

# **New York State 2000-2001**

## **Enacted Budget Report**



**George E. Pataki**  
Governor

**Carole E. Stone**  
Acting Budget Director

*New York State Division of the Budget*  
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## **INTRODUCTION**

This Enacted Budget Report is submitted pursuant to section 23 of the State Finance Law, which requires the Governor to submit revised Financial Plans that reflect action by the Legislature on the Executive Budget for the current fiscal year. The Report includes new forecasts for the national and State economies, as well as detailed estimates for the major categories of receipts and disbursements.

Readers will find information on projected receipts and disbursements for the General Fund, State Funds and All Funds portions of the Budget. The General Fund is supported primarily by State taxes. State Funds include the General Fund, as well as that portion of the Budget outside the General Fund supported exclusively by dedicated fees, fines and other revenues. All Funds consists of spending financed by Federal Funds as well as State Funds, and is the broadest measure of State spending. All of the tables in this report are in millions of dollars, unless otherwise noted.

## OVERVIEW

The 2000-2001 Enacted Budget includes \$1.4 billion in legislative adds, of which about \$500 million is for one-time costs identified by the Legislature. These legislative increases are financed primarily by additional revenues and spending reestimates as discussed in more detail below, as well as the use of a portion of planned reserves for new initiatives associated with this Budget.

General Fund spending resulting from the 2000-2001 Enacted Budget grows by 4.7 percent annually, which reflects targeted investments in school aid, transportation infrastructure, higher education and public health. The Budget also achieves the Governor's key priorities of increasing the State's reserves to over \$3 billion to ensure that the STAR tax cut goes forward on schedule and that State debt is reduced.

Some highlights of the 2000-2001 Enacted Budget:

- < The State's reserves will reach \$3.3 billion, including \$1.2 billion for STAR, \$675 million in collective bargaining and reserves for other commitments with this Budget, \$547 million for "rainy day" reserves, \$750 million for debt reduction and \$150 million for litigation risks;
- < The Debt Reform Act of the Year 2000 will, for the first time in State history, impose caps on new debt outstanding and new debt service costs, limit the use of debt to capital purposes only, and restrict the maximum term of State debt issuances to no more than 30 years. These important initiatives will continue to ensure that State debt is prudently managed and remains affordable. The Governor will continue to seek passage of a Constitutional amendment to build on these statutory reforms;
- < The Debt Reduction Reserve Fund (DRRF) increases from \$250 million to \$750 million, with \$500 million used to reduce debt in 2000-2001 and the remaining balance used to reduce debt in 2001-2002;
- < A new tax cut package will provide \$1.4 billion in tax relief when fully phased in by 2004-2005, with \$600 million of taxpayer savings over the next three years. Included in this package is the elimination/reduction of the gross receipts taxes on energy (\$330 million), the expansion of the "Power for Jobs" program (\$125 million), a college tuition deduction/credit of up to \$10,000 (\$200 million), and reduction of the marriage penalty for taxpayers who file jointly (\$200 million);
- < School aid grows by a record \$1.2 billion (or 8.7 percent) on a school year basis. This fourth consecutive record increase brings total school aid funding to \$13.6 billion. School aid will have increased by \$3.3 billion (or 32 percent) over the last four years;
- < An expansion of the Elderly Pharmaceutical Insurance Coverage (EPIC) program for senior citizens, which increases income eligibility and lowers fees; and
- < An enhancement to the State's Tuition Assistance Program (TAP), which will increase the maximum award level and raise the income eligibility ceiling.

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The following table summarizes spending for the General Fund, State Funds, and All Funds under the 2000-2001 Enacted Budget.

<u>Fund</u>	<u>Size of the Budget</u>	<u>2000-2001 Spending</u> (dollars in millions)		<u>% Change from 1999-00 (w/o STAR tax cut)</u>
		<u>\$ Change from 1999-00</u>	<u>% Change from 1999-00</u>	
General Fund	38,924	1,754	4.7%	4.7%
State Funds	53,288	3,438	6.9%	5.3%
All Funds	77,529	4,170	5.7%	4.6%

### THE 2000-2001 GENERAL FUND FINANCIAL PLAN

The State's Financial Plan forecasts receipts and disbursements for the fiscal year. The economic forecast of the Division of the Budget (DOB) and the State's tax and fee structure serve as the basis for projecting receipts. After consulting with public and private sector experts, DOB prepares a detailed economic forecast for both the nation and New York, showing Gross Domestic Product (GDP), employment levels, inflation, wages, consumer spending, and other relevant economic indicators. It then projects the yield of the State's revenue structure against the backdrop of these forecasts.

Projected disbursements are based on agency staffing levels, program caseloads, service needs, formulas contained in State law, inflation and other factors. The factors that affect spending estimates vary by program. For example, welfare spending is based primarily on anticipated caseloads, which in turn are estimated by analyzing historical trends, projected economic conditions and scheduled program changes. In criminal justice, spending estimates are based on recent trends and data from the criminal justice system, as well as on estimates of the State's prison population. Timing-related factors are also accounted for; not all of the amounts appropriated in the Budget are disbursed in the same fiscal year.

## Economic Outlook

### National Economy

Major Economic Indicators			
	1999	2000	2001
Gross Domestic Product (real)	4.1	4.2	3.0
Personal Income	5.9	5.9	5.6
Corporate Profits	8.8	5.6	2.2
Consumer Price Index	2.2	2.7	2.5

Note: Numbers above are percent change/calendar year

The national economy grew by 4.1 percent in 1999, as measured by the change in real gross domestic product (GDP); the unemployment rate averaged 4.2 percent; and the GDP price deflator rose 1.4 percent. Strong productivity growth in 1999 of 3 percent for the non-farm business sector contributed to non-inflationary economic growth by holding down increases in costs despite a tight labor market. It is expected that the U.S. economy will expand at roughly the same pace during 2000, but growth in real economic activity will moderate in 2001. Higher-than-expected economic growth in the final quarter of 1999 has increased economic momentum going into 2000, producing a higher base and, holding other factors constant, higher annual average growth in 2000. In addition, overall economic conditions remain fundamentally strong with continued strength in consumer spending and business investment.

However, with strong domestic demand, the strengthening of foreign economies, and increases in the price of oil and other raw material prices, inflationary pressures have emerged. As a result, the Federal Reserve has recently raised interest rates in the hopes of eliminating nascent inflation. It is expected the Federal Reserve will continue to tighten monetary policy through the spring and early summer of 2000. This policy is likely to result in a moderation of consumer spending and a slow down in interest rate sensitive sectors of the economy, such as housing, leading to more moderate economic growth in late 2000 and 2001.

The Division of the Budget projects that real Gross Domestic Product will grow at an annual rate of 4.2 percent for 2000, but slow to 3.0 percent in 2001. Inflation, as measured by the Consumer Price Index (CPI), is expected to rise by 2.7 percent in 2000. In 2001, the inflation rate is estimated to stabilize at 2.5 percent as Federal Reserve action inhibits a dramatic acceleration in consumer prices. Annual employment growth of about 2.0 percent in 2000 is projected followed by an estimated 1.6 percent increase in 2001. Personal income, which is expected to grow at the rate of 5.9 percent in 2000, will slow to 5.6 percent in 2001.

There are uncertainties inherent in any economic forecast. A continuation of strong productivity increases could lead to a repeat of the extremely favorable pattern of high-growth and low-inflation experienced in 1999. Given these favorable conditions, combined with unabated growth in consumer demand, the economic result may be stronger-than-expected growth for the remainder of 2000 and, perhaps, much of 2001.

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However, there are factors which could lead to lower overall growth than currently anticipated. Uncertainty in financial markets and the potential spillover to the consumer sector, as well as greater-than-expected inflationary pressures, could significantly impair growth prospects in the near term. Stronger-than-expected and persistent inflation could lead the Federal Reserve to increase interest rates more aggressively and for a prolonged period, which could result in much weaker-than-expected growth by the end of 2000. A possible sharp and sustained stock market downturn could significantly slow economic growth by inhibiting that portion of consumption induced by rapid equity appreciation.

### State Economy

Major Economic Indicators			
	1999	2000	2001
Personal Income	4.9	6.1	5.0
Nonagricultural	2.6	2.1	1.5
Unemployment Rate	5.1	4.9	4.9

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

New York's strong employment performance of the past several years will continue throughout 2000. Most major sectors recorded significant employment gains for the first quarter of 2000, with the service sector accounting for most of the increase. Much of the service sector increase occurred in business services. According to the most recent Labor Department data, New York's total employment has risen 685,000, with private employment up by 670,000 since December of 1994. The unemployment rate was 4.7 percent in February, down from a peak of 8.9 percent in July 1992.

Overall, employment for 2000 is expected to grow by an additional 179,000 jobs or 2.1 percent over 1999. Employment growth continues throughout 2001, with another 132,000 jobs added on an annual average basis.

Personal income is expected to rise 6.1 percent in 2000 and 5.0 percent in 2001. Over the same period, wage growth will approximate 7.5 percent and 5.8 percent, respectively. Wage rate growth is expected to be slower in 2001 than in 2000 due to an expected moderation in financial sector bonus payments.

The forecast for New York is subject to the same uncertainties as the national forecast as well as some specific to New York. In particular, given the importance of the securities industry in the New York State economy, a significant change in stock market performance during the forecast horizon could result in financial sector profits and bonuses that are significantly different from those embodied in the forecast. Any actions by the Federal Reserve Board to moderate inflation by increasing interest rates more than anticipated may have a severe impact in New York given the sensitivity of financial markets to interest rate shifts and the prominence of these markets in the New York economy. In addition, there is a possibility of greater-than-anticipated merging, downsizing, and relocation of firms caused by deregulation and global competition which may have more significant adverse effects on employment growth than expected.

**General Fund Receipts**

1999-00	2000-01	Change \$
37,395	39,717	2,322

Total General Fund receipts in support of the 2000-2001 Financial Plan are projected to be \$39.72 billion, an increase of about \$2.32 billion from the \$37.39 billion recorded in 1999-2000. This total includes \$36.35 billion in tax receipts, \$1.34 billion in miscellaneous receipts, and \$2.03 billion in transfers from other funds.

The General Fund receipts forecast used in the Enacted Budget represents an increase of \$1.10 billion from the amount presented in the Executive Budget after the 30-day amendments. Of that amount:

- < \$277 million represents additional resources identified since the time of the Executive Budget;
- < An additional \$20 million in tax reduction actions included with the 2000-2001 Enacted Budget;
- < The loss of \$11 million from the denial or delay of several Executive Budget proposals;
- < \$100 million in additional 2000-2001 resources resulting from the timing of spending transactions originally expected in fiscal year 1999-2000; and
- < \$753 million from the transfer of the surplus from 1999-2000 to the 2000-2001 fiscal year.

**Personal Income Tax**

1999-00	2000-01	Change \$
20,339	24,334	3,995

Net General Fund personal income tax collections are projected to reach \$24.33 billion, well over half of all General Fund receipts and \$4 billion above the reported 1999-2000 collection total. Much of this growth is associated with the \$3.4 billion net impact of the transfer of the surplus from 1999-2000 to the current year as partially offset by the diversion of an additional \$1.99 billion in income tax receipts to the STAR fund. Adjusted for these transactions, the growth in net income tax receipts is roughly \$1.3 billion, an increase of nearly 6 percent.

This growth is largely a function of two factors: (i) the 10 percent growth in income tax liability projected for 2000; and (ii) the impact of the 1999 tax year settlement recorded early in this fiscal year.

The most significant statutory changes made this year provide for: an increase, phased in over two years, in the earned income tax credit from 25 percent to 30 percent of the Federal credit; a

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phased-in reduction of the marriage penalty; a phased-in college tuition deduction/credit; and enhancement of the child and dependent care credit.

### User Taxes and Fees

1999-00	2000-01	Change \$
7,604	7,021	(583)

Receipts from user taxes and fees are projected to total \$7.02 billion, a decrease of \$583 million from reported collections in 1999-2000. Included in this category are: receipts from the State sales tax, cigarette, tobacco products, and alcoholic beverage taxes and fees; motor fuel taxes and motor vehicle license and registration fees; and a 5 percent levy on automobile rentals.

The sales tax and cigarette tax components of this category account for virtually all of the 2000-2001 decline. Growth in base sales tax yield, after adjusting for tax law changes and other factors, is projected at 4.5 percent. The projected decrease in sales tax cash receipts of 3.3 percent reflects, in large part, the impact of the permanent exemption for clothing and footwear items costing under \$110. Cigarette tax and tobacco products tax receipts are projected to decline by \$146 million due to reduced consumption associated with the increase in the cigarette tax of 55 cents per pack imposed on March 1, 2000. The decline in the motor fuel taxes and motor vehicle fees in the General Fund largely reflect the increased dedication of these revenue sources to the Dedicated Highway and Bridge Trust Fund and the Dedicated Mass Transportation Trust Fund. Alcoholic beverage taxes are expected to decline modestly, consistent with historical trends. Alcoholic beverage license fees are projected to increase significantly as 2000-2001 is the final year in the transition to the new license renewal schedule. A modest increase in auto rental tax receipts over 1999-2000 levels is projected.

In addition, significant statutory changes impacting 2000-2001 receipts were made in this Budget including expanded exemptions for (1) equipment purchased by telecommunications and cable providers, (2) equipment used by television and radio broadcasters, (3) property and services used in farming, (4) the transmission and distribution of energy, (5) certain equipment purchased by web hosting facilities, and (6) purchases made through vending machines.

### Business Taxes

1999-00	2000-01	Change \$
4,560	4,228	(332)

Total business tax collections in 2000-2001 are now projected to be \$4.23 billion, \$332 million below results for the prior fiscal year. The category includes receipts from: (1) franchise tax levies imposed on general business corporations, banks, and insurance companies; (2) gross receipts taxes on energy and telecommunication service providers; and (3) a tax imposed at various rates on petroleum businesses.

The year-over-year decline in projected receipts in this category is largely attributable to statutory changes. These include the first year of a scheduled bank and insurance franchise tax rate reduction, a reduction in the cap on tax liability for non-life insurers, and the expansion of the economic development zone and zone equivalent areas tax credits (renamed Empire Zones, effective July 1,



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2000). Ongoing tax reductions include the second year of the corporation franchise rate reduction, the gross receipts tax rate cut from 3.25 percent to 2.5 percent, the continuation of the Power for Jobs program, and the use of tax credits for investments in certified capital companies.

Legislation enacted this year affecting receipts in this category include: a phased reduction in the gross receipts tax, an expansion of the "Power for Jobs" program, expansion of the tax credit for investments in certified capital companies, establishment of the Empire Zones program, reforms to allocation rules for financial service companies, tax rate reductions for small businesses and S-corporations, a new tax credit for investments in "Green Buildings," and a new tax credit for investment in low- and moderate-income housing.

### Other Taxes

1999-00	2000-01	Change \$
1,107	766	(341)

Other tax receipts are now projected to total \$766 million, \$341 million below last year's amount. Sources in this category include: the estate and gift tax, the real property gains tax and pari-mutuel taxes.

The primary factors accounting for this decline are the incremental effects of tax reductions in the pari-mutuel tax, real property gains, estate and gift taxes, which were enacted in previous years.

Significant legislation enacted previously that affect these sources include the repeal of both the real property gains tax and the gift tax, and the significant reduction in estate tax rates.

### Miscellaneous Receipts

1999-00	2000-01	Change \$
1,648	1,339	(309)

Total miscellaneous receipts are expected to reach \$1.34 billion, down \$309 million from the prior year amount. This reflects the loss of non-recurring receipts received in 1999-2000 and the effect of the phase-out of the medical provider assessments, eliminated in January 2000.

### Transfers From Other Funds

1999-00	2000-01	Change \$
2,137	2,029	(108)

Transfers from other funds are expected to total \$2.02 billion, or \$108 million less than total receipts from this category during 1999-2000. Total transfers of sales taxes in excess of LGAC debt service requirements are expected to decrease by \$74 million, while transfers from all other funds are expected to decrease by \$34 million.

**General Fund Disbursements**

1999-00	2000-01	Change \$
37,170	38,924	1,754

General Fund disbursements, including transfers to support capital projects, debt service and other funds, are currently estimated at \$38.92 billion in 2000-2001, an increase of \$1.75 billion or 4.7 percent over 1999-2000.

Following the pattern of the last three fiscal years, education programs receive the largest share of new funding under the 2000-2001 Enacted Budget. School aid will grow by \$850 million or 8.0 percent over 1999-2000 (on a State fiscal year basis). Spending on other local education and higher education programs will also increase significantly from the prior year, growing by \$376 million or 13.3 percent. Outside of education, the largest growth in spending is for State Operations (\$507 million) and General State Charges (\$104 million), as described in more detail below.

Projected spending under the 2000-2001 Enacted Budget is \$992 million above the Governor's Executive Budget recommendation. The increase in General Fund spending is comprised of legislative additions to the Executive Budget (primarily in education), offset by various spending reestimates of approximately \$275 million from the projections contained in the Governor's Executive Budget after 30-day amendments. These reestimates are comprised of lower projected spending for Medicaid (\$100 million), Welfare (\$49 million), General State Charges (\$50 million), Debt Service (\$15 million) and various other programs (\$61 million). The Legislature also identified about \$500 million of adds to the Budget as one-time moneys for various purposes, which are included as an attachment at the end of this Report.

The Budget also reflects resources from the Health Care Reform Act of 2000 (HCRA 2000) that will help finance several health and mental hygiene programs, including prescription drug assistance for the elderly, supplemental Medicare insurance, and other public health services. The Budget also dedicates \$92 million in proceeds from the tobacco settlement to support Medicaid costs. The resources and spending for these purposes appear in the Special Revenue Funds section of the Financial Plan described later in this Report.

**Grants to Local Governments**

1999-00	2000-01	Change \$
25,636	26,833	1,197

Grants to Local Governments is the largest category of General Fund disbursements and includes financial aid to local governments and not-for-profit organizations, as well as entitlement payments for individuals. The largest areas of spending in this category are for aid to public schools (43 percent) and for the State's share of Medicaid payments to medical providers (21 percent). Grants to Local Governments are projected at \$26.83 billion in 2000-2001, an increase of \$1.20 billion or 4.7 percent over 1999-2000.

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General Fund spending on school aid is projected at \$11.47 billion in 2000-2001 (on a State fiscal year basis), an increase of \$850 million from the prior year. School aid will grow by \$1.2 billion (8.7 percent) on a school year basis, and funds operating aid, building aid, transportation, and other aid programs. For all other education and higher education programs, disbursements are projected to grow by \$376 million to \$3.23 billion. This growth includes funding to support an increase in the maximum award level for TAP to \$5,000, as well as the expansion of the income ceiling for TAP eligibility to \$80,000.

Spending for Medicaid in 2000-2001 is projected to total \$5.59 billion. This reflects underlying spending growth in this program of 4 percent, and efforts to maximize Federal moneys. In addition, resources from HCRA 2000 and the tobacco settlement revenues are utilized to support overall health care spending.

Welfare spending is projected at \$1.20 billion, a decrease of \$77 million from the prior year. This decrease results from a projected caseload decline of approximately 65,000 recipients (or 7.4 percent) to an average annual total of approximately 814,000 recipients in 2000-2001. By April 1, 2001, welfare caseload will have declined by more than 830,000 recipients when compared to their January 1995 levels. Welfare spending also reflects increased availability of Federal Temporary Assistance for Needy Families (TANF) Block Grant funds.

Disbursements for all other health and social welfare programs are projected to total \$1.93 billion. This includes an expansion of the EPIC prescription drug program that increases both income eligibility to \$35,000 for single seniors and \$50,000 for married couples, and lowers certain fees.

Unrestricted aid programs to local governments are projected at \$923 million, an increase of \$98 million from the prior year. This additional funding includes a 5 percent across-the-board revenue sharing increase for all cities, towns, and villages outside of New York City, and \$87 million in additional aid to counties and selected cities, towns, villages, and school districts.

The remaining local assistance disbursements primarily support community-based mental hygiene programs, local transportation programs, economic development, and a variety of public protection programs for local governments.

### State Operations

1999-00	2000-01	Change \$
6,600	7,107	507

State Operations pays for the costs of operating the Executive, Legislative, and Judicial branches of government. Spending in this category is projected at \$7.11 billion, an increase of \$507 million or 7.7 percent over the prior year. The growth in State Operations is attributable in part to a reduction in one-time receipts from the State University that had offset General Fund spending in 1999-2000 (\$38 million), and a decrease in Federal grant awards from the Department of Correctional Services (\$56 million), a portion of which is timing-related.

Other sources of growth in State Operations include the costs of salary related increases and inflation (\$100 million), the labor contract between the United University Professionals (UUP) and

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the State University (\$30 million), the development of computerized systems in various State agencies (\$80 million), increases in the Judiciary budget (\$52 million), and higher costs in the Department of Correctional Services in 2000-2001, including the full cost of staffing two new State prisons (\$32 million). The 2000-2001 spending estimate does not include the collective bargaining reserves carried separately in the Financial Plan.

The State's overall workforce is projected to be approximately 195,000 employees at the end of 2000-2001, up about 2,700 from the end of 1999-2000.

### General State Charges

1999-00	2000-01	Change \$
2,087	2,191	104

General State charges (GSCs) account for the costs of providing fringe benefits to State employees and retirees of the Executive, Legislature, and Judiciary. These payments, many of which are mandated by statute and 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.

Disbursements for GSCs are estimated at \$2.19 billion, an increase of \$104 million from the prior year. The change mainly reflects higher health insurance rates in calendar year 2000, primarily to cover the increasing cost of providing prescription drug benefits for State employees. The 2000-2001 spending estimate continues to assume the \$250 million in offset funds related to the dissolution of the Medical Malpractice Insurance Association (MMIA).

### Debt Service

1999-00	2000-2001	Change \$
6	5	(1)

This category accounts for debt service on short-term obligations of the State, i.e., the interest costs of the State's commercial paper program. The commercial paper program is expected to have only an average of \$45 million outstanding during 2000-2001, as this program is being replaced with additional variable rate general obligation bonds. The majority of the State's debt service is for long-term bonds, and is shown below in the Financial Plan as a transfer to the General Debt Service Fund.

**Transfers to Other Funds**

<b>Transfers in Support of:</b>	<b>1999-00</b>	<b>2000-01</b>	<b>Change \$</b>
<b>Debt Service</b>	<b>2,242</b>	<b>2,260</b>	<b>18</b>
<b>Capital Projects</b>	<b>161</b>	<b>234</b>	<b>73</b>
<b>Debt Reduction Reserve</b>	<b>50</b>	<b>--</b>	<b>(50)</b>
<b>All Other</b>	<b>388</b>	<b>294</b>	<b>(94)</b>

*Footnote: The Enacted Budget reclassified the Debt Reduction Reserve Fund (DRRF) as a Capital Projects Fund and increased deposits to DRRF to \$750 million.*

Transfers in support of debt service are General Fund resources used to pay principal, interest, and related expenses on long-term bonds that are not funded from other resources. Long-term debt service transfers are projected at \$2.26 billion in 2000-2001, an increase of only \$18 million from 1999-2000. This modest increase reflects debt service costs from new capital spending, primarily for economic development, the environment and education.

Transfers for capital projects provide General Fund support for projects that are not financed by bond proceeds, dedicated taxes, other revenues, or Federal grants. Transfers for capital projects of \$234 million in 2000-2001 are projected to increase \$73 million from the prior year, reflecting continued cash support of the bonded programs converted to cash in the prior year and the return to more traditional levels for capital reimbursements.

All other transfers, which reflect the remaining transfers from the General Fund to other funds, are estimated to total \$294 million in 2000-2001. This reflects use of HCRA 2000 funding for the State's subsidy to the Roswell Park Cancer Institute.

**General Fund Closing Balance**

The 2000-2001 Financial Plan projects a closing balance of \$1.71 billion in the General Fund. This closing balance is comprised of \$675 million in reserves for collective bargaining and other commitments included in this Budget, \$547 million in the Tax Stabilization Reserve Fund (the "rainy day" fund), \$150 million in the Contingency Reserve Fund (which guards against litigation risks), and \$338 million in the Community Projects Fund, which finances legislative initiatives. In addition to the \$1.71 billion reserved in the General Fund, \$1.2 billion is maintained in the STAR Special Revenue Fund and \$250 million in the Debt Reduction Reserve Fund as a Capital Projects Fund.

The General Fund ended the 1999-2000 fiscal year with a surplus of \$1.5 billion. The Governor used this surplus to make \$1 billion in additional deposits to reserve funds, and the remaining \$500 million will fund nonrecurring legislative adds in the Budget.

**OUTYEAR GENERAL FUND FINANCIAL PLAN PROJECTIONS**

DOB will formally update its projections of receipts and disbursements for future years as part of the Governor's 2001-2002 Executive Budget submission. Preliminary analysis indicates that the State will have a 2001-2002 budget gap that is higher than the Executive Budget projections but

consistent with gaps associated with recent enacted budgets. The Governor will submit a balanced Financial Plan for 2001-2002 with the upcoming Executive Budget in January, 2001.

## **GOVERNMENTAL FUNDS FINANCIAL PLANS**

### **All Governmental Funds**

All Governmental Funds spending is estimated at \$77.53 billion in 2000-2001, an increase of \$4.17 billion or 5.7 percent above the prior year. When spending for the STAR tax relief program is excluded, spending growth is 4.6 percent. The spending growth is comprised of changes in the General Fund (\$1.81 billion excluding transfers), Special Revenue Funds (\$2.03 billion), Capital Projects Funds (\$124 million) and Debt Service Funds (\$206 million).

### **State Funds**

State Funds disbursements are projected at \$53.29 billion, up \$3.44 billion or 6.9 percent from 1999-2000. The year-to-year growth in State Funds is primarily comprised of an increase of \$1.81 billion in the General Fund described earlier, and nearly \$800 million for the continuing phase-in of the School Tax Relief (STAR) program. Other major increases include \$215 million in long-term debt service costs and growth in the State share of certain health programs, including Child Health Plus (\$130 million).

### **Special Revenue Funds**

Total disbursements for programs supported by Special Revenue Funds are projected at \$33.25 billion, an increase of \$2.03 billion or 6.5 percent over 1999-2000. Special Revenue Funds include Federal grants and State special revenue funds.

Federal grants comprise 69 percent of all Special Revenue spending in 2000-2001, comparable to prior years. Disbursements from Federal funds are estimated at \$22.87 billion, up by \$798 million or 3.6 percent. Medicaid is the largest program within Federal funds, accounting for over half of total spending in this category. In 2000-2001, Federal support for Medicaid spending is projected at \$14.93 billion, an increase of \$396 million over 1999-2000. The remaining growth in Federal funds is primarily for the Child Health Plus program, which is estimated to increase by \$86 million in 2000-2001, as well as increased spending in various social services programs.

State special revenue spending is projected to be \$10.38 billion, an increase of \$1.23 billion or 13.5 percent from last year. The spending reflects the next phase of the STAR program valued at \$2.0 billion (up \$785 million from 1999-2000), and \$617 million in additional spending resulting from HCRA 2000. This growth is offset by decreased spending of \$176 million due to the elimination of medical provider assessments on January 1, 2000.

### **Capital Projects Funds**

Spending from Capital Projects Funds in 2000-2001 is projected at \$4.35 billion, an increase of \$124 million or 2.9 percent from last year. The increase is attributable to \$184 million for new

capital projects, primarily for transportation, economic development, the environment and education and planned increases for RESCUE school construction and the Jobs 2K economic development programs.

## **Debt Service Funds**

Spending from Debt Service Funds are estimated at \$3.79 billion in 2000-2001, an increase of \$206 million, or 5.7 percent from the prior year. Transportation purposes, including debt service on bonds issued for State and local highway and bridge programs financed through the New York State Thruway Authority and supported by the Dedicated Highway and Bridge Trust Fund, account for \$127 million of the year-to-year growth. Debt service for education purposes, including State and City University programs financed through the Dormitory Authority, will increase by \$59 million. The remaining growth is for a variety of programs in mental health and corrections, and for general obligation financings.

## **DEBT REFORM**

The Debt Reform Act of 2000 takes effect immediately and applies to all new debt issued on and after April 1, 2000. The Act:

- < Imposes phased-in caps on new debt outstanding that ultimately reach 4 percent of State personal income — a significant decline from the current level of 6 percent;
- < Imposes phased-in caps on new debt services costs that ultimately reach 5 percent of All Funds receipts — ensuring that new debt service costs as a percent of receipts do not grow from their current levels;
- < Restricts the use of debt to capital purposes only — ensuring that debt is not used for budget balance or fiscal gimmicks; and
- < Limits the maximum term of State debt issuances to 30 years — ensuring that debt is prudently managed and affordable.

The Act's prohibition on issuing debt if the debt outstanding and debt service caps are exceeded provides the State with a substantial incentive to treat the caps as absolute limits that should never be reached.

As proposed by the Governor, \$500 million of the \$750 million in deposits to the Debt Reduction Reserve Fund (DRRF) will be used in the current year to pay off the State's high costs debt and increase pay-as-you-go spending for previously bond financed programs. The \$250 million DRRF balance will be used to further reduce debt in 2001-2002. This will reduce the State's total future debt service costs by \$1.5 billion.

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### General Fund Cash Financial Plan Comparison of 1999-2000 Actuals vs. 2000-2001 Enacted (millions of dollars)

	1999-2000 Actual	2000-2001 Enacted	Change
<b>Opening fund balance</b>	942	917	(25)
<b>Receipts:</b>			
Taxes			
Personal income tax	20,339	24,334	3,995
User taxes and fees	7,604	7,021	(583)
Business taxes	4,560	4,228	(332)
Other taxes	1,107	766	(341)
Miscellaneous receipts	1,648	1,339	(309)
Transfers from other funds:			
--LGAC	1,719	1,645	(74)
--All other	418	384	(34)
<b>Total receipts</b>	37,395	39,717	2,322
<b>Disbursements:</b>			
Grants to local governments	25,636	26,833	1,197
State operations	6,600	7,107	507
General State charges	2,087	2,191	104
Debt service	6	5	(1)
Transfers to other funds:			
--Debt service	2,242	2,260	18
--Capital projects	161	234	73
--Debt reduction reserve	50	0	(50)
--Other purposes	388	294	(94)
<b>Total disbursements</b>	37,170	38,924	1,754
<b>Change in fund balance</b>	225	793	568
<b>Closing fund balance</b>	1,167	1,710	543
--Tax Stabilization Reserve Fund	547	547	0
--Contingency Reserve Fund	107	150	43
--Community Projects Fund	263	338	75
--Debt Reduction Reserve Fund	250	0	(250)
--Salary/Other Reserve	0	675	675

*Note 1: The 2000-2001 opening fund balance is \$250 million lower than the 1999-2000 closing fund balance due to the reclassification of the Debt Reduction Reserve Fund (DRRF) from the General Fund to the Capital Projects Funds in 2000-2001.*

*Note 2: The 2000-2001 closing fund balance of \$1.71 billion in the General Fund does not include projected closing balances of \$1.2 billion in the STAR Special Revenue Fund and \$250 million in DRRF in the Capital Projects Funds.*



**2000-2001 Enacted Budget Report**

**Cash Financial Plan  
2000-2001 General Fund  
(millions of dollars)**

	<b>30-Day</b>	<b>Change</b>	<b>Enacted</b>
<b>Opening fund balance</b>	920	(3)	917
<b>Receipts:</b>			
Taxes			
Personal income tax	23,193	1,141	24,334
User taxes and fees	7,074	(53)	7,021
Business taxes	4,211	17	4,228
Other taxes	766	0	766
Miscellaneous receipts	1,339	0	1,339
Transfers from other funds:			
--LGAC	1,653	(8)	1,645
--All other	382	2	384
<b>Total receipts</b>	<b>38,618</b>	<b>1,099</b>	<b>39,717</b>
<b>Disbursements:</b>			
Grants to local governments	25,807	1,026	26,833
State operations	7,079	28	7,107
General State charges	2,236	(45)	2,191
Debt service	5	0	5
Transfers to other funds:			
--Debt service	2,275	(15)	2,260
--Capital projects	238	(4)	234
--Other purposes	292	2	294
<b>Total disbursements</b>	<b>37,932</b>	<b>992</b>	<b>38,924</b>
 <b>Change in fund balance</b>	 <b>686</b>	 <b>107</b>	 <b>793</b>
 <b>Closing fund balance</b>	 <b>1,606</b>	 <b>104</b>	 <b>1,710</b>
--Tax Stabilization Reserve Fund	548	(1)	547
--Contingency Reserve Fund	150	0	150
--Community Projects Fund	0	338	338
--New Tax Reduction Reserve	433	(433)	0
--Salary/Other Reserve	475	200	675

**2000-2001 Enacted Budget Report**

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

	<b>1999-2000 Actual</b>	<b>2000-2001 Enacted</b>	<b>Change</b>
<b>Personal income tax</b>	20,339	24,334	3,995
<b>User taxes and fees</b>	7,604	7,021	(583)
Sales and use tax	6,141	5,935	(206)
Cigarette and tobacco taxes	643	497	(146)
Motor fuel tax	180	19	(161)
Motor vehicle fees	401	321	(80)
Alcoholic beverage taxes	177	176	(1)
Hotel/motel tax	0	0	0
Alcoholic beverage control license fees	23	31	8
Container tax	0	0	0
Auto rental tax	39	42	3
<b>Business taxes</b>	4,560	4,228	(332)
Corporation franchise tax	1,939	2,150	211
Corporation and utilities taxes	1,418	816	(602)
Insurance taxes	589	632	43
Bank tax	525	540	15
Petroleum business taxes	89	90	1
<b>Other taxes</b>	1,107	766	(341)
Estate and gift taxes	1,055	728	(327)
Real property gains tax	15	4	(11)
Pari-mutuel taxes	36	33	(3)
Other taxes	1	1	0
<b>Total taxes</b>	33,610	36,349	2,739
<b>Miscellaneous receipts</b>	1,648	1,339	(309)
<b>Total</b>	35,258	37,688	2,430

**2000-2001 Enacted Budget Report**

**Cash Financial Plan  
2000-2001 All Governmental Funds  
(millions of dollars)**

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Debt Service Funds</b>	<b>(MEMO) Total</b>
<b>Opening fund balance</b>	917	762	232	198	2,109
<b>Receipts:</b>					
Taxes	36,349	4,623	1,510	2,314	44,796
Miscellaneous receipts	1,339	6,727	2,000	570	10,636
Federal grants	0	22,903	1,392	0	24,295
<b>Total receipts</b>	<b>37,688</b>	<b>34,253</b>	<b>4,902</b>	<b>2,884</b>	<b>79,727</b>
<b>Disbursements:</b>					
Grants to local governments	26,833	26,499	1,064	0	54,396
State operations	7,107	6,193	0	7	13,307
General State charges	2,191	559	0	0	2,750
Debt service	5	0	0	3,784	3,789
Capital projects	0	3	3,284	0	3,287
<b>Total disbursements</b>	<b>36,136</b>	<b>33,254</b>	<b>4,348</b>	<b>3,791</b>	<b>77,529</b>
<b>Other financing sources (uses):</b>					
Transfers from other funds	2,029	2,308	259	4,895	9,491
Transfers to other funds	(2,788)	(2,122)	(659)	(4,009)	(9,578)
Bond and note proceeds	0	0	322	0	322
Use of Debt Reduction Reserve Fund	0	0	(500)	0	(500)
<b>Net other financing sources (uses)</b>	<b>(759)</b>	<b>186</b>	<b>(578)</b>	<b>886</b>	<b>(265)</b>
<b>Change in fund balance</b>	<b>793</b>	<b>1,185</b>	<b>(24)</b>	<b>(21)</b>	<b>1,933</b>
<b>Closing fund balance</b>	<b>1,710</b>	<b>1,947</b>	<b>208</b>	<b>177</b>	<b>4,042</b>

**2000-2001 Enacted Budget Report**

**Cash Financial Plan  
2000-2001 State Funds  
(millions of dollars)**

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Debt Service Funds</b>	<b>(MEMO) Total</b>
<b>Opening fund balance</b>	917	991	436	198	2,542
<b>Receipts:</b>					
Taxes	36,349	4,623	1,510	2,314	44,796
Miscellaneous receipts	1,339	6,626	2,000	570	10,535
Federal grants	0	0	0	0	0
<b>Total receipts</b>	<b>37,688</b>	<b>11,249</b>	<b>3,510</b>	<b>2,884</b>	<b>55,331</b>
<b>Disbursements:</b>					
Grants to local governments	26,833	6,572	868	0	34,273
State operations	7,107	3,381	0	7	10,495
General State charges	2,191	428	0	0	2,619
Debt service	5	0	0	3,784	3,789
Capital projects	0	3	2,109	0	2,112
<b>Total disbursements</b>	<b>36,136</b>	<b>10,384</b>	<b>2,977</b>	<b>3,791</b>	<b>53,288</b>
<b>Other financing sources (uses):</b>					
Transfers from other funds	2,029	465	259	4,895	7,648
Transfers to other funds	(2,788)	(145)	(652)	(4,009)	(7,594)
Bond and note proceeds	0	0	322	0	322
Use of Debt Reduction Reserve Fund	0	0	(500)	0	(500)
<b>Net other financing sources (uses)</b>	<b>(759)</b>	<b>320</b>	<b>(571)</b>	<b>886</b>	<b>(124)</b>
<b>Change in fund balance</b>	<b>793</b>	<b>1,185</b>	<b>(38)</b>	<b>(21)</b>	<b>1,919</b>
<b>Closing fund balance</b>	<b>1,710</b>	<b>2,176</b>	<b>398</b>	<b>177</b>	<b>4,461</b>

*2000-2001 Enacted Budget Report*

**Cash Financial Plan  
2000-2001 Special Revenue Funds  
(millions of dollars)**

	<b>State</b>	<b>Federal</b>	<b>Total</b>
<b>Opening fund balance</b>	991	(229)	762
Receipts:			
Taxes	4,623	0	4,623
Miscellaneous receipts	6,626	101	6,727
Federal grants	0	22,903	22,903
<b>Total receipts</b>	11,249	23,004	34,253
<b>Disbursements:</b>			
Grants to local governments	6,572	19,927	26,499
State operations	3,381	2,812	6,193
General State charges	428	131	559
Capital projects	3	0	3
<b>Total disbursements</b>	10,384	22,870	33,254
<b>Other financing sources (uses):</b>			
Transfers from other funds	465	1,843	2,308
Transfers to other funds	(145)	(1,977)	(2,122)
Bond and note proceeds	0	0	0
<b>Net other financing sources (uses)</b>	320	(134)	186
<b>Change in fund balance</b>	1,185	0	1,185
<b>Closing fund balance</b>	2,176	(229)	1,947

**2000-2001 Enacted Budget Report**

**Cash Financial Plan  
2000-2001 Capital Projects Funds  
(millions of dollars)**

	State	Federal	Total
<b>Opening fund balance</b>	436	(204)	232
<b>Receipts:</b>			
Taxes	1,510	0	1,510
Miscellaneous receipts	2,000	0	2,000
Federal grants	0	1,392	1,392
<b>Total receipts</b>	3,510	1,392	4,902
<b>Disbursements:</b>			
Grants to local governments	868	196	1,064
State operations	0	0	0
General State charges	0	0	0
Capital projects	2,109	1,175	3,284
<b>Total disbursements</b>	2,977	1,371	4,348
<b>Other financing sources (uses):</b>			
Transfers from other funds	259	0	259
Transfers to other funds	(652)	(7)	(659)
Bond and note proceeds	322	0	322
Use of Debt Reduction Reserve Fund	(500)	0	(500)
<b>Net other financing sources (uses)</b>	(571)	(7)	(578)
<b>Change in fund balance</b>	(38)	14	(24)
<b>Closing fund balance</b>	398	(190)	208

**2000-2001 Enacted Budget Report**

**List of Legislative One-Time Adds  
(\$ in thousands)**

<b>Education</b>	<b>EDUCATION SUBTOTAL</b>	<b>181,467</b>
	Teacher Support Aid	67,400
	Small Cities Aid	6,350
	Bilingual Education	11,200
	Tax Freeze Limitation Aid	5,200
	CIMS	2,500
	AIDP	950
	Teacher Centers	30,000
	Teacher Mentor	5,000
	VESID	7,800
	Library Aid	5,000
	Dental Clinics	1,200
	Higher Education Bullet Aid	2,167
	Additional Small Cities Aid	1,000
	Shanker/National Teacher Certification	1,000
	Individual School District Grants	34,700
<b>Higher Education</b>	<b>HIGHER EDUCATION SUBTOTAL</b>	<b>44,398</b>
	SUNY - Increase Child Care for Community Colleges	880
	SUNY - Increase Child Care for Senior Colleges	1,100
	SUNY - Increase for EOP	2,740
	SUNY - Increase Contract Course Aid	1,000
	SUNY - FIT Chargeback	6,200
	CUNY - Increase for SEEK	2,760
	CUNY - Increase for College Discovery	190
	CUNY - Increase Child Care for Community Colleges	560
	CUNY - Increase Child Care for Senior Colleges	880
	SED - Increase for Bundy Aid	3,000
	SED - Increase for HEOP	5,600
	SED - Increase for STEP/CSTEP	2,500
	ARTS	4,000
	Other - Funding for Marine Biology Lab	500
	Other - Senate Miscellaneous	12,100
	CUNY Worker Ed Program	388
<b>Human Services</b>	<b>HUMAN SERVICE SUBTOTAL</b>	<b>19,100</b>
	Vets Counseling & Outreach Services	400
	Displaced Homemaker	200
	Model Day Care	1,000
	YDDP	1,600
	Homeless Shelter Outreach	1,500
	Settlement House	2,010
	Child Welfare Training	1,000
	Elder Abuse Services	200
	Homeless Shelter Mental Health Services	1,500
	Chamber of Commerce Job Training	650

**2000-2001 Enacted Budget Report**

**List of Legislative One-Time Adds  
(\$ in thousands)**

<b>Human Services (continued)</b>	Homeless Housing Rental Demo	825
	Congregate Services Initiative	500
	Jobs for Youth	1,870
	Runaway and Homeless Youth	500
	LTC Ombudsman	438
	Cornell Labor Relations Institute	150
	Non-TANF Innovations	800
	Non-TANF Wage Subsidy	2,000
	Parents Self-Help	145
	Westchester/Putnam Worker Ed	500
	Local 237 Hospital Police Two-Way Radio Program	250
	Hudson Valley Apprenticeship	600
	Worker Ed Satellite Day Care	300
	USS Slater Renovations	100
	Future Elderly Service Study	62
	<b>Mental Health</b>	<b>MENTAL HEALTH SUBTOTAL</b>
	OASAS - Legislative Initiatives	645
	OMH - Legislative Initiatives	775
	OMR - Legislative Initiatives	1,730
	Technical Support Equipment	50
		0
<b>Public Protection</b>	<b>PUBLIC PROTECTION SUBTOTAL</b>	<b>15,329</b>
	DOCS - Stab-Resistant Vests	45
	DOCS - Defibrillators	165
	DOCS - Frisk Gloves	28
	Family Benefit for Attica Officers	550
	DCJS - Suffolk Family/Drug Court	42
	DCJS Restorations	3,860
	DCJS Restorations	1,544
	Various Adds for Prosecution/Victims	457
	Parole - Memorial Fund	25
	Judiciary - City-Wide Housing Court Task Force	275
	St. Police - Bullet Proof Vests	100
	DCJS Legislative Adds	335
	CVB Restitution Program	135
	Correctional Services Adds	205
	Correctional Services Corporation	600
	Brooklyn Conflicts Office	200
	DNA Testing	800
	Bias Crime Training	500
	CVB Sexual Assault Victims	300
	Alternatives to Incarceration	4,269
	Trigger Lock Demo	30
	Osbourne Association, etc.	864



*2000-2001 Enacted Budget Report*

**List of Legislative One-Time Adds**  
(\$ in thousands)

<b>Transportation</b>	<b>TRANSPORTATION SUBTOTAL</b>	<b>61,596</b>
	DOT - Air Ticket Price Study	1,000
	DOT - Ash Utilization Study	196
	Neighborhood Preservation	1,900
	Public Housing Drug Elimination	450
	Urban Homeownership Assistance	440
	Rural Preservation	580
	Rural Housing Coalition	150
	Rural Homeownership	341
	Capital Improvement Loan (NYC apt. interest rate subsidy)	1,000
	NYS Association of Renewal and Housing	15
	Rural Community Revitalization	495
	Adirondack Library	25
	Environmental Justice	100
	Environmental Summits	25
	Asthma Initiatives	1,500
	Mercury Testing	100
	Non-Toxic Mosquito Control	150
	Haz Waste Citizen Grants	250
	NYS Center on Hazmat Management	500
	Adirondack Natural History Museum	25
	CHIPS OM Cut	34,909
	Rt. 252 pedestrian cross-walk	175
	Transportation lump sum	375
	CDTA Transit	4
	CENTRO Transit	60
	RGRTA Transit	345
	Staten Island Ferry Transit	2
	Westchester Transit	380
	Suffolk Transit	9
	Rockland Trans-Hudson Transit	181
	Upstate Formula Transit	9
	Downstate Formula Transit	6
	Seaway trail	250
	Southern Tier Railroad	100
	Aquaculture Center (Babylon)	280
	Pesticide Grants	400
	Smart Growth	150
	Cornell Integrated Pest Management	350
	Roosevelt Wildlife Station	275
	North Elba ORDA Promotion	172
	Clean Oceans Shore Trust	100
	ISC Commission	73
	Bird Conservation	75
	Agriculture in Classroom	60
	Farmworkers Pesticide Protection	150
	Apiary Research	75
	Future Farmers of America	35
	Agriculture Teacher Program	40
	Golden Nematode	51
	Apiary Inspection	200

**2000-2001 Enacted Budget Report**

**List of Legislative One-Time Adds  
(\$ in thousands)**

<b>Transportation (continued)</b>	Marine Resources Council	100
	North County Agriculture	400
	Apple Growers	125
	Onion Research	100
	Rabies Vaccine	100
	Chautauqua Rabies Vaccine	100
	Wine and Grape Foundation	250
	Central NY Tourism	100
	Montgomery County Farm Bureau	50
	Migrant Child Care	175
	State Fairgrounds Lighting	60
	Morrisville Agriculture Incubator	500
	Madison County Fair	130
	Geneva Experiment Station	224
	Equine Testing	75
	Johnes Disease	300
	Herd Health Program	50
	NYS Battle Flag Collection	175
	Capital Repertory	49
	Parks local grants	10,000
	<b>General Government</b>	<b>GENERAL GOVERNMENT SUBTOTAL</b>
	WW II Memorial	100
	Emergency Services Revolving Loan	1,000
	PULP	725
	TWA Flight 800 Memorial	100
<b>Health</b>	<b>HEALTH SUBTOTAL</b>	<b>44,570</b>
	Cancer Awareness	2,000
	AIDS Services	7,900
	Primary Care Development Corp.	1,000
	Quality Incentive Programs	4,000
	Biomedical Research	4,500
	Asthma Management Program	200
	Rape Crisis Programs	600
	Wellness Programs	1,250
	Health Accountability Foundation	250
	School-Based Health Program	1,000
	Maternity & Early Childhood Foundation	600
	Mercy Flight	500
	Long-Term Care Insurance	500
	Alzheimers Programs	375
	Adelphi Breast Cancer	100
	Beth Israel	100
	Blind Association of Western NY	120
	Calvary Hospital	50
	Center for Hospice & Palative Care	100
	Community General; Grover Hermann	100
	Community Hospice	50
	Cooley's Anemia	225

*2000-2001 Enacted Budget Report*

**List of Legislative One-Time Adds  
(\$ in thousands)**

<b>Health (continued)</b>	Highland Hospital for Women	175
	Hospital for Special Surgery	50
	Lenox Hill	150
	Margaretville Memorial Hospital	200
	Mid-Hudson Family Health	100
	Mt. Sinai	150
	NSLIJHS	250
	Rochester General	315
	Sister of Charity Housing DC Eddy	200
	Westchester Health Dept.	100
	Westchester Diabetes Coalition	300
	Center for Health Care Access	50
	Family Planning	225
	Quality Initiatives	3,000
	Breast Cancer	3,500
	Migrant Worker Health Programs	2,000
	Managed Care Transition Payments	1,035
	Dental School Transition Payments	7,000
		250
	<b>Economic Development</b>	<b>ECONOMIC DEVELOPMENT SUBTOTAL</b>
	NYSTAR	500
<b>General Conference</b>	<b>Member Items</b>	<b>170,000</b>
<b>Total Legislative One-Time Adds in 2000-01 Enacted Budget</b>		<b>542,085</b>