
Capital projects	0	4	3,795	0	3,799
Total disbursements	<u>35,264</u>	<u>46,096</u>	<u>4,650</u>	<u>3,045</u>	<u>89,055</u>
Other financing sources (uses):					
Transfers from other funds	7,328	3,035	183	4,383	14,929
Transfers to other funds	(2,349)	(2,460)	(1,235)	(8,960)	(15,004)
Bond and note proceeds	0	0	245	0	245
Net other financing sources (uses)	<u>4,979</u>	<u>575</u>	<u>(807)</u>	<u>(4,577)</u>	<u>170</u>
Change in fund balance	<u>(217)</u>	<u>(62)</u>	<u>(522)</u>	<u>(11)</u>	<u>(812)</u>
Closing fund balance	<u>815</u>	<u>985</u>	<u>(790)</u>	<u>158</u>	<u>1,168</u>

FINANCIAL PLAN OVERVIEW

**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	815	1,039	(790)	158	1,222
Receipts:					
Taxes	27,867	4,458	1,752	8,039	42,116
Miscellaneous receipts	5,970	10,396	2,690	694	19,750
Federal grants	645	34,921	1,621	0	37,187
Total receipts	<u>34,482</u>	<u>49,775</u>	<u>6,063</u>	<u>8,733</u>	<u>99,053</u>
Disbursements:					
Grants to local governments	29,311	41,684	1,438	0	72,433
State operations	7,055	7,986	0	9	15,050
General State charges	3,257	585	0	0	3,842
Debt service	0	0	0	3,353	3,353
Capital projects	0	5	3,610	0	3,615
Total disbursements	<u>39,623</u>	<u>50,260</u>	<u>5,048</u>	<u>3,362</u>	<u>98,293</u>
Other financing sources (uses):					
Transfers from other funds	7,777	3,412	266	4,881	16,336
Transfers to other funds	(2,437)	(2,654)	(1,087)	(10,240)	(16,418)
Bond and note proceeds	0	0	248	0	248
Net other financing sources (uses)	<u>5,340</u>	<u>758</u>	<u>(573)</u>	<u>(5,359)</u>	<u>166</u>
Change in fund balance	<u>199</u>	<u>273</u>	<u>442</u>	<u>12</u>	<u>926</u>
Closing fund balance	<u>1,014</u>	<u>1,312</u>	<u>(348)</u>	<u>170</u>	<u>2,148</u>

The Special Revenue Funds opening fund balance has been increased by \$54 million to reflect the reclassification of the Expendable and Non-expendable Trust Funds from the Fiduciary fund type to the Special Revenue fund type pursuant to GASB 34.

FINANCIAL PLAN OVERVIEW

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2004-2005
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	1,014	1,312	(348)	170	2,148
Receipts:					
Taxes	31,361	4,784	1,806	8,657	46,608
Miscellaneous receipts	2,087	11,478	2,431	647	16,643
Federal grants	0	34,425	1,840	0	36,265
Total receipts	<u>33,448</u>	<u>50,687</u>	<u>6,077</u>	<u>9,304</u>	<u>99,516</u>
Disbursements:					
Grants to local governments	28,455	42,431	1,827	0	72,713
State operations	7,251	8,027	0	22	15,300
General State charges	3,652	660	0	0	4,312
Debt service	0	0	0	3,919	3,919
Capital projects	0	2	3,560	0	3,562
Total disbursements	<u>39,358</u>	<u>51,120</u>	<u>5,387</u>	<u>3,941</u>	<u>99,806</u>
Other financing sources (uses):					
Transfers from other funds	8,387	3,170	225	5,241	17,023
Transfers to other funds	(2,527)	(2,815)	(1,108)	(10,616)	(17,066)
Bond and note proceeds	0	0	131	0	131
Net other financing sources (uses)	<u>5,860</u>	<u>355</u>	<u>(752)</u>	<u>(5,375)</u>	<u>88</u>
Change in fund balance	<u>(50)</u>	<u>(78)</u>	<u>(62)</u>	<u>(12)</u>	<u>(202)</u>
Closing fund balance	<u>964</u>	<u>1,234</u>	<u>(410)</u>	<u>158</u>	<u>1,946</u>

FINANCIAL PLAN OVERVIEW

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2005-2006
(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>0</u>	<u>1,234</u>	<u>(410)</u>	<u>158</u>	<u>982</u>
Receipts:					
Taxes	31,537	4,987	1,757	9,072	47,353
Miscellaneous receipts	1,989	12,372	2,214	656	17,231
Federal grants	0	33,557	1,902	0	35,459
Total receipts	<u>33,526</u>	<u>50,916</u>	<u>5,873</u>	<u>9,728</u>	<u>100,043</u>
Disbursements:					
Grants to local governments	30,798	41,632	1,222	0	73,652
State operations	7,442	8,059	0	22	15,523
General State charges	4,109	738	0	0	4,847
Debt service	0	0	0	4,372	4,372
Capital projects	0	1	3,914	0	3,915
Total disbursements	<u>42,349</u>	<u>50,430</u>	<u>5,136</u>	<u>4,394</u>	<u>102,309</u>
Other financing sources (uses):					
Transfers from other funds	8,461	3,122	238	5,457	17,278
Transfers to other funds	(2,638)	(2,647)	(1,217)	(10,804)	(17,306)
Bond and note proceeds	0	0	170	0	170
Net other financing sources (uses)	<u>5,823</u>	<u>475</u>	<u>(809)</u>	<u>(5,347)</u>	<u>142</u>
Deposit to/(use of) Community Projects Fund	<u>(150)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(150)</u>
Change in fund balance	<u>(2,850)</u>	<u>961</u>	<u>(72)</u>	<u>(13)</u>	<u>(1,974)</u>
Closing fund balance	<u>(2,850)</u>	<u>2,195</u>	<u>(482)</u>	<u>145</u>	<u>(992)</u>

FINANCIAL PLAN OVERVIEW

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	<u>0</u>	<u>2,195</u>	<u>(482)</u>	<u>145</u>	<u>1,858</u>
Receipts:					
Taxes	32,706	5,063	1,762	9,478	49,009
Miscellaneous receipts	1,821	12,871	2,284	665	17,641
Federal grants	0	34,712	1,891	0	36,603
Total receipts	<u>34,527</u>	<u>52,646</u>	<u>5,937</u>	<u>10,143</u>	<u>103,253</u>
Disbursements:					
Grants to local governments	32,660	42,984	1,097	0	76,741
State operations	7,676	8,027	0	22	15,725
General State charges	4,612	769	0	0	5,381
Debt service	0	0	0	4,718	4,718
Capital projects	0	1	3,929	0	3,930
Total disbursements	<u>44,948</u>	<u>51,781</u>	<u>5,026</u>	<u>4,740</u>	<u>106,495</u>
Other financing sources (uses):					
Transfers from other funds	8,699	3,020	242	5,515	17,476
Transfers to other funds	(2,627)	(2,569)	(1,341)	(10,933)	(17,470)
Bond and note proceeds	0	0	161	0	161
Net other financing sources (uses)	<u>6,072</u>	<u>451</u>	<u>(938)</u>	<u>(5,418)</u>	<u>167</u>
Change in fund balance	<u>(4,349)</u>	<u>1,316</u>	<u>(27)</u>	<u>(15)</u>	<u>(3,075)</u>
Closing fund balance	<u>(4,349)</u>	<u>3,511</u>	<u>(509)</u>	<u>130</u>	<u>(1,217)</u>

FINANCIAL PLAN OVERVIEW

**CASH FINANCIAL PLAN
SPECIAL REVENUE FUNDS
2002-2003
(millions of dollars)**

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Opening fund balance	<u>1,090</u>	<u>(43)</u>	<u>1,047</u>
Receipts:			
Taxes	4,205	0	4,205
Miscellaneous receipts	9,427	143	9,570
Federal grants	0	31,684	31,684
Total receipts	<u>13,632</u>	<u>31,827</u>	<u>45,459</u>
Disbursements:			
Grants to local governments	10,036	28,213	38,249
State operations	4,069	3,234	7,303
General State charges	356	184	540
Debt service	0	0	0
Capital projects	4	0	4
Total disbursements	<u>14,465</u>	<u>31,631</u>	<u>46,096</u>
Other financing sources (uses):			
Transfers from other funds	1,131	1,904	3,035
Transfers to other funds	(212)	(2,248)	(2,460)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	<u>919</u>	<u>(344)</u>	<u>575</u>
Change in fund balance	<u>86</u>	<u>(148)</u>	<u>(62)</u>
Closing fund balance	<u>1,176</u>	<u>(191)</u>	<u>985</u>

FINANCIAL PLAN OVERVIEW

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

	State	Federal	Total
Opening fund balance	1,230	(191)	1,039
Receipts:			
Taxes	4,458	0	4,458
Miscellaneous receipts	10,267	129	10,396
Federal grants	12	34,909	34,921
Total receipts	14,737	35,038	49,775
Disbursements:			
Grants to local governments	10,596	31,088	41,684
State operations	4,680	3,306	7,986
General State charges	413	172	585
Debt service	0	0	0
Capital projects	5	0	5
Total disbursements	15,694	34,566	50,260
Other financing sources (uses):			
Transfers from other funds	935	2,477	3,412
Transfers to other funds	(215)	(2,439)	(2,654)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	720	38	758
Change in fund balance	(237)	510	273
Closing fund balance	993	319	1,312

The Special Revenue Funds opening fund balance has been increased by \$54 million to reflect the reclassification of the Expendable and Non-expendable Trust Funds from the Fiduciary fund type to the Special Revenue fund type pursuant to GASB 34.

FINANCIAL PLAN OVERVIEW

**CASH FINANCIAL PLAN
SPECIAL REVENUE FUNDS
2004-2005
(millions of dollars)**

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Opening fund balance	<u>993</u>	<u>319</u>	<u>1,312</u>
Receipts:			
Taxes	4,784	0	4,784
Miscellaneous receipts	11,352	126	11,478
Federal grants	12	34,413	34,425
Total receipts	<u>16,148</u>	<u>34,539</u>	<u>50,687</u>
Disbursements:			
Grants to local governments	11,336	31,095	42,431
State operations	4,843	3,184	8,027
General State charges	462	198	660
Debt service	0	0	0
Capital projects	2	0	2
Total disbursements	<u>16,643</u>	<u>34,477</u>	<u>51,120</u>
Other financing sources (uses):			
Transfers from other funds	815	2,355	3,170
Transfers to other funds	(333)	(2,482)	(2,815)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	<u>482</u>	<u>(127)</u>	<u>355</u>
Change in fund balance	<u>(13)</u>	<u>(65)</u>	<u>(78)</u>
Closing fund balance	<u>980</u>	<u>254</u>	<u>1,234</u>

FINANCIAL PLAN OVERVIEW

**CASH FINANCIAL PLAN
SPECIAL REVENUE FUNDS
2005-2006
(millions of dollars)**

	State	Federal	Total
Opening fund balance	980	254	1,234
Receipts:			
Taxes	4,987	0	4,987
Miscellaneous receipts	12,278	94	12,372
Federal grants	12	33,545	33,557
Total receipts	17,277	33,639	50,916
Disbursements:			
Grants to local governments	11,624	30,008	41,632
State operations	4,921	3,138	8,059
General State charges	520	218	738
Debt service	0	0	0
Capital projects	1	0	1
Total disbursements	17,066	33,364	50,430
Other financing sources (uses):			
Transfers from other funds	811	2,311	3,122
Transfers to other funds	(240)	(2,407)	(2,647)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	571	(96)	475
Change in fund balance	782	179	961
Closing fund balance	1,762	433	2,195

FINANCIAL PLAN OVERVIEW

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

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Opening fund balance	<u>1,762</u>	<u>433</u>	<u>2,195</u>
Receipts:			
Taxes	5,063	0	5,063
Miscellaneous receipts	12,777	94	12,871
Federal grants	12	34,700	34,712
Total receipts	<u>17,852</u>	<u>34,794</u>	<u>52,646</u>
Disbursements:			
Grants to local governments	11,752	31,232	42,984
State operations	4,982	3,045	8,027
General State charges	546	223	769
Debt service	0	0	0
Capital projects	1	0	1
Total disbursements	<u>17,281</u>	<u>34,500</u>	<u>51,781</u>
Other financing sources (uses):			
Transfers from other funds	824	2,196	3,020
Transfers to other funds	(241)	(2,328)	(2,569)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	<u>583</u>	<u>(132)</u>	<u>451</u>
Change in fund balance	<u>1,154</u>	<u>162</u>	<u>1,316</u>
Closing fund balance	<u>2,916</u>	<u>595</u>	<u>3,511</u>

FINANCIAL PLAN OVERVIEW

**CASH FINANCIAL PLAN
CAPITAL PROJECTS FUNDS
2002-2003
(millions of dollars)**

	State	Federal	Total
Opening fund balance	(153)	(115)	(268)
Receipts:			
Taxes	1,690	0	1,690
Miscellaneous receipts	1,677	1	1,678
Federal grants	0	1,567	1,567
Total receipts	3,367	1,568	4,935
Disbursements:			
Grants to local governments	399	456	855
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	2,578	1,217	3,795
Total disbursements	2,977	1,673	4,650
Other financing sources (uses):			
Transfers from other funds	183	0	183
Transfers to other funds	(1,223)	(12)	(1,235)
Bond and note proceeds	245	0	245
Net other financing sources (uses)	(795)	(12)	(807)
Change in fund balance	(405)	(117)	(522)
Closing fund balance	(558)	(232)	(790)

FINANCIAL PLAN OVERVIEW

CASH FINANCIAL PLAN
CAPITAL PROJECTS FUNDS
2003-2004
(millions of dollars)

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Opening fund balance	<u>(558)</u>	<u>(232)</u>	<u>(790)</u>
Receipts:			
Taxes	1,752	0	1,752
Miscellaneous receipts	2,690	0	2,690
Federal grants	0	1,621	1,621
Total receipts	<u>4,442</u>	<u>1,621</u>	<u>6,063</u>
Disbursements:			
Grants to local governments	1,221	217	1,438
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	2,212	1,398	3,610
Total disbursements	<u>3,433</u>	<u>1,615</u>	<u>5,048</u>
Other financing sources (uses):			
Transfers from other funds	266	0	266
Transfers to other funds	(1,081)	(6)	(1,087)
Bond and note proceeds	248	0	248
Net other financing sources (uses)	<u>(567)</u>	<u>(6)</u>	<u>(573)</u>
Change in fund balance	<u>442</u>	<u>0</u>	<u>442</u>
Closing fund balance	<u>(116)</u>	<u>(232)</u>	<u>(348)</u>

FINANCIAL PLAN OVERVIEW

**CASH FINANCIAL PLAN
CAPITAL PROJECTS FUNDS
2004-2005
(millions of dollars)**

	State	Federal	Total
Opening fund balance	(116)	(232)	(348)
Receipts:			
Taxes	1,806	0	1,806
Miscellaneous receipts	2,431	0	2,431
Federal grants	0	1,840	1,840
Total receipts	4,237	1,840	6,077
Disbursements:			
Grants to local governments	1,609	218	1,827
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	1,947	1,613	3,560
Total disbursements	3,556	1,831	5,387
Other financing sources (uses):			
Transfers from other funds	225	0	225
Transfers to other funds	(1,099)	(9)	(1,108)
Bond and note proceeds	131	0	131
Net other financing sources (uses)	(743)	(9)	(752)
Change in fund balance	(62)	0	(62)
Closing fund balance	(178)	(232)	(410)

FINANCIAL PLAN OVERVIEW

CASH FINANCIAL PLAN
CAPITAL PROJECTS FUNDS
2005-2006
(millions of dollars)

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Opening fund balance	<u>(178)</u>	<u>(232)</u>	<u>(410)</u>
Receipts:			
Taxes	1,757	0	1,757
Miscellaneous receipts	2,214	0	2,214
Federal grants	0	1,902	1,902
Total receipts	<u>3,971</u>	<u>1,902</u>	<u>5,873</u>
Disbursements:			
Grants to local governments	1,004	218	1,222
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	2,239	1,675	3,914
Total disbursements	<u>3,243</u>	<u>1,893</u>	<u>5,136</u>
Other financing sources (uses):			
Transfers from other funds	238	0	238
Transfers to other funds	(1,208)	(9)	(1,217)
Bond and note proceeds	170	0	170
Net other financing sources (uses)	<u>(800)</u>	<u>(9)</u>	<u>(809)</u>
Change in fund balance	<u>(72)</u>	<u>0</u>	<u>(72)</u>
Closing fund balance	<u>(250)</u>	<u>(232)</u>	<u>(482)</u>

FINANCIAL PLAN OVERVIEW

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

	State	Federal	Total
Opening fund balance	(250)	(232)	(482)
Receipts:			
Taxes	1,762	0	1,762
Miscellaneous receipts	2,284	0	2,284
Federal grants	0	1,891	1,891
Total receipts	4,046	1,891	5,937
Disbursements:			
Grants to local governments	880	217	1,097
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	2,264	1,665	3,929
Total disbursements	3,144	1,882	5,026
Other financing sources (uses):			
Transfers from other funds	242	0	242
Transfers to other funds	(1,332)	(9)	(1,341)
Bond and note proceeds	161	0	161
Net other financing sources (uses)	(929)	(9)	(938)
Change in fund balance	(27)	0	(27)
Closing fund balance	(277)	(232)	(509)

FINANCIAL PLAN OVERVIEW

**CASH FINANCIAL PLAN
PROPRIETARY AND FIDUCIARY FUNDS
2003-2004
(millions of dollars)**

	<u>Internal Service</u>	<u>Enterprise</u>	<u>Fiduciary</u>
Opening fund balance	<u>(104)</u>	<u>16</u>	<u>10</u>
Receipts:			
Unemployment taxes	0	2,600	0
Miscellaneous receipts	572	78	1
Federal grants	0	25	0
Total receipts	<u>572</u>	<u>2,703</u>	<u>1</u>
Disbursements:			
Grants to local governments	0	0	0
State operations	520	81	1
Unemployment benefits	0	3,800	0
General State charges	39	2	0
Debt service	76	0	0
Capital projects	0	0	0
Total disbursements	<u>635</u>	<u>3,883</u>	<u>1</u>
Other financing sources (uses):			
Transfers from other funds	101	0	0
Transfers to other funds	(20)	0	0
Bond & Note Proceeds	0	0	0
Net other financing sources (uses)	<u>81</u>	<u>0</u>	<u>0</u>
Change in fund balance	<u>18</u>	<u>(1,180)</u>	<u>0</u>
Closing fund balance	<u>(86)</u>	<u>(1,164)</u>	<u>10</u>

The Enterprise Funds opening fund balance has been increased by \$4 million to reflect the reclassification of the Unemployment Insurance Benefit Fund from the Fiduciary fund type to the Enterprise fund type pursuant to GASB 34.

The Fiduciary Funds opening fund balance has been decreased by \$58 million to reflect the reclassification of the Expendable and Non-Expendable Trust Funds from the Fiduciary fund type to the Special Revenue and Enterprise fund types pursuant to GASB 34.

FINANCIAL PLAN OVERVIEW

**CASH FINANCIAL PLAN
PROPRIETARY AND FIDUCIARY FUNDS
2004-2005
(millions of dollars)**

	Internal Service	Enterprise	Fiduciary
Opening fund balance	(86)	(1,164)	10
Receipts:			
Unemployment taxes	0	2,700	0
Miscellaneous receipts	536	82	1
Federal grants	0	25	0
Total receipts	536	2,807	1
Disbursements:			
Grants to local governments	0	0	0
State operations	525	82	1
Unemployment benefits	0	3,800	0
General State charges	43	2	0
Debt service	29	0	0
Capital Projects	0	0	0
Total disbursements	597	3,884	1
Other financing sources (uses):			
Transfers from other funds	81	0	0
Transfers to other funds	(37)	0	0
Bond & Note Proceeds	0	0	0
Net other financing sources (uses)	44	0	0
Change in fund balance	(17)	(1,077)	0
Closing fund balance	(103)	(2,241)	10

FINANCIAL PLAN OVERVIEW

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

	<u>July</u>	<u>Change</u>	<u>January</u>
Revenues:			
Taxes:			
Personal income tax	16,197	350	16,547
User taxes and fees	8,016	(82)	7,934
Business taxes	3,338	(144)	3,194
Other taxes	694	72	766
Miscellaneous revenues	7,711	513	8,224
Federal grants	645	0	645
Total revenues	<u>36,601</u>	<u>709</u>	<u>37,310</u>
Expenditures:			
Grants to local governments	30,231	576	30,807
State operations	9,953	(157)	9,796
General State charges	2,742	43	2,785
Debt service	24	0	24
Capital projects	0	0	0
Total expenditures	<u>42,950</u>	<u>462</u>	<u>43,412</u>
Other financing sources (uses):			
Transfers from other funds	11,507	102	11,609
Transfers to other funds	(4,547)	12	(4,535)
Proceeds from financing arrangements/ advance refundings	357	3	360
Net other financing sources (uses)	<u>7,317</u>	<u>117</u>	<u>7,434</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses			
	<u>968</u>	<u>364</u>	<u>1,332</u>
Accumulated Deficit	<u>(2,352)</u>	<u>364</u>	<u>(1,988)</u>

FINANCIAL PLAN OVERVIEW

**GAAP FINANCIAL PLAN
GENERAL FUND
2003-2004 and 2004-2005
(millions of dollars)**

	<u>2003-2004</u> <u>Estimate</u>	<u>2004-2005</u> <u>Recommended</u>	<u>Change</u>
Revenues:			
Taxes:			
Personal income tax	16,547	17,781	1,234
User taxes and fees	7,934	8,436	502
Business taxes	3,194	3,719	525
Other taxes	766	776	10
Miscellaneous revenues	8,224	4,940	(3,284)
Federal grants	645	0	(645)
Total revenues	<u>37,310</u>	<u>35,652</u>	<u>(1,658)</u>
Expenditures:			
Grants to local governments	30,807	31,099	292
State operations	9,796	9,851	55
General State charges	2,785	2,998	213
Debt service	24	25	1
Capital projects	0	0	0
Total expenditures	<u>43,412</u>	<u>43,973</u>	<u>561</u>
Other financing sources (uses):			
Transfers from other funds	11,609	11,883	274
Transfers to other funds	(4,535)	(4,593)	(58)
Proceeds from financing arrangements/ advance refundings	360	340	(20)
Net other financing sources (uses)	<u>7,434</u>	<u>7,630</u>	<u>196</u>
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	<u>1,332</u>	<u>(691)</u>	<u>(2,023)</u>
Accumulated Deficit	<u>(1,988)</u>	<u>(2,679)</u>	

FINANCIAL PLAN OVERVIEW

**CONVERSION OF CASH FINANCIAL PLAN
TO GAAP FINANCIAL PLAN
GENERAL FUND
2003-2004
(millions of dollars)**

	Cash Financial Plan	Perspective Difference		Entity Difference		Cash Basis Subtotal	Changes in Accruals	Elimin- ations	Intrafund Eliminations	Reclass- ification	GAAP Financial Plan
		Special Revenue Funds	Other Funds	Other Funds	In						
Receipts/Revenues:											
Taxes:											
Personal income tax	15,791	0	0	0	15,791	756	0	0	0	0	16,547
User taxes and fees	7,897	0	0	0	7,897	37	0	0	0	0	7,934
Business taxes	3,395	0	0	0	3,395	(201)	0	0	0	0	3,194
Other taxes	784	0	0	0	784	(18)	0	0	0	0	766
Miscellaneous receipts	5,970	3,026	630	630	9,626	0	(90)	(570)	(742)	(742)	8,224
Federal Grants	645	0	0	0	645	0	0	0	0	0	645
Total receipts/revenues	34,482	3,026	630	630	38,138	574	(90)	(570)	(742)	(742)	37,310
Disbursements/expenses:											
Grants to local governments	29,311	2,405	0	0	31,716	(534)	0	0	0	(375)	30,807
State operations	7,055	3,593	578	578	11,226	(13)	(250)	(570)	(597)	(597)	9,796
General State charges	3,257	215	41	41	3,513	171	(22)	0	(877)	(877)	2,785
Debt service	0	0	76	76	76	24	0	0	(76)	(76)	24
Capital projects	0	0	0	0	0	0	0	0	0	0	0
Total disbursements/expenses	39,623	6,213	695	695	46,531	(352)	(272)	(570)	(1,925)	(1,925)	43,412
Other financing sources (uses):											
Transfers from other funds	7,777	3,201	101	101	11,079	0	(185)	(273)	988	988	11,609
Transfers to other funds	(2,437)	(178)	(20)	(20)	(2,635)	(5)	3	273	(2,171)	(2,171)	(4,535)
Proceeds from financing arrangements/ advance refundings	0	0	0	0	0	360	0	0	0	0	360
Net other financing sources (uses)	5,340	3,023	81	81	8,444	355	(182)	0	(1,183)	(1,183)	7,434
(Increase)/decrease in reserves	(199)	0	0	0	(199)	199	0	0	0	0	0
Receipts/revenues and other financing sources over (under) disbursements/expenses and other financing uses	0	(164)	16	16	(148)	1,480	0	0	0	0	1,332

FINANCIAL PLAN OVERVIEW

**CONVERSION OF CASH FINANCIAL PLAN
TO GAAP FINANCIAL PLAN
GENERAL FUND
2004-2005
(millions of dollars)**

	Perspective Difference		Entity Difference		Cash Basis Subtotal	Changes In Accruals	Eliminations	Intrafund Eliminations	Reclassification	GAAP Financial Plan
	Cash Financial Plan	Special Revenue Funds	Other Funds	Other Funds						
Receipts/Revenues:										
Taxes:										
Personal income tax	18,520	0	0	0	18,520	(739)	0	0	0	17,781
User taxes and fees	8,340	0	0	0	8,340	96	0	0	0	8,436
Business taxes	3,739	0	0	0	3,739	(20)	0	0	0	3,719
Other taxes	762	41	0	0	803	(27)	0	0	0	776
Miscellaneous receipts	2,087	3,541	594	594	6,222	(3)	(76)	(535)	(668)	4,940
Total receipts/revenues	33,448	3,582	594	594	37,624	(693)	(76)	(535)	(668)	35,652
Disbursements/expenses:										
Grants to local governments	28,455	2,867	0	0	31,322	363	0	0	(586)	31,099
State operations	7,251	3,480	584	584	11,315	(100)	(239)	(535)	(590)	9,851
General State charges	3,652	245	45	45	3,942	(18)	(23)	0	(903)	2,998
Debt service	0	0	29	29	29	25	0	0	(29)	25
Capital projects	0	0	0	0	0	0	0	0	0	0
Total disbursements/expenses	39,358	6,592	658	658	46,608	270	(262)	(535)	(2,108)	43,973
Other financing sources (uses):										
Transfers from other funds	8,387	3,257	81	81	11,725	0	(189)	(321)	668	11,883
Transfers to other funds	(2,527)	(240)	(37)	(37)	(2,804)	(5)	3	321	(2,108)	(4,593)
Proceeds from financing arrangements/advance refundings	0	0	0	0	0	340	0	0	0	340
Net other financing sources (uses)	5,860	3,017	44	44	8,921	335	(186)	0	(1,440)	7,630
(Increase)/decrease in reserves	50	0	0	0	50	(50)	0	0	0	0
Receipts/revenues and other financing sources (under) over disbursements/expenses and other financing uses	0	7	(20)	(20)	(13)	(678)	0	0	0	(691)

FINANCIAL PLAN OVERVIEW

**GAAP FINANCIAL PLAN
GENERAL FUND
2004-2005 THROUGH 2006-2007
(millions of dollars)**

	<u>2004-2005 Recommended</u>	<u>2005-2006 Projected</u>	<u>2006-2007 Projected</u>
Revenues:			
Taxes:			
Personal income tax	17,781	18,952	19,671
User taxes and fees	8,436	8,031	8,247
Business taxes	3,719	3,871	3,967
Other taxes	776	861	878
Miscellaneous revenues	4,940	4,928	5,073
Total revenues	<u><u>35,652</u></u>	<u><u>36,643</u></u>	<u><u>37,836</u></u>
Expenditures:			
Grants to local governments	31,099	33,457	35,346
State operations	9,851	10,129	10,300
General State charges	2,998	3,513	3,910
Debt service	25	25	26
Capital projects	0	0	0
Total expenditures	<u><u>43,973</u></u>	<u><u>47,124</u></u>	<u><u>49,582</u></u>
Other financing sources (uses):			
Transfers from other funds	11,883	11,558	11,641
Transfers to other funds	(4,593)	(4,695)	(4,708)
Proceeds from financing arrangements/ advance refundings	340	326	320
Net other financing sources (uses)	<u><u>7,630</u></u>	<u><u>7,189</u></u>	<u><u>7,253</u></u>
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	<u><u>(691)</u></u>	<u><u>(3,292)</u></u>	<u><u>(4,493)</u></u>

FINANCIAL PLAN OVERVIEW

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	28,441	4,437	1,770	8,038	42,686
Patient fees	0	0	0	325	325
Miscellaneous revenues	8,224	2,063	149	87	10,523
Federal grants	645	36,980	1,621	0	39,246
Total revenues	<u>37,310</u>	<u>43,480</u>	<u>3,540</u>	<u>8,450</u>	<u>92,780</u>
Expenditures:					
Grants to local governments	30,807	38,396	1,429	0	70,632
State operations	9,796	1,528	0	9	11,333
General State charges	2,785	199	0	0	2,984
Debt service	24	0	0	2,898	2,922
Capital projects	0	5	3,283	0	3,288
Total expenditures	<u>43,412</u>	<u>40,128</u>	<u>4,712</u>	<u>2,907</u>	<u>91,159</u>
Other financing sources (uses):					
Transfers from other funds	11,609	1,181	245	4,957	17,992
Transfers to other funds	(4,535)	(4,242)	(1,096)	(10,504)	(20,377)
Proceeds of general obligation bonds	0	0	248	0	248
Proceeds from financing arrangements/ advance refundings	360	0	2,222	0	2,582
Net other financing sources (uses)	<u>7,434</u>	<u>(3,061)</u>	<u>1,619</u>	<u>(5,547)</u>	<u>445</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses					
	<u>1,332</u>	<u>291</u>	<u>447</u>	<u>(4)</u>	<u>2,066</u>

FINANCIAL PLAN OVERVIEW

**GAAP FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2004-2005
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	30,712	4,711	1,790	8,692	45,905
Patient fees	0	0		326	326
Miscellaneous revenues	4,940	2,317	257	23	7,537
Federal grants	0	36,552	1,840	0	38,392
Total revenues	<u>35,652</u>	<u>43,580</u>	<u>3,887</u>	<u>9,041</u>	<u>92,160</u>
Expenditures:					
Grants to local governments	31,099	38,951	1,817	0	71,867
State operations	9,851	1,610	0	22	11,483
General State charges	2,998	236	0	0	3,234
Debt service	25	0	0	3,236	3,261
Capital projects	0	2	3,248	0	3,250
Total expenditures	<u>43,973</u>	<u>40,799</u>	<u>5,065</u>	<u>3,258</u>	<u>93,095</u>
Other financing sources (uses):					
Transfers from other funds	11,883	1,084	201	5,270	18,438
Transfers to other funds	(4,593)	(4,138)	(1,126)	(11,022)	(20,879)
Proceeds of general obligation bonds	0	0	131	0	131
Proceeds from financing arrangements/ advance refundings	340	0	1,939	0	2,279
Net other financing sources (uses)	<u>7,630</u>	<u>(3,054)</u>	<u>1,145</u>	<u>(5,752)</u>	<u>(31)</u>
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses					
	<u>(691)</u>	<u>(273)</u>	<u>(33)</u>	<u>31</u>	<u>(966)</u>

FINANCIAL PLAN OVERVIEW

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

	<u>Major Funds</u>			<u>Eliminations</u>	<u>Total</u>
	<u>General Fund</u>	<u>Federal Special Revenue</u>	<u>Other Governmental Funds</u>		
Revenues:					
Taxes:					
Personal income tax	16,547	0	8,263	0	24,810
User taxes and fees	7,934	0	3,948	0	11,882
Business taxes	3,194	0	1,590	0	4,784
Other taxes	766	0	444	0	1,210
Patient fees	0	0	325	0	325
Miscellaneous receipts	8,224	117	2,182	0	10,523
Federal grants	645	36,979	1,622	0	39,246
Total revenues	<u>37,310</u>	<u>37,096</u>	<u>18,374</u>	<u>0</u>	<u>92,780</u>
Expenditures:					
Grants to local governments	30,807	32,265	7,560	0	70,632
State operations	9,796	1,084	453	0	11,333
General State charges	2,785	155	44	0	2,984
Debt service	24	0	2,898	0	2,922
Capital projects	0	0	3,288	0	3,288
Total expenditures	<u>43,412</u>	<u>33,504</u>	<u>14,243</u>	<u>0</u>	<u>91,159</u>
Other financing sources (uses):					
Transfers from other funds	11,609	0	22,705	(16,322)	17,992
Transfers to other funds	(4,535)	(3,263)	(28,901)	16,322	(20,377)
Proceeds of General obligation bonds	0	0	248	0	248
Proceeds from financing arrangements/ advance refundings	360	0	2,222	0	2,582
Net other financing sources (uses)	<u>7,434</u>	<u>(3,263)</u>	<u>(3,726)</u>	<u>0</u>	<u>445</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses					
	<u>1,332</u>	<u>329</u>	<u>405</u>	<u>0</u>	<u>2,066</u>

FINANCIAL PLAN OVERVIEW

**GAAP FINANCIAL PLAN
GENERAL FUND
2004-2005
(millions of dollars)**

	<u>Major Funds</u>		<u>Other Governmental Funds</u>	<u>Eliminations</u>	<u>Total</u>
	<u>General Fund</u>	<u>Federal Special Revenue</u>			
Revenues:					
Taxes:					
Personal income tax	17,781	0	8,882	0	26,663
User taxes and fees	8,436	0	4,178	0	12,614
Business taxes	3,719	0	1,681	0	5,400
Other taxes	776	0	452	0	1,228
Patient fees	0	0	326	0	326
Miscellaneous receipts	4,940	115	2,482	0	7,537
Federal grants	0	36,551	1,841	0	38,392
Total revenues	<u>35,652</u>	<u>36,666</u>	<u>19,842</u>	<u>0</u>	<u>92,160</u>
Expenditures:					
Grants to local governments	31,099	32,473	8,295	0	71,867
State operations	9,851	1,088	544	0	11,483
General State charges	2,998	179	57	0	3,234
Debt service	25	0	3,236	0	3,261
Capital projects	0	0	3,250	0	3,250
Total expenditures	<u>43,973</u>	<u>33,740</u>	<u>15,382</u>	<u>0</u>	<u>93,095</u>
Other financing sources (uses):					
Transfers from other funds	11,883	0	23,327	(16,772)	18,438
Transfers to other funds	(4,593)	(3,174)	(29,884)	16,772	(20,879)
Proceeds of General obligation bonds	0	0	131	0	131
Proceeds from financing arrangements/ advance refundings	340	0	1,939	0	2,279
Net other financing sources (uses)	<u>7,630</u>	<u>(3,174)</u>	<u>(4,487)</u>	<u>0</u>	<u>(31)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses					
	<u>(691)</u>	<u>(248)</u>	<u>(27)</u>	<u>0</u>	<u>(966)</u>

FINANCIAL PLAN OVERVIEW

**CASHFLOW
GENERAL FUND
2002-2003
(millions of dollars)**

	<u>First Quarter (Actual)</u>	<u>Second Quarter (Actual)</u>	<u>Third Quarter (Actual)</u>	<u>Fourth Quarter (Actual)</u>	<u>Total (Actual)</u>
Opening fund balance	<u>1,032</u>	<u>1,737</u>	<u>1,735</u>	<u>1,463</u>	<u>1,032</u>
Receipts:					
Taxes:					
Personal income tax	6,754	3,763	2,148	4,126	16,791
User taxes and fees	1,781	1,816	1,745	1,721	7,063
Business taxes	702	833	758	1,087	3,380
Other taxes	211	214	157	161	743
Miscellaneous receipts	516	338	735	502	2,091
Transfers from other funds	1,469	1,813	1,562	2,484	7,328
Total receipts	<u>11,433</u>	<u>8,777</u>	<u>7,105</u>	<u>10,081</u>	<u>37,396</u>
Disbursements:					
Grants to local governments	6,950	4,662	4,577	8,698	24,887
State operations	2,233	2,432	1,881	1,132	7,678
General State charges	691	901	513	594	2,699
Transfers to other funds	854	784	406	305	2,349
Total disbursements	<u>10,728</u>	<u>8,779</u>	<u>7,377</u>	<u>10,729</u>	<u>37,613</u>
Excess (deficiency) of receipts over disbursements	<u>705</u>	<u>(2)</u>	<u>(272)</u>	<u>(648)</u>	<u>(217)</u>
Closing fund balance	<u>1,737</u>	<u>1,735</u>	<u>1,463</u>	<u>815</u>	<u>815</u>

FINANCIAL PLAN OVERVIEW

**CASHFLOW
GENERAL FUND
2003-2004
(millions of dollars)**

	First Quarter (Actual)	Second Quarter (Actual)	Third Quarter (Actual)	Fourth Quarter (Projected)	Total (Projected)
Opening fund balance	<u>815</u>	<u>1,989</u>	<u>2,559</u>	<u>2,947</u>	<u>815</u>
Receipts:					
Taxes:					
Personal income tax	4,600	4,131	2,550	4,510	15,791
User taxes and fees	1,820	2,107	2,057	1,913	7,897
Business taxes	651	887	758	1,099	3,395
Other taxes	175	223	224	162	784
Tobacco bond proceeds	2,202	0	1,998	0	4,200
Miscellaneous receipts	241	362	596	571	1,770
Federal Grants	323	0	322	0	645
Transfers from other funds	1,965	1,962	1,455	2,395	7,777
Total receipts	<u>11,977</u>	<u>9,672</u>	<u>9,960</u>	<u>10,650</u>	<u>42,259</u>
Disbursements:					
Grants to local governments	7,492	5,260	6,430	10,129	29,311
State operations	2,190	2,085	1,802	978	7,055
General State charges	546	1,241	728	742	3,257
Transfers to other funds	575	516	612	734	2,437
Total disbursements	<u>10,803</u>	<u>9,102</u>	<u>9,572</u>	<u>12,583</u>	<u>42,060</u>
Excess (deficiency) of receipts over disbursements	<u>1,174</u>	<u>570</u>	<u>388</u>	<u>(1,933)</u>	<u>199</u>
Closing fund balance	<u>1,989</u>	<u>2,559</u>	<u>2,947</u>	<u>1,014</u>	<u>1,014</u>

FINANCIAL PLAN OVERVIEW

CASHFLOW GENERAL FUND 2003-2004 (millions of dollars)

	April through December 2003 (Actual)	January 2004 (Projected)	February 2004 (Projected)	March 2004 (Projected)	Total
Opening fund balance	815	2,947	6,226	6,499	815
Receipts:					
Taxes:					
Personal income tax	11,281	3,188	1,450	(128)	15,791
User taxes and fees	5,984	614	533	766	7,897
Business taxes	2,296	44	29	1,026	3,395
Other taxes	622	55	55	52	784
Tobacco bond proceeds	4,200	0	0	0	4,200
Miscellaneous receipts	1,199	169	104	298	1,770
Federal Grants	645	0	0	0	645
Transfers from other funds	5,382	1,277	363	755	7,777
Total receipts	31,609	5,347	2,534	2,769	42,259
Disbursements:					
Grants to local governments	19,182	1,138	1,747	7,245	29,311
State operations	6,077	500	267	211	7,055
General State charges	2,515	237	184	320	3,257
Transfers to other funds	1,703	193	63	478	2,437
Total disbursements	29,477	2,068	2,261	8,254	42,060
Excess (deficiency) of receipts over disbursements	2,132	3,279	273	(5,485)	199
Closing fund balance	2,947	6,226	6,499	1,014	1,014

FINANCIAL PLAN OVERVIEW

**CASHFLOW
GENERAL FUND
2004-2005
(millions of dollars)**

	First Quarter (Projected)	Second Quarter (Projected)	Third Quarter (Projected)	Fourth Quarter (Projected)	Total (Projected)
Opening fund balance	<u>1,014</u>	<u>2,001</u>	<u>2,200</u>	<u>1,222</u>	<u>1,014</u>
Receipts:					
Taxes:					
Personal income tax	6,243	4,264	2,454	5,559	18,520
User taxes and fees	2,054	2,162	2,122	2,002	8,340
Business taxes	889	894	851	1,105	3,739
Other taxes	199	179	191	193	762
Miscellaneous receipts	547	406	669	465	2,087
Transfers from other funds	2,521	1,996	1,423	2,447	8,387
Total receipts	<u>12,453</u>	<u>9,901</u>	<u>7,710</u>	<u>11,771</u>	<u>41,835</u>
Disbursements:					
Grants to local governments	7,354	5,214	5,504	10,383	28,455
State operations	2,535	2,284	1,790	642	7,251
General State charges	781	1,495	671	705	3,652
Transfers to other funds	796	709	723	299	2,527
Total disbursements	<u>11,466</u>	<u>9,702</u>	<u>8,688</u>	<u>12,029</u>	<u>41,885</u>
Excess (deficiency) of receipts over disbursements	<u>987</u>	<u>199</u>	<u>(978)</u>	<u>(258)</u>	<u>(50)</u>
Closing fund balance	<u>2,001</u>	<u>2,200</u>	<u>1,222</u>	<u>964</u>	<u>964</u>

FINANCIAL PLAN OVERVIEW

**CASHFLOW
GENERAL FUND
2004-2005
(dollars in millions)**

	2004		2005											
	April	May	June	July	August	September	October	November	December	January	February	March	Total	
Opening fund balance	1,014	3,878	1,720	2,001	2,004	2,136	2,200	2,506	2,682	1,222	4,846	5,165	1,014	
Receipts:														
Taxes														
Personal income tax	3,914	448	1,881	1,222	1,208	1,834	1,148	1,131	175	3,355	1,546	658	18,520	
User taxes and fees	613	628	813	624	637	901	628	620	874	660	550	792	8,340	
Business taxes	87	28	774	46	58	790	51	12	788	36	17	1,052	3,739	
Other taxes	64	69	66	56	65	58	62	60	69	61	64	68	762	
Miscellaneous receipts	120	118	309	117	131	158	117	313	239	74	114	277	2,087	
Transfers from other funds	1,093	332	1,096	598	539	859	590	466	367	1,323	339	785	8,387	
Total receipts	5,891	1,623	4,939	2,663	2,638	4,600	2,596	2,602	2,512	5,509	2,630	3,632	41,835	
Disbursements:														
Grants to local governments	1,371	2,797	3,186	1,562	1,427	2,225	1,492	1,392	2,620	1,271	1,835	7,277	28,455	
State operations	935	736	864	760	726	798	490	610	690	390	208	44	7,251	
General State charges	355	164	262	233	288	974	254	175	242	267	196	242	3,652	
Transfers to other funds	366	84	346	105	65	539	54	249	420	(43)	72	270	2,527	
Total disbursements	3,027	3,781	4,558	2,660	2,506	4,556	2,290	2,426	3,972	1,885	2,311	7,853	41,885	
Excess (deficiency) of receipts over disbursements	2,864	(2,158)	281	3	132	64	306	176	(1,460)	3,624	319	(4,201)	(50)	
Closing fund balance	3,878	1,720	2,001	2,004	2,136	2,200	2,506	2,682	1,222	4,846	5,165	964	964	

FINANCIAL PLAN OVERVIEW

CASHFLOW
HEALTH CARE REFORM ACT
2004-05
(millions of dollars)

	First Quarter (Projected)	Second Quarter (Projected)	Third Quarter (Projected)	Fourth Quarter (Projected)	Total (Projected)
Opening fund balance	<u>406</u>	<u>900</u>	<u>1,170</u>	<u>455</u>	<u>406</u>
Receipts:					
Public Goods Pool	610	567	519	507	2,203
Tobacco Control and Insurance Initiatives Pool	<u>704</u>	<u>580</u>	<u>173</u>	<u>774</u>	<u>2,231</u>
Total receipts	<u>1,314</u>	<u>1,147</u>	<u>692</u>	<u>1,281</u>	<u>4,434</u>
Disbursements:					
Hospital Indigent Care Fund	311	236	220	95	862
Professional Education/Graduate Medical Education	104	98	100	96	398
Elderly Pharmaceutical Insurance Coverage (EPIC)	120	140	130	104	494
Child Health Plus (CHP)	72	106	130	67	375
Family Health Plus (FHP)	0	90	95	156	341
Workforce Recruitment and Retention	18	48	116	148	330
Public Health	47	35	35	0	117
Mental Health	39	15	15	17	86
Roswell Park Cancer Institute	0	25	25	28	78
Physician Excess Medical Malpractice	32	0	0	33	65
Transfer To Medicaid:					
Pharmacy Costs	0	0	211	148	359
Physician Costs	0	0	43	42	85
Health Insurance Demonstration Project	0	0	28	41	69
Supplemental Medical Insurance	0	0	17	51	68
All Other Medicaid	0	0	126	150	276
All Other	<u>77</u>	<u>84</u>	<u>116</u>	<u>85</u>	<u>362</u>
Total disbursements	<u>820</u>	<u>877</u>	<u>1,407</u>	<u>1,261</u>	<u>4,365</u>
Excess (deficiency) of receipts over disbursements	<u>494</u>	<u>270</u>	<u>(715)</u>	<u>20</u>	<u>69</u>
Closing fund balance	<u>900</u>	<u>1,170</u>	<u>455</u>	<u>475</u>	<u>475</u>

FINANCIAL PLAN OVERVIEW

CASH DISBURSEMENTS BY FUNCTION GENERAL FUND (thousands of dollars)

	<u>2002-2003</u> <u>Actual</u>	<u>2003-2004</u> <u>Estimated</u>	<u>2004-2005</u> <u>Recommended</u>
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture and Markets, Department of	42,004	38,397	36,739
Alcoholic Beverage Control	0	0	0
Banking Department	0	0	0
Consumer Protection Board	441	402	367
Economic Development, Department of	17,262	32,218	36,140
Empire State Development Corporation	94,331	8,804	3,000
Energy Research and Development Authority	0	0	0
Housing Finance Agency	665	0	0
Housing and Community Renewal, Division of	81,922	74,472	65,143
Insurance Department	0	0	0
Olympic Regional Development Authority	7,471	7,400	7,350
Public Service, Department of	0	0	0
Science, Technology and Academic Research, Office of	33,226	27,527	57,057
Functional Total	<u>277,322</u>	<u>189,220</u>	<u>205,796</u>
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	4,266	4,140	4,173
Environmental Conservation, Department of	108,110	97,619	99,100
Environmental Facilities Corporation	0	0	0
Parks, Recreation and Historic Preservation, Office of	112,074	101,714	99,139
Functional Total	<u>224,450</u>	<u>203,473</u>	<u>202,412</u>
TRANSPORTATION			
Motor Vehicles, Department of	106,542	1,026	4,654
Thruway Authority	0	0	0
Transportation, Department of	165,080	161,797	111,616
Functional Total	<u>271,622</u>	<u>162,823</u>	<u>116,270</u>
HEALTH AND SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	882	927	806
Aging, Office for the	67,206	66,701	65,961
Children and Families, Council on	982	220	0
Children and Family Services, Office of	1,186,702	1,260,609	1,308,811
Health, Department of	6,764,517	6,775,448	7,199,673
<i>Medical Assistance</i>	5,951,713	5,951,821	6,325,009
<i>Medicaid Administration</i>	112,279	120,150	120,150
<i>All Other</i>	700,525	703,477	754,514
Human Rights, Division of	13,082	13,266	13,265
Labor, Department of	35,886	36,052	10,885
Prevention of Domestic Violence, Office of	2,611	2,208	2,060

FINANCIAL PLAN OVERVIEW

CASH DISBURSEMENTS BY FUNCTION GENERAL FUND (thousands of dollars)

	<u>2002-2003</u> <u>Actual</u>	<u>2003-2004</u> <u>Estimated</u>	<u>2004-2005</u> <u>Recommended</u>
HEALTH AND SOCIAL WELFARE (Continued)			
Temporary and Disability Assistance, Office of	916,300	1,459,190	1,500,104
<i>Welfare Assistance</i>	496,245	1,061,554	1,081,374
<i>Welfare Administration</i>	338,626	317,178	341,133
<i>All Other</i>	81,429	80,458	77,597
Welfare Inspector General, Office of	624	762	713
Workers' Compensation Board	0	0	0
Functional Total	<u>8,988,792</u>	<u>9,615,383</u>	<u>10,102,278</u>
MENTAL HEALTH			
Mental Health, Office of	1,300,853	1,148,411	1,342,434
Mental Retardation and Developmental Disabilities, Office of	766,750	683,464	799,200
Alcohol and Substance Abuse Services, Office of	300,604	292,510	281,500
Developmental Disabilities Planning Council	0	0	0
Quality of Care for the Mentally Disabled, Commission on	3,058	2,829	2,962
Functional Total	<u>2,371,265</u>	<u>2,127,214</u>	<u>2,426,096</u>
PUBLIC PROTECTION			
Capital Defenders Office	12,039	12,169	11,391
Correction, Commission of	2,539	2,477	2,427
Correctional Services, Department of	1,808,057	1,867,174	1,918,692
Crime Victims Board	25,949	5,523	0
Criminal Justice Services, Division of	96,765	96,046	93,032
Investigation, Temporary State Commission of	2,901	2,751	2,839
Judicial Commissions	2,274	2,417	2,542
Military and Naval Affairs, Division of	56,944	35,721	26,208
Parole, Division of	183,713	177,332	177,603
Probation and Correctional Alternatives, Division of	85,071	75,679	72,480
Public Security, Office of	3,763	6,990	6,990
State Police, Division of	371,043	331,425	325,908
Functional Total	<u>2,651,058</u>	<u>2,615,704</u>	<u>2,640,112</u>
EDUCATION			
Arts, Council on the	51,178	44,782	44,477
City University of New York	856,729	683,626	729,397
Education, Department of	13,663,868	13,743,834	13,941,496
<i>School Aid</i>	12,279,888	12,361,375	12,529,932
<i>STAR Property Tax Relief</i>	0	0	0
<i>Handicapped</i>	741,058	762,387	851,459
<i>All Other</i>	642,922	620,072	560,105
Higher Education Services Corporation	319,340	546,436	722,318
State University Construction Fund	0	0	0
State University of New York	1,429,875	1,236,731	1,221,137
Functional Total	<u>16,320,990</u>	<u>16,255,409</u>	<u>16,658,825</u>

FINANCIAL PLAN OVERVIEW

CASH DISBURSEMENTS BY FUNCTION GENERAL FUND (thousands of dollars)

	<u>2002-2003</u> <u>Actual</u>	<u>2003-2004</u> <u>Estimated</u>	<u>2004-2005</u> <u>Recommended</u>
GENERAL GOVERNMENT			
Audit and Control, Department of	151,673	152,933	163,376
Budget, Division of the	26,204	29,197	27,737
Civil Service, Department of	28,937	19,176	21,552
Elections, State Board of	3,506	3,428	3,616
Employee Relations, Office of	4,038	3,444	3,495
Executive Chamber	16,036	15,596	14,816
General Services, Office of	122,205	112,351	117,716
Inspector General, Office of	4,059	4,261	4,142
Law, Department of	118,551	110,450	112,311
Lieutenant Governor, Office of the	452	482	458
Lottery, Division of	0	0	0
Public Employment Relations Board	3,650	3,324	3,173
Racing and Wagering Board, State	9,559	236	0
Real Property Services, Office of	35,474	31,796	25,614
Regulatory Reform, Governor's Office of	3,347	3,229	3,375
State, Department of	16,833	19,632	14,943
Tax Appeals, Division of	3,018	2,718	2,718
Taxation and Finance, Department of	318,577	310,635	301,683
Technology, Office for	47,207	32,722	19,897
TSC Lobbying	1,009	959	975
Veterans Affairs, Division of	9,814	11,291	10,185
Functional Total	<u>924,149</u>	<u>867,860</u>	<u>851,782</u>
ALL OTHER CATEGORIES			
Legislature	216,679	200,535	200,535
Judiciary (excluding fringe benefits)	1,308,192	1,311,100	1,311,000
Homeland Security	2,356	12,930	12,963
World Trade Center	8,752	0	0
Local Government Assistance	834,162	823,960	799,361
Long-Term Debt Service	1,495,878	1,468,204	1,752,715
Capital Projects	181,785	226,903	187,138
General State Charges/Miscellaneous	3,435,636	4,078,827	4,417,881
One-time Payment Deferrals	(1,900,000)	1,900,000	0
Functional Total	<u>5,583,440</u>	<u>10,022,459</u>	<u>8,681,593</u>
TOTAL GENERAL FUND SPENDING	<u><u>37,613,088</u></u>	<u><u>42,059,545</u></u>	<u><u>41,885,164</u></u>

FINANCIAL PLAN OVERVIEW

CASH DISBURSEMENTS BY FUNCTION STATE FUNDS (thousands of dollars)

	2002-2003 Actual	2003-2004 Estimated	2004-2005 Recommended
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture and Markets, Department of	65,986	66,482	65,292
Alcoholic Beverage Control	10,686	10,637	10,319
Banking Department	58,262	54,450	58,221
Consumer Protection Board	3,447	3,348	2,465
Economic Development, Department of	85,851	240,067	604,718
Empire State Development Corporation	108,581	59,351	133,000
Energy Research and Development Authority	26,549	28,023	26,123
Housing Finance Agency	665	0	0
Housing and Community Renewal, Division of	206,593	188,004	182,735
Insurance Department	100,255	120,424	128,217
Olympic Regional Development Authority	7,627	7,750	7,750
Public Service, Department of	53,893	54,350	55,860
Science, Technology and Academic Research, Office of	45,026	32,527	72,057
Functional Total	773,421	865,413	1,346,757
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	4,266	4,140	4,173
Environmental Conservation, Department of	540,846	720,983	703,552
Environmental Facilities Corporation	10,424	7,401	12,416
Parks, Recreation and Historic Preservation, Office of	189,634	227,356	208,274
Functional Total	745,170	959,880	928,415
TRANSPORTATION			
Motor Vehicles, Department of	198,023	199,341	204,478
Thruway Authority	2,269	3,017	4,000
Transportation, Department of	3,463,834	3,756,999	3,691,702
Functional Total	3,664,126	3,959,357	3,900,180
HEALTH AND SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	937	1,044	994
Aging, Office for the	67,211	66,712	65,972
Children and Families, Council on	982	220	0
Children and Family Services, Office of	1,208,141	1,296,938	1,359,311
Health, Department of	10,548,850	10,879,953	11,680,358
<i>Medical Assistance</i>	8,413,692	8,640,121	9,311,509
<i>Medicaid Administration</i>	112,279	120,150	120,150
<i>All Other</i>	2,022,879	2,119,682	2,248,699
Human Rights, Division of	13,082	13,272	13,271
Labor, Department of	55,447	81,785	58,714
Prevention of Domestic Violence, Office of	2,617	2,238	2,090

FINANCIAL PLAN OVERVIEW

CASH DISBURSEMENTS BY FUNCTION STATE FUNDS (thousands of dollars)

	<u>2002-2003</u> <u>Actual</u>	<u>2003-2004</u> <u>Estimated</u>	<u>2004-2005</u> <u>Recommended</u>
HEALTH AND SOCIAL WELFARE (Continued)			
Temporary and Disability Assistance, Office of	974,555	1,543,800	1,579,032
<i>Welfare Assistance</i>	496,245	1,061,554	1,081,374
<i>Welfare Administration</i>	338,626	317,178	341,133
<i>All Other</i>	139,684	165,068	156,525
Welfare Inspector General, Office of	624	762	713
Workers' Compensation Board	130,678	140,403	139,107
Functional Total	<u>13,003,124</u>	<u>14,027,127</u>	<u>14,899,562</u>
MENTAL HEALTH			
Mental Health, Office of	1,497,182	1,457,086	1,644,142
Mental Retardation and Developmental Disabilities, Office of	830,723	791,908	959,125
Alcohol and Substance Abuse Services, Office of	324,204	333,666	320,586
Developmental Disabilities Planning Council	0	0	0
Quality of Care for the Mentally Disabled, Commission on	3,061	2,834	2,967
Functional Total	<u>2,655,170</u>	<u>2,585,494</u>	<u>2,926,820</u>
PUBLIC PROTECTION			
Capital Defenders Office	12,039	12,169	11,391
Correction, Commission of	2,539	2,477	2,427
Correctional Services, Department of	2,002,698	2,055,424	2,106,942
Crime Victims Board	52,894	33,073	0
Criminal Justice Services, Division of	101,101	115,579	171,690
Investigation, Temporary State Commission of	3,068	2,936	3,026
Judicial Commissions	2,274	2,417	2,542
Military and Naval Affairs, Division of	71,492	53,584	46,235
Parole, Division of	183,723	177,432	177,703
Probation and Correctional Alternatives, Division of	85,071	75,679	72,480
Public Security, Office of	3,763	10,749	11,929
State Police, Division of	454,306	464,949	467,901
Functional Total	<u>2,974,968</u>	<u>3,006,468</u>	<u>3,074,266</u>
EDUCATION			
Arts, Council on the	51,278	45,482	54,885
City University of New York	931,810	1,091,821	1,127,197
Education, Department of	18,305,982	18,570,379	19,033,220
<i>School Aid</i>	14,176,588	14,272,204	14,550,290
<i>STAR Property Tax Relief</i>	2,664,102	2,835,000	2,998,000
<i>Handicapped</i>	741,058	762,387	851,459
<i>All Other</i>	724,234	700,788	633,471
Higher Education Services Corporation	398,345	609,632	788,776
State University Construction Fund	8,818	9,300	9,402
State University of New York	4,083,997	4,402,587	4,462,401
Functional Total	<u>23,780,230</u>	<u>24,729,201</u>	<u>25,475,881</u>

FINANCIAL PLAN OVERVIEW

CASH DISBURSEMENTS BY FUNCTION STATE FUNDS (thousands of dollars)

	<u>2002-2003 Actual</u>	<u>2003-2004 Estimated</u>	<u>2004-2005 Recommended</u>
GENERAL GOVERNMENT			
Audit and Control, Department of	155,011	156,087	166,815
Budget, Division of the	31,385	41,094	39,786
Civil Service, Department of	30,167	20,176	22,652
Elections, State Board of	3,506	3,428	3,616
Employee Relations, Office of	4,082	3,632	3,683
Executive Chamber	16,103	15,696	14,916
General Services, Office of	184,783	201,798	209,363
Inspector General, Office of	5,115	5,502	5,441
Law, Department of	140,300	138,427	142,082
Lieutenant Governor, Office of the	452	482	458
Lottery, Division of	161,657	154,942	159,651
Public Employment Relations Board	3,697	3,555	3,472
Racing and Wagering Board, State	13,959	15,075	14,832
Real Property Services, Office of	46,150	51,822	53,800
Regulatory Reform, Governor's Office of	3,347	3,229	3,375
State, Department of	51,107	62,609	156,947
Tax Appeals, Division of	3,018	2,718	2,718
Taxation and Finance, Department of	347,577	342,538	337,749
Technology, Office for	47,207	32,722	19,897
TSC Lobbying	1,168	1,259	1,275
Veterans Affairs, Division of	9,814	11,291	10,185
Functional Total	<u>1,259,605</u>	<u>1,268,082</u>	<u>1,372,713</u>
ALL OTHER CATEGORIES			
Legislature	218,729	201,485	201,485
Judiciary (excluding fringe benefits)	1,453,830	1,470,854	1,472,009
Homeland Security	7,159	30,680	23,863
World Trade Center	8,752	0	1,375
Local Government Assistance	834,162	823,960	799,361
Long-Term Debt Service	3,038,389	3,352,698	3,919,150
General State Charges/Miscellaneous	3,234,223	2,931,698	3,156,482
One-time Payment Deferrals	(1,900,000)	1,900,000	0
Functional Total	<u>6,895,244</u>	<u>10,711,375</u>	<u>9,573,725</u>
TOTAL STATE FUNDS SPENDING	<u><u>55,751,058</u></u>	<u><u>62,112,397</u></u>	<u><u>63,498,319</u></u>

FINANCIAL PLAN OVERVIEW

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

	<u>2002-2003</u> Actual	<u>2003-2004</u> Estimated	<u>2004-2005</u> Recommended
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture and Markets, Department of	84,779	82,492	80,757
Alcoholic Beverage Control	10,746	10,637	10,319
Banking Department	58,262	54,450	58,221
Consumer Protection Board	3,447	3,348	2,465
Economic Development, Department of	105,379	240,399	605,057
Empire State Development Corporation	108,581	59,351	133,000
Energy Research and Development Authority	26,549	28,023	26,123
Housing Finance Agency	665	0	0
Housing and Community Renewal, Division of	267,593	222,993	217,724
Insurance Department	100,255	120,424	128,217
Olympic Regional Development Authority	7,627	7,750	7,750
Public Service, Department of	54,873	55,798	57,429
Science, Technology and Academic Research, Office of	50,457	38,152	77,682
Functional Total	<u>879,213</u>	<u>923,817</u>	<u>1,404,744</u>
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	4,483	4,490	4,523
Environmental Conservation, Department of	746,588	900,847	883,864
Environmental Facilities Corporation	10,424	7,401	12,416
Parks, Recreation and Historic Preservation, Office of	196,501	232,502	213,459
Functional Total	<u>957,996</u>	<u>1,145,240</u>	<u>1,114,262</u>
TRANSPORTATION			
Motor Vehicles, Department of	212,705	213,943	219,001
Thruway Authority	2,269	3,017	4,000
Transportation, Department of	4,917,214	5,154,000	5,261,099
Functional Total	<u>5,132,188</u>	<u>5,370,960</u>	<u>5,484,100</u>
HEALTH AND SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	1,216	1,455	4,020
Aging, Office for the	161,756	172,193	176,628
Children and Families, Council on	1,310	220	0
Children and Family Services, Office of	3,296,287	3,161,941	3,074,572
Health, Department of	29,053,657	31,929,652	32,871,737
<i>Medical Assistance</i>	25,315,479	27,980,456	28,718,016
<i>Medicaid Administration</i>	507,681	530,100	542,400
<i>All Other</i>	3,230,497	3,419,096	3,611,321
Human Rights, Division of	14,357	14,873	14,884
Labor, Department of	932,859	749,983	721,602
Prevention of Domestic Violence, Office of	2,792	2,238	2,090

FINANCIAL PLAN OVERVIEW

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

	<u>2002-2003</u> <u>Actual</u>	<u>2003-2004</u> <u>Estimated</u>	<u>2004-2005</u> <u>Recommended</u>
HEALTH AND SOCIAL WELFARE (Continued)			
Temporary and Disability Assistance, Office of	4,004,561	4,412,146	4,389,890
<i>Welfare Assistance</i>	2,803,488	3,110,454	3,060,380
<i>Welfare Administration</i>	338,626	317,178	341,133
<i>All Other</i>	862,447	984,514	988,377
Welfare Inspector General, Office of	1,021	1,132	1,083
Workers' Compensation Board	131,622	140,403	139,107
Functional Total	<u>37,601,438</u>	<u>40,586,236</u>	<u>41,395,613</u>
MENTAL HEALTH			
Mental Health, Office of	2,032,510	2,115,703	2,164,727
Mental Retardation and Developmental Disabilities, Office of	2,485,275	2,635,734	2,823,365
Alcohol and Substance Abuse Services, Office of	467,875	480,235	475,934
Developmental Disabilities Planning Council	3,449	3,800	3,730
Quality of Care for the Mentally Disabled, Commission on	9,541	10,925	11,200
Functional Total	<u>4,998,650</u>	<u>5,246,397</u>	<u>5,478,956</u>
PUBLIC PROTECTION			
Capital Defenders Office	12,039	12,169	11,391
Correction, Commission of	2,544	2,477	2,427
Correctional Services, Department of	2,097,934	2,086,436	2,137,954
Crime Victims Board	86,723	64,605	0
Criminal Justice Services, Division of	151,737	160,244	247,887
Investigation, Temporary State Commission of	3,074	2,936	3,026
Judicial Commissions	2,274	2,417	2,542
Military and Naval Affairs, Division of	1,184,039	129,389	132,929
Parole, Division of	189,443	181,175	179,403
Probation and Correctional Alternatives, Division of	88,528	75,679	72,480
Public Security, Office of	3,763	10,749	11,929
State Police, Division of	476,226	482,330	484,905
Functional Total	<u>4,298,324</u>	<u>3,210,606</u>	<u>3,286,873</u>
EDUCATION			
Arts, Council on the	52,033	46,084	55,497
City University of New York	931,810	1,091,821	1,127,197
Education, Department of	20,705,371	21,317,584	21,853,237
<i>School Aid</i>	14,176,588	14,272,204	14,550,290
<i>STAR Property Tax Relief</i>	2,664,102	2,835,000	2,998,000
<i>Handicapped</i>	1,202,923	1,314,903	1,426,076
<i>All Other</i>	2,661,758	2,895,477	2,878,871
Higher Education Services Corporation	790,297	865,738	798,976
State University Construction Fund	8,825	9,300	9,402
State University of New York	4,249,668	4,574,199	4,634,086
Functional Total	<u>26,738,004</u>	<u>27,904,726</u>	<u>28,478,395</u>

FINANCIAL PLAN OVERVIEW

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

	<u>2002-2003</u> Actual	<u>2003-2004</u> Estimated	<u>2004-2005</u> Recommended
GENERAL GOVERNMENT			
Audit and Control, Department of	155,011	156,087	166,815
Budget, Division of the	31,385	41,094	39,786
Civil Service, Department of	30,181	20,176	22,652
Elections, State Board of	3,506	6,428	148,253
Employee Relations, Office of	4,098	3,632	3,683
Executive Chamber	16,103	15,696	14,916
General Services, Office of	189,071	206,098	213,756
Inspector General, Office of	5,115	5,502	5,441
Law, Department of	162,610	159,317	163,180
Lieutenant Governor, Office of the	452	482	458
Lottery, Division of	161,657	154,942	159,651
Public Employment Relations Board	3,697	3,555	3,472
Racing and Wagering Board, State	13,959	15,075	14,832
Real Property Services, Office of	46,150	51,822	53,800
Regulatory Reform, Governor's Office of	3,347	3,229	3,375
State, Department of	108,961	132,445	235,389
Tax Appeals, Division of	3,018	2,718	2,718
Taxation and Finance, Department of	349,333	342,816	338,027
Technology, Office for	47,207	32,722	19,897
TSC Lobbying	1,168	1,259	1,275
Veterans Affairs, Division of	10,775	12,510	11,517
Functional Total	<u>1,346,804</u>	<u>1,367,605</u>	<u>1,622,893</u>
ALL OTHER CATEGORIES			
Legislature	218,729	201,485	201,485
Judiciary (excluding fringe benefits)	1,458,462	1,473,354	1,474,509
Homeland Security	7,159	168,286	87,819
World Trade Center	8,752	1,499,798	1,700,125
Local Government Assistance	834,162	823,960	799,361
Long-Term Debt Service	3,038,389	3,352,698	3,919,150
General State Charges/Miscellaneous	3,437,316	3,117,524	3,357,814
One-time Payment Deferrals	(1,900,000)	1,900,000	0
Functional Total	<u>7,102,969</u>	<u>12,537,105</u>	<u>11,540,263</u>
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	<u><u>89,055,586</u></u>	<u><u>98,292,692</u></u>	<u><u>99,806,099</u></u>