

Supplement to the 2002-03 Annual Information Statement of the State of New York

April 22, 2003

This Supplement to the February 3, 2003 Update to the Annual Information Statement of the State of New York is dated April 22, 2003 (the “Supplement”) and contains information only about the specific matters described herein and only through that date. The Annual Information Statement (“AIS”) dated June 3, 2002, the Update to the AIS dated February 3, 2003, and the Supplement dated March 3, 2003 should be read, in their entirety, in conjunction with the information in this Supplement.

On April 22, 2003, the Division of the Budget (DOB) issued a “2002-03 Year-End Update and 2003-04 Status Report” (the “Year-End Update”). The purpose of the Year-End Update is to provide (i) a timely summary and analysis of preliminary 2002-03 Financial Plan results on an unaudited basis and (ii) an update on the status of the 2003-04 Executive Budget. DOB intends to issue a Year-End Update annually (either as a separate report in years when budget adoption is delayed or as part of the Enacted Budget Report in years when a budget is adopted by, or close to, the start of a fiscal year). The Year-End Update is intended to formalize the process for making unaudited year-end results available quickly to investors on a consistent and timely basis.

Part I of this Supplement sets forth the Year-End Update in its entirety. The Year-End Update is also available at www.budget.state.ny.us. Part II is entitled “Special Considerations” and, following the format used in AIS updates, summarizes certain potential risks that may affect the State’s Financial Plan in the State’s 2003-04 fiscal year or in the future. The discussion of special considerations is by its nature speculative and is not intended to identify or describe every potential risk that could adversely affect the State Financial Plan. Part III reports on recent developments in litigation against the State and is furnished by the Attorney General.

Readers may obtain the AIS, updates, supplements, and any other disclosure releases prepared by contacting DOB, State Capitol, Albany, NY 12224, (518) 473-8705. Informational copies of such disclosure releases are also available electronically on the DOB Internet site and on file with Nationally Recognized Municipal Securities Information Repositories. DOB’s internet address is www.budget.state.ny.us. Typographical or other errors may have occurred in converting the original source documents to their digital format, and DOB assumes no liability or responsibility for errors or omissions contained at the Internet site.

PART I: Year-End Update

Introduction

This 2002-03 Year-End Update and 2003-04 Status Report (the “Year-End Report”) prepared by the Division of the Budget (DOB) is intended to provide readers with (i) a summary and analysis of preliminary 2002-03 Financial Plan operating results on an unaudited cash basis at the close of the fiscal year and (ii) an update on the status of the 2003-04 Executive Budget submitted to the State Legislature on January 29, 2003, as amended on February 28, 2003. The report is available on-line at www.budget.state.ny.us or by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 473-8705.

Overview

2002-03 Results

In the revised 2002-03 Financial Plan dated February 28, 2003 (the “February Financial Plan”), the State projected a 2002-03 budgetary imbalance of \$2.4 billion in the General Fund attributable primarily to a projected revenue shortfall of \$2.2 billion. The State achieved \$700 million in administrative savings during the year to reduce the imbalance to \$1.7 billion. To help close the remaining projected 2002-03 imbalance, improve the State’s cash flow position, and reduce the projected budget gaps in 2003-04 and 2004-05, the Governor proposed selling a portion of the State’s future share of tobacco settlement payments to a statutorily created, bankruptcy-remote corporation. Under the Governor’s plan, the State would have received \$1.9 billion in revenues from the sale in 2002-03, \$1.9 billion in 2003-04, and \$400 million in 2004-05.

However, the State Legislature failed to enact legislation authorizing the tobacco settlement sale during 2002-03 and has yet to enact such legislation in 2003-04 (a discussion on the status of the tobacco settlement sale appears below). Therefore, to eliminate the remaining \$1.7 billion imbalance in 2002-03 and maintain reserves at a level consistent with the February Financial Plan, the State implemented a contingency plan (described in the February Financial Plan) in which it deferred \$1.9 billion in planned spending to 2003-04. After these actions, the State ended the 2002-03 fiscal year with available General Fund cash resources of \$1.01 billion (including \$710 million in the State’s Tax Stabilization Reserve Fund – the “rainy day” reserve), \$10 million above the February Financial Plan projection of \$1.0 billion. The positive variance was due to slower-than-projected spending from the Community Projects Fund that supports legislative member items. For a detailed discussion of 2002-03 results, please see “Review of 2002-03 Operating Results” below.

2003-04 Status Report

On March 10, 2003, the Governor and legislative leaders reached consensus on the revenue forecast for 2002-03 and 2003-04. It was agreed that the revenue estimates contained in the 2003-04 Executive Budget (as amended) and the economic forecast supporting the estimates were reasonable and would serve as the basis for budget deliberations.

Based on 2002-03 results, DOB believes that 2003-04 General Fund tax receipts may be \$150 million below the February Financial Plan projections. In addition, the State Comptroller has recommended a level of pension costs for 2003-04 that would be approximately \$100 million higher than the February Financial Plan estimates. Together, the potential revenue shortfall and

pension increases would add roughly \$250 million in unbudgeted costs to the 2003-04 Financial Plan. DOB expects that the financing of the new costs will be part of the final resolution of the 2003-04 budget.

The economic uncertainties outlined in the 2003-04 Executive Budget remain extant. The Middle East continues to be politically unstable. Consequently, oil prices remain a concern. The possibility of a terrorist attack on U.S. soil is also a risk. Moreover, the outlook for equity markets, which are particularly important to State economic activity, remains uncertain.

On March 31, 2003, the State Legislature enacted the annual “debt service bill,” which includes appropriations for all State-supported, contingent contractual, and certain other debt service obligations for the entire 2003-04 fiscal year. However, the Legislature has not yet taken final action on all other Executive Budget recommendations by April 1, the start of the 2003-04 fiscal year. Interim budget legislation was enacted on March 31, 2003 that extends certain revenue-raising authority and makes interim appropriations for State personal service costs, various grants to local governments, and other necessary items generally for the period from April 1 through April 27, 2003. As in prior years, the State expects to enact similar interim appropriations to permit operations to continue until adoption of the 2003-04 budget.

Cash Flow/Tobacco Securitization

The Legislature has not yet authorized the securitization of tobacco payments. Thus, the State’s cash flow position is expected to be extremely tight, especially during the first quarter of the 2003-04 fiscal year. However, the State’s flow of funds and the statutory and technical capability of DOB to manage disbursements should provide sufficient means to maintain cash balances while continuing essential governmental operations. DOB, in conjunction with State agencies, is continuing to enforce a statewide austerity plan that is expected to severely limit the level of spending authorized in the emergency bills. DOB is monitoring the State’s cash flow on a daily basis and will make decisions on what spending to recommend in the interim budget bills on the basis of actual and forecasted results.

The State’s current cash flow projections for the first quarter of 2003-04 are based on the following assumptions:

- Tax receipts, including amounts in the April 2003 personal income tax settlement for calendar year 2002, will not materially erode from the level forecast in the February Financial Plan;
- The State will continue to meet all Medicaid, welfare, and payroll obligations, make the formula-based payments to school districts, and provide for other spending necessary to maintain public health and safety;
- The State will defer discretionary spending including reimbursement to school districts for categorical and other education payments, reimbursement to counties for certain services, and all discretionary non-personal service and capital payments; and
- Balances in the Tax Stabilization Reserve Fund (TSRF) will be used, consistent with State law and past practice, to support cash flow during the fiscal year but will be restored to the current level of \$710 million by the close of the fiscal year.

DOB currently projects positive closing balances on a monthly basis of \$2.7 billion in April, \$622 million in May, and \$240 million in June. However, the month-end balances are relatively low and, based on current cash flow projections, it is possible that the level of resources available to support the daily General Fund cash flow projections may be insufficient on certain days during the months of May and June, especially if significant payments such as school aid are made early in the month. Accordingly, DOB is evaluating a range of options for improving the State's cash position, including deferring some or all general purpose school aid payments scheduled in May and June until the State receives revenues from the tobacco settlement sale. In addition, to help meet cash needs within the month caused by the timing of receipts and disbursements, DOB plans to seek an extension of existing law that permits the State Comptroller to make balances in other funds and accounts temporarily available to the General Fund for intra-month cash flow needs as long as such balances can be repaid by the end of the month. This provision is set to expire on April 30.

As of the date of this Year-End Report, the Senate, Assembly, and Governor have not agreed on the structure or amount of a tobacco securitization transaction. To mitigate expected concerns over the structure and security of an unenhanced sale of tobacco settlement revenues, the Governor's original plan envisioned that the State would enhance the security of the bonds to reduce risks to investors and lower total interest costs. Since that time, the parties have proposed several alternatives also intended to enhance the security of the tobacco bonds through the dedication of additional revenues and to differentiate the State's financing from other debt backed solely by payments from the tobacco industry under the master settlement agreement (MSA). The State Senate has introduced a bill that creates a contingent-contractual obligation on behalf of the State to pay debt service if MSA payments proved insufficient (S. 3578). DOB believes that, like the Governor's original proposal, this approach mitigates the risk to bondholders if MSA payments are disrupted and reduces overall borrowing costs to a level comparable to a typical State bond sale.

Pension Reform Initiatives

In conjunction with proposed amendments to the Executive Budget, the Governor recommended a number of options to mitigate the substantial growth in pension contributions for State and local governments resulting from losses in the State pension funds. The options included implementing a phase-in schedule that gradually takes the pension contribution as a percentage of salary to higher levels over the next five years, modifying the current asset "smoothing" method (the value of equities are averaged over a five year period to "smooth" investment gains and losses) to eliminate certain limitations that contribute to increased pension costs but are not required by the Governmental Accounting Standards Board, and amortizing the 2000 pension benefit improvements over a longer period than the current schedule of 10-15 years. DOB projects that a combination of these recommendations, if adopted, would result in State pension costs as a percent of payroll increasing from 1 percent in 2002-03 to 4 percent in 2003-04, 7 percent in 2004-05, and 11 percent in 2005-06.

Subsequent to the Governor's proposals, the State Comptroller, who is the Sole Trustee of the Retirement System, recommended his own package of pension options. The Comptroller's proposals would require employers to make a minimum pension contribution equal to 4.5 percent of payroll annually and change the cycle of billing to match the employers' budget cycles.

DOB projects that the Comptroller's recommendations, if adopted, would result in State pension costs as a percent of payroll of 4.5 percent in 2003-04, 11 percent in 2004-05, and 12

percent in 2005-06. Thus, pension costs would exceed the February Financial Plan projections by \$105 million in 2003-04, \$446 million in 2004-05, and \$98 million in 2005-06.

Review of 2002-03 Operating Results

This section describes actual unaudited operating results for fiscal year 2002-03 for the General Fund, State Funds, and All Governmental Funds Financial Plans, and compares such results to the projections in the Enacted Budget Financial Plan issued May 22, 2002 and the revised Financial Plan issued February 28, 2003.

GENERAL FUND

To keep the 2002-03 fiscal year in balance, the State implemented \$700 million in administrative actions and, in the absence of planned revenues from the tobacco settlement sale, deferred \$1.9 billion in discretionary aid payments originally planned for 2002-03 into early 2003-04. The table below summarizes the payment delays.

2002-03 Payment Deferrals:	<u>\$1,900</u>
School Aid	1,310
CUNY Senior Colleges	219
Medicaid Payment to Counties	83
Education	56
Welfare	47
All Other	185

(Dollars in millions)

After those actions, the State ended the 2002-03 fiscal year with available General Fund cash resources of \$1.01 billion (\$815 million in the General Fund and \$200 million in the refund reserve account), \$10 million above the February Financial Plan projection of \$1.0 billion.

The General Fund cash balance at year-end totaled \$815 million. The balance is comprised of \$710 million in the Tax Stabilization Reserve Fund (TSRF), \$20 million in the Contingency Reserve Fund (CRF) to pay costs related to litigation against the State, and \$85 million in the Community Projects Fund, which pays primarily for legislative "member items."

The closing balance excludes amounts on deposit in the refund reserve account. The State ended the 2002-03 fiscal year with \$627 million on deposit in the refund reserve account. The refund reserve account is used to pay for tax refunds across fiscal years and to help accomplish other Financial Plan objectives, including the movement of resources from one year to the next. Changes to the refund reserve affect the level of reported personal income tax receipts.

RECEIPTS

General Fund receipts and transfers from other funds totaled \$37.4 billion in 2002-03, a decrease of \$2.3 billion from the February Financial Plan forecast. The February Financial Plan had counted on \$1.9 billion in revenues from the tobacco settlement sale that the Legislature has not yet approved, but also incorporated a contingency plan (since implemented) to defer payments if the tobacco sale was delayed. The tobacco settlement revenues were budgeted as higher miscellaneous receipts in the February Financial Plan.

The remaining shortfall of \$441 million was spread among taxes and miscellaneous receipts, with the largest shortfalls occurring in personal income taxes (\$279 million), business taxes (\$92 million), and miscellaneous receipts (\$94 million).

General Fund Receipts and Transfers Summary of 2002-03 Revisions (Dollars in millions)					
	Enacted	Change	February	Change	Actual *
Taxes	35,076	(2,481)	32,595	(403)	32,192
Misc. Receipts	2,148	1,937	4,085	(1,994)	2,091
Transfers	2,674	384	3,058	56	3,114
TOTAL	39,898	(160)	39,738	(2,341)	37,397

* Preliminary and unaudited. Taxes include transfers from Revenue Bond Tax Fund.

General Fund receipts and transfers for 2002-03 declined by \$2.5 billion in comparison to the Enacted Budget Financial Plan adopted in May 2002. Both personal income tax and business tax collections were significantly below the Enacted Budget projections. The revenue shortfall was primarily attributable to a weaker than expected national economy, depressed corporate earnings made worse by the impact of accounting scandals, and continued weakness in the equity markets. These factors led to larger than expected declines in financial service industry employment and incomes, which, given the importance of this sector to the New York economy, had a magnified impact on the revenue base.

DISBURSEMENTS

General Fund disbursements and transfers to other funds totaled \$37.6 billion, a decrease of \$2.2 billion from the February Financial Plan. The substantial decline resulted from the deferral of \$1.9 billion in payments originally scheduled for 2002-03 and \$253 million in one-time savings. After adjusting for the payment deferrals, General Fund disbursements would have totaled \$39.5 billion in 2002-03 (a decrease of \$1.7 billion or 4 percent from 2001-02 results).

General Fund Disbursements and Transfers Summary of 2002-03 Revisions (Dollars in millions)						
	Enacted	Change	February	Change	Actual*	Actual Adjusted*
Local Assistance	26,848	59	26,907	(2,020)	24,887	26,713
State Ops	7,815	(48)	7,767	(89)	7,678	7,715
Gen. State Charges	2,847	(77)	2,770	(70)	2,700	2,737
Transfers	2,704	(381)	2,323	26	2,349	2,349
TOTAL	40,214	(447)	39,767	(2,153)	37,614	39,514

* Preliminary and unaudited. Adjusted actuals account for the impact of \$1.9 billion in spending deferrals described in this report.

Compared to the Enacted Budget Financial Plan forecast, actual disbursements were \$2.6 billion below projections. Savings from administrative actions that lowered discretionary spending, coupled with the \$1.9 billion in deferred spending described above, accounted for most of the variance.

STATE FUNDS

The State Funds Financial Plan comprises that portion of the All Governmental Funds Plan supported exclusively by State taxes, fees, and other resources. It includes the General Fund and State-financed special revenue, capital, and debt service funds, but excludes Federal aid.

State Funds receipts totaled \$54.7 billion in 2002-03, a decrease of \$3.1 billion from the February Financial Plan. The revenue shortfall in the General Fund accounted for \$2.4 billion of the variance. Miscellaneous receipts outside the General Fund were down by \$777 million from projections (\$778 million in capital projects funds, \$180 million in the special revenue funds and offset by an increase of \$181 million in the debt service funds). The variance in capital projects funds resulted from a delay (from March until May 2003) in a bond sale for the Dedicated Highway program. In the special revenue funds, spending below projections for various health programs, including Medicaid and EPIC, produced a corresponding reduction in the level of receipts that needed to be transferred from the Tobacco Control and Insurance Initiative Pool.

State Funds Receipts Summary of 2002-03 Revisions (Dollars in millions)					
	Enacted	Change	February	Change	Actual*
Taxes	43,453	(2,415)	41,038	(362)	40,676
Misc. Receipts	14,730	2,044	16,774	(2,771)	14,003
TOTAL	58,183	(371)	57,812	(3,133)	54,679

* Preliminary and unaudited.

In comparison to the Enacted Budget forecast, State Funds receipts were \$3.5 billion lower than projections, primarily reflecting the revenue shortfall in the General Fund and lower than expected revenues in the capital projects and special revenue funds described above.

State Funds Disbursements Summary of 2002-03 Revisions (Dollars in millions)						
	Enacted	Change	February	Change	Actual*	Actual Adjusted*
General Fund	37,510	(66)	37,444	(2,179)	35,265	37,165
Special Revenue	14,566	243	14,809	(344)	14,465	14,465
Capital Projects	3,725	(166)	3,559	(581)	2,978	2,978
Debt Service	3,557	(459)	3,098	(53)	3,045	3,045
TOTAL	59,358	(448)	58,910	(3,157)	55,753	57,653

* Preliminary and unaudited. Adjusted actuals account for the impact of \$1.9 billion in spending deferrals described in this report.

Actual State Funds disbursements totaled \$55.8 billion in 2002-03, a decrease of \$3.2 billion from the February Financial Plan projections. The General Fund accounted for \$2.2 billion of the spending reduction (see above), followed by capital projects (\$581 million), special revenue (\$344 million), and debt service (\$53 million). Actual spending for capital projects came in below the February Financial Plan primarily as a result of delays in spending across programs financed with authority bonds. In the special revenue funds, spending below projections in several health care accounts (Child Health Plus, HCRA, EPIC and Provider Assessments) and

across accounts in the miscellaneous special revenue fund accounted for the \$344 million variance.

In comparison to the Enacted Budget forecast, State Funds disbursements were \$3.6 billion lower than projections. The payment deferrals in the General Fund accounted for \$1.9 billion of the variance, followed by lower spending in capital projects funds (\$747 million) due primarily to the delay in the Dedicated Highway sale, debt service funds (\$512 million) primarily as a result of refunding savings and other actions, and special revenue funds (\$101 million) spread across a number of funds and accounts.

The closing balance in the State Funds Financial Plan totaled \$1.3 billion, a decrease of \$254 million from the February Financial Plan. The balances were comprised of \$815 million in the General Fund, and balances of \$894 million in special revenue funds, and \$158 million in the debt service funds, offset by a deficit of \$560 million in the capital projects funds

ALL FUNDS

The All Governmental Funds Financial Plan (“All Funds”) includes Federal aid received by the State, making it the broadest measure of the State budget. The All Funds Financial Plan records the operations of the four governmental fund types: the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds.

All Funds Disbursements Summary of 2002-03 Revisions (Dollars in millions)						
	Enacted	Change	February	Change	Actual*	Actual Adjusted*
General Fund	37,510	(66)	37,444	(2,179)	35,265	37,165
Special Revenue	43,199	2,123	45,322	774	46,096	46,096
Capital Projects	5,290	(259)	5,031	(381)	4,650	4,650
Debt Service	3,557	(459)	3,098	(53)	3,045	3,045
TOTAL	89,556	1,339	90,895	(1,839)	89,056	90,956

* Preliminary and unaudited. Adjusted actuals account for the impact of \$1.9 billion in spending deferrals described in this report.

Actual disbursements in the All Funds Financial Plan for 2002-03 totaled \$89.1 billion, a decrease of \$1.8 billion from the February Financial Plan projections. The decline in State Funds spending of \$3.2 billion, offset by an increase in Federal spending of \$1.4 billion, accounted for the change. Federal Medicaid spending exceeded planned levels by \$1.2 billion due mainly to the realization of one-time payments under the disaster assistance program implemented following the September 11th terrorist attacks. Disbursements supported by Federal aid also increased for Children and Family Services (\$377 million) and education (\$264 million). Federal spending for cleanup and reconstruction activities at the World Trade Center site (\$1.1 billion), which, like most Federal aid, is directly tied to the actual costs incurred, was \$684 million below projections.

Federal receipts are typically received in the State fiscal year in which spending is incurred; therefore, the revisions to Federal receipts closely correspond to the adjustments to federally reimbursed spending. Accordingly, actual receipts in the All Funds Financial Plan for 2002-03 totaled \$88.1 billion, a decrease of \$2.3 billion from the February Financial Plan projections.

Federal aid exceeded projections by \$805 million but was more than offset by \$3.1 billion decline in State Funds revenues.

All Funds receipts and disbursements were lower than the Enacted Budget forecast by \$610 million and \$500 million, respectively. The main reasons for the change were higher than expected Medicaid spending and the inclusion of Federal pass-through spending related to the World Trade Center in the Financial Plan, offset by the spending delays and revenue shortfalls in the General Fund described above. Prior to Executive Budget Financial Plan issued January 29, 2003, Federal pass-through spending, which represents Federal aid that flows through the State to New York City and other localities but is counted by the State Comptroller as State spending, was excluded from the State's Financial Plan projections.

GAAP-BASIS FINANCIAL PLANS

The February Financial Plan included General Fund Financial Plans prepared in accordance with Generally Accepted Accounting Principles (GAAP) for State fiscal years 2002-03 through 2005-06. The accounting principles that DOB applied in preparing the GAAP projections are consistent with those applied by the State Comptroller for the 2001-02 GAAP-basis Financial Statements. Accordingly, the projections do not reflect the impact of any pending proposals of the Governmental Accounting Standards Board, including GASB 34. The changes mandated by GASB 34 are expected to significantly change the presentation of GAAP-basis financial results for state and local governments in 2002-03.

The General Fund GAAP Financial Plan issued as part of the February Financial Plan projected that the State would end the 2002-03 fiscal year with an operating imbalance of \$2.74 billion. The operating result reflected the use of reserves in response to the World Trade Center disaster. As a result of the operating deficit, the accumulated surplus was projected to decline from \$492 million at the end of 2001-02 to a \$2.24 billion accumulated deficit at the end of 2002-03.

The deferral of \$1.9 billion in spending from 2002-03 until 2003-04 is expected to increase the 2002-03 accumulated GAAP-basis deficit, since the deferred payments are expected to be accrued to the 2002-03 fiscal year. However, the tobacco settlement revenues originally anticipated in 2002-03 but now expected in 2003-04 are likely to be accrued to the 2003-04 fiscal year resulting in no net change to the accumulated GAAP deficit by the end of 2003-04.

Trends in Operating Results

This section reviews Financial Plan operating trends for the past three fiscal years (2000-01 through 2002-03) for the General Fund, State Funds, and All Funds.

Over the last three years, State finances have been affected by a number of factors, including the impact of the September 11th terrorist attacks on New York City, the persistent national recession, the ongoing weakness of the financial services sector, and the use of non-recurring resources and reserves to support spending.

GENERAL FUND

Actual General Fund spending has declined from \$41.2 billion in 2001-02 to \$37.6 billion in 2002-03, a decrease of \$3.6 billion (8.8 percent). After adjusting 2002-03 results to include the impact of spending delays, General Fund spending would have fallen by \$1.7 billion (4.2 percent). Over the three-year period beginning in 2000-01, General Fund spending has remained essentially flat (after adjusting for payment deferrals). Since 1960, General Fund spending has declined on an annual basis only two other times (1989-90 to 1990-91 and 1994-95 to 1995-96).

The following table summarizes annual spending growth for the General Fund, State Funds, and All Funds from 2000-01 to 2002-03 both on an actual basis and adjusted to include the \$1.9 billion of spending deferrals.

Spending Trends 2000-01 through 2002-03					
(Dollars in millions)					
	2000-01	Change	2001-02	Change	2002-03
	Actual		Actual		Actual
General Fund					
Actual Results	\$39,702	\$1,520	\$41,222	(\$3,608)	\$37,614
Adj. For Deferrals	N/A	N/A	N/A	(1,708)	39,514
State Funds					
Actual Results	\$54,183	\$2,795	\$56,978	(\$1,225)	\$55,753
Adj. For Deferrals	N/A	N/A	N/A	675	57,653
All Funds					
Actual Results	\$79,753	\$5,291	\$85,044	\$4,012	\$89,056
Adj. For Deferrals	N/A	N/A	N/A	5,912	90,956

The State ended the 2001-02 fiscal year in balance on a cash basis with a closing balance in the General Fund of \$1.0 billion, a decrease of \$67 million from the 2000-01 fiscal year. The closing fund balance excluded \$1.7 billion on deposit in the refund reserve account at the end of the 2001-02 fiscal year.

The State ended its 2000-01 fiscal year in balance on a cash basis with a General Fund surplus of \$2.7 billion. The closing balance in the General Fund was \$1.1 billion, a decrease of \$69 million from the 1999-2000 fiscal year. The closing fund balance excluded \$3.5 billion on deposit in the tax refund reserve account at the end of the 2000-01 fiscal year. The 2000-01 General Fund closing balance also excluded \$1.2 billion that was on deposit in the School Tax Relief (STAR) Special Revenue Fund at the end of the 2000-01 fiscal year (to meet a portion of the STAR payments in fiscal year 2001-02) and \$250 million on deposit in the Debt Reduction Reserve Fund (DRRF) for debt reduction in fiscal year 2001-02.

GENERAL FUND RESERVES

The State maintains two permanent General Fund reserves, the TSRF and the CRF. The State is authorized to use amounts on deposit in the TSRF to fund unanticipated year-end operating deficits and to support cash flow needs during the fiscal year. At the close of 2002-03, the TSRF had a balance of \$710 million, unchanged from 2001-02. From 1994-95 through 2001-02, the State made seven consecutive deposits to the TSRF at the maximum annual level permitted by law (two-tenths of one percent of General Fund spending), bringing the balance from \$157 million in 1994-95 to its current level of \$710 million in 2002-03.

The CRF, which the State may use to pay for costs related to court settlements, natural or physical disasters, or incentives to enhance the State economy, ended 2002-03 with a balance of \$20 million, a decline of \$137 million from 2001-02. The State appropriated \$142 million from the CRF in 2002-03 to finance the final settlement of the Yonkers school desegregation lawsuit and other costs, offset by \$20 million in automatic deposits from the Federal revenue maximization account.

From time to time, the State has reserved surplus revenues outside of the two permanent reserve funds. At the close of the 2000-01 fiscal year, the State had \$2.9 billion in additional reserves set aside from prior year operations. Of this amount, \$1.9 billion was used in 2001-02 to meet ongoing operating expenses and respond to the immediate impact of the World Trade Center attacks. The remaining balance of \$1.1 billion was used to cover revenue losses in 2002-03 related to the recession and continuing impact of the September 11th attacks.

STATE FUNDS

State Funds spending declined from \$57 billion in 2001-02 to \$55.8 billion in 2002-03, a decrease of \$1.2 billion. The General Fund portion of State Funds declined by \$3.0 billion, offset in part by programs supported by special revenue, capital projects, and debt service funds that grew by \$1.8 billion. Spending in State-supported special revenue funds for health care increased by \$1.6 billion, reflecting in large part the refinancing of health programs that were previously paid for in the General Fund. Other sources of annual growth included increases in transportation-related spending (\$208 million), higher support for schools financed from the Lottery Fund (\$282 million), and growth in the operations of State agencies paid for outside the General Fund (\$382 million, with over half the growth in SUNY).

After adjusting for the 2002-03 payment deferrals, State Funds spending would have grown by \$671 million over 2001-02 and by \$3.5 billion from 2000-01. In recent years, the State has financed a larger portion of its operations outside of the General Fund, accounting for the growth in State Funds even as General Fund spending has remained flat. In 2002-03, the “non-General Fund” fund types (special revenue, capital projects, and debt service) comprised 31 percent of State-supported spending (after adjusting for payment deferrals), up from 27 percent in 2000-01.

Major programmatic changes that have increased activity outside the General Fund include the financing of certain Medicaid and other health care costs under the Health Care Reform Act, the creation of the School Tax Relief program that is funded by directing personal income tax receipts to a special revenue fund, and growth in the portion of transportation-related revenues from the General Fund to two dedicated funds in the special revenue and capital projects fund types to support the capital programs of the Department of Transportation, the Metropolitan Transportation Authority and other transit entities.

ALL FUNDS

All Funds spending totaled \$89.1 billion in 2002-03. The Federal component of All Funds spending grew by \$5.2 billion, which, when offset by the State Funds decline of \$1.2 billion described above, produced an annual increase of \$4.0 billion over 2001-02 results.

On an All Funds basis, Medicaid spending increased by \$3.5 billion over the prior year, accounting for roughly 85 percent of the annual growth in All Funds. Federal aid financed \$2.4 billion of the higher spending in Medicaid and consisted of underlying program growth (inflation,

caseload, etc.), spending related to the Disaster Relief Medicaid program, growth in Medicaid expansion programs including Family Health Plus, spending for workforce recruitment and retention programs, and additional upper payment limit and intergovernmental transfers.

Other significant areas of Federal growth included: Federal reimbursement for costs at the World Trade Center site (\$599 million), one-time TANF resources to support welfare and education programs (\$706 million), growth in State operations funded by Federal revenue (\$359 million), and increased aid for education under Title I (\$260 million).

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

	<u>Enacted</u>	<u>Change</u>	<u>30-Day</u>	<u>Change</u>	<u>Actuals</u>
Opening fund balance	<u>1,032</u>	<u>0</u>	<u>1,032</u>	<u>0</u>	<u>1,032</u>
Receipts:					
Taxes:					
Personal income tax	23,342	(6,272)	17,070	(279)	16,791
User taxes and fees	7,105	(53)	7,052	11	7,063
Business taxes	3,842	(370)	3,472	(92)	3,380
Other taxes	787	(26)	761	(18)	743
Miscellaneous receipts	2,148	1,937	4,085	(1,994)	2,091
Transfers from other funds:					
PIT in excess of Revenue Bond debt service	0	4,240	4,240	(25)	4,215
Sales tax in excess of LGAC debt service	1,808	42	1,850	69	1,919
Real estate taxes in excess of CW/CA debt service	170	96	266	(3)	263
All other	696	246	942	(10)	932
Total receipts	<u>39,898</u>	<u>(160)</u>	<u>39,738</u>	<u>(2,341)</u>	<u>37,397</u>
Disbursements:					
Grants to local governments	26,848	59	26,907	(2,020)	24,887
State operations	7,815	(48)	7,767	(89)	7,678
General State charges	2,847	(77)	2,770	(70)	2,700
Transfers to other funds:					
Debt service	1,851	(377)	1,474	22	1,496
Capital projects	174	(4)	170	(4)	166
Other purposes	679	0	679	8	687
Total disbursements	<u>40,214</u>	<u>(447)</u>	<u>39,767</u>	<u>(2,153)</u>	<u>37,614</u>
Change in fund balance	<u>(316)</u>	<u>287</u>	<u>(29)</u>	<u>(188)</u>	<u>(217)</u>
Closing fund balance	<u>716</u>	<u>287</u>	<u>1,003</u>	<u>(188)</u>	<u>815</u>
Tax Stabilization Reserve Fund	710	0	710	0	710
Contingency Reserve Fund	6	14	20	0	20
Community Projects Fund	0	75	75	10	85
Reserve for 2003-04 (1)	0	198	198	(198)	0

Note 1: The \$198 million reserve for 2003-04 was established as planned. It is on deposit in the Tax Refund Reserve Account at the close of 2002-03 and reflected in Personal Income Tax receipts in 2003-04.

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

	<u>Enacted</u>	<u>Change</u>	<u>30-Day</u>	<u>Change</u>	<u>Actuals</u>
Opening fund balance	<u>1,032</u>	<u>0</u>	<u>1,032</u>	<u>0</u>	<u>1,032</u>
Receipts:					
Taxes:					
Personal income tax	23,342	(6,272)	17,070	(279)	16,791
User taxes and fees	7,105	(53)	7,052	11	7,063
Business taxes	3,842	(370)	3,472	(92)	3,380
Other taxes	787	(26)	761	(18)	743
Miscellaneous receipts	2,148	1,937	4,085	(94)	3,991
Transfers from other funds:					
PIT in excess of Revenue Bond debt service	0	4,240	4,240	(25)	4,215
Sales tax in excess of LGAC debt service	1,808	42	1,850	69	1,919
Real estate taxes in excess of CW/CA debt service	170	96	266	(3)	263
All other	696	246	942	(10)	932
Total receipts	<u>39,898</u>	<u>(160)</u>	<u>39,738</u>	<u>(441)</u>	<u>39,297</u>
Disbursements:					
Grants to local governments	26,848	59	26,907	(194)	26,713
State operations	7,815	(48)	7,767	(52)	7,715
General State charges	2,847	(77)	2,770	(33)	2,737
Transfers to other funds:					
Debt service	1,851	(377)	1,474	22	1,496
Capital projects	174	(4)	170	0	170
Other purposes	679	0	679	4	683
Total disbursements	<u>40,214</u>	<u>(447)</u>	<u>39,767</u>	<u>(253)</u>	<u>39,514</u>
Change in fund balance	<u>(316)</u>	<u>287</u>	<u>(29)</u>	<u>(188)</u>	<u>(217)</u>
Closing fund balance	<u>716</u>	<u>287</u>	<u>1,003</u>	<u>(188)</u>	<u>815</u>
Tax Stabilization Reserve Fund	710	0	710	0	710
Contingency Reserve Fund	6	14	20	0	20
Community Projects Fund	0	75	75	10	85
Reserve for 2003-04 (1)	0	198	198	(198)	0

Note 1: The \$198 million reserve for 2003-04 was established as planned. It is on deposit in the Tax Refund Reserve Account at the close of 2002-03 and reflected in Personal Income Tax receipts in 2003-04.

**CASH FINANCIAL PLAN
GENERAL FUND
2000-2001 THROUGH 2002-2003
(millions of dollars)**

	<u>2000-2001</u>	<u>Change</u>	<u>2001-2002</u>	<u>Change</u>	<u>2002-2003</u>
Opening fund balance (1)	917	193	1,110	(78)	1,032
Receipts:					
Taxes:					
Personal income tax	23,566	2,288	25,854	(9,063)	16,791
User taxes and fees	7,404	(306)	7,098	(35)	7,063
Business taxes	4,328	(712)	3,616	(236)	3,380
Other taxes	795	8	803	(60)	743
Miscellaneous receipts	1,553	72	1,625	466	2,091
Transfers from other funds:					
PIT in excess of Revenue Bond debt service	0	0	0	4,215	4,215
Sales tax in excess of LGAC debt service	1,758	(8)	1,750	169	1,919
Real estate taxes in excess of CW/CA debt service	247	(54)	193	70	263
All other transfers	232	(27)	205	727	932
Total receipts	<u>39,883</u>	<u>1,261</u>	<u>41,144</u>	<u>(3,747)</u>	<u>37,397</u>
Disbursements:					
Grants to local governments	26,667	1,168	27,835	(2,948)	24,887
State operations	7,605	234	7,839	(161)	7,678
General State charges	2,567	83	2,650	50	2,700
Debt service	1	(1)	0	0	0
Transfers to other funds:					
Debt service	2,215	(129)	2,086	(590)	1,496
Capital projects	285	4	289	(123)	166
Other purposes	362	161	523	164	687
Total disbursements	<u>39,702</u>	<u>1,520</u>	<u>41,222</u>	<u>(3,608)</u>	<u>37,614</u>
Change in fund balance	<u>181</u>	<u>(259)</u>	<u>(78)</u>	<u>(139)</u>	<u>(217)</u>
Closing fund balance	<u>1,098</u>	<u>(66)</u>	<u>1,032</u>	<u>(217)</u>	<u>815</u>
Tax Stabilization Reserve Fund	627	83	710	0	710
Contingency Reserve Fund	150	7	157	(137)	20
Community Projects Fund	292	(132)	160	(75)	85
Universal Pre-Kindergarten Fund	29	(24)	5	(5)	0

Note 1: The 2001-2002 opening fund balance includes \$12 million from the reclassification of the Fringe Benefit Escrow Fund from Agency Funds to the General Fund.

CASH FINANCIAL PLAN
GENERAL FUND ADJUSTED FOR DELAYS
2000-2001 THROUGH 2002-2003
(millions of dollars)

	<u>2000-2001</u>	<u>Change</u>	<u>2001-2002</u>	<u>Change</u>	<u>2002-2003</u>
Opening fund balance (1)	917	193	1,110	(78)	1,032
Receipts:					
Taxes:					
Personal income tax	23,566	2,288	25,854	(9,063)	16,791
User taxes and fees	7,404	(306)	7,098	(35)	7,063
Business taxes	4,328	(712)	3,616	(236)	3,380
Other taxes	795	8	803	(60)	743
Miscellaneous receipts	1,553	72	1,625	2,366	3,991
Transfers from other funds:					
PIT in excess of Revenue Bond debt service	0	0	0	4,215	4,215
Sales tax in excess of LGAC debt service	1,758	(8)	1,750	169	1,919
Real estate taxes in excess of CW/CA debt service	247	(54)	193	70	263
All other transfers	232	(27)	205	727	932
Total receipts	<u>39,883</u>	<u>1,261</u>	<u>41,144</u>	<u>(1,847)</u>	<u>39,297</u>
Disbursements:					
Grants to local governments	26,667	1,168	27,835	(1,122)	26,713
State operations	7,605	234	7,839	(124)	7,715
General State charges	2,567	83	2,650	87	2,737
Debt service	1	(1)	0	0	0
Transfers to other funds:					
Debt service	2,215	(129)	2,086	(590)	1,496
Capital projects	285	4	289	(119)	170
Other purposes	362	161	523	160	683
Total disbursements	<u>39,702</u>	<u>1,520</u>	<u>41,222</u>	<u>(1,708)</u>	<u>39,514</u>
Change in fund balance	<u>181</u>	<u>(259)</u>	<u>(78)</u>	<u>(139)</u>	<u>(217)</u>
Closing fund balance	<u>1,098</u>	<u>(66)</u>	<u>1,032</u>	<u>(217)</u>	<u>815</u>
Tax Stabilization Reserve Fund	627	83	710	0	710
Contingency Reserve Fund	150	7	157	(137)	20
Community Projects Fund	292	(132)	160	(75)	85
Universal Pre-Kindergarten Fund	29	(24)	5	(5)	0

Note 1: The 2001-2002 opening fund balance includes \$12 million from the reclassification of the Fringe Benefit Escrow Fund from Agency Funds to the General Fund.

**CASH FINANCIAL PLAN
STATE FUNDS
2001-2002
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	1,110	2,193	69	422	3,794
Receipts:					
Taxes	37,371	2,779	1,505	2,659	44,314
Miscellaneous receipts	1,625	7,003	1,443	614	10,685
Federal grants	0	0	0	0	0
Total receipts	<u>38,996</u>	<u>9,782</u>	<u>2,948</u>	<u>3,273</u>	<u>54,999</u>
Disbursements:					
Grants to local governments	27,835	7,612	306	0	35,753
State operations	7,839	3,689	0	6	11,534
General State charges	2,650	259	0	0	2,909
Debt service	0	0	0	4,143	4,143
Capital projects	0	6	2,633	0	2,639
Total disbursements	<u>38,324</u>	<u>11,566</u>	<u>2,939</u>	<u>4,149</u>	<u>56,978</u>
Other financing sources (uses):					
Transfers from other funds	2,148	818	313	4,742	8,021
Transfers to other funds	(2,898)	(137)	(755)	(4,119)	(7,909)
Bond and note proceeds	0	0	211	0	211
Net other financing sources (uses)	<u>(750)</u>	<u>681</u>	<u>(231)</u>	<u>623</u>	<u>323</u>
Change in fund balance	<u>(78)</u>	<u>(1,103)</u>	<u>(222)</u>	<u>(253)</u>	<u>(1,656)</u>
Closing fund balance	<u>1,032</u>	<u>1,090</u>	<u>(153)</u>	<u>169</u>	<u>2,138</u>

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	1,032	1,090	(153)	169	2,138
Receipts:					
Taxes	27,977	4,205	1,690	6,804	40,676
Miscellaneous receipts	2,091	9,428	1,677	807	14,003
Federal grants	0	0	0	0	0
Total receipts	<u>30,068</u>	<u>13,633</u>	<u>3,367</u>	<u>7,611</u>	<u>54,679</u>
Disbursements:					
Grants to local governments	24,887	10,036	399	0	35,322
State operations	7,678	4,068	0	7	11,753
General State charges	2,700	357	0	0	3,057
Debt service	0	0	0	3,038	3,038
Capital projects	0	4	2,579	0	2,583
Total disbursements	<u>35,265</u>	<u>14,465</u>	<u>2,978</u>	<u>3,045</u>	<u>55,753</u>
Other financing sources (uses):					
Transfers from other funds	7,329	854	183	4,384	12,750
Transfers to other funds	(2,349)	(218)	(1,224)	(8,961)	(12,752)
Bond and note proceeds	0	0	245	0	245
Net other financing sources (uses)	<u>4,980</u>	<u>636</u>	<u>(796)</u>	<u>(4,577)</u>	<u>243</u>
Change in fund balance	<u>(217)</u>	<u>(196)</u>	<u>(407)</u>	<u>(11)</u>	<u>(831)</u>
Closing fund balance	<u>815</u>	<u>894</u>	<u>(560)</u>	<u>158</u>	<u>1,307</u>

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	<u>1,032</u>	<u>1,090</u>	<u>(153)</u>	<u>169</u>	<u>2,138</u>
Receipts:					
Taxes	27,977	4,205	1,690	6,804	40,676
Miscellaneous receipts	3,991	9,428	1,677	807	15,903
Federal grants	0	0	0	0	0
Total receipts	<u>31,968</u>	<u>13,633</u>	<u>3,367</u>	<u>7,611</u>	<u>56,579</u>
Disbursements:					
Grants to local governments	26,713	10,036	399	0	37,148
State operations	7,715	4,068	0	7	11,790
General State charges	2,737	357	0	0	3,094
Debt service	0	0	0	3,038	3,038
Capital projects	0	4	2,579	0	2,583
Total disbursements	<u>37,165</u>	<u>14,465</u>	<u>2,978</u>	<u>3,045</u>	<u>57,653</u>
Other financing sources (uses):					
Transfers from other funds	7,329	854	183	4,384	12,750
Transfers to other funds	(2,349)	(218)	(1,224)	(8,961)	(12,752)
Bond and note proceeds	0	0	245	0	245
Net other financing sources (uses)	<u>4,980</u>	<u>636</u>	<u>(796)</u>	<u>(4,577)</u>	<u>243</u>
Change in fund balance	<u>(217)</u>	<u>(196)</u>	<u>(407)</u>	<u>(11)</u>	<u>(831)</u>
Closing fund balance	<u>815</u>	<u>894</u>	<u>(560)</u>	<u>158</u>	<u>1,307</u>

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2001-2002
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>1,110</u>	<u>2,199</u>	<u>(89)</u>	<u>422</u>	<u>3,642</u>
Receipts:					
Taxes	37,371	2,779	1,505	2,659	44,314
Miscellaneous receipts	1,625	7,129	1,444	614	10,812
Federal grants	0	26,698	1,423	0	28,121
Total receipts	<u>38,996</u>	<u>36,606</u>	<u>4,372</u>	<u>3,273</u>	<u>83,247</u>
Disbursements:					
Grants to local governments	27,835	31,270	650	0	59,755
State operations	7,839	6,565	0	6	14,410
General State charges	2,650	416	0	0	3,066
Debt service	0	0	0	4,143	4,143
Capital projects	0	6	3,664	0	3,670
Total disbursements	<u>38,324</u>	<u>38,257</u>	<u>4,314</u>	<u>4,149</u>	<u>85,044</u>
Other financing sources (uses):					
Transfers from other funds	2,148	2,530	313	4,742	9,733
Transfers to other funds	(2,898)	(2,031)	(761)	(4,119)	(9,809)
Bond and note proceeds	0	0	211	0	211
Net other financing sources (uses)	<u>(750)</u>	<u>499</u>	<u>(237)</u>	<u>623</u>	<u>135</u>
Change in fund balance	<u>(78)</u>	<u>(1,152)</u>	<u>(179)</u>	<u>(253)</u>	<u>(1,662)</u>
Closing fund balance	<u>1,032</u>	<u>1,047</u>	<u>(268)</u>	<u>169</u>	<u>1,980</u>

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	1,032	1,047	(268)	169	1,980
Receipts:					
Taxes	27,977	4,205	1,690	6,804	40,676
Miscellaneous receipts	2,091	9,580	1,678	807	14,156
Federal grants	0	31,675	1,567	0	33,242
Total receipts	<u>30,068</u>	<u>45,460</u>	<u>4,935</u>	<u>7,611</u>	<u>88,074</u>
Disbursements:					
Grants to local governments	24,887	38,249	855	0	63,991
State operations	7,678	7,302	0	7	14,987
General State charges	2,700	541	0	0	3,241
Debt service	0	0	0	3,038	3,038
Capital projects	0	4	3,795	0	3,799
Total disbursements	<u>35,265</u>	<u>46,096</u>	<u>4,650</u>	<u>3,045</u>	<u>89,056</u>
Other financing sources (uses):					
Transfers from other funds	7,329	3,034	183	4,384	14,930
Transfers to other funds	(2,349)	(2,459)	(1,236)	(8,961)	(15,005)
Bond and note proceeds	0	0	245	0	245
Net other financing sources (uses)	<u>4,980</u>	<u>575</u>	<u>(808)</u>	<u>(4,577)</u>	<u>170</u>
Change in fund balance	<u>(217)</u>	<u>(61)</u>	<u>(523)</u>	<u>(11)</u>	<u>(812)</u>
Closing fund balance	<u>815</u>	<u>986</u>	<u>(791)</u>	<u>158</u>	<u>1,168</u>

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	1,032	1,047	(268)	169	1,980
Receipts:					
Taxes	27,977	4,205	1,690	6,804	40,676
Miscellaneous receipts	3,991	9,580	1,678	807	16,056
Federal grants	0	31,675	1,567	0	33,242
Total receipts	<u>31,968</u>	<u>45,460</u>	<u>4,935</u>	<u>7,611</u>	<u>89,974</u>
Disbursements:					
Grants to local governments	26,713	38,249	855	0	65,817
State operations	7,715	7,302	0	7	15,024
General State charges	2,737	541	0	0	3,278
Debt service	0	0	0	3,038	3,038
Capital projects	0	4	3,795	0	3,799
Total disbursements	<u>37,165</u>	<u>46,096</u>	<u>4,650</u>	<u>3,045</u>	<u>90,956</u>
Other financing sources (uses):					
Transfers from other funds	7,329	3,034	183	4,384	14,930
Transfers to other funds	(2,349)	(2,459)	(1,236)	(8,961)	(15,005)
Bond and note proceeds	0	0	245	0	245
Net other financing sources (uses)	<u>4,980</u>	<u>575</u>	<u>(808)</u>	<u>(4,577)</u>	<u>170</u>
Change in fund balance	<u>(217)</u>	<u>(61)</u>	<u>(523)</u>	<u>(11)</u>	<u>(812)</u>
Closing fund balance	<u>815</u>	<u>986</u>	<u>(791)</u>	<u>158</u>	<u>1,168</u>

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

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Opening fund balance	<u>1,090</u>	<u>(43)</u>	<u>1,047</u>
Receipts:			
Taxes	4,205	0	4,205
Miscellaneous receipts	9,428	152	9,580
Federal grants	0	31,675	31,675
Total receipts	<u>13,633</u>	<u>31,827</u>	<u>45,460</u>
Disbursements:			
Grants to local governments	10,036	28,213	38,249
State operations	4,068	3,234	7,302
General State charges	357	184	541
Debt service	0	0	0
Capital projects	4	0	4
Total disbursements	<u>14,465</u>	<u>31,631</u>	<u>46,096</u>
Other financing sources (uses):			
Transfers from other funds	854	2,180	3,034
Transfers to other funds	(218)	(2,241)	(2,459)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	<u>636</u>	<u>(61)</u>	<u>575</u>
Change in fund balance	<u>(196)</u>	<u>135</u>	<u>(61)</u>
Closing fund balance	<u>894</u>	<u>92</u>	<u>986</u>

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

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Opening fund balance	<u>(153)</u>	<u>(115)</u>	<u>(268)</u>
Receipts:			
Taxes	1,690	0	1,690
Miscellaneous receipts	1,677	1	1,678
Federal grants	0	1,567	1,567
Total receipts	<u>3,367</u>	<u>1,568</u>	<u>4,935</u>
Disbursements:			
Grants to local governments	399	456	855
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	2,579	1,216	3,795
Total disbursements	<u>2,978</u>	<u>1,672</u>	<u>4,650</u>
Other financing sources (uses):			
Transfers from other funds	183	0	183
Transfers to other funds	(1,224)	(12)	(1,236)
Bond and note proceeds	245	0	245
Net other financing sources (uses)	<u>(796)</u>	<u>(12)</u>	<u>(808)</u>
Change in fund balance	<u>(407)</u>	<u>(116)</u>	<u>(523)</u>
Closing fund balance	<u>(560)</u>	<u>(231)</u>	<u>(791)</u>

**CASH FLOW
GENERAL FUND
2003-2004 STRINGENT EMERGENCY BILL PROCESS
(millions of dollars)**

	<u>April</u>	<u>May</u>	<u>June</u>
Opening fund balance	<u>815</u>	<u>2,680</u>	<u>622</u>
Receipts:			
Taxes:			
Personal income tax	2,743	350	1,381
Sales tax	484	458	682
User taxes and fees	71	58	61
Business taxes	13	(8)	714
Other taxes	60	66	72
Miscellaneous receipts	106	93	133
Transfers from other funds	891	311	787
Total receipts	<u>4,368</u>	<u>1,328</u>	<u>3,830</u>
Disbursements:			
Grants to local governments	1,440	2,305	3,169
State operations	718	750	605
General State charges	108	188	172
Transfers to other funds	237	143	266
Total disbursements	<u>2,503</u>	<u>3,386</u>	<u>4,212</u>
Change in fund balance	<u>1,865</u>	<u>(2,058)</u>	<u>(382)</u>
Closing fund balance	<u>2,680</u>	<u>622</u>	<u>240</u>

PART II: Special Considerations

As described in Part I, the State, as a result of the failure of the Legislature to authorize tobacco securitization, is operating with relatively low cash balances through the first quarter of the 2003-04 fiscal year, even after the imposition of a strict austerity spending plan that is intended to severely limit discretionary spending during this period. DOB is preparing to implement additional cash management actions in May and June 2003 if tax receipts fall below planned levels.

It is possible that recent litigation affecting Philip Morris USA may weaken the demand for tobacco-related bonds, as investors become less confident that the tobacco companies will be able to satisfy their future payment obligations under the MSA. However, DOB believes that the enhanced security structure contemplated for the State's tobacco settlement bonds will be sufficient to allay investor concerns. For a discussion of the status of the State's tobacco settlement sale, see Part I of this Supplement.

There are several significant risks that could adversely affect the U.S. economic recovery or perhaps even derail it and put the nation back into recession. By far the greatest is the risk of another terrorist attack, or series of attacks, that could lead to a steep decline in consumer confidence and spending, as well as a postponement of investment plans by businesses. Instability in the Middle East also carries the potential to affect consumer sentiment, business confidence, and oil prices.

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 2003-04 Financial Plan assumes no significant Federal disallowances or other Federal actions that could adversely affect State finances. For more information on certain litigation pending against the State, see the section entitled "Litigation" in this Supplement, the February 3, 2003 Update to the AIS, and the AIS.

PART III: LITIGATION

State Finance Policies

In *Consumers Union of U.S., Inc. v. State*, plaintiffs challenge the constitutionality of those portions of Chapter 1 of the Laws of 2002 which relate to the authorization of the conversion of Empire Health Choice, d/b/a Empire Blue Cross and Blue Shield from a not-for-profit corporation to a for-profit corporation. Chapter 1 requires, in part, that upon such conversion, assets representing 95 percent of the fair market value of the not-for-profit corporation be transferred to a fund designated as the “public asset fund” to be used for the purpose set forth in § 7317 of the Insurance Law. The State and private defendants have separately moved to dismiss the complaint. On November 6, 2002, the Supreme Court, New York County, granted a temporary restraining order, directing that the proceeds from the initial public offering of the for-profit corporation be deposited with the State Comptroller in an interest-bearing account, pending the hearing of a motion for a preliminary injunction, which was returnable simultaneously with the motions to dismiss, on November 26, 2002.

By decision dated February 28, 2003, the Supreme Court, New York County, granted the defendants’ motions to dismiss. In its decision, the court also granted plaintiffs leave to amend their complaint to assert a new cause of action and deferred decision on plaintiffs’ motion for a preliminary injunction. The plaintiffs and defendants have appealed from the February 28, 2003 decision. Plaintiffs served an amended complaint on April 1, 2003. On April 15, 2003, the defendants moved to dismiss the amended complaint.