Update to the Annual Information Statement of the State of New York

Dated: January 31, 2002

This quarterly update to the Annual Information Statement ("Update") of the State of New York is dated January 31, 2002 and contains information only through that date. It updates the Annual Information Statement ("AIS") of the State of New York dated October 2, 2001, as subsequently updated on November 8, 2001.

In this update, readers will find:

- A summary of recent events affecting the State's finances;
- A review of the January revisions to the cash-basis 2001-02 State Financial Plan;
- A summary of the Governor's proposed Executive Budget and Financial Plan for 2002-03;
- An explanation of projected receipts and disbursements for 2003-04 and 2004-05;
- A discussion of special considerations that may affect the State's finances;
- A summary of the proposed Capital Program and Financing Plan for 2002-03 through 2006-07;
- An update on authorities and localities; and
- A summary of recent events concerning litigation against the State.

The State Constitution permits the Governor to submit amendments to his Executive Budget within 30 days of submission. DOB anticipates several such amendments will be introduced to the 2002-03 Executive Budget but does not expect them to materially alter the Financial Plan projections described herein, and may choose not to issue a supplement related to these changes.

Readers may obtain the AIS, updates and any supplements by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 473-8705, or the Office of the State Comptroller, 110 State Street, Albany, NY 12236, (518) 474-4015. Informational copies of the AIS, updates and supplements are also available electronically on the Division of the Budget's Internet site at http://www.state.ny.us/dob, as well as on file with Nationally Recognized Municipal Securities Information Repositories.

Recent Events

A substantial amount of Federal aid is projected to flow through the State to certain localities over the next several years for disaster response and reconstruction activities related to the World Trade Center ("WTC") attacks. At the request of the Governor, the President has waived any matching requirement for the State and New York City (which is typically 25 percent of eligible costs), so that the Federal government will provide 100 percent reimbursement for the cost of rescue, recovery, debris removal and public infrastructure repair and reconstruction. To date, the Congress has appropriated $10.4 billion for these purposes. This Federal "pass-through" disaster aid is projected by the Division of the Budget ("DOB") to total $1.53 billion in the current State fiscal year and $3.74 billion in fiscal year 2002-03 as recovery and rebuilding efforts reach full capacity. The majority of the Federal disaster aid is expected to flow from the Federal Emergency Management Agency through the State Emergency Management Office (SEMO) to New York City and surrounding localities affected by the disaster. This "flow-through" spending is not counted in the All Governmental Funds estimates contained in this update to the AIS, and is expected to have a positive economic impact on the State and the New York City.

On an All Governmental Funds basis, the State Financial Plan includes spending for WTC costs of $214 million in the 2001-02 fiscal year and $329 million in the 2002-03 fiscal year. Unlike the pass-through aid, these disbursements in the Financial Plan finance State government activities. Most of this spending is supported by Federal funds ($180 million in the 2001-02 fiscal year and $292 million in the 2002-03 fiscal year). Over the next two years, Federal money is expected to finance, among other things, payments to the victims of the attack ($203 million), State Police and the Division of Military and Naval Affairs staffing costs directly related to the disaster ($98 million), expanded counseling and trauma services ($59 million), and infrastructure repairs ($40 million).

Spending from State Funds for WTC costs is projected to total $71 million over the next two years, with $57 million of this amount expected to be financed by the General Fund and $14 million from State special revenue funds. The General Fund is primarily providing support for tourism and marketing activities to attract visitors to New York City, and bridge loans to small businesses. State special revenue funds will primarily support expanded case processing costs for insurance and workers' compensation.

On January 8, 2002, the State reached a tentative settlement in school desegregation litigation concerning the City of Yonkers. Under the terms of the settlement, which must be approved by the federal court with jurisdiction in the case, the State has agreed to pay $300 million to Yonkers over the next five years in roughly equal annual installments ($10 million of this amount has already been paid). To finance the fiscal year 2001-02 and fiscal year 2002-03 costs of the settlement, the State plans to use the $151 million balance in the Contingency Reserve Fund, which was established to help the State pay costs related to litigation.

On January 16, 2002, the State enacted certain amendments to the Health Care Reform Act of 2000. The amendments authorize $1.93 billion in new spending on health care initiatives over the two and one-half year period ending June 30, 2004. The State's share of this new spending, which is estimated at $774 million, is expected to be financed from, among other sources, a 39 cent increase in the cigarette tax, the reestablishment of the "covered lives assessment" on health insurers, and, subject to federal approval, a three percent increase in the federal matching rate for Medicaid expenditures beginning October 1, 2002. The amendments also provide for the financing through non-General Fund resources of a number of health programs that were previously in the General Fund, including the Elderly Pharmaceutical Insurance Program (EPIC) and certain Medicaid expenditures. The State expects that these changes will provide $785 million in General Fund Financial Plan savings in 2002-03.

On January 22, 2002, the Governor submitted his Executive Budget for 2002-03, which contained an updated Financial Plan for the 2001-02 fiscal year and a recommended Financial Plan for the 2002-03 fiscal year. The revenue forecast on which these Financial Plans are based reflects both the impact of the WTC disaster and the national economic downturn. The interrelated effects of the terrorist attacks and the broader weakening in the economy are not possible to separate accurately, but the combined revenue losses associated with these events is still expected to be within the range originally estimated by DOB in the November 8, 2001 update to the AIS.

DOB now estimates a projected revenue shortfall for the 2001-02 fiscal year of $1.08 billion, or $418 million below the November 2001 estimate. DOB expects that the shortfall will be closed through the use of $646 million in reserves and $435 million in administrative and legislative actions that have already been accomplished. By comparison, the November estimate had projected the use of $1.50 billion in General Fund reserves to help balance the current year. After accounting for other revisions to the 2001-02 Financial Plan (discussed in more detail later in this update), DOB projects a General Fund closing balance of $2.08 billion, an increase of $862 million from the Mid-Year Financial Plan. This total includes a planned $83 million deposit to the Tax Stabilization Reserve Fund at the close of the current year.

DOB reports that the 2002-03 Financial Plan closes a General Fund budget gap originally projected at $5.7 billion. Legislative and administrative actions to date have reduced this gap by $581 million, and enactment of the HCRA legislation described above lowered it by another $785 million. The Governor has proposed to close the remaining $4.3 billion budget gap with $1.91 billion in recurring spending reductions and revenue actions, $1.13 billion in General Fund reserves, $885 million in reserves from the Temporary Assistance for Needy Families (TANF) program, and $490 million in one-time actions (excluding $72 million in fund balances available through HCRA). The Financial Plan also supports $109 million in new spending related to homeland security, the WTC disaster, and economic development. The Financial Plan projects a closing balance in the General Fund of $710 million at the end of 2002-03, which consists of the balance in the State's Tax Stabilization Reserve Fund.

Current Fiscal Year (2001-02 State Financial Plan)

The State generally issues quarterly modifications to the cash-basis Financial Plan in July, October, and January, as provided by law. The modifications summarize actual receipts and disbursements to date for each reporting period, and describe any revisions to the forecast of total receipts and disbursements for the current fiscal year.

The State issued its most recent update to the 2001-02 Financial Plan on January 22, 2002 (the "January Plan"), in conjunction with the release of the Governor's 2002-03 Executive Budget. To provide readers with a summary of previous changes to the 2001-02 Financial Plan, the review of the January Plan is preceded by a brief summary of the State's prior quarterly update.

Prior Quarterly Update (current fiscal year)

On November 8, 2001, the State issued an update to the 2001-02 Financial Plan (the "Mid-Year Plan"). In the Mid-Year Plan, the State continued to project that the Financial Plan for the 2001-02 fiscal year would remain in balance for the duration of the fiscal year after the use of $1.50 billion in existing General Fund reserves.

The Mid-Year Plan projected that General Fund receipts and transfers from other funds would total $42.09 billion in the 2001-02 fiscal year, a net decrease of $1.52 billion from the Financial Plan issued in September (the "September Plan"). The change from the September Plan was comprised of a $1.63 billion downward revision in estimated receipts primarily related to the World Trade Center attacks, offset in part by $114 million in additional revenues from Legislative action in October related to the gas import tax.

The Mid-Year Plan projection of General Fund tax receipts reflected an anticipated adverse economic impact from the World Trade Center disaster, including significant reductions in wages, employment, retail sales, financial sector bonuses, capital gains income, and tourism. In comparison to the September Plan, the Mid-Year Plan lowered projected receipts for all the major categories of State taxes. Receipts estimates for the personal income tax were reduced by $1.09 billion, for business taxes by $329 million, and for sales and use taxes by $52 million. The Mid-Year forecast projected actual year-over-year decreases in New York State adjusted gross income and personal income tax liability for both the 2001 and 2002 tax years.

The Mid-Year Plan projected that General Fund disbursements and transfers from other funds would total $41.97 billion in the 2001-02 fiscal year, a decrease of $20 million from the September Plan. The decrease reflected General Fund savings of $188 million from the use of TANF resources for welfare and child welfare costs, offset in part by new funding for not-for-profit organizations ($100 million) and a new economic stimulus program ($68 million). The $100 million was expected to be transferred from the General Fund to the Miscellaneous Special Revenue Fund and be disbursed to various not-for-profit groups that provide human services or emergency relief services. The economic stimulus package included funding for economic development programs, such as grants and loans to businesses to support job creation, high-tech/biotech initiatives, and tourism promotion through the "I Love New York" marketing campaign.

The General Fund ended the first six months of fiscal year 2001-02 with a cash balance of $5.55 billion, $489 million below the estimate in the September Plan (as adjusted for fund reclassifications). General Fund receipts and transfers from other funds totaled $23.56 billion through September. Receipts and transfers were $502 million below the cash flow projections in the September Plan, due in part to the economic impact of the WTC attacks and an extension of the filing deadline for making estimated tax payments from September 15 to December 15. General Fund disbursements and transfers to other funds totaled $19.11 billion through September, a decrease of $13 million from the September Plan. The variance was attributable to the timing of payments and was not expected to alter year-end results.

The Mid-Year Plan projected a closing balance of $1.22 billion in the General Fund for the 2001-02 fiscal year, a decline of $1.50 billion from the September Plan estimate. The lower projected closing balance anticipated the use of the $1.48 billion reserve for economic uncertainties and $19 million in undesignated reserves to cover projected revenue shortfalls in fiscal year 2001-02 related to the WTC attacks. The closing balance after the use of these reserves was comprised of $627 million in the Tax Stabilization Reserve Fund, $281 million in undesignated reserves, $151 million in the Contingency Reserve Fund, $142 million in the Community Projects Fund, and $14 million in the Universal Pre-K Fund.

January Update (current fiscal year)

The State revised the cash-basis 2001-02 State Financial Plan on January 22, 2002 (the "January Plan"), with the release of the 2002-03 Executive Budget. The January Plan projects that the State will close the 2001-02 fiscal year with a cash balance of $2.08 billion in the General Fund, an increase of $862 million from the Mid-Year Plan. This increase results from $344 million in higher projected receipts and $518 million in lower spending, as described in more detail below.

Revisions to 2001-02 Receipts Estimates

General Fund receipts and transfers from other funds are projected to total $42.43 billion in 2001-02, an increase of $344 million from the projections contained in the Mid-Year Plan. The upward revisions are based on updated economic data and actual tax collections through December 2001. The estimated impact of the World Trade Center disaster on 2001-02 receipts remains significant, but within the range estimated by DOB in the immediate aftermath of the September 11 attacks.

Personal income tax receipts for fiscal year 2001-02 are estimated to total $26.98 billion, a decrease of $119 million from the Mid-Year Plan. The estimated decrease is primarily comprised of downward revisions to prepayments on 2001 tax liability. The reestimates are also affected by an additional $11 million deposit into the tax refund reserve account at the end of the fiscal year to provide a reserve for the reduction in the marriage penalty effective January 1, 2001. The Financial Plan also reflects the impact of tax refund reserve account transactions at the close of fiscal year 2001-02 which have the effect of decreasing reported personal income tax receipts in the 2001-02 fiscal year while increasing available receipts in the 2002-03 fiscal year (see the section entitled "2001-02 General Fund Closing Balance" below).

User tax and fee receipts in fiscal year 2001-02 are projected at $7.08 billion, $40 million above the Mid-Year Plan. The revision reflects modestly improved collections experience since the Mid-Year Plan. Business taxes are now projected at $3.83 billion in fiscal year 2001-02, an increase of $179 million from the Mid-Year Plan, reflecting better than expected results through December for the corporate utility, insurance and bank taxes. Finally, the yield from other taxes in fiscal year 2001-02 is estimated at $780 million, $59 million higher than the Mid-Year Plan, reflecting modest revisions based on collection experience to date.

Miscellaneous receipts for fiscal year 2001-02 are estimated at $1.61 billion, $103 million above the Mid-Year Plan. The change reflects an unanticipated payment from the Thruway Authority and higher than expected receipts from abandoned property and investment income.

Transfers from other funds in fiscal year 2001-02 are expected to total $2.15 billion, $82 million above the Mid-Year Plan. The increase reflects better-than-anticipated year-to-date collection experience for the sales and real estate transfer taxes, as well as a reduction in debt service requirements for the Thruway Authority.

Following the WTC tragedy, the President declared New York City a major Federal disaster area. Pursuant to State tax law, the Commissioner of Taxation and Finance extended, for a period of up to 90 days, certain tax filing and payment deadlines (from September 11, 2001 through December 10, 2001) for taxpayers directly affected by the occurrences at the WTC, the Pentagon and in Western Pennsylvania. The extension altered the State's 2001-02 cash flow by moving receipts from the extension period to December 10, 2001. Based on results through December 2001, an estimated $160 million in payments delayed from September have been received, which was significantly less than expected given the large receipt losses after the attack. As a result, it appears receipt losses in September were attributable to actual declines in the receipts base rather than the extension for making tax payments.

Revisions to 2001-02 Disbursements Estimates

The State projects General Fund disbursements and transfers to other funds to total $41.46 billion in fiscal year 2001-02, a decrease of $518 million from the Mid-Year Plan. The change is comprised of $578 million in lower projected spending, partially offset by $60 million in higher costs related to the World Trade Center cleanup ($30 million) and counter-terrorism measures ($30 million).

Projected spending was lowered by $578 million to reflect revised school aid spending data submitted to the State by school districts ($116 million), lottery reestimates ($194 million), and various management initiatives across state agencies ($268 million). The management initiatives include savings from a statewide hiring freeze, a reduction in discretionary non-personal service spending in all state agencies, and lower debt service costs due to use of the Debt Reduction Reserve Fund ("DRRF") to defease high-cost state debt. Spending to promote tourism ($20 million) and to provide loan guarantees for businesses ($5 million) in the wake of the World Trade Center disaster, as well as increased overtime and other costs to ensure public safety, partially offset the declines.

2001-02 General Fund Closing Balance

DOB projects a closing balance in the General Fund of $2.08 billion in 2001-02, excluding amounts on deposit in the refund reserve account, as described below. The balance is comprised of $1.13 billion in reserves for economic uncertainties (all of which will be used to help balance the 2002-03 Financial Plan), an increase of $852 million from the projection in the Mid-Year Plan; $710 million in the Tax Stabilization Reserve Fund, after a planned $83 million deposit in 2001-02; $142 million in the Community Projects Fund, which pays for Legislative and gubernatorial initiatives; $81 million in the

Contingency Reserve Fund after the use of $70 million to finance a portion of the State's settlement in the Yonkers desegregation lawsuit; and $11 million in the Universal Pre-Kindergarten Fund.

The State expects to have a projected $1.75 billion balance in the tax refund reserve account at the end of 2001-02, a decrease of $1.77 billion from the $3.52 balance available at the end of 2000-01. The 2001-02 amount includes the $1.13 billion in reserves for economic uncertainties reported in the closing General Fund balance. The refund reserve account is used to adjust personal income tax collections across fiscal years to pay for tax refunds, as well as to accomplish other Financial Plan objectives. In addition to the $1.13 billion in General Fund reserves, the projected balance of $1.75 billion is comprised of $521 million from LGAC that may be used to pay tax refunds during 2001-02 but must be on deposit at the close of the fiscal year, and $90 million for other tax refunds.

2002-03 Fiscal Year (Executive Budget Forecast)

The Governor presented his 2002-03 Executive Budget to the Legislature on January 22, 2002. The Executive Budget contains financial projections for the State's 2001-02 through 2004-05 fiscal years, a detailed economic forecast for calendar years 2001 and 2002, and a proposed Capital Program and Financing Plan for the 2002-03 through 2006-07 fiscal years. The State Constitution permits the Governor to submit amendments to the Executive Budget within 30 days of submission. DOB anticipates several such amendments will be introduced to the 2002-03 Executive Budget that will modify certain appropriations and accelerate certain debt issuances. The modifications are expected to be financed without additional General Fund costs, and the revised schedule of debt issuances is not expected to affect the five-year projections contained in the proposed Capital Program and Financing Plan for 2002-03 through 2006-07. Accordingly, DOB expects that such amendments will not have a materially adverse impact on the Financial Plan projections described herein.

Under the Governor's Executive Budget, total General Fund receipts, including transfers from other funds, are projected at $38.85 billion, a decrease of $3.58 billion from the current fiscal year. In addition, available General Fund balances of $1.37 billion are expected to be used in the 2002-03 fiscal year, bringing the total projected resources to $40.22 billion in 2002-03. General Fund disbursements, including transfers to other funds, are recommended to decline by 3.0 percent to $40.22 billion, a decrease of $1.23 billion from 2001-02. State Funds spending (the portion of the budget supported exclusively by State taxes, fees, and revenues) is projected to total $58.63 billion, an increase of $929 million or 1.6 percent. Spending from All Governmental Funds is expected to grow by 4.7 percent, increasing by $4.0 billion to $88.6 billion.

Cash Disbursement Comparison (1)
2001-02 to 2002-03
(millions of dollars)

	Estimated 2001-02	Projected 2002-03	Chg. 2002-03 vs. 2001-02	%Chg. 2002-03 vs. 2001-02
General Fund	41,455	40,221	(1,234)	-3.0%
State Funds	57,705	58,634	2,684	1.6%
All Governmental Funds	84,598	88,595	4,192	4.7%

(1) As projected on January 22, 2002.

There can be no assurance that the Legislature will enact into law the Governor's Executive Budget, or that the State's adopted budget projections will not differ materially and adversely from the projections set forth in this Update. For a more detailed discussion of the State's budgetary process and uncertainties involving its forecasts and projections, see "State Organization and State Financial Procedures" in the AIS and "Special Considerations" below.

Economics and Demographics

The U.S. Economy

The nation's longest economic expansion ended in March 2001. Real U.S. Gross Domestic Product (GDP) declined by 1.3 percent during the third quarter of 2001, following 0.3 percent growth during the second quarter. DOB expects the recession to stretch into calendar year 2002, with a slow but sustained recovery beginning in the middle of the year.

The events of September 11, 2001 have exacerbated the national economic slowdown. Since the attack, the airline industry has lost substantial revenues, non-auto retail sales have plunged and remained weak, and tourist activity remains significantly below the pre-September 11 levels. However, the Federal Reserve rate cuts and government spending increases associated with the September 11 attacks, combined with the already enacted tax cuts, are expected to provide a monetary and fiscal stimulus to the economy in 2002. DOB estimates that the U.S. economy, as measured by real U.S. GDP, will grow 1.0 percent for 2001, followed by a projected growth of 0.4 percent for 2002.

Private sector profits have declined significantly during 2001, resulting in several rounds of employee layoffs. DOB projects that total employment will decline 0.6 percent in 2002, following an increase of 0.3 percent in 2001. The unemployment rate is expected to rise from 4.8 percent for 2001 to 6.6 percent for 2002. U.S. personal income is projected to grow 2.8 percent in 2002, following an estimated growth of 5.0 percent in 2001.

There are significant risks to the current forecast. If either monetary or fiscal policy is less effective than expected, the recession could be both longer and deeper than predicted. Weaker corporate profits than projected could, in turn, produce even more employee layoffs and less capital investment than anticipated. Similarly, if the stock market fails to perform as expected in calendar 2002, the resulting additional loss of household wealth, coupled with employee layoffs, could further reduce wage, personal income, and consumption growth. World economic growth could be substantially worse than expected.

However, if monetary and fiscal policies are more effective than projected, or if the stock market rebounds earlier than expected, economic growth could rise above the 0.4 percent forecast for 2002. Finally, the current outlook is predicated upon the assumption that no additional major disruption will occur again within the forecasting period. However, with the nation at war abroad and on high alert domestically, the risk of an adverse shock to the U.S. economy is extremely high.

Economic Indicators for the United States

	1998	1999	2000	2001(1)	2002(1)
Gross Domestic Product					
(billions $)	8781.5	9268.6	9872.9	10194.8	10391.7
Percent Change	5.6	5.5	6.5	3.3	1.9
(billions 1996 chain wt.)	8508.9	8856.5	9224.0	9312.9	9350.4
Percent Change	4.3	4.1	4.1	1.0	0.4
Personal Income					
(billions $)	7426.0	7777.3	8319.2	8732.2	8978.9
Percent Change	7.0	4.7	7.0	5.0	2.8
Nonagricultural Employment					
(millions)	125.9	128.9	131.8	132.2	131.4
Percent Change	2.6	2.4	2.2	0.3	(0.6)
Unemployment Rate (Percent)	4.5	4.2	4.0	4.8	6.6
Consumer Price Index					
(1982-84=100)	163.0	166.6	172.2	177.1	179.8
Percent Change	1.6	2.2	3.4	2.8	1.5

Sources: US Department of Commerce, Bureau of Economic Analysis; US Department of Labor, Bureau of Labor Statistics. Table reflects adjustments by source agencies to figures for prior years.

(1) As projected by the Division of the Budget, based on National Income and Product Account and employment data through December 2001.

New York Economy

DOB estimates that tens of thousands of jobs have been lost or displaced from New York, at least temporarily, due to the events of September 11, 2001. The sector hardest hit by the disaster was the finance industry, which is estimated to have lost more than 30,000 jobs, many of whom have been either laid off or relocated out-of-state. Other industries estimated to have experienced severe losses are business and media services, hotel and motel services, retail trade, arts and entertainment services, and transportation. In contrast, as part of the reconstruction process, the construction sector is expected to experience a net gain in employment. On an annual average basis, State employment is expected to have grown a modest 0.1 percent for 2001 and to decline 1.2 percent for 2002.

DOB estimates that the events of September 11 will also have a significantly negative impact on securities industry profits. The fall in profit growth is expected to result in a severe decline in finance and insurance industry cash bonuses. This decline will likely be exacerbated by firms weighting their bonus payouts more heavily than usual in favor of stock options as well as by the transfer of dislocated workers out-of-state. Lower growth in both employment and bonus income is expected to have resulted in personal income growth of 2.6 percent for 2001, followed by growth of 1.1 percent for 2002.

The most significant risks to the New York economic forecast pertain to the pace of layoffs related to the events of September 11, and the impact of both the disaster itself and deteriorating economic conditions on wages. The possibility of yet another terrorist attack on the New York City area poses a substantial negative risk to the DOB forecast. Fewer layoffs, stronger financial markets, and higher bonuses than projected would result in a stronger State economy than reflected in the current forecast. Similarly, greater job losses, weaker financial markets, and smaller bonus payments than expected would result in a weaker State economy.

Economic Indicators for New York State

	1998	1999	2000	2001(1)
Personal Income				
(billions $)	590.4	614.6	655.6	672.6
Percent Change	6.7	4.1	6.7	2.6
Nonagricultural Employment				
(thousands)	8236.7	8455.4	8632.3	8640.9
Percent Change	2.1	2.7	2.1	0.1
Unemployment Rate (Percent)	5.6	5.2	4.6	4.8

Sources: US Department of Commerce, Bureau of Economic Analysis; NYS Department of Labor. Table reflects adjustments by source agency to figures for prior years and certain adjustments to published data by the Division of the Budget.

(1) As projected by the Division of the Budget, based on National Income and Product Account and employment data through December 2001.

Receipts

General Fund receipts and transfers from other funds are projected at $38.85 billion in fiscal year 2002-03, $3.58 billion below fiscal year 2001-02 estimates. Excluding the impact of refund reserve and STAR actions on receipts, General Fund tax receipts are expected to increase by slightly less than one percent. The combined effect of the WTC attacks and the national economic slowdown are the main reasons for the expected slow growth in tax receipts.

Personal income tax collections deposited to the General Fund for fiscal year 2002-03 are projected to total $23.29 billion, a decrease of $3.69 billion (14 percent) from fiscal year 2001-02. This change is due largely to the impact of refund reserve and STAR actions on income tax receipts. In addition, the decline is due to decreases in income tax liability mainly attributable to the significant weakening in the economy following the events of September 11. The 2002-03 Financial Plan projects that tax liability will decrease annually by 5.4 percent in 2001 and 0.9 percent in 2002. Declines in State employment, wages, Wall Street bonuses, and non-wage income levels contribute to an adjusted gross income decline for 2001 and a minimal increase for 2002.

User tax and fee receipts are projected to total $7.07 billion in fiscal year 2002-03 a decrease of $13 million from fiscal year 2001-02. The annual decrease is caused in part by the incremental impact of approximately $70 million in already-enacted tax reductions, and the earmarking of certain motor vehicle fees and the auto rental tax to dedicated transportation funds. Adjusted for these changes, the underlying growth of user tax and fee receipts is projected at 3.7 percent.

In fiscal year 2002-03, receipts from the sales and use tax, the largest component of user tax and fee receipts, are projected to total $6.29 billion, an increase of $165 million from fiscal year 2001-02. Weakness in the economy in 2001 produced an actual decline in the base of the sales and use tax for fiscal year 2001-02 of 1.9 percent. The most significant statutory changes affecting fiscal year 2002-03 General Fund sales tax receipts are the next phase of the rate reduction applied to the transmission and distribution of electricity and gas.

Business taxes (which include corporation and utility taxes, corporate franchise taxes, insurance taxes, and other business taxes), are expected to total $3.78 billion in fiscal year 2002-03, $54 million below fiscal year 2001-02 estimated results. Within this category, corporation and utility tax receipts in 2002-03 are projected to total $995 million, an increase of $8 million from fiscal year 2001-02. This small increase is primarily due to moderate increases in energy consumption, offset by the next phase of rate reductions on energy utilities, and continued growth in telecommunications revenues. Corporate franchise receipts are projected to increase by $6 million to $1.76 billion in fiscal year 2002-03, resulting from improved corporate profitability, offset by the impact of enacted and proposed tax reductions. Other business taxes include franchise taxes on insurance companies and banks. In fiscal year 2002-03, bank tax receipts are projected to be $503 million, $46 million above estimates for fiscal year 2001-02, reflecting a modest rebound in bank earnings. Net collections from insurance taxes are projected at $516 million, a decline of $114 million from fiscal year 2001-02, largely due to losses attributable to the WTC disaster.

Miscellaneous receipts for fiscal year 2002-03 are projected to be $1.61 billion, essentially unchanged from fiscal year 2001-02. The estimate projects a large reduction in investment income that is more than offset by several one-time receipts, including $150 million from the State of New York Mortgage Agency, $50 million from the New York State Housing Finance Agency, and $16 million from the Port Authority of New York and New Jersey.

Transfers from other funds are projected to total $2.33 billion in fiscal year 2002-03, an increase of $172 million from fiscal year 2001-02. Transfers of sales tax receipts in excess of debt service requirements for the Local Government Assistance Corporation increase by $42 million, and all other transfers by $130 million, primarily from the Clean Water/Clean Air Fund.

Disbursements

General Fund disbursements and transfers to other funds are projected to total $40.22 billion in 2002-03, a decrease of $1.23 billion (3.0 percent) from the current year. The spending is consistent with fiscal year 2001-02 funding levels for most ongoing programmatic activities. The annual decline results primarily from transfers of General Fund spending to alternate financing sources, including the utilization of Federal TANF revenues ($885 million) and other revenue sources ($1.1 billion), including assessment increases, HCRA program financing, and Patient Income Account offsets that maintain program commitments at a reduced General Fund cost. These reductions are partially offset by increases for the Judiciary ($38 million), pensions and other fringe benefit costs ($227 million), and underlying programmatic cost increases in health care. The annual change in spending is explained in more detail below.

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 largest areas of spending in local assistance are for aid to public schools (46 percent) and for the State's share of Medicaid payments to medical providers (23 percent). Spending for mental hygiene programs (6 percent), higher education programs (5 percent), children and families services (4 percent), public health programs (2 percent) and welfare assistance (2 percent) represent the next largest areas of local aid.

Local assistance spending reflects continuation of the same level of program spending in education and higher education, with generally flat spending or modest reductions in all other local assistance programs. Spending declines primarily from maximizing the use of non-General Fund revenue sources. These include the use of nursing home assessments ($289 million), alternate funding sources for various Medicaid and health programs ($546 million), and the use of Federal TANF funds for higher education and welfare assistance programs ($885 million).

General Fund spending for school aid is projected at $12.13 billion in fiscal year 2002-03 (on a State fiscal year basis), essentially unchanged from fiscal year 2001-02. Funding for most major aid components will be maintained at current year levels; increases provided for certain expense-based aids (e.g., transportation aid and various pupil-based aids) are offset by reductions in other programs.

Medicaid spending is estimated at $6.16 billion in fiscal year 2002-03, an increase of $22 million (0.4 percent) from fiscal year 2001-02. Expected underlying spending growth of 7.2 percent is partially offset by proposed revenue actions in other funds that are expected to lower General Fund costs, including implementation of a nursing home assessment ($289 million), increased Federal aid through Intergovernmental Transfers and Upper Payment Limit payments ($74 million), and the financing by HCRA of program previously funded through the General Fund ($149 million).

General Fund spending for health programs is projected at $477 million, a net decrease of $204 million (30 percent) from fiscal year 2001-02. Higher costs for a projected increase in participation in the Early Intervention program and other programmatic growth is more than offset by utilizing dedicated funding sources of $323 million for various health programs. These dedicated funding sources will support the cost of the Elderly Pharmaceutical Insurance Coverage program ($194 million), State support for the Roswell Park Cancer Institute ($60 million), and various other programs currently funded in the General Fund, including AIDS programs, the Public Health Campaign program, Indian Health programs, Immunization and Water Supply Protection ($69 million).

Spending on welfare is projected at $540 million, a decrease of $429 million (44.3 percent) from fiscal year 2001-02. This decrease is largely attributable to the additional use of Federal TANF funds ($479 million), which more than offsets a $34 million increase associated with projected welfare caseloads. The projected welfare caseload of 687,500 represents an increase of approximately 13,000 recipients from fiscal year 2001-02.

Higher Education Service Corporation (HESC) spending is projected at $198 million, a decrease of $497 million (71.5 percent) from 2001-02. This decrease primarily reflects the use of Federal TANF funds to finance spending on HESC programs ($345 million), and savings achieved through restructuring of the Tuition Assistance Program (TAP) ($182 million). Partially offsetting these decreases is projected growth in the number of TAP recipients and increasing award levels ($12 million).

Spending for all other local assistance programs is expected to total $7.13 billion in 2002-03, a net decrease of $296 million (4 percent) from the current year. This decrease includes program restructuring and the use of Federal TANF funds to finance various programs within the Education Department ($133 million), program reductions and revenue maximization actions in mental hygiene programs ($36 million), spending reductions in the Office of Science, Technology and Academic Research ($35 million), restructuring and proposed efficiencies in public protection programs ($19 million), and other savings initiatives proposed across all agencies and local assistance programs.

State Operations

State Operations spending is projected to total $7.9 billion in fiscal year 2002-03, an increase of $43 million from fiscal year 2001-02. Nearly all the growth is attributable to a $38 million spending increase in the Judiciary. Spending for the Legislature and Executive Branch agencies remains essentially flat from 2001-02.

State Operations spending includes $366 million for the annualized costs of existing labor agreements (and related costs) with State employee unions, as well as increasing costs for counter-terrorism and emergency preparedness following the WTC attacks. The State's homeland security response costs in 2002-03 reflect continued use of National Guard troops to guard critical public infrastructure and facilities; State Police costs for troopers and investigators; Environmental Conservation costs for toxic assessments, explosives and hazardous materials monitoring; and water infrastructure security.

These costs are partially offset by proposed spending restraint and revenue maximization efforts totaling $323 million. The imposition of a hiring freeze, offering a retirement incentive to State employees, and various actions to restrain spending in all agencies are anticipated to save $124 million. A total of roughly $200 million in additional savings are projected to be available in 2002-03 from various revenue maximization efforts to finance State Operations spending. These efforts include $107 million in additional Patient Income Account revenues to offset spending on mental hygiene programs, $31 million in additional Federal and HCRA revenues to finance spending on health programs and $19 million in savings from the transfer of funding for cultural education programs in the State Education Department to a new New York Institute for Cultural Education.

The State's Executive Branch All Funds workforce is projected to be 191,100 by the end of 2002-03, a decrease of approximately 5,000 from November 2001. This reduction is expected to be achieved primarily through attrition.

General State Charges

Spending for General State Charges (GSCs) is projected to total $2.89 billion in fiscal year 2002-03, an increase of $227 million from fiscal year 2001-02. The projected growth is primarily attributable to rising health insurance costs and pension contributions resulting from a lower than expected earnings rate for the New York State and Local Retirement System ("ERS"). The actual rate of return for ERS was -8.65 percent for the fiscal year ending March 31, 2001. State contributions to ERS are expected to increase by $66 million for fiscal year 2002-03. The pension estimate assumes an ERS contribution rate of 1.5 percent of salary for the 2002-03 fiscal year, an increase from 0.7 percent in fiscal year 2001-02. Significant growth is also expected in costs for health insurance premiums, which are projected to increase 11 percent in calendar year 2002.

Transfers to Other Funds

Transfers to other funds are projected to total $2.82 billion, a decrease of $91 million from 2001-02. Debt service transfers decrease by $267 million primarily due to the continued savings from the use of $1 billion in Debt Reduction Reserve Fund proceeds and the impact of proposed legislation that will enhance the State's ability to reduce borrowing costs. The legislation would, among other things, authorize a limited amount of variable rate debt obligations and swap agreements.

Capital projects transfers are expected to increase by $84 million and primarily reflect the use of $69 million of General Fund resources to finance pay-as-you-go spending from the Hazardous Waste Remedial Program Transfer Fund (Superfund) and $10 million in pay-as-you-go spending for economic development projects that are expected to create and retain jobs in upstate New York and Long Island.

The transfers to the State University are projected to increase by $36 million, due to a larger State subsidy for SUNY hospitals ($23 million) and growth in the State's share of outstanding SUNY loan repayments ($13 million).

All other transfers are estimated to increase by $56 million in fiscal year 2002-03, primarily a result of an increase in Medicaid payments to SUNY hospitals ($48 million) and in the State's subsidy to the Court Facilities Incentive Aid Fund ($14 million) to support Judiciary capital projects.

Non-Recurring Resources

DOB projects that a total of $562 million in non-recurring actions are used in the 2002-03 Financial Plan (including $72 million in balances made available through HCRA). These actions include transferring available balances from the State of New York Mortgage Agency ($150 million), the New York State Housing Finance Agency ($50 million), the Port Authority of New York and New Jersey ($16 million), the Environmental Protection Fund ($100 million) and various health and Medicaid Special Revenue Funds ($114 million). Recoveries of school aid and welfare recipient overpayments ($39 million), change in collection procedures ($38 million), and various routine fund transfers ($55 million) account for the remainder of the non-recurring resources.

2002-03 General Fund Closing Balance

The State projects a General Fund closing balance of $710 million at the end of the 2002-03 fiscal year, a decline of $1.37 billion from 2001-02. The balance of $710 million represents the monies on deposit in the Tax Stabilization Reserve Fund, which is available to guard against unforeseen shortfalls during the fiscal year. In addition, the State expects to have a balance of $677 million in the tax refund reserve account at the close of fiscal year 2002-03.

The Executive Budget includes legislation to gradually increase the maximum size of the Tax Stabilization Reserve Fund from 2 percent to 5 percent of General Fund spending, and to increase maximum annual deposits from 0.2 percent to 0.5 percent of spending.

Special Revenue Funds

Spending from special revenue funds is projected to total $42.46 billion in 2002-03, accounting for 48 percent of All Governmental Funds disbursements. Of this amount, $14.07 billion in spending is from funds supported by State revenues, and $28.39 billion from funds supported by Federal grants, primarily for social welfare programs.

State Special Revenue Funds

Disbursements from State special revenue funds are projected at $14.07 billion, an increase of $2.19 billion or 18.5 percent from 2001-02. The major programs financed from these funds are described below.

The State finances a significant share of Medicaid spending outside of the General Fund through special revenue funds. The principal special revenue funds related to Medicaid include the Indigent Care Fund, the Health Care Reform Act Transfer Fund, the Tobacco Transfer Fund, and a Nursing Home Assessment Account. In total, the State expects to disburse $2.06 billion from these funds, an increase of $852 million over 2001-02 projections.

The School Tax Relief (STAR) program is financed by personal income tax receipts deposited to the School Tax Relief Fund. Spending for STAR is estimated at $2.63 billion in 2002-03, an increase of $120 million from 2001-02. STAR will provide $2.09 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 services including schools, will receive $540 million in City personal income tax reductions. Increased participation by taxpayers and higher local taxes account for the higher projected spending in 2002-03.

The Lottery Fund supports education aid from the net proceeds of lottery activity. The 2002-03 Financial Plan projects the receipt of $2.09 billion in lottery proceeds. After payment of administrative expenses, the State projects disbursements of $1.91 billion from the Lottery Fund for education purposes in 2002-03, an increase of $349 million from 2001-02. This increase includes implementation of a new multi-state lottery game ($125 million), the introduction of video lottery terminals at racetracks ($60 million), and enhancements to Quick Draw ($43 million) that can be achieved administratively.

The State University of New York (SUNY) receives revenues from tuition, third-party payers, room rents, and user fees into several State special revenue funds. SUNY revenues support the costs of operating hospitals, dormitories, and regular campus services. Spending from State SRFs for SUNY is projected to total $2.22 billion in 2002-03, an increase of $73 million from the current year. This increase primarily reflects anticipated increases in revenues, which will be available for program operations.

The State funds a portion of mass transit activities through Mass Transportation Operating Assistance (MTOA) Fund and the Dedicated Mass Transportation Trust Fund. These funds receive taxes earmarked for mass transportation programs throughout the State. Total disbursements from these two funds in 2002-03 are projected at $1.72 billion, $172 million more than in 2001-02. This increase reflects the disbursement of $137 million in available MTOA balances dedicated for use by the MTA and other transit systems and $51 million for the Dedicated Mass Transportation Fund supported by higher revenues.

Federal Special Revenue Funds

Total disbursements for programs supported by federal grants account for approximately three-quarters of all special revenue spending. Federal special revenue fund disbursements are estimated at $28.39 billion in 2002-03, an increase of $2.97 billion or 11.7 percent from 2001-02. The projections for both fiscal years exclude the flow-through of federal aid to localities for WTC costs. The higher spending is primarily due to increased spending for Medicaid ($1.23 billion), welfare ($480 million) and college tuition assistance ($345 million) programs. Major components of federal special revenue funds are discussed in more detail below.

The single largest program in federal funds is Medicaid, which comprises 54 percent of Federal special revenue fund spending. The 2002-03 Financial Plan projects $15.43 billion in total Federal Medicaid payments, an increase of $1.23 billion from fiscal year 2001-02. This growth is primarily attributable to underlying growth in the Medicaid program of 7.2 percent ($854 million) and efforts to utilize existing Federal resources including additional Upper Payment Limit disbursements ($228 million) to help finance program growth.

In fiscal year 2002-03, Federal welfare spending financed by TANF will total $2.33 billion, an increase of $480 million over fiscal year 2001-02. TANF supports a wide range of services, including child welfare services, tax credits for the working poor, and other welfare reform initiatives. The growth in TANF spending in fiscal year 2002-03 consists primarily of retroactive claims related to the Earned Income Tax Credit ($200 million) and the Child and Dependent Care Tax Credit ($47 million), and other Federal maximization efforts ($233 million).

Education spending is projected at $2.08 billion in fiscal year 2002-03, an increase of $186 million from fiscal year 2001-02. Increased Federal funding, including use of the TANF block grant, for elementary and secondary education programs supports this growth in spending, as well as the disbursement of Federal school construction grants originally awarded in 2001-02.

Federal support for the Child Health Plus ("CHP") program (in conjunction with State money) facilitates access to comprehensive health care coverage for every eligible child in New York through age 18. The Federal share of spending is projected at $619 million in fiscal year 2002-03, an increase of $200 million from fiscal year 2001-02, reflecting CHP expansion and increased enrollment estimates.

Capital Projects Funds

Capital Projects Funds spending in fiscal year 2002-03 is projected at $5.06 billion, or $501 million higher than the revised projection for fiscal year 2001-02. The increase is primarily attributable to housing, economic development and other areas of spending ($177 million), transportation ($110 million), environment ($100 million), education ($84 million), and mental hygiene and public protection ($30 million). In addition, Federal funding in fiscal year 2002-03 will support Department of Transportation (DOT) spending for the reconstruction of Route 9A on the west side of lower Manhattan which was damaged during the WTC disaster.

Debt Service Funds

Estimated debt service disbursements from the debt service funds type are projected at $4.19 billion for 2001-02 and $3.67 billion for fiscal year 2002-03. The $520 million reduction is primarily due to the use of $500 million in DRRF in fiscal year 2001-02 (which technically is shown as an increase in debt service spending in that year), debt service savings in fiscal year 2002-03 from the prior years' use of DRRF and the impact of proposed legislation that will enhance the State's ability to reduce borrowing costs.

The General Debt Service Fund pays debt service on general obligation bonds, as well as payments for lease-purchase and contractual obligation bonds. Transfers from the General Fund are the primary source of funds for these payments, and are only made in the amount necessary to meet required disbursements. In addition, newly enacted legislation establishes the Revenue Bond Tax Fund to pay the debt service on revenue bonds issued by certain State agencies or public authorities and supported by a pledge of a portion of State personal income taxes.

The Local Government Assistance Tax Fund is projected to receive $2.09 billion in fiscal year 2002-03 from the dedicated one cent statewide sales tax. Debt service and associated costs on the completed $4.7 billion Local Government Assistance Corporation (LGAC) Program are projected at $311 million in fiscal year 2002-03. Sales tax receipts in excess of LGAC's debt service requirements, $1.78 billion, will be transferred to the General Fund.

Outyear Projections Of Receipts And Disbursements

DOB projects budget gaps of $2.8 billion in 2003-04 and $3.3 billion in 2004-05. The gap projections assume the Legislature will enact the 2002-03 Executive Budget in its entirety. The projections do not include unspecified spending "efficiencies." The outyear forecast is subject to greater volatility than in previous years due to the economic uncertainties surrounding the WTC attacks and the national recession.

PROJECTED BUDGET GAPS FOR SFYs 2003-04 AND 2004-05
(millions of dollars)

	2003-04	2004-05
Receipts	39,747	41,820
Disbursements	(42,561)	(45,081)
Remaining Gap	**(2,814)**	**(3,261)**
2004-05 Gap if 2003-04 Gap is Closed with Recurring Actions		***(447)***

If the projected budget gap for 2003-04 is closed with recurring actions, the 2004-05 budget gap would be reduced to $447 million. In recent years, the State has closed projected budget gaps which DOB estimated at $5.0 billion (1995-96), $3.9 billion (1996-97), $2.3 billion (1997-98), and less than $1.0 billion (1998-99 through 2000-01). DOB projects that the 2002-03 Executive Budget closes a budget gap of $5.7 billion.

Outyear Receipts

General Fund receipts are projected to increase to an estimated $39.75 billion in 2003-04. This increase reflects a forecast that both the national and New York economies will have recovered from recession and will be growing at historically average rates in 2003 and 2004. The forecast also assumes the incremental impact of already enacted tax reductions, the impact of prior refund reserve transactions and the continued earmarking of receipts for dedicated highway purposes. Receipts are projected to grow modestly to $41.82 billion in 2004-05, again reflecting a return to economic growth consistent with average growth in the receipts base and the impact of enacted tax cuts on normal receipts growth.

Personal income tax receipts are projected to increase to $24.38 billion in 2003-04. The increase from 2002-03 largely reflects an increase in the growth in underlying liability. In addition, receipts are reduced by the incremental value of the STAR tax reduction program. It should be noted that the estimated poor growth performance in income tax receipts in 2001-02 and 2002-03 are expected to be heavily influenced by the WTC disaster, as noted earlier. The outyear projections anticipate a gradual recovery in income tax receipts growth from this period.

Personal income tax receipts for 2004-05 are projected to increase to $26.04 billion. The modest increase results from a return to increases in liability consistent with underlying adjusted gross income growth of 5.8 percent.

Wages are estimated to continue to grow over the 2003-04 and 2004-05 period reflecting renewed employment growth over the projection period after the decline expected in 2002. Wage growth improves from the small wage gain of 2001 and wage loss of 2002, as bonus growth (an important component of wages) is expected to return to moderate growth after the decreases of 2001 and 2002.

Growth in realized capital gains is projected to rebound from the large decrease experienced in 2001. The 2003-04 and 2004-05 projections assume continued recovery in equity markets and growth in associated capital gains.

The 2003-04 and 2004-05 projections also assume increases in the other major components of income, consistent with continued growth in the overall economy. In particular, interest and business income are expected to grow at rates consistent with the average growth in these components in the years before the WTC attacks.

There is significant uncertainty associated with the forecast of the outyear income components. In many cases, a reasonable degree of uncertainty surrounds the predicted income components, which could result in a significant reduction in receipts. As a result, the projections for 2003-04 and 2004-05 are relatively conservative given such uncertainty.

Receipts from user taxes and fees are estimated to total $7.25 billion in 2003-04, an increase of $185 million from 2002-03. This increase is due almost exclusively to growth in the sales tax, as partly offset by increased earmarking of motor vehicle fees to the dedicated transportation funds.

User taxes and fees receipts are expected to grow to $7.59 billion in 2004-05. The economy is expected to have recovered from the recession and 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 to 5 percent.

Business tax receipts are estimated to increase to $3.86 billion in 2003-04, as the negative financial impact of the WTC diminishes. This estimate reflects the effect of both ongoing and proposed tax reductions on business tax collections. Receipts are projected to fall to $3.80 billion in 2004-05, reflecting the ongoing effect of already enacted business tax reductions, modest increases in underlying liability, the impact of the brownfield tax credits proposed with the 2002-03 Executive Budget, and the proposed additional enhancement to the Low-Income Housing Credit Program of $2 million.

The yield from other taxes is expected to remain essentially flat from 2002-03 to 2003-04. Receipts will be $781 million, which reflect the lagged effect of the declines in the stock market on the value of taxable estates, and the second year impact of the acceleration of the unified credit/exemption. In 2004-05, receipts climb to $816 million, reflecting a return to normal growth in stock market values, and again the impact of the increased unified credit/exemption.

Miscellaneous receipts are estimated to total $1.39 billion in 2003-04, a decrease of $220 million from the prior year. The decrease reflects the one-time nature of transactions that added to receipts in 2002-03. Receipts in this category are projected to remain at $1.39 billion in 2004-05.

Transfers from other funds are estimated to grow to $2.08 billion in 2003-04 and to $2.18 billion in 2004-05. This largely reflects growth in the dedicated portions of sales tax and the real estate transfer tax, which comprise a significant portion of transfers from other funds each year.

Outyear Disbursements

The State currently projects spending to grow by $2.34 billion (5.8 percent) in 2003-04 and $2.52 billion (5.9 percent) in 2004-05. Spending estimates for 2003-04 and 2004-05 are described in more detail below.

Local assistance spending accounts for most of the projected growth in General Fund spending in the outyears, increasing by $1.82 billion (6.8 percent) in 2003-04 and $1.52 billion (5.3 percent) in 2004-05. The growth in both outyears is primarily concentrated in school aid, Medicaid, welfare, higher education and mental hygiene programs.

The projected school aid growth on a school year basis is approximately $600 million in both 2003-04 and 2004-05. This reflects the continuation of building aid reforms and annual increases in expense-based school aid and general operating support. On a fiscal year basis, General Fund spending is projected to grow by approximately $207 million in 2003-04 and $677 million in 2004-05. The increases reflect the fiscal year "tail" associated with the delayed impact of school year increases on the State's fiscal year (roughly a 70 percent/30 percent split), and no growth in estimated lottery proceeds in 2004-05.

Underlying spending growth in Medicaid in both outyears is projected at 7.5 percent annually, which is generally consistent with the Health Care Reform Act and Congressional Budget Office projections. General Fund spending is expected to grow by $734 million in 2003-04 and another $467 million in 2004-05. The larger growth in 2003-04 is primarily attributable to the phase-out of nursing home intergovernmental transfer payments ($190 million), an additional Medicaid cycle ($138 million), and increased costs associated with providing services to legal immigrants ($23 million).

Welfare programmatic commitments are expected to remain essentially flat throughout the projection period. However, the reduced availability of Federal TANF surplus revenues leads to projected increases in State spending for welfare programs in 2003-04 ($585 million) followed by essentially no growth in 2004-05.

Mental hygiene programs grow by approximately $121 million (7.8 percent) in 2003-04 and an additional $97 million (5.8 percent) in 2004-05, as a result of the projected expansion of programs for the mentally and developmentally disabled.

All other local assistance programs increase by $174 million (2.8 percent) in 2003-04 and $260 million in 2004-05 (4.1 percent). The net increase is primarily due to the projected loss of Federal TANF funds to offset higher education programs in 2002-03 ($345 million), partially offset by lower spending in the legislative Community Projects Fund in 2003-04 ($143 million). The net increase in 2004-05 is primarily due to additional spending projected for Public Health programs ($88 million), Children and Family Services ($60 million) and Handicapped Education ($50 million).

State Operations spending is expected to increase by $159 million, or 2 percent, in 2003-04 and another $401 million or 5 percent in 2004-05. The growth in State Operations is due to costs associated with normal salary step increases and inflationary increases for nonpersonal service costs, valued at $133 million in 2003-04 and $131 million in 2004-05. The 2004-05 State Operations growth is also attributable to the value of an additional institutional payroll cycle ($130 million) and reflects the costs of snow and ice removal in the General Fund ($135 million). No additional salary increases are assumed after the expiration of the State's collective bargaining agreements in 2002-03.

General State Charges are projected to increase by $313 million (10.8 percent) in 2003-04 and $306 million (9.6 percent) in 2004-05. This growth is primarily due to anticipated cost increases in providing pensions and health insurance benefits to State employees and retirees. Absent significant investment gains in the Common Retirement Fund, substantial increases are anticipated for the State's contribution to the New York State and Local Retirement Systems. The projections for health insurance assume continuation of annual increases of 11 percent.

Transfers to the debt service funds increase by $43 million in 2003-04 and $272 million 2004-05. The change in debt service in the outyears is due primarily to additional costs to support higher education, economic development, and public protection capital projects, as offset by savings generated from the use of the Debt Reduction Reserve Fund and proposals to reduce borrowing costs.

Capital projects transfers, which reflect General Fund support for capital spending are projected to increase by approximately $61 million in 2003-04 and $25 million in 2004-05. These increases in General Fund support for capital projects are due primarily to additional costs to support environment, economic development, State facilities, mental hygiene, and higher education programs.

Transfers to the State University support the State subsidy for SUNY hospitals and the State's share of the repayment of an outstanding SUNY loan. The increases in 2003-04 and 2004-05 reflect a larger State subsidy for SUNY hospitals.

Special Considerations

The President has authorized the federal government to provide 100 percent reimbursement for New York for the cleanup and reconstruction costs related to the World Trade Center disaster (net of private insurance). To date, Congress has appropriated $10.4 billion in funding for these purposes. Based on current estimates, the State expects to receive federal disaster assistance of $1.53 billion in 2001-02 and $3.74 billion in 2002-03 that will be passed directly to localities.

The terrorist attacks in New York City and the national recession are expected to have materially adverse financial consequences for the State, and their impact is reflected in the economic and receipts forecasts described in this update to the AIS. At this point, it is no longer possible to separate the impact of the terrorist attacks from the national recession, but the combined effect of both events introduces significant uncertainty into the current Financial Plan estimates.

In the long term, the most significant risk is the possible loss of financial sector firms and related businesses to other states. The financial sector is an important economic activity in the State and a substantial reduction in its operations would likely have an adverse impact on State tax revenues, leading to material changes to the Executive Budget projections and the State's outyear projections of receipts, adding further pressure to budget balance in future fiscal years.

In addition to the recent terrorist attacks in New York City, many other complex political, social and economic forces influence the State's economy and finances, which may in turn affect the State's Financial Plan. These forces may affect the State unpredictably from fiscal year to fiscal year and are influenced by governments, institutions, and events that are not subject to the State's control. The Financial Plan is also necessarily based upon forecasts of national and State economic activity. Economic forecasts have frequently failed to predict accurately the timing and magnitude of changes in the national and State economies.

In every year, many uncertainties exist in the forecast of the national and State economies. Given the recent terrorist attacks, the nation's war-time preparations, and the volatility in financial markets, such uncertainties are significantly more pronounced at this time. For example, the current downturn in the financial markets could continue over a sustained period. The securities industry is more important to the New York economy than to the national economy as a whole, potentially amplifying the impact of such a downturn. A large negative change in stock market performance during the forecast horizon could result in wage and unemployment levels that are significantly different from those embodied in the current forecast.

Two variables which stand out as being particularly vulnerable to financial market volatility, and which are closely associated with the recent strength of State personal income tax receipts, are finance sector bonus income and capital gains realizations. Historically, financial sector bonus income has been closely tied to security firm profits. With many Wall Street profit-making activities (such as initial public offerings and mergers and acquisitions) now significantly below 2000 levels, DOB is forecasting a significant decline in financial sector profits for 2001 and 2002. DOB also expects that the decline in equity values observed since early 2000, combined with the recent decline in the average holding period for equities, will produce a decline in capital gains realizations for the 2001 calendar year. Both bonus income and capital gains realizations have historically been subject to a high degree of variation and may produce results below DOB's current forecast.

An ongoing risk to the State Financial Plan arises from the potential impact of certain litigation and federal disallowances now pending against the State, which could produce adverse effects on the State's projections of receipts and disbursements. The State expects to reach final settlement with the City of Yonkers concerning ongoing school desegregation litigation. The State share of the settlement is estimated to total $300 million over five years payable in roughly equal annual amounts ($10 million of which has already been paid), with $151 million of the costs financed over the next two years from the Contingency Reserve Fund. The Financial Plan assumes no significant federal disallowances or other federal actions that could adversely affect State finances. For more information on certain litigation pending against the State, see the section entitled "Litigation" in this update to the AIS and the AIS dated October 2, 2001.

The United States Congress is expected to consider several economic stimulus packages during the winter. Certain components of these packages may adversely affect State tax revenues. The most significant risk concerns a provision that would allow expanded expensing of investment costs against federal taxable income. Since the State uses federal taxable income as the starting point for calculating taxable income, the provision could adversely impact State tax revenues.

GAAP-Basis Financial Plan

The General Fund and All Governmental Funds Financial Plans are also prepared in accordance with Generally Accepted Accounting Principles (GAAP). The GAAP projections are based on the accounting principles applied by the State Comptroller in the financial statements issued for the 2000-01 State fiscal year and do not reflect any pending proposals of the Governmental Accounting Standards Board. The GAAP projections for 2001-02 and 2002-03 are based on the Executive Budget.

Actual and Projected GAAP Operating Results
(millions of dollars)*

Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accum. General Fund Surplus/(Deficit)
March 31, 2003 * *	(827)	(241)	(30)	9	(1,089)	619
March 31, 2002 * *	(2,724)	(1,404)	(237)	(232)	(4,597)	1,446
March 31, 2001	245	1,252	(20)	109	1,586	4,170
March 31, 2000	2,229	665	38	99	3,031	3,925
March 31, 1999 * * *	1,078	(117)	209	154	1,324	1,696

*Deficits noted in parentheses.
**As projected by DOB on January 22, 2002
***As restated

The GAAP projections indicate that the State is expected to end its sixth consecutive year with a GAAP accumulated surplus in the General Fund at the close of 2002-03. The General Fund GAAP Financial Plan for 2001-02 projects total revenues of $38.50 billion, total expenditures of $41.03 billion, and net other financing uses of $188 million. In 2002-03, projections show total revenues of $39.19 billion, total expenditures of $40.58 billion and net other financing sources of $557 million. At the end of 2002-03, the accumulated General Fund GAAP surplus is projected to be $619 million.

Debt and Other Financing Activities

2002-03 Borrowing Plan

Section 22-c of the State Finance Law requires the Governor to submit the five-year Capital Program and Financing Plan (the "Plan") with the Executive Budget. The proposed 2002-03 through 2006-07 Capital Program and Financing Plan was released with the Executive Budget on January 22, 2002. The Plan is required to be updated by the later of July 30 or 90 days after the enactment of the State Budget. A copy of the current Plan and the updated Plan, when available, can be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 473-8705, or by visiting its website at www.state.ny.us/dob.

Spending for capital projects is projected to total $5.05 billion in fiscal year 2002-03, an increase of $501 million from the current year. The largest areas of growth are for transportation ($110 million), environmental protection ($100 million), housing and economic development ($95 million), and education ($84 million). Consistent with prior years, transportation accounts for the greatest share of total capital spending (57 percent), followed by environmental protection (15 percent). Spending will be financed from several sources, including State and federal pay-as-you-go spending (58 percent), authority debt (37 percent), and General Obligation bonds (5 percent). These shares remain generally consistent over the five-year plan.

State-supported debt issuances are projected to increase from about $2.7 billion in the current year to about $3.8 billion in 2002-03. The increase is primarily attributable to the issuance of $415 million in Metropolitan Transportation Authority (MTA) service contract bonds which reflect the MTA's Capital Program and its plans to restructure its debt; the issuance of $244 million in bonds to finance equipment acquisitions for which no such authorization was provided in the current year; and increases in bond issuances for transportation ($207 million), mental hygiene ($56 million) and economic development

($64 million). Economic development issuances reflect bonds recommended to be issued under the new High Technology bonding program ($63 million), which will finance capital projects that create or retain technology related jobs.

Chapter 383 of the Laws of 2001 authorized the issuance of revenue bonds, which are supported by a pledge of 25 percent of personal income tax receipts. The issuance plan for 2002-03 and the remaining years of the Capital Plan reflects the expectation that revenue bonds will be issued to finance capital projects.

Under the Capital Program and Financing Plan, total State-supported debt outstanding is projected to increase from $37.7 billion in 2001-02 to $42.3 billion in 2006-07, an average annual growth rate of 2.3 percent. Both the level of new State debt and debt service costs are projected to remain below the statutory debt caps described below.

Debt Reform Act – Limitations on State-Supported Debt

The Debt Reform Act of 2000, which applies to all new State-supported debt issued after March 31, 2000, imposes phased-in caps that limit new debt outstanding to four percent of personal income and new debt service costs to five percent of total governmental receipts. Both caps began in 2000-01 at an initial phase-in level of .75 percent. Pursuant to Section 23 of the State Finance Law, the State is required to calculate compliance with the caps annually and report the findings in the Financial Plan update most proximate to October 31. On November 8, 2001, the State reported that it was in compliance with both debt caps, with debt issued after March 31, 2000 and outstanding at .39 percent of personal income and debt service on such debt at .09 percent of total governmental receipts. The Capital Program and Financing Plan projects that the State will remain within the caps through the end of the 2006-07 (no projections are done for the period beyond March 31, 2007).

State Retirement Systems

Contributions

The World Trade Center attacks will have no impact on the State's contribution to the Retirement System during the State's 2001-02 fiscal year. However, the resulting market turbulence and economic downturn are likely to have a negative impact on billing rates for the State's 2002-03 fiscal year. There is a strong likelihood that contributions for State fiscal year 2002-03 will be significantly greater than those for State fiscal year 2001-02 for both the State and other participating employers.

Authority and Localities

Metropolitan Transportation Authority

The MTA reported that certain portions of its regional transportation operations were affected by the terrorist attack on the World Trade Center. The MTA noted that the most significant infrastructure damage involved the subway tunnel running beneath the World Trade Center on the #1 and #9 subway lines that will need to be completely rebuilt, along with the related stations and infrastructure, and damage to the N/R Line Cortland Street Station. All estimates of the adverse impact on the MTA and the regional economy are of necessity preliminary and are subject to adjustment as more information becomes available. The MTA currently estimates property damage to the transit system at $855 million. The MTA currently expects that insurance proceeds and federal disaster assistance will cover substantially all of the property and business interruption losses related to this event. While the loss of revenues associated with the WTC disaster may be significant, the MTA does not expect that it will materially affect its obligations to bondholders and others.

The 2002-03 Executive Budget proposes to assist the MTA in addressing potential operating shortfalls caused in part by the WTC disaster by providing $348 million in aid increases and payment accelerations, providing the means to hold fares at current levels and continue plans to expand service.

New York City

Continuing recovery, cleanup and repair efforts following the September 11, 2001 attack on the World Trade Center will result in substantial expenditures for New York City (the "City"). The U.S. Congress passed emergency legislation which appropriates $40 billion for increased disaster assistance, increased security costs, rebuilding infrastructure systems and other public facilities, and disaster recovery and related activities, at least $11.2 billion of which is for disaster recovery activities and assistance in New York, New Jersey, Pennsylvania, Virginia, and the District of Columbia. The City expects to be reimbursed for all of its direct costs for response and remediation at the World Trade Center site. These costs are now expected to be substantially below previous estimates. The City also expects to receive federal funds for the costs of economic revitalization and other needs, not directly payable through the City budget, related to the September 11 attack.

Prior to September 11, 2001 the national and local economies had been weakening, reflecting lower business investment, increased unemployment and, recently, a decline in consumer confidence. It is expected that the destruction of the World Trade Center will have a substantial impact on the City and its economy. Reduced economic activity is expected to lower corporate profits, increase job losses and reduce consumer spending, which would result in reduced personal income and sales tax receipts and other business tax revenues for the City and could negatively affect real property values. The events of September 11 increased the risk of a delay in recovery. It is not possible to quantify at present with any certainty the short-term or long-term adverse impact of the September 11 events on the City and its economy, any offsetting economic benefits which may result from recovery and rebuilding activities and the amount of additional resources from federal, State, City and other sources which will be required.

In June 2001, New York City issued a Four-Year Financial Plan that projected a balanced budget for fiscal year 2002 and budget gaps of $2.8 billion in fiscal year 2003, $2.6 billion in fiscal year 2004, and $2.2 billion in fiscal year 2005. On December 4, 2001, the City issued a modification to its Financial Plan that reflected a reduction in projected revenues of $1.1 billion in fiscal year 2002, $1.6 billion in fiscal year 2003, $1.4 billion in fiscal year 2004, and $1.5 billion in fiscal year 2005, due primarily to the impact on City tax revenues of the attacks on the World Trade Center and a slow-down in economic activity. To offset the impact of these and other adverse developments, the City intends to take extraordinary actions to ensure a balanced budget in fiscal year 2002 and to narrow the budget gaps projected for fiscal years 2003 through 2005. On December 31, 2001, the City revised its Financial Plan to reflect a slight improvement in its tax revenue forecast and the expiration of a cut in the personal income tax surcharge, which together increase tax revenue forecasts by $322 million in fiscal year 2002 and by more than $370 million annually thereafter. The Financial Plan includes a Budget Stabilization Account of $697 million in fiscal year 2002, which has been used to narrow the fiscal year 2003 budget gap, and remaining budget gaps of $2.9 billion in fiscal year 2003, $3.6 billion in fiscal 2004, and $3.5 billion in fiscal year 2005. These estimates, however, do not make provision for wage increases for teachers, police officers or firefighters beyond those negotiated with the unions representing other civilian and uniformed employees nor does it include resources to fund wage increases for any employees beyond the current round of collective bargaining.

Other Localities

Certain localities outside New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's 2001-02 fiscal year or thereafter.

To help resolve persistent fiscal difficulties in Nassau County, the State enacted legislation in 2000 that created the Nassau County Interim Finance Authority. The Authority is empowered to issue bonds, backed solely by diverted Nassau County sales tax revenues, to achieve short-term budget relief and ensure credit market access for the County. The Authority has issued $436 million in bonds and $690 million in bond anticipation notes as of the date of this update to the AIS. The Authority may also impose financial plan requirements on Nassau County. The State paid $25 million in transitional assistance to the County in State fiscal year 2000-01 and $25 million in State fiscal year 2001-02. The Governor has proposed providing up to $50 million in State assistance to the County over the next two State fiscal years, which is subject to appropriation by the State Legislature. Allocation of any such assistance is contingent upon the Authority's approval of Nassau County's financial plan.

The State has provided extraordinary financial assistance to certain municipalities, primarily cities, since the 1996-97 fiscal year. Funding has essentially been continued or increased in each subsequent fiscal year and totaled $211.2 million in 2001-02.

Litigation

State Finance Policies

Tax Law

In *New York Association of Convenience Stores, et al. v. Urbach, et al.*, petitioners are seeking to compel respondents to enforce sales and excise taxes imposed, pursuant to Tax Law Articles 12-A, 20 and 28, on tobacco products and motor fuel sold to non-Indian consumers on Indian reservations. In orders dated August 13, 1996 and August 24, 1996, the Supreme Court, Albany County, ordered, among other things, that there be equal implementation and enforcement of said taxes for sales to non-Indian consumers on and off Indian reservations, and further ordered that, if respondents failed to comply within 120 days, no tobacco products or motor fuel could be introduced onto Indian reservations other than for Indian consumption or, alternatively, the collection and enforcement of such taxes would be suspended statewide. Respondents appealed to the Appellate Division, Third Department. In a decision entered May 8, 1997, the Third Department modified the orders by deleting the portion thereof that provided for the statewide suspension of the enforcement and collection of the sales and excise taxes on motor fuel and tobacco products. On May 22, 1997, respondents appealed to the Court of Appeals on other grounds. On July 9, 1998, the New York Court of Appeals reversed the order of the Appellate Division, Third Department, and remanded the matter to the Supreme Court, Albany County, for resolution of the question of whether there was a rational basis for the Tax Department's policy of non-enforcement of the sales and excise taxes on reservation sales of cigarettes and motor fuel to non-Indians. By decision and judgment dated July 9, 1999, the Supreme Court, Albany County, granted judgment dismissing the petition. On August 3, 2000, the Third Department affirmed the judgment dismissing the petition. On July 2, 2001, the Court of Appeals denied petitioners' motion for leave to appeal. On December 3, 2001, the Supreme Court of the United States denied petitioners' petition for certiorari, bringing this case to an end.

Gaming

In *Dalton, et al. v. Pataki, et al.,* plaintiffs seek a judgment declaring as unconstitutional, under provisions of the Constitutions of the United States and the State, parts B, C and D of Chapter 383 of the Laws of 2001, which respectively authorize (1) the governor to enter into tribal-state compacts for the operation by Indian tribes of gambling casinos in certain areas of the State, (2) the Division of the Lottery to license the operation of video lottery terminals at certain race tracks in the State and (3) the Division of the Lottery to enter into a joint, multi-jurisdiction and out-of-state lottery. Plaintiffs also seek to enjoin defendants from taking any action to implement the provisions of Chapter 383.

Budget Process

In *Pataki v. McCall, et al.,* the Governor seeks a judgment declaring that the actions of the Senate and the Assembly in voting and passing 46 budget bills on August 2, 2001 and August 3, 2001 violated Article 7, sections 4 and 5 of the State Constitution, because they deleted provisions of appropriations proposed by the Governor, substituted other appropriations, and considered other appropriation bills prior to taking action on the appropriation bills submitted by the Governor. The action also seeks to enjoin the approval of vouchers submitted pursuant to the budget bills enacted by the Senate and Assembly. This action would not affect appropriations enacted to pay debt service obligations for the 2001-02 fiscal year.

By decision and order dated November 7, 2001, the Supreme Court, Albany County, granted the State Comptroller's motion to dismiss this action as against the Comptroller. The plaintiff has appealed from that order. By decision and order dated January 17, 2002, the Supreme Court, Albany County, granted summary judgment dismissing certain affirmative defenses and declaring the actions of the Legislature in enacting the budget bills as modified or proposed by the Legislature other than the Legislative and Judiciary budget bills an unconstitutional violation of article VII of the State Constitution and denied defendants' cross-motions for summary judgment.

Civil Rights Claims

Yonkers

In an action commenced in 1980, (*United States, et al. v. Yonkers Board of Education, et al.*), the United States District Court for the Southern District of New York found, in 1985, that Yonkers and its public schools were intentionally segregated and in 1986 ordered Yonkers to develop and comply with a remedial education improvement plan (EIP I). On January 19, 1989, the District Court granted motions by Yonkers and the NAACP to add the State Education Department, the Yonkers Board of Education, and the State Urban Development Corporation as defendants, based on allegations that they had participated in the perpetuation of the segregated school system. On August 30, 1993, the District Court found that vestiges of a dual school system continued to exist in Yonkers. Based on these findings, on September 3, 1996, the United States Court of Appeals for the Second Circuit held the State defendants liable under 42 U.S.C. §1983 and the Equal Educational Opportunity Act, 20 U.S.C. §§ 1701, et seq., for the unlawful dual school system, because the State, among other things, had taken no action to force the school system to desegregate despite its actual or constructive notice of *de jure* segregation.

By order dated October 8, 1997, the District Court held that vestiges of the prior segregated school system continued to exist and that, based upon the State's conduct in creating and maintaining that system, the State is liable for eliminating segregation and its vestiges in Yonkers and ordered the State to fund a remedy to accomplish that goal (EIP II). A final judgment to implement EIP II was entered on October 14, 1997. Additionally, by order dated December 2, 1997 and judgment dated February 10, 1998, the Court ordered that the State pay to Yonkers approximately $9.85 million as its pro rata share of the funding of EIP I for the 1996-97 school year. The State appealed to the Second Circuit from both the October 14, 1997 and February 10, 1998 judgments.

In a decision dated November 16, 1999, the Second Circuit affirmed the District Court's December 2, 1997 order. The Second Circuit found no basis for the District Court's findings in the October 8, 1997 order that vestiges of a dual system continued to exist in Yonkers, and therefore remanded to the District Court for the limited purpose of making further findings on the existing record as to whether any other vestiges of the dual system remain in the Yonkers public schools and to impose any further remedy, if necessary. On May 22, 2000, the United States Supreme Court denied the State's petition for certiorari, seeking leave to appeal the November 16, 1999 decision and the underlying September 3, 1996 decision. In a decision dated November 30, 2000, the District Court affirmed its findings in the October 8, 1997 order that vestiges of the dual system continued to exist, and remanded the case to a court-appointed monitor for further proceedings to recommend an appropriate remedy.

On June 15, 1998, the District Court issued an opinion setting forth its formula for the allocation of the costs of EIP I and EIP II between the State and the City for the schools years 1997-98 through 2005-06. That opinion was reduced to an order on July 27, 1998 which directed the State to pay $37.5 million by August 1, 1998 for estimated EIP costs for the 1997-98 school year. The State made this payment as directed. The State, the City of Yonkers and the Yonkers Board of Education have all appealed from the July 27, 1998 order. Since that time, the District Court issued, and the State appealed, additional orders on April 15, 1999 and April 17, 2000, directing the State to pay additional sums to Yonkers as its share of the estimated EIP costs for the 1997-98, 1998-99 and 1999-2000 school years. The State paid all sums directed by these orders. By decision dated May 9, 2001, the Second Circuit upheld the District Court's decisions in these funding orders. By order dated July 6, 2001, the District Court issued an additional funding order directing the State to pay $8.5 million, in addition the $30.1 million previously paid to Yonkers as its share of the estimated EIP costs for the 2000-01 school year.

In January 2002, the parties announced a proposed settlement of this litigation. The settlement is subject to approval by the District Court after notice and hearing for the class action plaintiffs. The proposed settlement has not yet been presented to the District Court. Under the terms of the proposed settlement, the Yonkers public schools would be deemed desegregated, and control of the schools by the Yonkers Board of Education would resume. The State would agree to pay a total of $300 million dollars to finance specified educational programs for the Yonkers public schools over the next five years, with the last payment to be made in the 2006-07 State fiscal year. The proposed settlement would take effect after: 1) the District Court enters an order approving the settlement; 2) the District Court vacates all prior remedial orders; 3) the District Court enters an order severing this action from other claims of housing discrimination; 4) the District Court enters a judgment dismissing the education claims with prejudice, subject only to the court’s retention of ancillary jurisdiction to enforce the terms of the settlement; and 5) the State Legislature approves the first annual funding obligation in the State’s 2002-03 fiscal year, expressly recognizing the total amount due under the funding schedule.

Table A-1
Projected General Fund Receipts and Disbursements
State Fiscal Year 2001-02

	Mid-Year 2001-02	Change	Current 2001-02
OPENING FUND BALANCE	1,098	0	1,098
Personal Income Tax	27,096	(119)	26,977
User Taxes and Fees:			
Sales and Use Tax	6,095	25	6,120
Cigarette and Tobacco Tax	501	13	514
Motor Fuel Tax	0	0	0
Motor Vehicle Fees	202	0	202
Alcoholic Beverage Taxes and Fees	209	1	210
Container Tax	0	0	0
Auto Rental Tax	35	1	36
Subtotal	7,042	40	7,082
Business Taxes:			
Corporation Franchise Tax	1,785	(30)	1,755
Corporation and Utilities Taxes	811	176	987
Insurance Taxes	605	25	630
Bank Tax	449	8	457
Petroleum Business Tax	0	0	0
Subtotal	3,650	179	3,829
Other Taxes:			
Estate and Gift Taxes	686	58	744
Real Property Gains Tax	5	1	6
Pari-mutuel Tax	29	0	29
Other Taxes	1	0	1
Subtotal	721	59	780
Miscellaneous Receipts & Federal Grants	1,506	103	1,609
Transfers from Other Funds:			
Sales Tax in Excess of LGAC Debt Service	1,720	22	1,742
All Other Transfers	355	60	415
Subtotal	2,075	82	2,157
TOTAL RECEIPTS	42,090	344	42,434
Grants to Local Governments	28,327	(287)	28,040
State Operations	7,814	32	7,846
General State Charges	2,659	4	2,663
Debt Service	0	0	0
Transfers to Other Funds:			
In Support of Debt Service	2,289	(183)	2,106
In Support of Capital Projects	316	(82)	234
All Other Transfers	568	(2)	566
Subtotal	3,173	(267)	2,906
TOTAL DISBURSEMENTS	41,973	(518)	41,455
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	117	862	979
CLOSING FUND BALANCE	1,215	862	2,077

Source: State Division of the Budget

Table A-2
2000-01 and 2001-02 Financial Plan
Comparison of Receipts and Disbursements
(millions of dollars)

	Actual 2000-01	Change	Current 2001-02
OPENING FUND BALANCE	917	181	1,098
Personal Income Tax	23,566	3,411	26,977
User Taxes and Fees:			
Sales and Use Tax	6,272	(152)	6,120
Cigarette and Tobacco Tax	528	(14)	514
Motor Fuel Tax	17	(17)	0
Motor Vehicle Fees	337	(135)	202
Alcoholic Beverage Taxes and Fees	211	(1)	210
Container Tax	0	0	0
Auto Rental Tax	39	(3)	36
Subtotal	7,404	(322)	7,082
Business Taxes:			
Corporation Franchise Tax	2,335	(580)	1,755
Corporation and Utilities Taxes	817	170	987
Insurance Taxes	584	46	630
Bank Tax	506	(49)	457
Petroleum Business Tax	86	(86)	0
Subtotal	4,328	(499)	3,829
Other Taxes:			
Estate and Gift Taxes	759	(15)	744
Real Property Gains Tax	6	0	6
Pari-mutuel Tax	29	0	29
Other Taxes	1	0	1
Subtotal	795	(15)	780
Miscellaneous Receipts & Federal Grants	1,553	56	1,609
Transfers from Other Funds:			
Sales Tax in Excess of LGAC Debt Service	1,758	(16)	1,742
All Other Transfers	479	(64)	415
Subtotal	2,237	(80)	2,157
TOTAL RECEIPTS	39,883	2,551	42,434
Grants to Local Governments	26,667	1,373	28,040
State Operations	7,604	242	7,846
General State Charges	2,567	96	2,663
Debt Service	1	(1)	0
Transfers to Other Funds:			
In Support of Debt Service	2,215	(109)	2,106
In Support of Capital Projects	285	(51)	234
All Other Transfers	363	203	566
Subtotal	2,863	43	2,906
TOTAL DISBURSEMENTS	39,702	1,753	41,455
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	181	798	979
CLOSING FUND BALANCE	1,098	979	2,077

Table A-3
2001-02 and 2002-03 Financial Plan
Comparison of Receipts and Disbursements

	Current 2001-02	Change	Projected 2002-03
OPENING FUND BALANCE	1,098	979	2,077
Personal Income Tax	26,977	(3,685)	23,292
User Taxes and Fees:			
Sales and Use Tax	6,120	165	6,285
Cigarette and Tobacco Tax	514	(13)	501
Motor Fuel Tax	0	0	0
Motor Vehicle Fees	202	(137)	65
Alcoholic Beverage Taxes and Fees	210	8	218
Container Tax	0	0	0
Auto Rental Tax	36	(36)	0
Subtotal	7,082	(13)	7,069
Business Taxes:			
Corporation Franchise Tax	1,755	6	1,761
Corporation and Utilities Taxes	987	8	995
Insurance Taxes	630	(114)	516
Bank Tax	457	46	503
Petroleum Business Tax	0	0	0
Subtotal	3,829	(54)	3,775
Other Taxes:			
Estate and Gift Taxes	744	7	751
Real Property Gains Tax	6	(4)	2
Pari-mutuel Tax	29	0	29
Other Taxes	1	0	1
Subtotal	780	3	783
Miscellaneous Receipts & Federal Grants	1,609	(3)	1,606
Transfers from Other Funds:			
Sales Tax in Excess of LGAC Debt Service	1,742	42	1,784
All Other Transfers	415	130	545
Subtotal	2,157	172	2,329
TOTAL RECEIPTS	42,434	(3,580)	38,854
Grants to Local Governments	28,040	(1,413)	26,627
State Operations	7,846	43	7,889
General State Charges	2,663	227	2,890
Debt Service	0	0	0
Transfers to Other Funds:			
In Support of Debt Service	2,106	(267)	1,839
In Support of Capital Projects	234	84	318
All Other Transfers	566	92	658
Subtotal	2,906	(91)	2,815
TOTAL DISBURSEMENTS	41,455	(1,234)	40,221
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	979	(2,346)	(1,367)
CLOSING FUND BALANCE	2,077	(1,367)	710

Table A-4
2001-02 Financial Plan
All Governmental Funds
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	1,098	2,199	(89)	422	3,630
Receipts:					
Taxes	38,668	2,815	1,554	2,666	45,703
Miscellaneous receipts	1,609	7,179	1,731	606	11,125
Federal grants	0	25,497	1,471	0	26,968
Total receipts	40,277	35,491	4,756	3,272	83,796
Disbursements:					
Grants to local governments	28,040	30,146	856	0	59,042
State operations	7,846	6,690	0	6	14,542
General State charges	2,663	466	0	0	3,129
Debt service	0	0	0	4,185	4,185
Capital projects	0	2	3,698	0	3,700
Total disbursements	38,549	37,304	4,554	4,191	84,598
World Trade Center revenues (costs):					
Federal grants	0	1,525	0	0	1,525
Disaster assistance to localities	0	(1,525)	0	0	(1,525)
Net World Trade Center revenues (costs)	0	0	0	0	0
Other financing sources (uses):					
Transfers from other funds	2,157	2,608	254	4,799	9,818
Transfers to other funds	(2,906)	(2,073)	(769)	(4,145)	(9,893)
Bond and note proceeds	0	0	237	0	237
Net other financing sources (uses)	(749)	535	(278)	654	162
Change in fund balance	979	(1,278)	(76)	(265)	(640)
Closing fund balance	2,077	921	(165)	157	2,990

Source: State Division of the Budget

Table A-5
2002-03 Financial Plan
All Governmental Funds
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,077	921	(165)	157	2,990
Receipts:					
Taxes	34,919	4,199	1,673	2,455	43,246
Miscellaneous receipts	1,606	9,166	2,067	626	13,465
Federal grants	0	28,560	1,576	0	30,136
Total receipts	36,525	41,925	5,316	3,081	86,847
Disbursements:					
Grants to local governments	26,627	34,866	955	0	62,448
State operations	7,889	7,047	0	7	14,943
General State charges	2,890	548	0	0	3,438
Debt service	0	0	0	3,665	3,665
Capital projects	0	2	4,099	0	4,101
Total disbursements	37,406	42,463	5,054	3,672	88,595
World Trade Center revenues (costs):					
Federal grants	0	3,741	0	0	3,741
Disaster assistance to localities	0	(3,741)	0	0	(3,741)
Net World Trade Center revenues (costs)	0	0	0	0	0
Other financing sources (uses):					
Transfers from other funds	2,329	2,947	343	5,058	10,677
Transfers to other funds	(2,815)	(2,409)	(992)	(4,480)	(10,696)
Bond and note proceeds	0	0	260	0	260
Net other financing sources (uses)	(486)	538	(389)	578	241
Change in fund balance	(1,367)	0	(127)	(13)	(1,507)
Closing fund balance	710	921	(292)	144	1,483

Source: State Division of the Budget

Table A-6
GAAP Financial Plan
All Governmental Funds
2002-03
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	35,343	4,197	1,674	2,461	43,675
Federal grants	0	29,546	1,569	0	31,115
Lottery	0	6,947	0	0	6,947
Patient fees	0	0	0	316	316
Miscellaneous revenues	3,848	1,322	117	39	5,326
Total revenues	39,191	42,012	3,360	2,816	87,379
Expenditures:					
Grants to local governments	28,203	33,041	878	0	62,122
State operations	9,984	6,469	0	7	16,460
General State charges	2,365	222	0	0	2,587
Debt service	0	0	0	2,991	2,991
Capital projects	23	3	3,965	0	3,991
Total expenditures	40,575	39,735	4,843	2,998	88,151
World Trade Center revenues (costs):					
Federal grants	0	3,741	0	0	3,741
Disaster assistance to localities	0	(3,741)	0	0	(3,741)
Net World Trade Center revenues (costs)	0	0	0	0	0
Other financing sources (uses):					
Transfers from other funds	5,284	1,174	318	5,160	11,936
Transfers to other funds	(5,043)	(3,692)	(1,038)	(4,969)	(14,742)
Proceeds of general obligation bonds	0	0	260	0	260
Proceeds from financing arrangements/ advance refundings	316	0	1,913	0	2,229
Net other financing sources (uses)	557	(2,518)	1,453	191	(317)
(Deficiency) excess of revenues and other financing sources over expenditures and other financing uses	(827)	(241)	(30)	9	(1,089)

Source: State Division of the Budget