Annual Information Statement Update

State of New York

January 26, 2001

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

Dated: January 26, 2001

This quarterly update to the Annual Information Statement ("AIS") of the State of New York is dated January 26, 2001 and contains information only through that date. It is the third update to the Annual Information Statement of the State of New York dated May 31, 2000.

In this update, readers will find:

- a review of the Third Quarterly Update to the cash-basis 2000-01 State Financial Plan;
- a summary of the Governor’s proposed Executive Budget and Financial Plan for 2001-02;
- an explanation of projected receipts and disbursements for 2002-03 and 2003-04;
- a discussion of special considerations that may affect the State's finances;
- a review of the GAAP-basis Financial Plan for 2000-01 and 2001-02;
- a summary of the proposed Capital Program and Financing Plan for 2001-02 through 2005-06;
- an update on authorities and localities; and
- a summary of recent events concerning litigation against the State.

For reference, the update also reproduces certain information that appeared in prior updates to the AIS, including GAAP basis results for 1999-2000, revised data for the State retirement system and an explanation of legislation enacted during the 2000 legislative session affecting New York City and Nassau County.

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, Gov. A.E. Smith State Office Building, 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.

Current Fiscal Year (2000-01 State Financial Plan)

The State 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 Third Quarterly Update to the 2000-01 Financial Plan on January 16, 2001 (the "Third Quarterly Update"), in conjunction with the release of the 2001-02 Executive Budget.

To provide readers with a summary of previous changes to the 2000-01 Financial Plan, the review of the Third Quarterly Update is preceded by a brief summary of the State's prior quarterly updates.

Prior Quarterly Updates (current fiscal year)

On July 31, 2000, the State issued the first of three quarterly updates to the 2000-01 Financial Plan. In that update, the State continued to project that the Financial Plan for 2000-01 would remain in balance for the duration of the fiscal year.

General Fund receipts and transfers from other funds were projected at $39.72 billion, unchanged from the Enacted Budget Financial Plan. General Fund disbursements and transfers to other funds were projected at $39.29 billion, an increase of $370 million from the 2000-01 Enacted Budget Financial Plan. The additional disbursements financed the projected costs of certain labor agreements among the State and its employee unions ratified after enactment of the Budget and approved by July 31, 2000. The higher disbursements were financed from reserves set aside in the Enacted Budget Financial Plan for this purpose.

On October 30, 2000, the State issued the second of its three quarterly updates to the 2000-01 Financial Plan (the "Mid-Year Update"). In the Mid-Year Update, the State projected that the Financial Plan for 2000-01 would remain in balance for the duration of the fiscal year.

The State made no revisions to its receipts projections in the Mid-Year Update, with General Fund receipts and transfers still projected to total $39.72 billion. Receipt results through the first half of the 2000-01 fiscal year remained strong, but economic uncertainties mitigated against an upward revision in the estimates at that time.

Disbursements and transfers to other funds were projected to total $39.55 billion in 2000-01, an increase of $625 million over the Enacted Budget estimate. The increase in projected disbursements was primarily for the costs of labor agreements ratified by State employee unions and approved by the Legislature after enactment of the Budget. The new agreements were expected to be fully financed from labor reserves that were set aside in the 2000-01 Financial Plan.

The labor agreements increased the disbursement projections for State Operations and General State Charges, but the costs were financed from existing reserves set aside for this purpose. Accordingly, spending for State Operations was projected to total $7.62 billion, an increase of $517 million over the Enacted Budget estimate. Spending for General State Charges was revised upward by $78 million to total $2.27 billion for the fiscal year.

The Mid-Year Update projected a closing balance of $1.09 billion in the General Fund for 2000-01, a decrease of $625 million from the Enacted Budget Financial Plan. The planned use of reserves to finance approved labor agreements accounted for the decline. The closing balance was comprised of $547 million in the Tax Stabilization Reserve Fund, $150 million in the Contingency Reserve Fund, $338 million in the Community Projects Fund, and $50 million in reserves for other purposes. The closing fund balance excluded additional reserves of $1.2 billion in the School Tax Relief (STAR) Special Revenue Fund (for future STAR payments), $250 million in the Debt Reduction Reserve Fund (for 2001-02 debt reduction), and $29 million in the Universal Pre-K Reserve Fund (for the start-up costs of pre-kindergarten programs).

Third Quarterly Update (current fiscal year)

The State revised the cash-basis 2000-01 State Financial Plan on January 16, 2001, with the release of the 2001-02 Executive Budget. The Division of the Budget (DOB) now expects the State to close the 2000-01 fiscal year with an available cash surplus of $1.36 billion in the General Fund. The projected surplus as reported by DOB results from $1.71 billion in higher projected receipts, reduced in part by $346 million in higher estimated disbursements compared to the Mid-Year update. DOB revised its projected receipts and disbursements based on a review of actual operating results through December 2000, as well as an analysis of underlying economic and programmatic trends it believes may affect the Financial Plan for the balance of the fiscal year.

The Governor has recommended that the entire $1.36 billion surplus be used to increase reserves. At the close of the current fiscal year, DOB proposes to deposit $80 million from the surplus into the State’s Tax Stabilization Reserve Fund (the sixth consecutive annual deposit). In the 2001-02 Executive Budget, the Governor is proposing to use the remaining $1.28 billion from the projected 2000-01 surplus to help guard against the impact of a national economic downturn and ensure that previous tax reduction commitments proceed on schedule.

Through the first nine months of 2000-01, General Fund receipts, including transfers from other funds, totaled $32.54 billion. General Fund disbursements, including transfers to other funds, totaled $27.23 billion. The updated Financial Plan projections incorporate these results.

Revisions to 2000-01 Receipts Estimates

General Fund receipts, including transfers from other funds, are projected to total $40.12 billion in 2000-01, an increase of $1.71 billion from the projections contained in the Mid-Year Update. The Governor proposes to deposit $1.85 billion in the tax refund reserve account at the close of 2000-01. This action has the effect of decreasing reported receipts in 2000-01, while increasing available receipts in 2001-02, as a portion of refunds will no longer be a charge against current revenues in

2001-02. DOB also projects that the State will pay $960 million in income tax refunds during the final quarter of fiscal year 2000-01 relating to tax year 2000, an increase of $500 million over the refunds paid during fiscal year 1999-2000 for tax year 1999.

Revisions to 2000-01 Disbursements Estimates

DOB projects total General Fund disbursements of $39.90 billion in 2000-01, an increase of $346 million from the Mid-Year Update. Of this amount, $250 million in higher spending results from the loss of revenues related to the dissolution of the Medical Malpractice Insurance Association (MMIA) that were projected to be available to offset fringe benefit disbursements. The remainder of the increase is primarily due to higher costs for Medicaid, State employee health insurance programs, and litigation, as described in more detail below.

Projected local assistance disbursements declined by a net total of $3 million from the Mid-Year Update, and are now expected to total $26.86 billion for the year. Disbursement projections were increased by $99 million for Medicaid home care, hospital inpatient, and mental retardation services, as well as a lower-than-projected offset from tobacco settlement receipts, and by $43 million in Children and Families Services for child protective services. The higher projected spending was more than offset by $100 million in lower projected disbursements for special education programs due to slower-than-anticipated claiming activity, and an accounting reclassification of $57 million from local assistance to operating transfers for the State's share of Medicaid costs for State University hospitals.

State Operations spending is now projected to total $7.62 billion in 2000-01, $4 million below the Mid-Year estimate. This net decrease is comprised of $57 million in savings from State agencies, offset by new costs for recently approved labor contracts with the State University, State Police, and Judiciary.

Estimated spending for General State Charges has been increased by $313 million compared to the Mid-Year Update and is projected to reach $2.58 billion in 2000-01. The loss of $250 million in MMIA revenues discussed above is responsible for most of the increase. Higher health insurance premiums for prescription drugs ($27 million) and the settlement of litigation related to Workers' Compensation reserves ($24 million) also contribute to the higher estimate.

Transfers for debt, capital, and other Financial Plan purposes are now projected at $2.83 billion, an increase of $44 million from the Mid-Year Update. The higher spending is primarily due to a transfer to the State University Stabilization Fund ($17 million), the Medicaid accounting reclassification from local assistance discussed above ($57 million), and reestimates in capital projects ($1 million), offset by lower costs for debt service ($42 million) primarily due to slower-than-anticipated issuances for bonding programs.

2000-01 General Fund Closing Balance

DOB projects a closing balance in the General Fund of $1.14 billion in 2000-01. The balance is comprised of $627 million in the Tax Stabilization Reserve after an $80 million deposit in 2000-01;

$338 million in the Community Projects Fund, which pays for Legislative initiatives; $150 million in the Contingency Reserve Fund; and $29 million in the Universal Pre-Kindergarten Fund.

In addition to the General Fund closing balance of $1.14 billion, the State will have a projected $1.85 billion in the tax refund reserve account at the end of 2000-01. 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 (for a more complete discussion of the tax refund reserve account, see table A-6 in the AIS). The projected balance of $1.85 billion is comprised of $1.28 billion from the 2000-01 surplus, $521 million from LGAC that may be used to pay tax refunds during 2000-01 but must be on deposit at the close of the fiscal year, and $49 million in other funds designated to pay other tax refunds.

The closing balance also excludes $1.2 billion in the School Tax Relief (STAR) Special Revenue Fund (for future STAR payments) and $250 million in the Debt Reduction Reserve Fund (for 2001-02 Debt Reduction).

2001-02 Fiscal Year (Executive Budget Forecast)

The Governor presented his 2001-02 Executive Budget to the Legislature on January 16, 2001. The Executive Budget contains financial projections for the State's 2000-01 through 2003-04 fiscal years, a detailed economic forecast, and a proposed Capital Program and Financing Plan for the 2001-02 through 2005-06 fiscal years. The State Constitution permits the Governor to submit amendments to the Executive Budget within 30 days of submission. At this time, DOB does not anticipate any material revisions to the Financial Plan recommended by the Governor on January 16, 2001.

The 2001-02 Financial Plan based on the Executive Budget projects receipts in excess of disbursements on a cash basis in the General Fund, after accounting for the transfer of available receipts from 2000-01 to 2001-02 through the refund reserve account. Under the Governor's Executive Budget, total General Fund receipts, including transfers from other funds, are projected at $42.46 billion, an increase of $2.34 billion (5.8 percent) over the current fiscal year. General Fund disbursements, including transfers to other funds, are recommended to grow by 3.6 percent to $41.34 billion, an increase of $1.45 billion over 2000-01. State Funds spending (the portion of the budget supported exclusively by State taxes, fees, and revenues) is projected to total $57.39 billion, an increase of $2.68 billion or 4.9 percent. Spending from All Governmental Funds is expected to grow by 5.3 percent, increasing by $4.19 billion to $83.62 billion.

Table A-1
Cash Disbursement Comparison (1)
2000-01 to 2001-02
(millions of dollars)

	Estimated 2000-01	Projected 2001-02	Chg. 2000-01 vs. 2001-02	%Chg. 2000-01 vs. 2001-02
General Fund	$39,895	$41,343	$1,448	3.6%
State Funds	54,707	57,391	2,684	4.9
All Governmental Funds	79,430	83,622	4,192	5.3

(1) As projected on January 16, 2001.

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 — State Financial Procedures" in the AIS and "Special Considerations" below.

Economics and Demographics

National Economy

National economic growth has slowed down significantly during the third quarter of 2000, as the longest economic expansion on record nears the end of its tenth year. Real U.S. Gross Domestic Product (GDP) grew by 2.2 percent during the third quarter of 2000, following the 5.6 percent growth in the second quarter. The Division of the Budget expects the reduced pace of growth to continue through 2001. Real U.S. GDP is expected to grow 2.7 percent for all of 2001, following an estimated 5.1 percent in 2000.

Higher interest rates are expected to produce lower growth in consumption, housing investment and business spending. The impact of the Federal Reserve Board's monetary tightening has also become evident in the financial sector. Higher interest rates, turbulence in the Middle East, higher oil prices, and lower-than-expected corporate profits have heightened the uncertainty in the stock market. Consumption spending is expected to slow significantly, in part due to the sudden erosion of consumer confidence at the end of 2000.

Personal income is estimated to have grown 6.3 percent in 2000. Continued growth in wages and salaries, along with increased growth in interest income due to higher interest rates, are the primary factors which contributed to the strong personal income growth. With slower growth in wages and interest income expected for 2001, personal income growth should slow to 5.1 percent. With the help of a temporary influx of government workers hired to execute the census, non-agricultural employment grew 2.1 percent in 2000, but growth is expected to slow to 1.1 percent in 2001, in line with the anticipated economic slowdown. The unemployment rate averaged 4.0 percent during 2000, but could inch upward in 2001, as employment and output growth weaken.

The most significant risks to the forecast relate to those factors which may affect the rate at which the economy may slow down substantially more than projected. Employment growth may come in below expectations. This outcome would result in lower income growth and, hence, lower consumption growth than projected. Another potential risk to the national economy lies in the uncertain future of the financial markets. Should the stock markets undergo future significant corrections, the resultant reduction in the value of household wealth could reduce consumption growth even further. Alternatively, an acceleration in technology-induced productivity growth could lead to enhanced economic performance. Additional rate cuts by the Federal Reserve Board could stimulate the overall economy, leading to higher than expected growth rates of output.

Table A-2
Economic Indicators for the United States

	1996	1997	1998	1999	2000(1)	2001(1)
Gross Domestic Product						
(billions $)	7813.2	8318.4	8790.2	9299.2	9972.4	10459.7
Percent Change	5.6	6.5	5.7	5.8	7.2	4.9
(billions 1996 chain wt. $)	7813.2	8159.5	8515.7	8875.8	9326.4	9582.5
Percent Change	3.6	4.4	4.4	4.2	5.1	2.7
Personal Income						
(billions $)	6547.4	6937.0	7391.0	7789.6	8277.7	8691.4
Percent Change	5.6	6.0	6.5	5.4	6.3	5.0
Nonagricultural Employment						
(millions)	119.6	122.7	125.8	128.8	131.4	132.9
Percent Change	2.1	2.6	2.6	2.3	2.1	1.1
Unemployment Rate (Percent)	5.4	4.9	4.5	4.2	4.0	4.3
Consumer Price Index						
(1982-84=100)	157.0	160.6	163.1	166.7	172.3	176.9
Percent Change	2.9	2.3	1.6	2.2	3.3	2.7

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 State Division of the Budget, based on National Income and Product Account data through December 2000, except for nonagricultural employment and the unemployment rate which are based on U.S. Department of Labor data through early January 2001.

State Economy

The economic forecast of the State has also been modified from the Mid-Year Update to reflect changes in the national outlook. Continued growth is projected for 2001 and 2002 in employment, wages, and personal income, although the growth will moderate significantly from the 2000 pace. Personal income is estimated to have grown by 7.8 percent in 2000, fueled in part by a large increase in financial-sector bonus payments at the beginning of the year and strong growth in total employment and is projected to grow 4.6 percent in 2001 and 3.9 percent in 2002. Bonus payments are projected to grow 2.4 percent in 2001 and 3.6 percent in 2002, representing distinctly lower growth than the 19.4 percent rate for 2000. Lower bonus growth is partly due to the volatility of the stock markets and weaker securities industry activity. Another factor contributing to the weaker personal income growth in 2001 and 2002 is the reduced growth rate of non-wage income, which is projected to be lower due to the general economic slowdown. Overall employment is expected to grow at a more modest rate than in 2000, reflecting the slowdown in the national economy, continued fiscal restraint, and restructuring in the manufacturing, health care, social service, and financial sectors.

Many uncertainties exist in any forecast of the national and State economies. Given the recent volatility in financial markets, such uncertainties are particulary pronounced at this time. The timing and impact of changes in economic conditions are difficult to estimate with a high degree of accuracy. Unforeseeable events may occur. The actual rate of change in any, or all, of the concepts that are forecasted may differ substantially from the outlook described herein.

Table A-3
Economic Indicators for New York State

	1997	1998	1999	2000	2001(1)	2002(1)
Personal Income						
(billions $)	553.0	585.4	616.7	664.8	695.4	722.5
Percent Change	4.1	5.9	5.3	7.8	4.6	3.9
Nonagricultural Employment						
(thousands)	8067.1	8236.7	8453.7	8629.0	8749.8.	8828.6
Percent Change	1.6	2.1	2.6	2.1	1.4	0.9
Unemployment Rate (Percent)	6.4	5.6	5.2	4.7	5.3	5.6

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

(1) As projected by the State Division of the Budget, based on National Income and Product Account and employment data through December 2000.

Additional information on DoB's current forecast for the economy and receipts is contained in the 2001-02 Executive Budget for New York State, Appendix II, Part II. A copy of the Executive Budget and related information is available by contacting the Division of the Budget, State Capitol, Albany, NY, (518) 473-8705, or by visiting the Division's website at www.state.ny.us./dob.

Receipts

The 2001-02 Financial Plan projects General Fund receipts, including transfers from other funds, of $42.46 billion, an increase of $2.34 billion over 2000-01. After adjusting for tax law and administrative changes, recurring growth in the General Fund tax base is projected to be approximately 5.1 percent during 2001-02.

Personal income tax collections for 2001-02 are projected to reach $26.48 billion, an increase of $2.69 billion (11.3 percent) over 2000-01. The growth is due in part, to an estimated increase in income tax liability of 10.8 percent in 2000 and 5.1 percent in 2001. The large increase in liability in recent years has been supported by the continued surge in taxable income attributable to the growth in equity markets and wages associated with Wall Street bonuses. The large income gains from stock market performance are expected to moderate substantially in 2001.

User tax and fee receipts in 2001-02 are projected at $7.44 billion, an increase of $20 million over 2000-01. Growth is affected by the incremental impact of approximately $140 million in enacted tax reductions, and the diversion of remaining motor fuel tax receipts to the Dedicated Highway and Bridge Trust Fund and the Dedicated Mass Transportation Trust Fund. Adjusted for these changes, the underlying growth of user tax and fee receipts is projected at 2.5 percent.

Total business taxes are projected at $4.17 billion in 2001-02, a decrease of $292 million from 2000-01. Receipts from the corporation franchise tax, which is the largest source of business tax receipts, are projected to decline by $161 million in 2001-02, mainly as the result of enacted tax reductions. Receipts are also expected to decline for the petroleum business tax ($88 million), bank tax ($46 million), and insurance tax ($27 million).

Receipts from all other taxes, which include receipts from estate and gift levies, pari-mutuel taxes, and other minor sources, are projected to total $771 million in 2001-02, a decrease of $10 million from 2000-01.

Miscellaneous receipts are projected to total $1.43 billion in 2001-02, a decrease of $71 million from the current year, largely as a result of a reduction in investment income

Disbursements

The State projects General Fund disbursements of $41.34 billion in 2001-02, an increase of $1.45 billion (3.6 percent) over the revised projections for 2000-01. The growth in spending occurs throughout the Financial Plan, with the largest increase for Grants to Local Governments ($914 million), followed by State Operations ($274 million), Transfers to Other Funds ($254 million), and General State Charges ($7 million).

Grants to Local Governments include financial aid to local governments and non-profit organizations, as well as entitlement payments for individuals. The largest areas of spending in local assistance are for aid to public schools (44 percent) and for the State's share of Medicaid payments to medical providers (22 percent). Spending for higher education (6 percent), mental hygiene (6 percent), welfare assistance (4 percent), and children and families services (3 percent) represent the next largest areas of local aid.

Spending in local assistance is estimated at $27.77 billion in 2001-02, an increase of $914 million (3.4 percent) from the current fiscal year. The growth is comprised primarily of increases for school aid, Medicaid, health, and mental health, offset by decreases in welfare and the elimination of stock transfer incentive aid payments to New York City.

General Fund spending for school aid is projected at $12.13 billion in 2001-02 (on a State fiscal year basis) an increase of $612 million (5.3 percent). This increase, which on a school year basis is $382 million, will fund formula-based and categorical aid programs, as well as the "tail" of aid payable for the 2000-01 school year. The Executive Budget also recommends changes to expand the amount of flexible operating aid provided to schools across the State and to target new State resources to the highest-need school districts.

Medicaid spending is estimated at $6.08 billion in 2001-02, an increase of $391 million (6.9 percent) from 2000-01. Underlying spending growth is projected at $670 million, but is moderated by $131 million in savings from proposed updates to the nursing home reimbursement methodology and about $150 million in additional federal aid.

Spending on welfare is projected at $1.01 billion, a decrease of $245 million (19.5 percent) from 2000-01. This projected decrease is largely attributable to continued declines in welfare caseload and increased Federal funding in such areas as the Earned Income Tax Credit and the Child and Dependent Care Credit that lowers State costs. Welfare caseload is projected at about 743,000 recipients in 2001-02, down 36,000 from 2000-01.

Local assistance spending for Children and Families Services is projected at $881 million in 2001-02, up $43 million (5.1 percent) from 2000-01. The increase in General Fund spending includes added costs for the proposed child welfare financing reforms as well as an expansion in the Advantage After-School program funding.

Mental hygiene programs are expected to grow by $128 million (8.6 percent) to almost $1.62 billion in 2001-02. The additional funding is for the New York State CARES program ($47 million), the Community Reinvestment program ($20 million), and other program enhancements, including inflationary increases and the annualization of prior-year initiatives ($38 million).

Local assistance spending for health programs is projected at $602 million, up $110 million (22.4 percent) from 2000-01. This increase is primarily due to enhancements in the EPIC prescription drug program ($75 million), response to the West Nile Virus outbreak ($22 million), and State support for the Roswell Park Cancer Institute ($30 million), partially offset by lower spending of $32 million for one-time legislative initiatives.

Spending for all other local assistance programs is projected to total $5.45 billion in 2001-02, a decrease of $124 million (2.2 percent) from 2000-01. This estimate includes higher State support for tuition assistance ($35 million), children with special educational needs ($28 million), county administration of welfare and Medicaid programs ($14 million), and the City University of New York ($14 million). These increases are more than offset by the recommended elimination of spending identified by the Legislature as one-time initiatives in the 2000-01 Financial Plan, a reestimate of costs for reimbursing local governments for housing State-ready inmates in local jails ($40 million), and the proposed elimination of stock transfer incentive aid payments to New York City ($114 million).

State Operations accounts for the cost of running the Executive, Legislative, and Judicial branches of government. Spending is projected at $7.90 billion, an increase of $274 million, or 3.6 percent above 2000-01.

The growth in State Operations is primarily attributable to the annualized costs of labor agreements and related costs with State employee unions ($195 million), funding for technology initiatives ($43 million), health and mental hygiene programs ($75 million), and a recommended change in the accounting treatment of State University hospital revenues that directly finance hospital operations ($100 million). Under the proposal, hospital revenues that currently offset State Operations expenditures would pay for hospital fringe benefits costs currently charged to the General Fund; SUNY hospital revenue and spending will now be accounted for in the special revenue funds.

The State's overall workforce is projected at 194,500 persons by the end of 2001-02, down about 500 from the end of 2000-01.

General State Charges (GSCs) account for the costs of providing fringe benefits to State employees and retirees of the Executive, Legislative and Judicial branches. These payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, social security, health insurance, workers' compensation and unemployment insurance. GSCs also cover State payments-in-lieu-of- taxes to local governments for certain State-owned lands, and the costs of defending lawsuits against the State and its public officers.

Total spending for GSCs is projected to grow by $7 million (0.3 percent) to $2.59 billion in 2001-02. The State expects health insurance rates in calendar year 2001 to grow by 11 percent ($138 million), primarily to cover the increasing cost of prescription drug, hospitalization and physician benefits for State employees. Modest increases are projected for other fringe benefits, including social security, workers' compensation, and dental insurance, but are offset by reduced payments for retirement incentives ($72 million) and the accounting of State University hospital fringe benefit costs ($100 million) discussed above.

Transfers in support of debt service in 2001-02 are projected at $2.29 billion, a $70 million (3.2 percent) increase over 2000-01. This increase is primarily due to bonding to support SUNY, CUNY, public protection, environmental and economic development purposes, offset by the projected savings generated from the use of the Debt Reduction Reserve Fund ("DRRF") to defease high cost debt and from the new revenue bond proposal (which is discussed in more detail in "Debt and Other Financing Activities" below).

Transfers in support of capital projects in 2001-02 are projected at $340 million, an increase of $105 million (44.7 percent) over 2000-01. The higher budgeted amount includes $69 million to the new Remedial Program Transfer Fund for hazardous waste remediation and $16 million for improvements to the Court of Appeals Building and the Justice Building in Albany.

All other transfers are projected to increase by $79 million in 2001-02. Of this amount, $69 million represents the State's subsidy for SUNY hospitals. All other transfers increase by $10 million primarily as a result of the State's subsidy to the Court Facilities Incentive Aid Fund, which grows from $45 million in 2000-01 to $81 million in 2001-02 to support Judiciary capital projects. This latter increase is offset by the elimination of one-time transfers in 2000-01 to the State University Stabilization Fund ($17 million), and to the Miscellaneous Special Revenue Fund ($19 million) to pay for year 2000 computer compliance.

Non-Recurring Resources

DOB reports that the 2001-02 Financial Plan budgets $146 million in one-time resources, consisting primarily of $97 million in Federal funds from successful retroactive claims for child welfare, special education, and prison health costs. The remaining amounts are comprised of a payment from DASNY to the State ($28 million), and fund sweeps and transfers to the General Fund ($21 million) that periodically occur.

2001-02 General Fund Closing Balance

DOB projects a closing balance in the General Fund of $2.26 billion. The balance is comprised of $1.28 in a new reserve for economic uncertainties proposed by the Governor, $627 million in the Tax Stabilization Reserve Fund, $150 million in the Contingency Reserve Fund, $188 million in the Community Projects Fund, and $14 million in the Universal Pre-Kindergarten Fund.

To permanently improve the State's reserve levels, the Governor is proposing legislation to increase the maximum permissible size of the State's Tax Stabilization Reserve Fund from 2 percent to 5 percent of General Fund spending.

Special Revenue Funds

In 2001-02, DOB projects disbursements of $36.47 billion from special revenue funds derived from both State and federal sources, an increase of $2.57 billion or 7.6 percent over 2000-01. Disbursements from State special revenue funds are projected at $11.68 billion, an increase of $1.11 billion or 10.5 percent from 2000-01. Disbursements for STAR are projected to increase by $694 million from 2000-01, accounting for most of the year-to-year growth in State spending from special revenue funds. Disbursements from federal special revenue funds, which account for approximately three-quarters of all special revenue spending, are estimated at $24.79 billion in 2001-02, an increase of $1.46 billion or 6.3 percent from 2000-01. The year-to-year growth in federal special revenue fund spending is primarily supported by higher projected federal payments for the Medicaid program, which is projected to grow by $962 million from 2000-01.

Capital Projects Funds

Disbursements from Capital Projects Funds in 2001-02 are estimated at $5.0 billion, or $627 million higher than 2000-01. The proposed spending plan includes: $2.9 billion in disbursements for transportation purposes, including State and local highway and bridge programs; $822 million for environmental activities; $203 million for public protection; $426 million for education, including SUNY and CUNY; and $184 million for mental hygiene projects.

Capital spending in 2000-01 and 2001-02 is financed with a mix of pay-as-you-go and bonded resources. The portion of spending financed with pay-as-you-go resources increases from 57 percent in 2000-01 to 61 percent in 2001-02 and reflects the use of a portion of $750 million in deposits to the DRRF to pay cash for certain transportation projects.

Debt Service Funds

Disbursements from Debt Service Funds are estimated at $3.93 billion in 2001-02, a decrease of $200 million from 2000-01. Debt Service Funds projections for 2000-01 reflect the use of approximately $421 million in DRRF deposits to defease high cost State debt. Overall, the use of $750 million in DRRF deposits is projected to lower long-term debt service costs by approximately $1.2 billion over the life of the defeased bonds. In addition, Debt Service Funds projections reflect a proposed new revenue debt structure. For additional information on the use of DRRF and the proposed new revenue debt structure please see the section entitled "Debt and Other Financing Activities — 2000-01 Borrowing Plan" in this Update.

Outyear Projections Of Receipts And Disbursements

DOB projects budget gaps of $2.49 billion in 2002-03 and $2.92 billion in 2003-04. The gap projections assume the Legislature will enact the 2001-02 Executive Budget in its entirety. The projections do not include unspecified spending “efficiencies,” or count on the use of any of the $1.3 billion in reserves the Governor is proposing to set aside for economic uncertainties.

Table A-4
Projected Budget Gaps for SFYs 2002-03 and 2003-04
(millions of dollars)

	2002-03	**2003-04**
Receipts	$41,128	$42,371
Disbursements	(43,806)	(45,294)
Use of Community Projects fund Balance	188	0
Remaining Gap	(2,490)	(2,923)
2003-04 Gap if 2002-03 Gap is Closed with Recurring Actions		*(433)*

If the projected budget gap for 2002-03 is closed with recurring actions, the 2003-04 budget gap would be reduced to $433 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 and 1999-2000).

Outyear Receipts

DOB projects that both the national and New York economies will continue to expand through 2004, but at rates below current levels. It does not forecast a recession in the outyear projection horizon.

DOB estimates that General Fund receipts will total $41.13 billion in 2002-03 and $42.37 billion in 2003-04. The receipts forecast is based on DOB's economic forecast, adjusted to incorporate the incremental impact of enacted and proposed tax reductions, prior refund reserve transactions, and the continued earmarking of receipts for dedicated highway purposes.

Personal income tax receipts are projected to increase to $25.26 billion in 2002-03 and $26.54 billion in 2003-04. The estimates are affected by the impact of expected refund reserve transactions, a reduction in the growth in underlying liability, and the estimated costs of the enacted STAR and proposed Co-STAR tax reduction plans.

Income tax growth in both fiscal years is governed by projections of growth in taxable personal income and its major components, including wages, interest and dividend earnings, realized taxable capital gains, and business income.

DOB expects wage and employment to grow through the projection period. However, wage growth is projected to moderate from 1999 and 2000 levels as bonus growth (an important component of wages) slows significantly. The rapid growth in realized capital gains is also projected to slow, as the significant run-up in the value of equities since 1996 subsides. In addition, changes in the Federal tax treatment of capital gains income in 1998 have made the realization of gains more attractive in recent years. The 2002-03 and 2003-04 projections assume a modest recovery in equity markets and below average growth in associated capital gains.

The 2002-03 and 2003-04 projections assume increases in the other major components of income consistent with continued growth in the overall economy. In particular, interest, dividend and business income are expected to grow at rates consistent with the average growth in these components in recent years.

It should be noted that growth in income tax receipts in recent years has been heavily influenced by special factors, including the rapid growth in the stock market noted above. The outyear projections anticipate a substantial moderation in the special factors that have produced the rapid receipts growth of recent years. Specifically, based on information from Wall Street analysts and an examination of relevant economic indicators, the outyear projections assume only small increases in financial sector bonuses.

DOB projects receipts from user taxes and fees to total $7.57 billion in 2002-03 and $7.78 billion in 2003-04. Growth 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. Continuing but slower economic growth is projected over the next several years in the factors which influence sales tax collections, including moderate growth in employment and modest increases in personal income. These assumptions result in underlying growth in the sales tax base in the 5 percent range.

Business tax receipts are estimated at $3.91 billion in 2002-03 and $3.70 billion in 2003-04. The decline in receipts results from the cost of enacted tax reductions becoming more pronounced, and only modest growth in underlying tax liability as the securities, banking and insurance industries continue to consolidate.

Projected receipts from all other taxes, miscellaneous receipts and transfers from other funds decline modestly over the projection period.

Outyear Disbursements

DOB currently projects spending to grow by $2.46 billion (6.0 percent) in 2002-03 and $1.49 billion (3.4 percent) in 2003-04. Overall, General Fund spending increases at a higher rate in 2002-03 than in 2003-04 primarily because the Financial Plan does not include costs for new collective bargaining contracts after the current agreements expire by April 2003 and assumes the remaining balance in the Community Projects Fund ($188 million) is spent by the end of 2002-03.

Spending across the projection period is driven primarily by growth in local assistance, as well as increases in General State Charges and State Operations costs as described in more detail below.

Local assistance spending accounts for most of the projected growth in General Fund spending in the outyears, increasing by $1.68 billion (6.0 percent) in 2002-03 and $1.24 billion (4.2 percent) in 2003-04. The growth in both years is primarily for school aid, Medicaid, and the mental hygiene program.

School aid, the largest category of General Fund spending, is projected to grow by $659 million in 2002-03 and $709 million in 2003-04. The estimated growth in school aid on a school year basis (approximately $650 million in 2002-03 and $700 million in 2003-04) incorporates the formula and building aid reforms proposed in the 2001-02 Executive Budget.

Medicaid, the next largest General Fund program, is expected to grow by $577 million in 2002-03 and another $529 million in 2003-04. Spending growth in Medicaid is generally consistent with estimates of the Congressional Budget Office.

Welfare programmatic commitments are expected to remain essentially flat throughout the projection period. However, the availability of Federal offsets is expected to fluctuate, leading to a modest increase in State spending for welfare programs in 2002-03 ($89 million) followed by a modest decrease ($42 million) in 2003-04.

Mental hygiene programs grow faster than inflation (approximately 17 percent or $120 million each year) as a result of the expansion of programs for the mentally ill. Most other programs in local assistance are expected to grow at or below inflation. Revenue sharing programs are assumed to be held flat over the projection period and the balance in the Community Projects Fund is expected to be disbursed in 2002-03.

State Operations spending is expected to increase by 6.0 percent, or $477 million, in 2002-03 and another 1.1 percent, or $94 million, in 2003-04. Most of the growth funds existing labor agreements and related costs ($385 million in 2002-03), and inflationary increases for non-personal service costs. No collective bargaining increases are assumed in 2003-04 after the current contracts expire, generally on March 31, 2003.

General State Charges are projected to increase by $200 million (7.7 percent) in 2002-03 and $228 million (8.2 percent) in 2003-04. The growth is primarily due to health insurance costs that grow at roughly 12 percent each year ($190 million annually) and modest increases in other fringe benefit costs.

Transfers to other funds increase by a combined $35 million across the projection period. Debt service transfers in 2002-03 and 2003-04 are $2.33 billion and $2.21 billion, respectively. The decrease in transfers in the outyears is due primarily to the final retirement of pension obligation bonds in 2002-03 and savings generated from the use of the Debt Reduction Reserve Fund to defease high cost debt. Transfers for the State University and all other transfers remain relatively stable in the outyears.

Special Considerations

Many 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. The projections assume no changes in federal tax law, which could substantially alter the current receipts forecast.

The State's outyear projections may change substantially as the budget process for 2001-02 continues. For example, the Legislature may not enact the Executive Budget as proposed by the Governor. It is also possible that the State’s actions during the fiscal year may be insufficient to preserve budgetary balance in either 2001-02 or in future fiscal years. Actual results for the fiscal year may also differ materially and adversely from the projections set forth in this Update.

There is significant uncertainty in the forecast of the outyear income components, which greatly influence personal income tax growth. In many cases, a reasonable range of uncertainty around the predicted income components could result in significant reductions in projected income tax receipts.

Moreover, over the long-term, uncertainties with regard to the economy present the largest potential risk to future budget balance in New York State. For example, a downturn in the financial markets or the wider economy is possible, a risk that is heightened by recent events. The securities industry is more important to the New York economy than the national economy as a whole, potentially amplifying the impact of an economic downturn. A large 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 Financial Plan forecast. Merging and downsizing by firms, as a consequence of deregulation, continued foreign competition or a sustained economic downturn, may have more significant adverse effects on employment than expected.

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 Financial Plan contains projected reserves of $150 million in 2001-02 for such events, but assumes no significant federal disallowances or other federal actions that could affect State finances. For more information on certain litigation pending against the State, see the section entitled "Litigation" in this Update and in the AIS.

As noted in the Update to the AIS dated November 7, 2000, the Health Care Financing Administration ("HCFA") issued an interim rule in October 2000, that modified the manner in which states are required to calculate their Medicaid Upper Payment Limit (UPL) methodology. Since that time, HCFA issued a final rule on January 12, 2001. The HCFA rule modifies how states are required to calculate their Medicaid UPL. It is anticipated that implementation of this rule would require New York State to phase-out most of its nursing home Intergovernmental Transfer (IGT) payments over a five-year period beginning in State Fiscal Year 2002-03. Upon full implementation of the rule, the net impact is expected to result in an annual loss of $351 million for the State and $88 million for local governments.

Congress recently enacted legislation (the Balanced Budget Further Refinement Act) which mitigates much of the negative impact of the rule through State Fiscal Year 2004-05 by increasing the cap on facility- specific Disproportionate Share Hospital Program (DSH) payments to 175 percent for two years.

It is currently expected that the net impact of the nursing home IGT phase-out and the increase in facility-specific DSH caps will result in a cumulative State Financial Plan savings of $135 million between State Fiscal Year 2002-03 and State Fiscal Year 2004-05. However, since the nursing home IGT phase-out commences in State Fiscal Year 2002-03 (one year before the DSH cap increases), the Financial Plan will lose $81 million in State Fiscal Year 2002-03.

The Division of the Budget believes that its projections of receipts and disbursements relating to the current and proposed State Financial Plans, and the assumptions on which they are based, are reasonable. Actual results, however, could differ materially and adversely from the projections set forth in this Update. In the past, the State has taken management actions to address potential financial plan shortfalls, and DOB believes it could take similar actions should adverse variances occur in its projections for the current fiscal year. To help guard against these risks, the State has projected reserves of $2.26 billion in 2001-02, as described in the section entitled "2001-02 General Fund Closing Balances" in this Update.

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 1999-2000 State fiscal year and do not reflect any pending proposals of the Governmental Accounting Standards Board. The GAAP projections for 2001-02 are based on the Executive Budget.

Table A-5
Actual and Projected GAAP Operating Results
(millions of dollars)*

Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	All Governmental Funds	Accum. General Fund Surplus/(Deficit)
March 31, 2002 (proj)**	3	(1,389)	33	(235)	(1,588)	1,934
March 31, 2001 (proj)**	(1,994)	1,041	(41)	60	(934)	1,931
March 31, 2000	2,229	665	38	98	3,030	3,925
March 31, 1999	1,078	(117)	209	154	1,324	1,645***
March 31, 1998	1,562	49	(43)	232	1,800	567

*Deficits noted in parentheses.
**As projected by DOB on January 16, 2001
***As restated (see discussion below)

The GAAP projections indicate that the State is expected to have its fifth consecutive year of a GAAP accumulated surplus in the General Fund in 2001-02. In 2000-01, the General Fund GAAP Financial Plan projects total revenues of $37.66 billion, total expenditures of $39.69 billion, and net other financing sources of $35 million. In 2001-02, projections show total revenues of $40.87 billion, total expenditures of $40.68 billion and net other financing uses of $190 million. At the end of 2001-02, the accumulated General Fund GAAP surplus is projected to be $1.9 billion.

GAAP Results For Prior Fiscal Years

1999-2000 Fiscal Year

The State completed its 1999-2000 fiscal year with a combined GAAP-basis governmental funds operating surplus of $3.03 billion, which included operating surpluses in the General Fund ($2.23 billion), in Special Revenue Funds ($665 million), in Debt Service Funds ($38 million) and in Capital Projects Funds ($99 million).

General Fund

The State reported a General Fund operating surplus of $2.23 billion for the 1999-2000 fiscal year, as compared to an operating surplus of $1.08 billion for the 1998-99 fiscal year. The operating surplus for 1999-2000 resulted in part from higher personal income tax receipts, and increases in taxes receivable and other assets of $754 million and $137 million, respectively, and decreases in deferred revenues, due to other funds and other liabilities of $134 million. These gains were partially offset by decreases in accounts receivable and money due from other funds of $77 million, increases in payables to local governments and accrued liabilities of $80 million and $175 million, respectively, and an increase in tax refunds payable of $537 million.

The State reported an accumulated fund balance of $3.92 billion in the General Fund for 1999-2000. The accumulated fund balance is $50 million higher after a restatement by the State Comptroller to reflect the reclassification of the Debt Reduction Reserve Fund to the General Fund.

General Fund revenues increased $2.30 billion (6.4 percent) over the prior fiscal year with increases in personal income and consumption and use taxes, and miscellaneous revenues. Business tax and other tax revenues fell from the prior fiscal year. Personal income taxes grew $1.98 billion, an increase of nearly 9.7 percent. The increase in personal income taxes was caused by strong employment and wage growth and the continued strong performance of the financial markets during 1999. Consumption and use taxes increased $327 million, or 4.5 percent, to reflect a continuing high level of consumer confidence. Miscellaneous revenues increased $303 million (14.1 percent), primarily due to growth in investment earnings, fees, licenses, royalties and rents and reimbursements from regulated industries used to fund State administrative costs (e.g., banking and insurance). These increases were partially offset by decreases in business and other taxes. Business taxes decreased nearly $301 million, or 6.2 percent, because of prior year refunds and the application of credit carryforwards which were applied against current year (1999) liabilities. Other taxes decreased $12 million, or 1.1 percent.

General Fund expenditures increased $1.39 billion (3.9 percent) from the prior fiscal year, with the largest increases occurring in education, health and environment. Education expenditures grew $739 million (6.1 percent) due mainly to an increase in spending for support for public schools, handicapped pupil education and municipal and community colleges. Health and environment expenditures increased over $215 million (33.5 percent) primarily reflecting increased spending for local health programs. Personal service costs increased $202 million (3.3 percent) principally as a result of increases in wages as required by recently approved collective bargaining agreements. Non-personal service costs increased $264 million (11.7 percent) due primarily to increased spending for goods and services.

Net other financing sources in the General Fund increased $192 million (45.9 percent) primarily because transfers of surplus revenues from the Debt Service Funds increased by nearly $100 million and transfers from the Abandoned Property Fund and the Hospital Bad Debt and Charity Accounts increased by nearly $120 million.

Special Revenue, Debt Service and Capital Projects Fund Types

An operating surplus of $665 million was reported for the Special Revenue Funds for the 1999-2000 fiscal year which increased the accumulated fund balance to $2.14 billion after restatement of prior year fund balances. As a result of legislation enacted during the fiscal year ended March 31, 2000, the Hospital Bad Debt and Charity Accounts were reclassified to Special Revenue Funds thereby increasing the beginning fund balance by $1.01 billion. Revenues increased $2.15 billion over the prior fiscal year (6.9 percent) as a result of increases in tax, federal grants, and miscellaneous revenues. Expenditures increased $1.49 billion (5.4 percent) as a result of increased costs for local assistance grants and non-personal service. Net other financing uses increased $174 million (4.5 percent).

Debt Service Funds ended the 1999-2000 fiscal year with an operating surplus of $38 million and, as a result, the accumulated fund balance increased to $2.06 billion. Revenues increased $200 million (7.4 percent) primarily because of increases in dedicated taxes. Debt service expenditures increased $429 million (15.0 percent). Net other financing sources increased $113 million (36.1 percent) due primarily to increases in transfers from the General Fund.

An operating surplus of $99 million was reported in the Capital Projects Funds for the State's 1999-2000 fiscal year and, as a result, the accumulated fund balance deficit decreased to $129 million. Revenues increased $93 million (3.7 percent) primarily because federal grant revenues increased $90 million for transportation projects. Expenditures increased $84 million (2.3 percent) primarily because of increases capital construction spending for transportation projects. Net other financing sources decreased by $63 million (4.6 percent).

Debt and Other Financing Activities

2000-01 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 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 Plan proposed with the 2001-02 Executive Budget is available by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 473-8705, or by visiting the Division's website at www.state.ny.us/dob.

The proposed 2001-02 through 2005-06 Capital Program and Financing Plan was released with the 2001-02 Executive Budget on January 16, 2001. The proposed Plan projects capital spending of $4.96 billion in 2001-02. The capital spending is proposed to be financed with a mixture of authority bonds (33 percent), State and federal pay-as-you go resources (32 percent and 29 percent, respectively), and general obligation bonds (6 percent). The Plan's projected levels of debt issuances and debt service costs for 2000-01, 2001-02 and the remaining four years of the Plan are projected to be well below the debt caps and limitations imposed by the Debt Reform Act of 2000 (Chapter 59 of the Laws of 2000). The Act, which applies to all new State-supported debt issued on and after April 1, 2000 imposed:

— A phased-in cap on new State-supported debt outstanding of four percent of personal income (the existing State-supported debt levels for 2000-01 are projected to be 5.7 percent of personal income).

— A phased-in cap on new State-supported debt service costs of 5 percent of total governmental funds receipts (the existing State-supported debt service costs are 5.2 percent).

— A limit on the use of debt to capital works and purposes only and a limit on the maximum term of new State-supported debt to 30 years.

The Executive Budget also proposes a constitutional debt reform bill that would mandate the caps and limitations imposed by the Debt Reform Act, ban "back door" borrowing, authorize a limited amount of revenue debt, ensure that at least one-half of all new debt is approved by the voters, and authorize multiple general obligation bond act proposals. The earliest the constitutional debt reform bill could take effect, after passage by two separately-elected Legislatures and approval by the voters, is January 1, 2004.

State-supported debt levels and debt service costs projected for 2000-01, 2001-02, and the remaining years of the Plan reflect the use of $750 million in DRRF deposits. As planned, $500 million was used in 2000-01, of which $421 million was used to defease certain bonds issued by the Dormitory Authority of the State of New York (DASNY), Housing Finance Agency (HFA), and Environmental Facilities Corporation (EFC),where the debt service was paid by the State. The balance is expected to be used to pay for projects that are authorized to be financed with bonds. In the 2001-02 fiscal year, the $250 million balance is proposed to be used to provide pay-as-you-go resources to finance certain transportation projects.

The 2001-02 Executive Budget also proposes a new statutory revenue debt structure. The proposed revenue debt that would be supported by a pledge of 25 percent of State personal income tax receipts (subject to appropriation), issued in lieu of currently authorized State-appropriation-backed debt, and subject to the caps and limitations imposed by the Debt Reform Act of 2000. The proposed revenue debt structure is similar to Local Government Assistance Corporation (LGAC) bonds and will provide a framework to implement a revenue debt structure which would be authorized by the proposed constitutional debt reform bill.

Efforts to reduce debt, unanticipated delays in the advancement of certain projects, and revisions to estimated financing needs are expected to reduce borrowings in 2000-01. The State's 2000-01 borrowing plan now projects issuances of $281 million in general obligation bonds and $56 million in Certificates of Participation to finance the purchase of new welfare computer systems.

Borrowings by public authorities pursuant to lease-purchase and contractual-obligation financings for capital programs of the State are projected to total approximately $2.36 billion, including costs of issuance, reserve funds, and other costs, net of anticipated refundings and other adjustments in 2000-01. Included therein are borrowings by: (i) DASNY for the State University of New York

(SUNY); the City University of New York (CUNY); mental health and educational facilities including RESCUE (school construction) and the Judicial Training Institute; (ii) Thruway Authority for the Dedicated Highway and Bridge Trust Fund and Consolidated Highway Improvement Program; (iii) Urban Development Corporation (doing business as the Empire State Development Corporation) for prison facilities; (iv) HFA for Service Contract Obligation revenue (SCOR) bonds; and (v) EFC for water pollution control and Pipeline for Jobs (Jobs 2000).

The projection of State borrowings are subject to change as market conditions, interest rates and other factors vary. For a full description of the State's debt and financing activities, please see the section entitled "Debt and Other Financing Activities" in the AIS.

State Retirement Systems

General

The New York State and Local Retirement Systems (the "Systems") provide coverage for public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). The Systems comprise the New York State and Local Employees Retirement System and the New York State and Local Police and Fire Retirement System. The Comptroller is the administrative head of the Systems. State employees made up about 37 percent of the membership during the 1999-2000 fiscal year. There were 2,859 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to nonteaching employees) and a large number of local authorities of the State.

As of March 31, 2000, 604,479 persons were in membership and 294,835 pensioners and beneficiaries were receiving benefits. The State Constitution considers membership in any State pension or retirement system to be a contractual relationship, the benefits of which shall not be diminished or impaired. Members cannot be required to begin making contributions or make increased contributions beyond what was required when membership began.

Contributions

Funding is provided in large part by employer and employee contributions. Employers contribute on the basis of the plan or plans they provide for members. Members joining since mid-1976, other than police and fire members, have been required to contribute 3 percent of their salaries. Recently, the Governor signed new legislation which eliminates such member contributions after employees have completed 10 years of retirement system service or membership. For State employees, the Governor is granted the discretion to confer this benefit by negotiating unit.

During the 1999-2000 fiscal year, the State paid the System's 1999-2000 estimated bill of $92.7 million. The difference between the amounts paid on the estimated bill and the final bill with interest results in an underpayment of the final bill in the amount of $2.9 million and will be billed on March 1, 2002 ($2.7 million if paid on September 1, 2001).

Assets and Liabilities

Assets are held exclusively for the benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the Comptroller as trustee of the Common Retirement Fund, a pooled investment vehicle. The net assets available for benefits as of March 31, 2000 were $128.9 billion (including $2.3 billion in receivables). The present value of anticipated benefits for current members, retirees, and beneficiaries as of March 31, 2000 was $110.8 billion. This estimate includes the cost of provisions of retirement legislation passed during the 2000 legislative session. Among these provisions are those: (i) providing certain employees that joined the Systems prior to mid-1976 with one month of additional service credit for each year of service, up to a maximum of 24 months; and (ii) providing a permanent cost of living adjustment for certain employees, based upon annual change in the consumer price index. For current retirees and beneficiaries alone the amount was $37.0 billion. Under the funding method used by the Systems, the net assets, plus future actuarially determined contributions, are expected to be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. For information on the growth of assets held by the Systems, see the following tables.

Table A-6
Contributions and Benefits
New York State and Local Retirement Systems
(millions of dollars)

Fiscal Year Ended March 31	Contributions Recorded				Total Benefits Paid(2)
	All Participating Employers(1)	Local Employers(1)	State(1)	Employees	
1996	$777	$487	$290	$342	$3,042
1997	904	497	407	348	3,204
1998	463	358	105	369	3,395
1999	292	156	136	400	3,570
2000	165	11	154	423	3,787

Source: State and Local Retirement Systems.
(1) Includes employer premiums to Group Life Insurance Plan.
(2) Includes payments from Group Life Insurance Plan.

Table A-7
Net Assets Available for Benefits of the
New York State and Local Retirement Systems (1)
(millions of dollars)

Fiscal Year Ended March 31	Total Assets(2)	Percent Increase
1996	$77,453	18.4%
1997	83,947	8.4
1998	106,319	26.7
1999	112,723	6.0
2000	128,889	14.3

Source: State and Local Retirement Systems.
(1) Includes relatively small amounts held under the Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2000 includes approximately $2.3 billion of receivables.
(2) Includes certain accrued employer contributions to be paid with respect to service rendered during fiscal years other than the year shown.

Authorities and Localities

The City of New York

In recent years, the State constitutional debt limit would have prevented the City from entering into new capital contracts. To prevent disruptions in the capital program, two actions were taken to increase the City's capital financing capacity: (i) the State Legislature created the New York City Transitional Finance Authority (TFA) in 1997, and (ii) in 1999, the City created TSASC, Inc., a not-for-profit corporation empowered to issue tax-exempt debt backed by tobacco settlement revenues. During the 2000 legislative session, the State enacted legislation that increased the borrowing authority of the TFA by $4 billion, to $11.5 billion, which the City expects will provide sufficient financing capacity to continue its capital program over the next four fiscal years.

Monitoring Agencies

For its 1999-2000 fiscal year, the City had an operating surplus of $3.2 billion, before discretionary and other transfers, and achieved balanced operating results, after discretionary and other transfers, in accordance with GAAP. The City is projecting a substantial surplus for its 2000-01 fiscal year and a balanced budget for 2001-02. However, it forecasts budget gaps in subsequent fiscal years. Although several sectors of the City's economy have expanded over the last several years, especially tourism, media, business and professional services, City tax revenues remain heavily dependent on the continued profitability of the securities industries and the performance of the national economy. In addition, the cost of tax reductions enacted since City fiscal year 1994-1995 totals over $2.5 billion in City fiscal year 2000-01, primarily affecting collections of the personal and business income taxes and the sales tax. These reductions are expected to be worth $3.1 billion by City fiscal year 2004-2005. The City has proposed additional tax reductions that would increase the worth of the reductions to $4.4 billion in City fiscal year 2004-2005.

Effective August 1, 2000, the Financial Control Board relocated to 123 William Street, 23rd Floor, New York, N.Y. 10038. Effective August 22, 2000, the Office of the State Deputy Comptroller for the City of New York relocated to 59 Maiden Lane, 29th Floor, New York, N.Y. 10038.

Other Localities

To help resolve persistent fiscal difficulties in Nassau County, the State enacted legislation (Chapter 84 of the Laws of 2000) creating 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 may also impose financial plan requirements on Nassau County. The State paid $30 million in transitional assistance to the County for State fiscal year 2000-01, and the Governor has proposed providing up to $75 million in State assistance over the next four State fiscal years. Allocation of any such assistance is contingent upon the Authority's approval of Nassau County's financial plan.

Litigation

State Finance Policies

Tax Law

In *New York Association of Convenience Stores, et al. v. Urbach, et al.*, petitioners, New York Association of Convenience Stores, National Association of Convenience Stores, M.W.S. Enterprises, Inc. and Sugarcreek Stores, Inc. are seeking to compel respondents, the Commissioner of Taxation and Finance and the Department of Taxation and Finance, 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, *inter alia*, 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, alternately, the collection and enforcement of such taxes would be suspended statewide. Respondents appealed to the Appellate Division, Third Department, and invoked CPLR 5519(a)(1), which provides that the taking of the appeal stay all proceedings to enforce the orders pending the appeal. Petitioners' motion to vacate the stay was denied. 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. The Third Department held, *inter alia*, that petitioners had not sought such relief in their petition and that it was an error for the Supreme Court to have awarded such undemanded relief without adequate notice of its intent to do so. On May 22, 1997, respondents appealed to the Court of Appeals on other grounds, and again invoked the statutory stay. On October 23, 1997, the Court of Appeals granted petitioners' motion for leave to cross-appeal from the portion of the Third Department's decision that deleted the statewide suspension of the enforcement and collection of the sales and excise taxes on motor fuel and tobacco. 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 further proceedings. The Court held that the petitioners had standing to assert an equal protection claim, but that their claim did not implicate racial discrimination. The Court remanded the case to 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. In a footnote, the Court stated that, in view of its disposition of the case, petitioners' cross-appeal regarding the statewide suspension of the taxes is "academic." By decision and judgment dated July 9, 1999, the Supreme Court, Albany County, granted judgment dismissing the petition. On September 2, 1999, petitioners appealed to the Appellate Division, Third Department, from the July 9, 1999 decision and order. On August 3, 2000, the Third Department affirmed the judgment dismissing the petition. By notice of appeal dated August 25, 2000, petitioners appealed to the Court of Appeals from the August 3, 2000 order. On November 30, 2000, the Court of Appeals dismissed petitioners' appeal for lack of a substantial constitutional question. Petitioners have moved for leave to appeal.

Line Item Veto

In an action commenced in June 1998 by the Speaker of the Assembly of the State of New York against the Governor of the State of New York (*Silver v. Pataki*, Supreme Court, New York County), the Speaker challenges the Governor's application of his constitutional line item veto authority to certain portions of budget bills adopted by the State Legislature contained in Chapters 56, 57 and 58 of the Laws of 1998. On July 10, 1998, the State filed a motion to dismiss this action. By order entered January 7, 1999, the Court denied the State's motion to dismiss. On January 27, 1999, the State appealed that order. By decision dated July 20, 2000, the Appellate Division reversed the January 7, 1999 order and dismissed the petition. Plaintiff has appealed the July 20, 2000 decision to the Court of Appeals.

Real Property Claims

The State and certain of its counties have been, and continue to be, the subject of Indian land claims. On March 4, 1985 in *Oneida Indian Nation of New York, et al. v. County of Oneida*, the United States Supreme Court affirmed a judgment of the United States Court of Appeals for the Second Circuit holding that the Oneida Indians have a common-law right of action against Madison and Oneida counties for wrongful possession of 872 acres of land illegally sold to the State in 1795. At the same time, however, the Court reversed the Second Circuit by holding that a third-party claim by the counties against the State for indemnification was not properly before the federal courts. The case was remanded to the District Court for an assessment of damages, which action is still pending. The counties may still seek indemnification in the State courts.

In 1998, the United States filed a complaint in intervention in *Oneida Indian Nation of New York*. In December 1998, both the United States and the tribal plaintiffs moved for leave to amend their complaints to assert claims for 250,000 acres, to add the State as a defendant, and to certify a class made up of all individuals who currently purport to hold title within said 250,000 acre area. On September 25, 2000, the District Court denied the motion to amend the complaint to the extent that it sought to certify a class of individual landowners and granted the motion to add the State as a defendant. The plaintiffs have amended their complaint in accordance with the court's decision. The State has amended its answer to respond to the amended complaint. By order dated February 24, 1999, the District Court appointed a federal settlement master. A conference scheduled by the District Court for May 26, 1999 to address the administration of this case has been adjourned indefinitely.

Other Indian land claims include *Cayuga Indian Nation of New York v. Cuomo, et al.*, and *Canadian St. Regis Band of Mohawk Indians, et al. v. State of New York, et al.,* both in the United States District Court for the Northern District of New York and *Seneca Nation of Indians, et al. v. State, et al.,*in the United States District Court for the Western District of New York. The Supreme Court's holding in *Oneida Indian Nation of New York* may impair or eliminate certain of the State's defenses to these actions, but may enhance others. In the *Cayuga Indian Nation of New York* case, by order dated March 29, 1999, the United States District Court for the Northern District of New York appointed a federal settlement master. In October 1999, the District Court granted the Federal Government's motion to have the State held jointly and severally liable for any damages owed to the plaintiffs. At the conclusion of the damages phase of the trial of this case, a jury verdict of $35 million in damages plus $1.9 million representing the fair rental value of the properties at issue was rendered against the defendants. From July 17, 2000 through August 18, 2000, a bench hearing was held to determine whether prejudgment interest is appropriate and, if so, the amount thereof. The briefing of the issues raised in the bench hearing is scheduled to be completed by January 31, 2001. In the *Canadian St. Regis Band of Mohawk Indians* case, the United States District Court for the Northern District of New York has directed the parties to rebrief outstanding motions to dismiss brought by the defendants. The State filed its brief on July 1, 1999. The motions were argued in September 1999. No decision has been rendered on these motions. In *Seneca Nation of Indians*, by order dated November 22, 1999, the District Court confirmed the July 12, 1999 magistrate's report, which recommended granting the State's motion to dismiss that portion of the action relating to the right of way where the New York State Thruway crosses the Cattaraugus Reservation in Erie and Chatauqua Counties and denying the State's motion to dismiss the Federal Government's damage claims. On October 17, 2000, the District Court advised the parties that it would resolve that portion of the case related to the plaintiff's claims of ownership of the islands of the Niagara River on summary judgment motions without a trial. The last day of arguments for these motions is scheduled for January 30, 2001.

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. In 1986, the District Court ordered Yonkers to develop and comply with a remedial educational 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. On March 27, 1995, the District Court made factual findings regarding the role of the State and the other State defendants (the State) in connection with the creation and maintenance of the dual school system, but found no legal basis for imposing liability. On September 3, 1996, the United States Court of Appeals for the Second Circuit, based on the District Court's factual findings, held the State defendants liable under 42 USC §1983 and the Equal Educational Opportunity Act, 20 USC §§1701, *et seq*., for the unlawful dual school system, because the State, *inter alia*, had taken no action to force the school district to desegregate despite its actual or constructive knowledge 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 on the State's conduct in creating and maintaining that system, the State is liable for eliminating segregation and its vestiges in Yonkers and must fund a remedy to accomplish that goal. Yonkers presented a proposed educational improvement plan (EIP II) to eradicate these vestiges of segregation. The October 8, 1997 order of the District Court ordered that EIP II be implemented and directed that, within 10 days of the entry of the order, the State make available to Yonkers $450,000 to support planning activities to prepare the EIP II budget for 1998-99 and the accompanying capital facilities plan. A final judgment to implement EIP II was entered on October 14, 1997. On November 7, 1997, the State appealed that judgment to the Second Circuit. Additionally, the Court adopted a requirement 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 requirement for State funding of EIP I was reduced to an order on December 2, 1997 and reduced to a judgment on February 10, 1998. The State appealed that order to the Second Circuit on December 31, 1997 and amended the notice of appeal after entry of the judgment.

In a decision dated November 16, 1999, the Second Circuit affirmed the District Court's order requiring the State to pay one-half of the cost of EIP I for the 1996-97 school year. The Second Circuit also found no basis for the District Court's findings that vestiges of a dual system continued to exist in Yonkers, and therefore vacated the District Court's EIP II order. The Second Circuit, however, 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. 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.

On June 15, 1998, the District Court issued an opinion setting forth the formula for the allocation of the costs of EIP I and EIP II between the State and the City for the school years 1997-98 through 2005-06. That opinion was reduced to an order on July 27, 1998. The order 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. On August 24, 1998, the State appealed that order to the Second Circuit. The City of Yonkers and the Yonkers Board of Education cross-appealed to the Second Circuit from that order. By stipulation of the parties approved by the Second Circuit on November 19, 1998, the appeals from the July 27, 1998 order were withdrawn without prejudice to reinstatement upon determination of the State's appeal of the October 14, 1997 judgment discussed above. The appeals were reinstated after the November 16, 1999 Second Circuit decision was issued.

On April 15, 1999, the District Court issued two additional orders. The first order directed the State to pay to Yonkers an additional $11.3 million by May 1, 1999, as the State's remaining share of EIP costs for the 1997-98 school year. The second order directed the State to pay to Yonkers $69.1 million as its share of the estimated EIP costs for the 1998-99 school year. The State made both payments on April 30, 1999. The State appealed both of the April 15, 1999 orders.

On April 17, 2000, the District Court issued an additional order, directing the State to pay to Yonkers $44.3 million as its share of the estimated EIP costs for the 1999-2000 school year. On May 17, 2000, the State appealed that order to the Second Circuit. The appeals of all funding orders discussed in this and the two immediately preceding paragraphs have been consolidated with the May 17, 2000 appeal of the April 17, 2000 order. Argument of the appeals was scheduled for January 25, 2001.

School Aid

In *Campaign for Fiscal Equity, Inc., et al. v. State, et al.* (Supreme Court, New York County), plaintiffs challenge the funding for New York City public schools. Plaintiffs seek a declaratory judgment that the State's public school financing system violates article 11, section 1 of the State Constitution and Title VI of the federal Civil Rights Act of 1964 and injunctive relief that would require the State to satisfy State Constitutional standards.

This action was commenced in 1993. In 1995, the Court of Appeals affirmed the dismissal of claims under the equal protection clauses of the federal and State constitutions and Title VI of the federal Civil Rights Act of 1964, and reversed dismissal of the claims under article 11, section 1 of the State Constitution and the implementing regulations of Title VI.

The trial of this action concluded July 27, 2000. By decision dated January 9, 2001, the trial court held that the education provided for New York City students violates plaintiffs' rights under the State Constitution and the State's method for funding education in the State violates plaintiffs' rights under regulations enacted by the U.S. Department of Education pursuant to Title VI of the Civil Rights Act of 1964. The court ordered that defendants put in place reforms of school financing and governance designed to redress these constitutional and regulatory violations, setting a deadline of September 15, 2001 to implement these reforms. The State has announced that it intends to appeal.

State Programs

Medicaid

Several cases, including *Port Jefferson Health Care Facility, et al. v. Wing* (Supreme Court, Suffolk County), challenge the constitutionality of Public Health Law §2807-d, which imposes a tax on the gross receipts hospitals and residential health care facilities receive from all patient care services. Plaintiffs allege that the tax assessments were not uniformly applied, in violation of federal regulations. In a decision dated June 30, 1997, the Court held that the 1.2 percent and 3.8 percent assessments on gross receipts imposed pursuant to Public Health Law §§ 2807-d(2)(b)(ii) and 2807-d(2)(b)(iii), respectively, are unconstitutional. An order entered August 27, 1997 enforced the terms of the decision. The State appealed that order. By decision and order dated August 31, 1998, the Appellate Division, Second Department, affirmed that order. On September 30, 1998, the State moved for re-argument or, in the alternative, for a certified question for the Court of Appeals to review. By order dated January 7, 1999, the motion was denied. A final order was entered in Supreme Court on January 26, 1999. On February 23, 1999, the State appealed that order to the Court of Appeals. In a decision entered December 16, 1999, the Court of Appeal reversed the decision below and upheld the constitutionality of the assessments. On May 15, 2000, plaintiffs filed a petition for certiorari with the United States Supreme Court seeking to appeal the December 16, 1999 decision. The State chose not to file any responding papers.

Food Stamp Program

In an action commenced April 5, 1999 by New York and several other states against the Federal Government (*State of Arizona, et al. v. Shalala, et al.*, United States District Court, District of Columbia), plaintiffs challenge a federal directive which requires states to change their method of allocating costs associated with the Food Stamp program. On July 29, 1999, plaintiffs moved for summary judgment. On September 23, 1999, defendant cross-moved for summary judgment. In a decision dated October 23, 2000, the District Court denied the plaintiffs' motion and granted defendants' motion and dismissed the case.

Proprietary Schools

In an action unsealed in February, 1996, the relator claims, *inter alia*, that the State violated the Federal False Claims Act, 31 USC § 3729, *et seq. (United States ex rel. Long v. SCS Business and Technical Institute, Inc., et al.*, United States District Court, District of Columbia). On March 29, 1999, the District of Columbia Circuit Court reversed a decision by the District Court and granted the State's motion to dismiss the action. On May 30, 2000, the United States Supreme Court denied the petition of the United States for *certiorari*.

Table A-8
Projected General Fund Receipts and Disbursements
State Fiscal Year 2000-01
($ in millions)

	2000-01 October	Change	2000-01 January
OPENING FUND BALANCE	$917	$0	$917
Personal Income Tax	$24,334	($543)	$23,791
User Taxes and Fees:			
Sales and Use Tax	5,935	361	6,296
Cigarette and Tobacco Tax	497	25	522
Motor Fuel Tax	19	0	19
Motor Vehicle Fees	321	17	338
Alcoholic Beverage Taxes and Fees	207	3	210
Auto Rental Tax	42	(5)	37
Subtotal	$7,021	$401	$7,422
Business Taxes:			
Corporation Franchise Tax	2,150	262	2,412
Corporation and Utilities Taxes	816	29	845
Insurance Taxes	632	(65)	567
Bank Tax	540	11	551
Petroleum Business Tax	90	(2)	88
Subtotal	$4,228	$235	$4,463
Other Taxes:			
Estate and Gift Taxes	728	17	745
Real Property Gains Tax	4	0	4
Pari-mutuel Tax	33	(2)	31
Other Taxes	1	0	1
Subtotal	$766	$15	$781
Miscellaneous Receipts/Federal Grants	$1,339	$161	$1,500
Transfers from Other Funds:			
Sales Tax in Excess of LGAC Debt Service	1,645	114	1,759
All Other Transfers	384	22	406
Subtotal	$2,029	$136	$2,165
TOTAL RECEIPTS	$39,717	$405	$40,122
Grants to Local Governments	$26,863	($3)	$26,860
State Operations	7,624	(4)	7,620
General State Charges	2,269	313	2,582
Debt Service	5	(4)	1
Transfers to Other Funds:			
In Support of Debt Service	2,260	(42)	2,218
In Support of Capital Projects	234	1	235
All Other Transfers	294	85	379
Subtotal	$2,788	$44	$2,832
TOTAL DISBURSEMENTS	$39,549	$346	$39,895
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	168	59	227
CLOSING FUND BALANCE	$1,085	$59	$1,144

Source: State Division of the Budget

Table A-9
2000-01 and 2001-02 Financial Plan
Comparison of Receipts and Disbursements
(millions of dollars)

	2000-01 Revised	2001-02 Executive	Change
OPENING FUND BALANCE	$917	$1,144	$227
Personal Income Tax	$23,791	$26,481	$2,690
User Taxes and Fees:			
Sales and Use Tax	6,296	6,537	241
Cigarette and Tobacco Tax	522	463	(59)
Motor Fuel Tax	19	0	(19)
Motor Vehicle Fees	338	195	(143)
Alcoholic Beverage Taxes and Fees	210	209	(1)
Auto Rental Tax	37	38	1
Subtotal	$7,422	$7,442	$20
Business Taxes:			
Corporation Franchise Tax	2,412	2,251	(161)
Corporation and Utilities Taxes	845	875	30
Insurance Taxes	567	540	(27)
Bank Tax	551	505	(46)
Petroleum Business Tax	88	0	(88)
Subtotal	$4,463	$4,171	($292)
Other Taxes:			
Estate and Gift Taxes	745	736	(9)
Real Property Gains Tax	4	3	(1)
Pari-mutuel Tax	31	31	0
Other Tax	1	1	0
Subtotal	$781	$771	($10)
Miscellaneous Receipts	$1,500	$1,429	($71)
Transfers from Other Funds:			
Sales Tax in Excess of LGAC Debt Service	1,759	1,867	108
All Other Transfers	406	296	(110)
Subtotal	$2,165	$2,163	($2)
TOTAL RECEIPTS	$40,122	$42,457	$2,335
Grants to Local Governments	$26,860	$27,774	$914
State Operations	7,620	7,894	274
General State Charges	2,582	2,589	7
Debt Service	1	0	(1)
Transfers to Other Funds:			
In Support of Debt Service	2,218	2,288	70
In Support of Capital Projects	235	340	105
All Other Transfers	379	458	79
Subtotal	$2,832	$3,086	$254
TOTAL DISBURSEMENTS	$39,895	$41,343	$1,448
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	227	1,114	887
CLOSING FUND BALANCE	$1,144	$2,258	$1,114

Source: State Division of the Budget

Table A-10
Governmental Funds Combined Statement of Cash Receipts Disbursements and Changes in Fund Balances for the Fiscal Year Ended March 31, 2000 on a Financial Plan Basis
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance (1)	$942	$672	$19	$170	$1,803
Receipts:					
Taxes	$33,611	$2,607	$1,123	$2,388	$39,729
Miscellaneous receipts (2)	1,643	6,081	1,775	611	10,110
Federal grants	4	22,185	1,381	0	23,570
Total receipts	$35,258	$30,873	$4,279	$2,999	$73,409
Disbursements:					
Grants to local governments (2)	$25,590	$24,372	$477	$0	$50,439
State operations	6,600	6,236	0	14	12,850
General State charges	2,087	554	0	0	2,641
Debt service	6	0	0	3,571	3,577
Capital projects	0	12	3,747	0	3,759
Total disbursements	$34,283	$31,174	$4,224	$3,585	$73,266
Other financing sources (uses):					
Transfers from other funds (2)	$2,137	$2,352	$241	$4,605	$9,335
Transfers to other funds (2)	(2,887)	(1,961)	(541)	(3,991)	(9,380)
Bond and note proceeds	0	0	208	0	208
Net other financing sources (uses)	($750)	$391	($92)	$614	$163
Change in fund balance	$225	$90	($37)	$28	$306
Closing fund balance	$1,167	$762	($18)	$198	$2,109

Source: Office of the State Comptroller
(1) Reflects reclassification of DRRF from the Debt Service Funds Group to the General Fund.
(2) Reflects reclassification in the General Fund and Special Revenue Funds by the State Comptroller subsequent to May 31, 2000 Annual Information Statement.

Table A-11
2000-01 Financial Plan
All Government Funds
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance(1)	$917	$762	($18)	$448	$2,109
Receipts					
Taxes	$36,457	$4,504	$1,219	$2,708	$44,888
Miscellaneous receipts	1,500	6,750	1,760	850	10,860
Federal grants	0	23,368	1,401	0	24,769
Total receipts	$37,957	$34,622	$4,380	$3,558	$80,517
Disbursements					
Grants to local governments	$26,860	$27,006	$817	$0	$54,683
State operations	7,620	6,545	0	6	14,171
General State charges	2,582	342	0	0	2,924
Debt service	1	0	0	4,125	4,126
Capital projects	0	4	3,522	0	3,526
Total disbursements	$37,063	$33,897	$4,339	$4,131	$79,430
Other financing sources (uses)					
Transfers from other funds	$2,165	$2,402	$340	$4,795	$9,702
Transfers to other funds	(2,832)	(2,082)	(637)	(4,242)	(9,793)
Bond and note proceeds	0	0	236	0	236
Net other financing sources (uses)	($667)	$320	($61)	$553	$145
Change in fund balance	$227	$1,045	($20)	($20)	$1,232
Closing fund balance	$1,144	$1,807	($38)	$428	$3,341

Source: State Division of the Budget

(1) The 2000-01 opening balance in the General Fund is $250 million lower than the 1999-00 closing fund balance due to the reclassification of the Debt Reduction Reserve from the Capital Projects Fund to the Debt Service Fund in 2000-01.

Table A-12
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	$1,144	$1,807	($38)	$428	$3,341
Receipts					
Taxes	$38,865	$2,905	$1,547	$2,479	$45,796
Miscellaneous receipts	1,429	6,912	1,838	614	10,793
Federal grants	0	24,835	1,451	0	26,286
Total receipts	$40,294	$34,652	$4,836	$3,093	$82,875
Disbursements					
Grants to local governments	$27,774	$29,297	$991	$0	$58,062
State operations	7,894	6,704	0	7	14,605
General State charges	2,589	463	0	0	3,052
Debt service	0	0	0	3,924	3,924
Capital projects	0	5	3,974	0	3,979
Total disbursements	$38,257	$36,469	$4,965	$3,931	$83,622
Other financing sources (uses)					
Transfers from other funds	$2,163	$2,507	$648	$5,013	$10,331
Transfers to other funds	(3,086)	(2,071)	(791)	(4,469)	(10,417)
Bond and note proceeds	0	0	237	0	237
Net other financing sources (uses)	($923)	$436	$94	$544	$151
Change in fund balance	$1,114	($1,381)	($35)	($294)	($596)
Closing fund balance	$2,258	$426	($73)	$134	$2,745

Source: Division of the Budget

Table A-13
GAAP Financial Plan
All Governmental Funds
2000-01
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues					
Taxes	$34,620	$4,502	$1,219	$2,742	$43,083
Federal grants	0	25,347	1,383	0	26,730
Lottery	0	3,884	0	0	3,884
Patient fees	0	0	0	350	350
Miscellaneous revenues	3,042	826	25	301	4,194
Total revenues	$37,662	$34,559	$2,627	$3,393	$78,241
Expenditures					
Grants to local governments	$27,986	$27,208	$757	$0	$55,951
State operations	9,667	3,739	0	6	13,412
General State charges	2,018	199	0	0	2,217
Debt service	19	0	0	3,621	3,640
Capital projects	1	2	3,399	0	3,402
Total expenditures	$39,691	$31,148	$4,156	$3,627	$78,622
Other financing sources (uses)					
Transfers from other funds	$4,555	$962	$315	$4,916	$10,748
Transfers to other funds	(4,804)	(3,332)	(684)	(4,622)	(13,442)
Proceeds of general obligation bonds	0	0	281	0	281
Proceeds from financing arrangements/ advance refundings	284	0	1,576	0	1,860
Net other financing sources (uses)	$35	($2,370)	$1,488	$294	($553)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	($1,994)	$1,041	($41)	$60	($934)

Source: Division of the Budget

Table A-14
GAAP Financial Plan
All Governmental Funds
2001-02
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues					
Taxes	$37,849	$2,907	$1,551	$2,487	$44,794
Federal grants	0	26,876	1,433	0	28,309
Lottery	0	4,388	0	0	4,388
Patient fees	0	0	0	325	325
Miscellaneous revenues	3,023	731	119	46	3,919
Total revenues	$40,872	$34,902	$3,103	$2,858	$81,735
Expenditures					
Grants to local governments	$28,831	$29,243	$930	$0	$59,004
State operations	9,761	4,280	0	7	14,048
General State charges	2,062	206	0	0	2,268
Debt service	23	0	0	3,432	3,455
Capital projects	2	2	3,912	0	3,916
Total expenditures	$40,679	$33,731	$4,842	$3,439	$82,691
Other financing sources (uses)					
Transfers from other funds	$4,998	$1,027	$593	$5,211	$11,829
Transfers to other funds	(5,491)	(3,587)	(838)	(4,865)	(14,781)
Proceeds of general obligation bonds	0	0	237	0	237
Proceeds from financing arrangements/ advance refundings	303	0	1,780	0	2,083
Net other financing sources (uses)	($190)	($2,560)	$1,772	$346	($632)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	$3	($1,389)	$33	($235)	($1,588)

Source: Division of the Budget