



New York State

2003-04 Financial Plan First Quarterly Update



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Introduction

This is the First Quarterly Update to the State's 2003-04 Financial Plan, submitted pursuant to section 23 of the State Finance Law. The First Quarterly Update includes (a) updated Financial Plan projections, (b) operating results for the first quarter of fiscal year 2003-04, (c) an updated economic forecast, (d), the GAAP-basis Financial Plan projections for 2003-04, and (e) a summary of the updated capital program and financing plan for fiscal years 2003-04 through 2007-08. For a description of the structure of the State Financial Plan and general State operating procedures, please see the Annual Information Statement of the State of New York dated May 30, 2003, which is available at www.budget.state.ny.us.

The actual cash-basis results and projected estimates reported in this First Quarterly Update are adjusted to exclude the impact of deferring \$1.9 billion in spending from 2002-03 to 2003-04 that was made necessary due to the delay in securing authorization to issue tobacco bonds. The adjustment is done to avoid distorting annual growth trends. The tables at the end of this Update display receipts and spending on both an adjusted and unadjusted basis.

Overview

The Division of the Budget (DOB) projects the State will end the 2003-04 fiscal year in balance on a cash basis. As noted in the Enacted Budget Financial Plan issued May 28, 2003, Federal aid anticipated at that time and savings from implementation of a fiscal management plan are expected to be sufficient to close what otherwise would have been a potential budget imbalance of approximately \$900 million in 2003-04. The following table summarizes the revisions that bring the 2003-04 Financial Plan into balance.

Revisions to Enacted Budget General Fund Forecast Savings/(Costs) (millions of dollars)			
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Federal Revenue Sharing	645	0	0
Federal Medicaid Match Increase	371	268	311
State Payment to NYC/MAC Debt	170	0	0
Timing of Member Item Spending	100	(100)	0
Revenue Forecast	(193)	(175)	(55)
Medicaid	(100)	(100)	(100)
Welfare	(40)	(40)	(40)
Employee Health Insurance	(26)	0	0
Lower Lottery Receipts	(15)	2	3
TOTAL REVISIONS -- FIRST QUARTERLY UPDATE	<u>\$912</u>	<u>(\$145)</u>	<u>\$119</u>

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Additional Federal aid provided on a one-time basis as part of economic stimulus legislation is expected to generate \$1.6 billion for the State over a 15-month period (retroactive to April 1, 2003, and continuing through June 30, 2004). It is comprised of \$645 million in revenue sharing grants and \$950 million in State savings from a 15-month increase in the Federal matching rate on Medicaid costs. Counties and New York City are also expected to save \$450 million from the higher Federal Medicaid match rate over the same period. The new Federal aid is offset in part by lower than projected tax receipts and growth in projected entitlement costs for health and welfare.

Adjusted 2003-04 Revenue Projections (millions of dollars)			
	Enacted Budget	First Quarterly Update	Dollar Change from Enacted
General Fund	39,840	40,437	597
State Funds	60,155	60,639	484
All Governmental Funds	93,821	95,129	1,308

NOTE: Estimates are adjusted to exclude the deferral \$1.9 billion in receipts from 2002-03 to 2003-04 that resulted from the delay in securing authorization to issue tobacco bonds. The adjustment avoids distorting annual growth trends. The tables at the end of this Update display receipts and spending on both an adjusted and unadjusted basis.

General Fund receipts, including transfers from other funds, are currently projected to total \$40.4 billion in 2003-04, an increase of \$597 million above the Enacted Budget Financial Plan projections. The estimate for General Fund tax receipts for 2003-04 has been reduced by \$193 million, primarily due to weaker than expected sales, estate and business tax collections to date, but this reduction is more than offset by the receipt of \$645 million in one-time Federal revenue sharing payments and the flow of \$170 million in additional sales tax receipts to the General Fund due to the Local Government Assistance Corporation (LGAC)/Municipal Assistance Corporation (MAC) transaction discussed below.

State Funds receipts are now projected to total \$60.6 billion in 2003-04. The increase of \$484 million above the Enacted Budget Financial Plan forecast consists primarily of the \$645 million in Federal revenue sharing payments and modest upward revisions in dedicated tax receipts, offset by the \$193 million reduction in underlying General Fund taxes discussed above.

Receipts on an All Funds basis, which is the broadest measure of State budgetary activity, are expected to reach \$95.1 billion, an increase of \$1.3 billion above the Enacted Budget Financial Plan estimate. The increase reflects the \$484 million upward revision to State Funds receipts projections, as well as \$921 million in higher projected Federal aid earmarked to support the Medicaid program in the current fiscal year (\$721 million from the temporary increase in the Federal matching rate and \$200 million related to increases in costs). The positive revisions are partially offset by revisions that reduce the Federal aid estimates for Child Health Plus (\$73 million) and other modest reestimates (\$24 million).

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Adjusted 2003-04 Spending Projections (millions of dollars)			
	Enacted Budget	First Quarterly Update	Dollar Change from Enacted
General Fund	40,837	40,522	(315)
State Funds	61,087	60,800	(289)
All Governmental Funds	94,474	95,018	543

NOTE: Estimates are adjusted to exclude the impact of deferring \$1.9 billion in spending from 2002-03 to 2003-04 that was made necessary due to the delay in securing authorization to issue tobacco bonds. The adjustment avoids distorting annual growth trends. The tables at the end of this Update display receipts and spending on both an adjusted and unadjusted basis.

General Fund spending is projected to total \$40.5 billion, a decrease of \$315 million from the Enacted Budget Financial Plan. Growth above budgeted levels for Medicaid (\$100 million), welfare (\$40 million), and employee health care (\$26 million) are more than offset by Federal aid that lowers the State's General Fund Medicaid contribution (\$371 million). In addition, DOB now anticipates that under any circumstances spending for new legislative "member items" will not exceed \$100 million. Also, a \$170 million payment to New York City related to the restructuring of the debt of MAC will not occur in 2003-04 (the MAC transaction affects available sales tax receipts that flow to the State through LGAC; it does not affect General Fund spending). The issues surrounding member items and MAC are discussed more fully in the Enacted Budget Financial Plan dated May 28, 2003 and the Annual Information Statement dated May 30, 2003.

State Funds spending is now projected to total \$60.8 billion in 2003-04, a decrease of \$289 million from the Enacted Budget Financial Plan. The revision primarily reflects the \$315 million decrease in General Fund spending and other modest revisions.

All Funds spending is projected to total \$95.0 billion, an increase of \$543 million above the Enacted Budget forecast. The growth is primarily due to higher spending for Medicaid paid for from Federal funds (\$921 million), offset by the \$289 million reduction in State Funds described above and lower projected spending for the Child Health Plus program (\$73 million).

Recent Events/Fiscal Management Plan

The current fiscal year is now balanced, but the magnitude of potential future budget gaps of between \$5 billion to \$6 billion in 2004-05 and \$6 billion to \$8 billion in 2005-06 requires timely and aggressive measures to restore structural balance. Accordingly, the Governor has directed the following actions take place:

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1. Development of a Fiscal Management Plan (FMP) to generate a substantial recurring financial benefit. It is expected that elements of the FMP will be presented for legislative action during a Fall session.
2. Review of all Federal aid programs to ensure the State is maximizing the aid to which it is entitled and identify Federal changes that, if enacted, would increase Federal financial support for programs in New York.

As part of the FMP, statewide austerity measures limiting discretionary spending, travel, and low priority capital spending will remain in force. All State agencies will continue to operate under a hiring freeze, consistent with existing guidelines. Agencies will also be conducting a comprehensive review of all existing and new State contracts, fleet management practices, and equipment purchases. They will also continue a comprehensive management assessment of current agency operations in order to identify opportunities where, through increased administrative flexibility, statutory changes or other means, agencies can achieve greater productivity, improve services, and reduce costs. Savings from these measures should provide a hedge against risk for the remainder of the fiscal year and help reduce next year's budget gap.

In addition, DOB is working with state agencies to prepare a package of savings measures to be submitted to the Legislature for consideration in the Fall. The package, which is still under development, is expected to include the "clean-up" bill already passed by the Senate related to the 2003-04 budget bills, and other measures intended to reduce costs or generate savings. Consistent with past practice, DOB has not reflected any potential savings from these legislative proposals in the First Quarterly Update to the Financial Plan.

On June 28, 2003, the State Court of Appeals ruled that the State's financing system for New York City public schools was unconstitutional. The Court found that the system denied students in New York City schools a sound basic education, which it generally described as the "opportunity for a meaningful high school education, one which prepares them to function productively as civic participants." The Court directed the State to implement a remedy by July 30, 2004.

The fiscal implications of this ruling are unclear at this time, and could range from little or no additional State cost to a significant increase in State support for schools. Projected school aid spending for State Fiscal Year 2003-04 currently totals \$12.3 billion in the General Fund (30 percent of General Fund spending; or \$14.1 billion -- 33 percent -- if Lottery aid is included).

Certain legislatively-authorized spending may not materialize due to a lack of valid appropriation authority. This includes a \$200 million lump sum appropriation for new member items that DOB now values at a \$100 million cost during 2003-04, and \$170 million in payments to the City of New York from LGAC for which there is no appropriation. The latter transaction is also clouded by legal uncertainties. The Executive is reviewing legislation related to the LGAC payments that was intended to

permit the City to assign such payments to a non-profit corporation for the purpose of defeasing the remaining \$2.5 billion in outstanding MAC bonds. The structure of this bonding proposal may be flawed and raises constitutional and legal issues. Certain consistent clarifying amendments were passed individually by each House of the Legislature, but no common version was enacted as of the close of the 2003 regular legislative session.

General Fund Financial Plan

National Economy

Revised data for the first quarter of this year, in conjunction with preliminary data for the second quarter, indicate a weaker national economy for the first half of 2003 than projected earlier. Indeed, this weakness prompted the Federal Reserve Board to further lower its short-term interest rate target another 25 basis points in June. Nevertheless, the consensus among most economic forecasters remains that expansionary monetary and fiscal policy will provide a strong boost to the economy during the second half of the year. DOB's current outlook for the second half is consistent with the consensus view. Consequently, the DOB forecast for real growth in U.S. GDP for 2003 has been revised down only slightly since the Enacted Budget Plan issued in May 2003, from 2.3 percent to 2.1 percent. National economic growth is expected to accelerate to 3.5 percent in 2004.

Although the DOB forecast for business spending growth has been revised down for 2003 since the Enacted Budget Financial Plan, historically low interest rates, fiscal policy stimulus, and an increase in the demand for U.S. exports are expected to set the stage for increased business spending during the second half of the year. However, high productivity growth and the continuing drive to restrain costs are expected to delay new hiring. Based on new and revised data, DOB has reduced its estimate for nonagricultural employment growth for 2003 from the zero growth reported in the Enacted Budget Financial Plan to a decline of 0.2 percent. Moreover, expected growth for 2004 has been reduced from 1.7 percent to 0.9 percent; the unemployment rate projection has been revised upward accordingly. The weaker job market, along with lower expected consumer price inflation, will result in slower wage and personal income growth than reported in the Enacted Budget Financial Plan. Wage growth has been revised down from 3.6 percent to 2.8 percent for 2003, while overall personal income growth has been revised down from 3.8 percent to 3.5 percent. Income growth is expected to accelerate in 2004, but remain well below the historical average.

First Quarterly Update to the 2003-04 Financial Plan

Major Economic Indicators			
	2002	2003	2004
Gross Domestic Product (real)	2.4	2.1	3.5
Personal Income	2.7	3.4	4.8
Corporate Profits	7.6	6.7	8.1
Consumer Price Index	1.6	2.3	2.0

Note: Numbers above are percent change/calendar year. Division of the Budget estimates are based on National Income and Product Account data through June 2003, except for nonagricultural employment and the unemployment rate which are based on U.S. Department of Labor data through early July 2003.

The DOB outlook for corporate profits from current production, including the inventory valuation and capital consumption adjustments, is little changed from the Enacted Budget Financial Plan. In contrast, the outlook for the financial markets has improved since May, with investor perception of risk appearing to have diminished since the end of the first phase of the nation's involvement in Iraq. The forecast for the S&P 500 projected for 2003, on an annual average basis, has been revised from a decline of 5.4 percent to one of 3.3 percent. Moreover, Federal Reserve Board policy is now projected to remain relatively more accommodative.

Although the view that national economic growth will rise above its potential rate by the third quarter of this year is almost universal, it is not without risk. While monetary policy has been very effective in sustaining the strength of the housing sector, it appears to have had little impact on overall business spending thus far. With the capacity utilization rate at its lowest level since the early 1980s recession, the business sector may be more reluctant to significantly increase investment spending than is typical at this stage of a recovery. This could result in even lower job growth than expected. In turn, continued weakness in the labor market could depress consumption spending, further reducing the incentive for businesses to spend. In contrast, if the Federal tax reduction, combined with historically low interest rates, has a greater impact on households than expected, national economic growth could be stronger than expected.

State Economy

Although DOB believes that New York State is emerging from recession, the most recent data signals a more sluggish recovery than projected in the Enacted Budget. Although the State labor market appears to be stabilizing, the weakness in both the national and global economies has contributed to a weaker first half of 2003 for New York than anticipated. Consistent with the revision to the U.S. employment forecast, total State employment growth for 2003 has been revised down from growth of 0.3 percent to a decline of 0.4 percent, on an annual average basis. Private sector job growth has similarly been revised down from growth of 0.3 percent to a decline of 0.2 percent. Consistent with this outlook, the State's unemployment rate has been revised up to an estimated 6.2 percent for both 2003 and 2004.

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The financial sector is also experiencing a recovery. With the S&P 500 up well over 10 percent since the end of 2002, recent months have seen an increase in merger and acquisition activity, as well as greater revenues from bond trading activity. However, this improvement has only partially offset the impact of a weaker than expected labor market. Growth in State wages and salaries for 2003 has been revised down from 2.0 percent to 1.6 percent since the Enacted Budget. Total State personal income, of which wages and salaries are the largest component, is projected to grow 2.5 percent in 2003, following no growth in 2002.

Major Economic Indicators			
	2002	2003	2004
Personal Income	0.0	2.5	3.8
Nonagricultural Employment	(1.8)	(0.4)	0.6
Unemployment Rate	6.1	6.2	6.2
Note: Numbers above are percent change/calendar year. Personal income and nonagricultural employment growth for 2002 and all forecasts for 2003 and 2004 are projected by DOB.			

In addition to the downward revision to New York State wages, the weaker outlook for the U.S. and State economies affects the non-wage components of taxable income as well. Interest, dividend, sole proprietorship, partnership, and S corporation income have all been revised down for 2003 as well, while income from unemployment insurance benefits has been revised up. The more positive outlook for the financial markets has resulted in an upward revision to the 2003 forecast for capital gains realizations and bonuses. However, there is significant risk to this forecast due to the large magnitude of losses which are believed to have accumulated during the record long bear market and which can be used to offset taxable gains this year and during future years.

The volatility of the financial markets is a significant source of risk to the New York forecast. If the recent rise in equity prices and financial services activity fails to be sustained, industry profitability and associated compensation could be lower than anticipated. In addition, weaker than expected growth for both the national and international economies would, in turn, weaken the State's recovery. This would result in even slower employment and income growth than projected. In contrast, stronger financial services growth or stronger national and international growth could result in a healthier economic recovery for the State than projected.

General Fund Receipts

Adjusted General Fund Receipts (millions of dollars)			
	2003-04 Current	Annual Change	Change from Enacted Plan
Total Tax Receipts	28,406	429	(155)
All Other Receipts	12,031	711	752
Total Receipts	40,437	1,140	597

Underlying estimates of General Fund taxes and miscellaneous receipts have been reduced by \$193 million from the Enacted Budget Financial Plan projections. The combination of weaker-than-anticipated economic conditions and lower-than-expected collections through June results in the projected modest revision. These reductions include sales tax (\$50 million), business taxes (\$62 million), estate tax (\$60 million), and miscellaneous receipts (\$23 million). There are no net revisions to the personal income tax estimate. However, there is a change in the distribution of personal income tax collections between payment categories. Lower-than-expected withholding and prior-year payments (\$100 million) are offset by a higher estimated tax forecast for the remainder of 2003-04. However, the downward revenue revisions are more than offset by the \$645 million increase in miscellaneous receipts due to Federal revenue sharing.

On an annual basis, total General Fund receipts and transfers from other funds are projected to total \$40.4 billion, an increase of \$1.1 billion from the \$39.3 billion received in 2002-03. The total for 2003-04 includes \$28.4 billion from tax receipts, \$3.6 billion from miscellaneous receipts, \$7.7 billion in transfers from other funds, and \$645 million in extraordinary Federal aid. The increase over the prior year is largely attributable to three factors: the expected receipt of another \$1.9 billion in tobacco securitization proceeds (after adjusting for the \$1.9 billion in tobacco receipts attributable to 2002-03 but received in 2003-04 due to timing), \$645 million from the Federal revenue sharing grants, and higher receipts resulting from tax and fee increases enacted with the budget.

General Fund Disbursements

Adjusted General Fund Disbursements (millions of dollars)			
	2003-04 Current	Annual Change	Change from Enacted Plan
Total Disbursements	40,522	1,009	(315)

Federal aid related to the Jobs and Growth Tax Relief Reconciliation Act of 2003, which provides a temporary, 15-month increase in the Federal Medical Assistance Participation ("FMAP") rate valued at approximately \$950 million, causes the most significant revisions to spending. This action is expected to produce a direct \$371 million reduction in General Fund spending in the current fiscal year and an indirect financial benefit of almost \$580 million across the two outyears of the Financial Plan.

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Increased Medicaid and welfare spending partially offsets this savings. Results to date are exceeding Enacted Budget projections, and are being revised upward by \$100 million and \$40 million, respectively, reflecting the increased pressure on entitlement spending associated with the national recession and higher health care costs, including long-term care.

General State Charges are projected to increase \$26 million from the Enacted Budget estimates due to delays in implementing employee health insurance benefit changes for State employees and retirees. Given the rapid rise in these costs over the last few years, it is expected that benefit changes will remain a focus of ongoing collective bargaining negotiations.

Recent positive legal developments may result in faster implementation of Video Lottery Terminals (VLTs) at racetracks. However, it remains difficult at this juncture to determine if the racetracks can begin operation in a timely enough fashion to generate appreciable 2003-04 lottery receipts. As a result, lottery estimates have not been changed to reflect any potential VLT revenues in 2003-04. Lottery estimates have been reduced by \$15 million reflecting actual results through June.

On an annual basis, total General Fund disbursements, including transfers to support capital projects, debt service and other purposes, are estimated at \$40.5 billion for 2003-04, an increase of \$1.01 billion or 2.6 percent from 2002-03. The annual growth in spending is attributable in part to higher costs for General State Charges mostly due to pensions and health insurance (\$493 million), the use of non-recurring offsets in the previous fiscal year for welfare assistance programs (\$465 million), higher costs associated with welfare caseloads (\$206 million), additional spending for member items (\$250 million), and growth in Medicaid (\$127 million), offset by lower State Operations spending (\$610 million).

Reserves/General Fund Closing Balance

The First Quarterly Update projects a closing balance of \$730 million in the General Fund, and is unchanged from the Enacted Budget Financial Plan estimate. The closing fund balance is comprised of \$710 million in the permanent rainy day fund (the Tax Stabilization Reserve Fund), and \$20 million in the Contingency Reserve Fund set aside for litigation risks.

First Quarter Cash-Basis Results

The General Fund ended the first quarter with a balance of \$2.0 billion, \$131 million higher than the estimate in the Enacted Budget Financial Plan. The variance above the Enacted Budget Financial Plan results from higher than projected receipts of approximately \$151 million, primarily attributable to the receipt of Federal revenue sharing aid offset by lower underlying receipts to date, and higher than expected spending of \$20 million. All pending March 2003 payment deferrals have been paid subsequent to the receipt of \$2.2 billion in tobacco bond proceeds in June.

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Total General Fund receipts, including transfers from other funds, were \$12.0 billion in the first quarter. On a net basis, receipts were \$151 million higher than the Enacted Budget cash flow projections. This variance primarily represents higher Federal aid and additional tobacco bond proceeds, which are partially offset by lower receipts in personal income and sales taxes.

General Fund disbursements, including transfers to other funds, totaled \$10.8 billion in the first quarter. The results were \$20 million higher than the estimate of disbursements in the Enacted Budget Financial Plan. This increase is primarily attributable to higher Medicaid cycles (producing the revised Financial Plan estimates included in this Update), and the timing of various other payments that are not expected to effect year-end spending.

Second Quarter Cash Flow

The 2003-04 General Fund second quarter cash flow reflect cash balances in excess of \$1.0 billion each month. The General Fund is projected to end the second quarter with a balance of \$2.3 billion, an increase of \$528 million over the prior fiscal year.

While the receipt of tobacco proceeds and additional federal aid has alleviated the tight cash flow position experienced in the first quarter of the current State fiscal year, DOB continues to monitor cash balances on a daily basis.

GAAP-Basis Financial Plans

DOB also prepares the General Fund and All Governmental Funds Financial Plans in accordance with Generally Accepted Accounting Principles (GAAP). The GAAP results for 2002-03 and the projections for 2003-04 are based on the accounting principles applied by the State Comptroller in the financial statements issued for the 2002-03 State fiscal year, and reflect the impact of Governmental Accounting Standards Board (GASB) Statement 34. GASB 34 has significantly changed the presentation of GAAP financial information for state and local governments. The changes are intended to portray the State's net overall financial condition, including activities that affect State assets and liabilities during the fiscal year.

Based on the new GASB 34 presentation, the State has a net positive asset condition of \$44.9 billion, a decrease of \$5.5 billion from the prior year. In the General Fund, the State ended the 2002-03 fiscal year with an operating deficit of \$4.22 billion. The operating result is primarily attributable to the use of \$1.3 billion in cash reserves to balance the 2002-03 budget, a \$1.0 billion decline in revenues as a result of the weak economy and lingering effects of the World Trade Center disaster, and the deferral of \$1.9 billion in cash basis spending from 2002-03 until 2003-04. As a result of the operating deficit, the 2001-02 accumulated surplus (as restated) of \$901 million has declined to a \$3.32 billion accumulated deficit.

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The General Fund is anticipated to end the 2003-04 fiscal year with an operating surplus of \$968 million on a GAAP basis which is primarily attributable to the receipt of the tobacco bond proceeds originally anticipated in 2002-03 but received in 2003-04, partially offset by the use of cash reserves and other non-recurring actions in 2003-04. As a result, the accumulated deficit is projected to improve to \$2.25 billion by the end of the 2003-04 fiscal year.

Capital Program and Financing Plan Update

Section 22-c of the State Finance Law requires the Governor to update the five-year Capital Program and Financing Plan (the Plan) submitted with the Executive Budget by the later of July 30 or 90 days after the enactment of the State Budget. The updated 2003-04 through 2007-08 Capital Program and Financing Plan is being released with the July Update and 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.budget.state.ny.us.

Total capital spending is projected to be \$26.2 billion across the five years of the Plan, an average of \$5.2 billion annually. Transportation continues to be largest area of spending, which is projected at \$15.3 billion over the five-year Plan. Spending for the environment (\$4 billion), education (\$2.2 billion), mental hygiene (\$1.5 billion), public protection (\$1.3 billion), and economic development, housing and other programs (\$1.9 billion) constitutes the remainder of the five-year Plan.

For 2003-04 through 2007-08, the Plan projects issuances of: \$872 million in general obligation bonds; \$5.3 billion in Dedicated Highway and Bridge Trust Fund Bonds issued by the Thruway Authority to finance capital projects for transportation; \$955 million in Mental Health Facilities Improvement Revenue Bonds issued by DASNY to finance capital projects at mental health facilities; \$276 million in SUNY Dormitory Facilities Revenue Bonds to finance capital projects related to student dormitories; and \$7.9 billion in State Personal Income Tax Revenue Bonds to finance various capital programs including school construction, university facilities, SUNY community colleges, State court facilities, local highway improvements, prisons, housing, economic development and environmental programs, homeland security, and State facilities. The projections of State borrowings for the 2003-04 fiscal year are subject to change as market conditions, interest rates and other factors vary throughout the fiscal year.

The Debt Reform Act of 2000 has improved the State's borrowing practices by imposing phased-in caps on new debt outstanding and new debt service costs, limiting the use of debt to capital works and purposes only, and establishing a maximum term of 30 years on such debt. The Debt Reform Act applies to all new State-supported debt issued on and after April 1, 2000.

The most recent annual debt reform calculations show that the State was in compliance with both debt caps, with debt issued after March 31, 2000 and then outstanding at 0.67 percent of personal income and debt service on such debt at 0.36

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percent of total governmental receipts as compared to the caps of 1.25 percent each. The State has also enacted statutory limits on the amount of variable rate obligations and interest rate exchange agreements that authorized issuers of State-supported debt may enter into. The statute limits the use of debt instruments which result in a variable rate exposure (e.g., variable rate obligations and interest rate exchange agreements) to no more than 15 percent of total outstanding State-supported debt, and limits the use of interest rate exchange agreements to a total notional amount of no more than 15 percent of total outstanding State-supported debt. All interest rate exchange agreements are subject to various statutory restrictions such as minimum counterparty ratings, monthly reporting requirements, and the adoption of interest rate exchange agreement guidelines. All the authorized issuers have adopted uniform guidelines as required by statute. As of March 31, 2003, there was approximately \$1.9 billion in debt instruments resulting in a variable rate exposure. In addition, three authorized issuers entered into a total notional amount of \$2.2 billion in interest rate exchange agreements, with a mark-to-market value of about \$42 million. Both amounts are less than the authorized totals of 15 percent of total outstanding State-supported debt (about \$5.8 billion each).

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

	2002-2003	2003-2004	
	Adjusted	Adjusted	Annual
	Actual	July	Change
	<u> </u>	<u> </u>	<u> </u>
Opening fund balance	<u>1,032</u>	<u>815</u>	<u>(217)</u>
Receipts:			
Taxes:			
Personal income tax	16,791	16,284	(507)
User taxes and fees	7,063	7,975	912
Business taxes	3,380	3,436	56
Other taxes	743	711	(32)
Miscellaneous receipts	3,991	3,647	(344)
Federal Grants	0	645	645
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	4,215	5,150	935
Sales tax in excess of LGAC debt service	1,919	1,960	41
Real estate taxes in excess of CW/CA debt service	263	199	(64)
All other	931	430	(501)
Total receipts	<u>39,296</u>	<u>40,437</u>	<u>1,141</u>
Disbursements:			
Grants to local governments	26,713	27,758	1,045
State operations	7,715	7,105	(610)
General State charges	2,732	3,225	493
Transfers to other funds:			
Debt service	1,496	1,541	45
Capital projects	170	251	81
State University	26	145	119
Other purposes	661	497	(164)
Total disbursements	<u>39,513</u>	<u>40,522</u>	<u>1,009</u>
Change in fund balance	<u>(217)</u>	<u>(85)</u>	<u>132</u>
Closing fund balance	<u>815</u>	<u>730</u>	<u>(85)</u>
Tax Stabilization reserve Fund	710	710	0
Contingency Reserve Fund	20	20	0
Community Projects Fund	85	0	(85)

First Quarterly Update to the 2003-04 Financial Plan

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

	<u>2002-2003</u>	<u>2003-2004</u>	
	<u>Actual</u>	<u>July</u>	<u>Change</u>
Opening fund balance	<u>1,032</u>	<u>815</u>	<u>(217)</u>
Receipts:			
Taxes:			
Personal income tax	16,791	16,284	(507)
User taxes and fees	7,063	7,975	912
Business taxes	3,380	3,436	56
Other taxes	743	711	(32)
Miscellaneous receipts	2,091	5,547	3,456
Federal Grants	0	645	645
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	4,215	5,150	935
Sales tax in excess of LGAC debt service	1,919	1,960	41
Real estate taxes in excess of CW/CA debt service	263	199	(64)
All other	931	430	(501)
Total receipts	<u>37,396</u>	<u>42,338</u>	<u>4,942</u>
Disbursements:			
Grants to local governments	24,887	29,584	4,697
State operations	7,678	7,142	(536)
General State charges	2,699	3,258	559
Transfers to other funds:			
Debt service	1,496	1,541	45
Capital projects	166	255	89
State University	26	145	119
Other purposes	661	497	(164)
Total disbursements	<u>37,613</u>	<u>42,424</u>	<u>4,811</u>
Change in fund balance	<u>(217)</u>	<u>(86)</u>	<u>131</u>
Closing fund balance	<u>815</u>	<u>729</u>	<u>(86)</u>
Tax Stabilization reserve Fund	710	710	0
Contingency Reserve Fund	20	20	0
Community Projects Fund	85	0	(85)

Note: Actuals reflect the amounts published in the Comptroller's Cash Basis Report released on July 29, 2003.

First Quarterly Update to the 2003-04 Financial Plan

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

	<u>Adjusted Enacted</u>	<u>Change</u>	<u>Adjusted July</u>
Opening fund balance	<u>815</u>	<u>0</u>	<u>815</u>
Receipts:			
Taxes:			
Personal income tax	16,285	(1)	16,284
User taxes and fees	8,007	(32)	7,975
Business taxes	3,498	(62)	3,436
Other taxes	771	(60)	711
Miscellaneous receipts	3,669	(22)	3,647
Federal Grants	0	645	645
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	5,125	25	5,150
Sales tax in excess of LGAC debt service	1,853	107	1,960
Real estate taxes in excess of CW/CA debt service	202	(3)	199
All other	430	0	430
Total receipts	<u>39,840</u>	<u>597</u>	<u>40,437</u>
Disbursements:			
Grants to local governments	28,009	(251)	27,758
State operations	7,168	(63)	7,105
General State charges	3,199	26	3,225
Transfers to other funds:			
Debt service	1,583	(42)	1,541
Capital projects	251	0	251
State University	145	0	145
Other purposes	482	15	497
Total disbursements	<u>40,837</u>	<u>(315)</u>	<u>40,522</u>
Fiscal Management Plan/Federal Aid	<u>912</u>	<u>(912)</u>	<u>0</u>
Change in fund balance	<u>(85)</u>	<u>0</u>	<u>(85)</u>
Closing fund balance	<u>730</u>	<u>0</u>	<u>730</u>
Tax Stabilization reserve Fund	710	0	710
Contingency Reserve Fund	20	0	20

First Quarterly Update to the 2003-04 Financial Plan

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

	<u>2002-2003 Adjusted Actual</u>	<u>2003-2004 Adjusted July</u>	<u>Annual Change</u>
Personal income tax	16,791	16,284	(507)
User taxes and fees:	<u>7,063</u>	<u>7,975</u>	<u>912</u>
Sales and use tax	6,328	7,250	922
Cigarette and tobacco taxes	446	426	(20)
Motor vehicle fees	67	75	8
Alcoholic beverages taxes	180	182	2
Alcoholic beverage control license fees	42	42	0
Business taxes:	<u>3,380</u>	<u>3,436</u>	<u>56</u>
Corporation franchise tax	1,407	1,388	(19)
Corporation and utilities tax	860	755	(105)
Insurance taxes	704	868	164
Bank tax	409	425	16
Other taxes:	<u>743</u>	<u>711</u>	<u>(32)</u>
Estate tax	701	677	(24)
Gift tax	7	0	(7)
Real property gains tax	5	2	(3)
Pari-mutuel taxes	29	32	3
Other taxes	1	0	(1)
Total Taxes	<u>27,977</u>	<u>28,406</u>	<u>429</u>
Miscellaneous receipts	<u>3,991</u>	<u>3,647</u>	<u>(344)</u>
Federal Grants	<u>0</u>	<u>645</u>	<u>645</u>
Total	<u><u>31,968</u></u>	<u><u>32,698</u></u>	<u><u>730</u></u>

First Quarterly Update to the 2003-04 Financial Plan

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

	2002-2003 Adjusted Actual	2003-2004 Adjusted July	Change
Personal income tax	23,698	24,459	761
User taxes and fees	10,804	11,917	1,113
Sales and use taxes	8,796	9,914	1,118
Cigarette and tobacco taxes	446	426	(20)
Motor fuel tax	544	515	(29)
Motor vehicle fees	612	651	39
Highway use tax	147	149	2
Alcoholic beverage taxes	180	182	2
Alcoholic beverage control license fees	42	42	0
Auto rental tax	37	38	1
Business taxes	4,983	5,042	59
Corporation franchise tax	1,612	1,577	(35)
Corporation and utilities taxes	1,091	985	(106)
Insurance taxes	776	972	196
Bank tax	481	497	16
Petroleum business taxes	1,023	1,011	(12)
Other taxes	1,191	1,116	(75)
Estate tax	701	677	(24)
Gift tax	7	0	(7)
Real property gains tax	5	2	(3)
Real estate transfer tax	448	404	(44)
Pari-mutuel taxes	29	32	3
Other taxes	1	1	0
Total taxes	40,676	42,534	1,858
Miscellaneous receipts	16,056	17,682	1,626
Federal grants	33,242	34,913	1,671
Total	89,974	95,129	5,155

First Quarterly Update to the 2003-04 Financial Plan

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

	2002-2003 Adjusted Actual	2003-2004 Adjusted July	Annual Change
Withholdings	19,959	22,085	2,126
Estimated Payments	4,855	4,885	30
Final Payments	1,334	1,240	(94)
Delinquencies	796	620	(176)
Gross Collections	26,944	28,830	1,886
State/City Offset	(288)	(300)	(12)
Refund Reserve	1,050	159	(891)
Refunds	(4,008) (1)	(4,230) (2)	(222)
Reported Tax Collections	23,698	24,459	761
STAR	(2,664)	(2,800)	(136)
RBTF	(4,243)	(5,375)	(1,132)
General Fund	16,791	16,284	(507)

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

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

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

First Quarterly Update to the 2003-04 Financial Plan

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>815</u>	<u>893</u>	<u>(560)</u>	<u>158</u>	<u>1,306</u>
Receipts:					
Taxes	28,406	4,448	1,750	7,930	42,534
Miscellaneous receipts	5,547	9,880	3,232	701	19,360
Federal grants	645	0	0	0	645
Total receipts	<u>34,598</u>	<u>14,328</u>	<u>4,982</u>	<u>8,631</u>	<u>62,539</u>
Disbursements:					
Grants to local governments	29,584	10,191	1,095	0	40,870
State operations	7,142	4,561	0	8	11,711
General State charges	3,258	410	0	0	3,668
Debt service	0	0	0	3,387	3,387
Capital projects	0	2	3,062	0	3,064
Total disbursements	<u>39,984</u>	<u>15,164</u>	<u>4,157</u>	<u>3,395</u>	<u>62,700</u>
Other financing sources (uses):					
Transfers from other funds	7,739	805	280	4,882	13,706
Transfers to other funds	(2,438)	(229)	(947)	(10,115)	(13,729)
Bond and note proceeds	0	0	248	0	248
Net other financing sources (uses)	<u>5,301</u>	<u>576</u>	<u>(419)</u>	<u>(5,233)</u>	<u>225</u>
Change in fund balance	<u>(85)</u>	<u>(260)</u>	<u>406</u>	<u>3</u>	<u>64</u>
Closing fund balance	<u>730</u>	<u>633</u>	<u>(154)</u>	<u>161</u>	<u>1,370</u>

First Quarterly Update to the 2003-04 Financial Plan

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	815	893	(560)	158	1,306
Receipts:					
Taxes	28,406	4,448	1,750	7,930	42,534
Miscellaneous receipts	3,647	9,880	3,232	701	17,460
Federal grants	645	0	0	0	645
Total receipts	<u>32,698</u>	<u>14,328</u>	<u>4,982</u>	<u>8,631</u>	<u>60,639</u>
Disbursements:					
Grants to local governments	27,758	10,191	1,095	0	39,044
State operations	7,105	4,561	0	8	11,674
General State charges	3,225	410	0	0	3,635
Debt service	0	0	0	3,387	3,387
Capital projects	0	2	3,058	0	3,060
Total disbursements	<u>38,088</u>	<u>15,164</u>	<u>4,153</u>	<u>3,395</u>	<u>60,800</u>
Other financing sources (uses):					
Transfers from other funds	7,739	805	276	4,882	13,702
Transfers to other funds	(2,434)	(229)	(947)	(10,115)	(13,725)
Bond and note proceeds	0	0	248	0	248
Net other financing sources (uses)	<u>5,305</u>	<u>576</u>	<u>(423)</u>	<u>(5,233)</u>	<u>225</u>
Change in fund balance	<u>(85)</u>	<u>(260)</u>	<u>406</u>	<u>3</u>	<u>64</u>
Closing fund balance	<u>730</u>	<u>633</u>	<u>(154)</u>	<u>161</u>	<u>1,370</u>

First Quarterly Update to the 2003-04 Financial Plan

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>815</u>	<u>985</u>	<u>(791)</u>	<u>158</u>	<u>1,167</u>
Receipts:					
Taxes	28,406	4,448	1,750	7,930	42,534
Miscellaneous receipts	5,547	10,102	3,232	701	19,582
Federal grants	645	32,630	1,638	0	34,913
Total receipts	<u>34,598</u>	<u>47,180</u>	<u>6,620</u>	<u>8,631</u>	<u>97,029</u>
Disbursements:					
Grants to local governments	29,584	39,445	1,312	0	70,341
State operations	7,142	7,853	0	8	15,003
General State charges	3,258	576	0	0	3,834
Debt service	0	0	0	3,387	3,387
Capital projects	0	2	4,351	0	4,353
Total disbursements	<u>39,984</u>	<u>47,876</u>	<u>5,663</u>	<u>3,395</u>	<u>96,918</u>
Other financing sources (uses):					
Transfers from other funds	7,739	3,287	280	4,882	16,188
Transfers to other funds	(2,438)	(2,671)	(1,079)	(10,115)	(16,303)
Bond and note proceeds	0	0	248	0	248
Net other financing sources (uses)	<u>5,301</u>	<u>616</u>	<u>(551)</u>	<u>(5,233)</u>	<u>133</u>
Change in fund balance	<u>(85)</u>	<u>(80)</u>	<u>406</u>	<u>3</u>	<u>244</u>
Closing fund balance	<u>730</u>	<u>905</u>	<u>(385)</u>	<u>161</u>	<u>1,411</u>

First Quarterly Update to the 2003-04 Financial Plan

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>815</u>	<u>985</u>	<u>(791)</u>	<u>158</u>	<u>1,167</u>
Receipts:					
Taxes	28,406	4,448	1,750	7,930	42,534
Miscellaneous receipts	3,647	10,102	3,232	701	17,682
Federal grants	645	32,630	1,638	0	34,913
Total receipts	<u>32,698</u>	<u>47,180</u>	<u>6,620</u>	<u>8,631</u>	<u>95,129</u>
Disbursements:					
Grants to local governments	27,758	39,445	1,312	0	68,515
State operations	7,105	7,853	0	8	14,966
General State charges	3,225	576	0	0	3,801
Debt service	0	0	0	3,387	3,387
Capital projects	0	2	4,347	0	4,349
Total disbursements	<u>38,088</u>	<u>47,876</u>	<u>5,659</u>	<u>3,395</u>	<u>95,018</u>
Other financing sources (uses):					
TranSFAdjusters from other funds	7,739	3,287	276	4,882	16,184
TranSFAdjusters to other funds	(2,434)	(2,671)	(1,079)	(10,115)	(16,299)
Bond and note proceeds	0	0	248	0	248
Net other financing sources (uses)	<u>5,305</u>	<u>616</u>	<u>(555)</u>	<u>(5,233)</u>	<u>133</u>
Change in fund balance	<u>(85)</u>	<u>(80)</u>	<u>406</u>	<u>3</u>	<u>244</u>
Closing fund balance	<u>730</u>	<u>905</u>	<u>(385)</u>	<u>161</u>	<u>1,411</u>

First Quarterly Update to the 2003-04 Financial Plan

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

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Opening fund balance	<u>893</u>	<u>92</u>	<u>985</u>
Receipts:			
Taxes	4,448	0	4,448
Miscellaneous receipts	9,880	222	10,102
Federal grants	<u>0</u>	<u>32,630</u>	<u>32,630</u>
Total receipts	<u>14,328</u>	<u>32,852</u>	<u>47,180</u>
Disbursements:			
Grants to local governments	10,191	29,254	39,445
State operations	4,561	3,292	7,853
General State charges	410	166	576
Debt service	0	0	0
Capital projects	<u>2</u>	<u>0</u>	<u>2</u>
Total disbursements	<u>15,164</u>	<u>32,712</u>	<u>47,876</u>
Other financing sources (uses):			
Transfers from other funds	805	2,482	3,287
Transfers to other funds	(229)	(2,442)	(2,671)
Bond and note proceeds	<u>0</u>	<u>0</u>	<u>0</u>
Net other financing sources (uses)	<u>576</u>	<u>40</u>	<u>616</u>
Change in fund balance	<u>(260)</u>	<u>180</u>	<u>(80)</u>
Closing fund balance	<u>633</u>	<u>272</u>	<u>905</u>

First Quarterly Update to the 2003-04 Financial Plan

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

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Opening fund balance	<u>(560)</u>	<u>(231)</u>	<u>(791)</u>
Receipts:			
Taxes	1,750	0	1,750
Miscellaneous receipts	3,232	0	3,232
Federal grants	<u>0</u>	<u>1,638</u>	<u>1,638</u>
Total receipts	<u>4,982</u>	<u>1,638</u>	<u>6,620</u>
Disbursements:			
Grants to local governments	1,095	217	1,312
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	<u>3,062</u>	<u>1,289</u>	<u>4,351</u>
Total disbursements	<u>4,157</u>	<u>1,506</u>	<u>5,663</u>
Other financing sources (uses):			
Transfers from other funds	280	0	280
Transfers to other funds	(947)	(132)	(1,079)
Bond and note proceeds	<u>248</u>	<u>0</u>	<u>248</u>
Net other financing sources (uses)	<u>(419)</u>	<u>(132)</u>	<u>(551)</u>
Change in fund balance	<u>406</u>	<u>0</u>	<u>406</u>
Closing fund balance	<u>(154)</u>	<u>(231)</u>	<u>(385)</u>

First Quarterly Update to the 2003-04 Financial Plan

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

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Opening fund balance	<u>(560)</u>	<u>(231)</u>	<u>(791)</u>
Receipts:			
Taxes	1,750	0	1,750
Miscellaneous receipts	3,232	0	3,232
Federal grants	<u>0</u>	<u>1,638</u>	<u>1,638</u>
Total receipts	<u>4,982</u>	<u>1,638</u>	<u>6,620</u>
Disbursements:			
Grants to local governments	1,095	217	1,312
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	<u>3,058</u>	<u>1,289</u>	<u>4,347</u>
Total disbursements	<u>4,153</u>	<u>1,506</u>	<u>5,659</u>
Other financing sources (uses):			
Transfers from other funds	276	0	276
Transfers to other funds	(947)	(132)	(1,079)
Bond and note proceeds	<u>248</u>	<u>0</u>	<u>248</u>
Net other financing sources (uses)	<u>(423)</u>	<u>(132)</u>	<u>(555)</u>
Change in fund balance	<u>406</u>	<u>0</u>	<u>406</u>
Closing fund balance	<u>(154)</u>	<u>(231)</u>	<u>(385)</u>

First Quarterly Update to the 2003-04 Financial Plan

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

	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>
Opening fund balance	<u>815</u>	<u>2,786</u>	<u>2,151</u>	<u>1,989</u>	<u>1,552</u>	<u>1,438</u>
Receipts:						
Taxes:						
Personal income tax	2,811	244	1,545	1,225	1,200	1,727
Sales tax	450	461	692	555	564	801
User taxes and fees	103	74	40	63	60	62
Business taxes	56	(133)	728	71	37	823
Other taxes	49	93	33	62	66	63
Tobacco bond proceeds	0	0	2,202	0	0	0
Federal Grants	0	0	323	0	0	0
Miscellaneous receipts	70	55	116	97	105	131
Transfers from other funds	898	297	770	601	546	928
Total receipts	<u>4,437</u>	<u>1,091</u>	<u>6,449</u>	<u>2,674</u>	<u>2,578</u>	<u>4,535</u>
Disbursements:						
Grants to local governments	1,462	604	5,426	1,800	1,788	1,858
State operations	743	799	648	845	581	606
General State charges	32	268	246	357	235	710
Transfers to other funds	229	55	291	109	88	536
Total disbursements	<u>2,466</u>	<u>1,726</u>	<u>6,611</u>	<u>3,111</u>	<u>2,692</u>	<u>3,710</u>
Change in fund balance	<u>1,971</u>	<u>(635)</u>	<u>(162)</u>	<u>(437)</u>	<u>(114)</u>	<u>825</u>
Closing fund balance	<u>2,786</u>	<u>2,151</u>	<u>1,989</u>	<u>1,552</u>	<u>1,438</u>	<u>2,263</u>

First Quarterly Update to the 2003-04 Financial Plan

**GAAP FINANCIAL PLAN
GENERAL FUND
2002-2003 AND 2003-2004
(millions of dollars)**

	2002-2003	2003-2004	Change
	Actual	July	
Revenues:			
Taxes:			
Personal income tax	15,036	16,197	1,161
User taxes and fees	6,874	8,016	1,142
Business taxes	3,448	3,338	(110)
Other taxes	743	694	(49)
Federal Grants	0	645	645
Miscellaneous receipts	3,149	7,711	4,562
Total revenues	29,250	36,601	7,351
Expenditures:			
Grants to local governments	28,510	30,231	1,721
State operations	9,817	9,953	136
General State charges	2,583	2,742	159
Debt service	0	24	24
Capital projects	0	0	0
Total expenditures	40,910	42,950	2,040
Other financing sources (uses):			
Transfers from other funds	11,980	11,507	(473)
Transfers to other funds	(4,805)	(4,547)	258
Proceeds from financing arrangements/ advance refundings	264	357	93
Net other financing sources (uses)	7,439	7,317	(122)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(4,221)	968	5,189
Accumulated deficit	(3,320)	(2,352)	

First Quarterly Update to the 2003-04 Financial Plan

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

	<u>30-Day</u>	<u>Change</u>	<u>July</u>
Revenues:			
Taxes:			
Personal income tax	15,374	823	16,197
User taxes and fees	7,499	517	8,016
Business taxes	3,684	(346)	3,338
Other taxes	780	(86)	694
Federal Grants	0	645	645
Miscellaneous receipts	6,180	1,531	7,711
Total revenues	<u>33,517</u>	<u>3,084</u>	<u>36,601</u>
Expenditures:			
Grants to local governments	27,400	2,831	30,231
State operations	9,933	20	9,953
General State charges	2,625	117	2,742
Debt service	24	0	24
Capital projects	1	(1)	0
Total expenditures	<u>39,983</u>	<u>2,967</u>	<u>42,950</u>
Other financing sources (uses):			
Transfers from other funds	10,614	893	11,507
Transfers to other funds	(4,430)	(117)	(4,547)
Proceeds from financing arrangements/ advance refundings	324	33	357
Net other financing sources (uses)	<u>6,508</u>	<u>809</u>	<u>7,317</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>42</u>	<u>926</u>	<u>968</u>
Accumulated deficit	<u>(2,201)</u>		<u>(2,352)</u>

First Quarterly Update to the 2003-04 Financial Plan

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Revenues:					
Taxes	28,245	4,459	1,769	7,887	42,360
Federal Grants	645	34,688	1,638	0	36,971
Lottery	0	5,668	0	0	5,668
Patient Fees	0	0	0	325	325
Miscellaneous Revenues	7,711	2,155	408	95	10,369
Total revenues	<u>36,601</u>	<u>46,970</u>	<u>3,815</u>	<u>8,307</u>	<u>95,693</u>
Expenditures:					
Grants to local governments	30,231	38,341	1,303	0	69,875
State operations	9,953	5,268	0	8	15,229
General State charges	2,742	200	0	0	2,942
Debt service	24	0	0	2,711	2,735
Capital projects	0	2	3,960	0	3,962
Total expenditures	<u>42,950</u>	<u>43,811</u>	<u>5,263</u>	<u>2,719</u>	<u>94,743</u>
Other financing sources (uses):					
Transfers from other funds	11,507	1,037	260	4,939	17,743
Transfers to other funds	(4,547)	(4,155)	(1,128)	(10,564)	(20,394)
Proceeds of general obligation bonds	0	0	248	0	248
Proceeds from financing arrangements/ advance refundings	357	0	2,530	0	2,887
Net other financing sources (uses)	<u>7,317</u>	<u>(3,118)</u>	<u>1,910</u>	<u>(5,625)</u>	<u>484</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses					
	<u>968</u>	<u>41</u>	<u>462</u>	<u>(37)</u>	<u>1,434</u>

First Quarterly Update to the 2003-04 Financial Plan

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

	<u>Major Funds</u>			<u>Eliminations</u>	<u>Total</u>
	<u>General Fund</u>	<u>Federal Special Revenue</u>	<u>Other Governmental Funds</u>		
Revenues:					
Taxes:					
Personal income tax	16,197	0	8,140	0	24,337
User taxes and fees	8,016	0	3,972	0	11,988
Business taxes	3,338	0	1,605	0	4,943
Other taxes	694	0	398	0	1,092
Federal grants	645	34,688	1,638	0	36,971
Patient fees	0	0	5,668	0	5,668
Lottery	0	0	325	0	325
Miscellaneous receipts	7,711	209	2,449	0	10,369
Total revenues	<u>36,601</u>	<u>34,897</u>	<u>24,195</u>	<u>0</u>	<u>95,693</u>
Expenditures:					
Grants to local governments	30,231	30,493	9,151	0	69,875
State operations	9,953	1,055	4,221	0	15,229
General State charges	2,742	149	51	0	2,942
Debt service	24	0	2,711	0	2,735
Capital projects	0	0	3,962	0	3,962
Total expenditures	<u>42,950</u>	<u>31,697</u>	<u>20,096</u>	<u>0</u>	<u>94,743</u>
Other financing sources (uses):					
Transfers from other funds	11,507	0	6,236	(16,085)	1,658
Transfers to other funds	(4,547)	(3,200)	(12,647)	16,085	(4,309)
Proceeds of General obligation bonds	0	0	248	0	248
Proceeds from financing arrangements/ advance refundings	357	0	2,530	0	2,887
Net other financing sources (uses)	<u>7,317</u>	<u>(3,200)</u>	<u>(3,633)</u>	<u>0</u>	<u>484</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses					
	<u>968</u>	<u>0</u>	<u>466</u>	<u>0</u>	<u>1,434</u>