

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

March 3, 2003

This Supplement to the February 3, 2003 Update to the Annual Information Statement of the State of New York is dated March 3, 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 and the Update to the AIS dated February 3, 2003 should be read, in their entirety, in conjunction with the information in this Supplement.

On February 28, 2003, the Governor submitted amendments to the proposed 2003-04 Executive Budget as authorized by Article VII of the State Constitution (the “30-day amendments”). At the same time, the Division of the Budget issued a revised Financial Plan for the 2002-03 through 2005-06 fiscal years that reflect the impact of the Governor’s proposed amendments (the “30-day Financial Plan”).

Part I of this Supplement sets forth the Division of the Budget’s 30-day Financial Plan in its entirety, with the exception of certain Financial Plan tables. The balance of the 30-day Financial Plan is incorporated by reference and is available on the Division of the Budget’s website at www.budget.state.ny.us. Except as noted in the 30-day Financial Plan, the projections, and the assumptions on which the projections are based, are consistent with the Financial Plan projections published in the February 3, 2003 Update to the Annual Information Statement.

Part II of this Supplement is entitled “Special Considerations” and summarizes certain potential risks that may affect the State’s Financial Plan in the current year or in the future. Such risks include inaction by the State Legislature on the Governor’s budget proposals, the slow pace of the national economic recovery, continuing financial market volatility, and uncertainties over the ultimate form of Federal “economic stimulus” legislation. 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.

Readers may obtain the AIS, updates, and any supplements by contacting the Division of the Budget (“DOB”), State Capitol, Albany, NY 12224, (518) 473-8705. Informational copies of the AIS, updates, and supplements 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.

The 30-day Financial Plan prepared by the Division of the Budget contains estimates and projections of future results that must not be construed as statements of fact. These estimates and projections are based upon various assumptions, which may be affected by numerous factors, including future economic conditions in the State and nation and actions by the State Legislature. There can be no assurance that actual results will not differ materially and adversely from the estimates and projections contained in the 30-day Financial Plan.

PART I: 30-Day Financial Plan

Overview

This report represents an update to the State's four-year Financial Plan projections (the "30-day Financial Plan") as required by Section 22 of the State Finance Law. Financial Plan projections are included on both a cash basis and a Generally Accepted Accounting Principles (GAAP) basis for the period 2002-03 through 2005-06. Also included are revised tables published in the Capital Program and Financing Plan section of Appendix II of the Executive Budget.

The revised financial projections reflect the Governor's proposed 30-day changes to his 2003-04 Executive Budget as provided for under the State Constitution. Except as noted herein, these projections (and the assumptions upon which they are based) are consistent with the four-year Financial Plan projections detailed in the Governor's Executive Budget submission of January 29, 2003. The Executive Budget submission included an accelerated release of the outyear financial plan information, and contained a detailed explanation of projected receipts and disbursements estimates for the 2002-03 through 2005-06 fiscal years. Readers should refer to Appendix II of the Executive Budget for a more detailed explanation of projected receipts and disbursements trends for the 2002-03 through 2005-06 period.

The revised 2002-03 General Fund Financial Plan shows an additional shortfall in the current year of \$180 million due largely to lower than expected tax audit recoveries because of delays in implementing a multi-year technology plan (\$200 million) and higher costs associated with homeland security (\$5 million), offset by lower spending for the preschool handicapped program (\$25 million). This shortfall will be financed by net savings from the 30-day changes which are projected to be \$180 million in 2003-04, \$99 million in 2004-05, and \$90 million in 2005-06.

In addition, the Governor is recommending contingency plans to address both the likely delay of projected tobacco securitization proceeds and potential higher pension costs beginning in 2003-04.

REVISED 30-DAY SPENDING ESTIMATES (millions of dollars)				
	Projected 2002-03	Projected 2003-04	\$ Change from 2002-03	% Change from 2002-03
General Fund	39,767	38,512	(1,255)	(3.2)
State Funds	58,910	58,871	(39)	(0.1)
All Governmental Funds	90,895	90,809	(86)	(0.1)

Summary of Proposed Changes

30-DAY GENERAL FUND FINANCIAL PLAN CHANGES				
(millions of dollars)				
	2002-03	2003-04	2004-05	2005-06
Savings:				
Revenue Reestimates	0	49	34	35
Spending Reestimates	25	164	98	88
Total Savings	25	213	132	123
Costs:				
Revenue Shortfall	(200)	0	0	0
Homeland Security	(5)	0	0	0
Criminal Alien Assistance Program	0	(33)	(33)	(33)
Fund 2002-03 Shortfall in 2003-04	180	(180)	0	0
Total Costs	(25)	(213)	(33)	(33)
Net Impact Savings/(Costs)	0	0	99	90

Total savings of \$213 million in 2003-04 primarily include the net impact of revised welfare caseload projections (\$50 million), reestimated costs for the remaining 2002-03 school year payments (\$31 million), additional Federal resources available to finance Medicaid payments (\$29 million), additional Special Revenue Fund balances used to offset General Fund spending (\$26 million), revised subsidy costs associated with the Court Facilities Incentive Aid Fund (\$21 million), various reestimates to Judiciary fee increases (\$7 million), and various administrative savings and an effort spearheaded by Empire State Development Corporation to achieve savings through privatization (\$49 million).

These 2003-04 savings will be used to finance the \$180 million shortfall from 2002-03, as well as an expected increase in General Fund costs of \$33 million related to a reduction in Federal reimbursements previously used to offset General Fund State operations spending for the Department of Correctional Services.

Outyear Estimates of Receipts and Disbursements

General Fund budget gaps for the 2004-05 and 2005-06 fiscal years are essentially unchanged from estimates provided in the January 29th Executive Budget submission, and are currently projected at \$2.8 billion in 2004-05 and \$4.1 billion in 2005-06.

PROJECTED OUTYEAR BUDGET GAPS (millions of dollars)		
	2004-05	2005-06
Executive Budget Gaps	(2,899)	(4,236)
Savings from 30-day Changes	99	90
Executive Budget Gaps (as amended)	(2,800)	(4,146)
2005-06 Gap if 2004-05 Gap is Closed with Recurring Actions		(1,346)

The outyear gap estimates continue to assume the Legislature will enact the 2003-04 Executive Budget and accompanying legislation in its entirety. These budget gaps do not assume any collective bargaining salary increases, or additional spending efficiencies. If the projected budget gap for 2004-05 is closed with recurring actions, the 2005-06 budget gap would be reduced to \$1.3 billion.

The net savings of \$99 million in 2004-05 and \$90 million in 2005-06 primarily reflect the continuation of savings generated in the 2003-04 financial plan from the 30-day changes, including revised welfare caseload projections (\$50 million in both years), additional Federal moneys to reduce State Medicaid payments (\$19 million in both years), revised subsidy costs associated with the Court Facilities Incentive Aid Fund (\$21 million in 2004-05 and \$12 million in 2005-06), and other administrative savings (\$42 million in both years). These savings are offset by increased General Fund costs for the Federal State Criminal Alien Assistance Program due to lower Federal reimbursement (\$33 million).

The final pension bill received during 2003-04 would impact the outyear gaps. As described in the Contingency Plan below, if pension reforms are accepted by the Comptroller, the outyear gaps could be reduced. However, if pension reforms are not endorsed by the Comptroller, and assuming 2003-04 costs of \$660 million (based on the latest projections by the Comptroller) are delayed with interest until 2005-06, then the 2004-05 gap would increase by \$380 million to \$3.2 billion and the 2005-06 gap would increase by roughly \$1 billion to \$5.2 billion.

Pension Reform Contingency Plan

Recent information from the Comptroller's Office indicates that pension costs could be greater than the Executive Budget projections by \$660 million in 2003-04, \$380 million in 2004-05, and \$285 million in 2005-06. These latest projections are based upon employer contribution rates of 11 percent of salary in 2003-04 and 2004-05, and 14 percent in 2005-06. The Executive Budget assumed rates increasing from 1 percent of payroll in 2002-03 to 4 percent in 2003-04, growing to 7 percent in 2004-05 and 11 percent in 2005-06. Local governments will also be faced with higher pension costs of roughly \$1.1 billion.

Under current practice, the final pension bill is determined in part by the stock market value of pension assets on March 31, 2003. To address the potential for higher pension costs, the

Governor is submitting legislation with the 30-day amendments comprised of various pension reform options to allow the Comptroller to reduce costs for both State and local governments.

Pension reform options include implementing a phase-in schedule that gradually takes the pension contribution to higher levels of salary 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), eliminating 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 time period instead of the current schedule of 10-15 years. The State and local governments would benefit significantly from these proposals.

The pension reform options recommended by the Governor are expected to generate savings to fully offset or significantly reduce the higher pension costs in 2003-04 for both the State and local governments. However, in order to achieve savings associated with pension reforms, the Comptroller, as sole trustee of the pension system, must agree to these reforms.

Contingency Plan for Tobacco Proceeds _____

The 30-day Financial Plan includes roughly \$1.9 billion in receipts associated with securitization of tobacco proceeds. Since the Legislature has not yet enacted the authorization necessary to effectuate this securitization, the Division of the Budget is preparing a contingency plan of roughly \$3 billion in discretionary payments that could be temporarily delayed until the first quarter of 2003-04, when the transaction must be completed to finance these payments.

The programs and areas of spending that are potential candidates for delay include reimbursements for costs incurred by school districts, local governments, and outside entities that are usually made during the last two weeks of March. School aid is required by statute to be paid by the first business day in June and the CUNY Senior College payment is required by statute to be made on or before April 25. The other payments do not have statutory payment dates, and would be made as soon as resources become available in the first quarter of 2003-04.

While delaying payments is a less desirable option than tobacco securitization for ending the fiscal year in balance, it is preferable to mid-year cuts or the issuance of deficit notes which result in added interest costs and negative implications in the financial community. It is expected that these delays will negatively impact the State's 2003-04 first quarter cash flow as well as the cash flow of school districts and local governments. The negative impact on these cash flows would be eliminated when tobacco securitization is enacted.

Cash Flow _____

The 2003-04 General Fund cash flow estimates assume that the budget is enacted on time, various management actions are implemented in the first quarter to maximize the use of other funding sources to offset General Fund spending, and that \$1.9 billion of tobacco proceeds are available by April 1, 2003. After these actions, the General Fund is projected to have quarterly balances of \$624 million in June, \$963 million in September, \$1.28 billion by the end of December, and \$730 million at the end of March. The lowest projected month-end cash flow balances are \$195 million in May and \$358 million in August.

If tobacco proceeds are not received in a timely manner, payments will have to continue to be delayed for longer time periods, and the State would have little ability to incur new liabilities or commitments beginning in April 2003.

Economic Outlook

National Economy

The Budget Division is not amending its national economic forecast at this time. However, the risks to the forecast remain significant. Conflict in the Middle East is becoming increasingly likely and the anticipation of war continues to depress economic activity. The possibility that Congress will enact a fiscal stimulus package creates an upside potential to the forecast. If enacted by the middle of the year, the national economy may grow faster than projected.

New York State Economy

Although the current outlook for the State's economy is unchanged from the Executive Budget, recent events have increased the risks to the forecast for both employment and wages. The likelihood of war and the concomitant threat of terrorist acts have increased. The continuing erosion of investor confidence has had a major impact on Wall Street and the New York City economy. Securities industry profits for 2002 were the lowest in eight years; including research settlement charges and write-offs for potential litigation costs, profits were a negative \$1 billion for the fourth quarter. After suffering its second consecutive annual loss in 2002, the stock market continued to deteriorate in January and February of this year, due largely to uncertainty related to pending military conflict. If global tensions resolve quickly, equity markets could strengthen more quickly than expected. If not, financial sector weakness, combined with weak domestic and global demand for New York State goods and services, will continue to have an adverse impact on the State's economic recovery.

General Fund Receipts

GENERAL FUND RECEIPTS (millions of dollars)				
SFY:	2002-03	2003-04	2004-05	2005-06
Total Tax Receipts	28,355	27,215	28,503	30,203
All Other Receipts	11,383	11,024	9,541	9,511
Total 30-day Receipts	39,738	38,239	38,044	39,714
Change from Executive Budget	(200)	49	34	35

Total General Fund receipts estimates for 2002-03 are reduced by \$200 million from the Executive Budget. Receipt estimates have been increased by \$49 million in 2003-04, \$34 million in 2004-05, and \$35 million in 2005-06.

Estimates of personal income tax receipts have been decreased by \$112 million for 2002-03. The decrease reflects lower-than-anticipated withholding and assessment collections, (of a one-time nature) partially offset by higher-than-expected estimated tax payments and a lower deposit into the Revenue Bond Trust Fund (RBTF). The estimate for 2003-04 is revised upward by \$4

million reflecting a 30-day proposal to change the interest rate formula used to calculate interest paid on refund payments.

Corporate franchise tax receipts estimates are reduced by \$50 million in 2002-03. The estimates of business tax receipts for 2003-04 remain unchanged. The 30-day amendments include a restructuring of the insurance tax proposal contained in the Executive Budget. The amendments have no impact on the Financial Plan.

Miscellaneous receipts estimates for 2002-03 are unchanged from the Executive Budget. The 2003-04 projection is increased by \$41 million reflecting the impact of several proposals including privatization efforts and changes in court fee effective dates.

In addition, the transfers to the General Fund from the Revenue Bond Trust Fund have been reduced by \$38 million in 2002-03 reflecting a change in the personal income tax estimate. Transfers to the General Fund have been increased by \$3 million in 2003-04 and \$5 million thereafter.

General Fund Disbursements

GENERAL FUND DISBURSEMENTS (millions of dollars)				
SFY:	2002-03	2003-04	2004-05	2005-06
Executive Budget	39,787	38,644	40,909	43,915
Change	(20)	(132)	(65)	(55)
30-Day	39,767	38,512	40,844	43,860

Total General Fund spending projected for 2002-03 decreases by \$20 million to reflect lower spending in the preschool handicapped program (\$25 million) offset by higher costs associated with homeland security (\$5 million).

In 2003-04, the Governor's proposed changes to the Executive Budget decrease spending by \$132 million. This net decrease primarily reflects revised welfare caseload projections (\$50 million), reestimated costs for the remaining 2002-03 school year payments (\$31 million), additional Federal resources available to finance Medicaid payments (\$29 million), additional Higher Education Services Corporation balances used to offset General Fund SUNY and CUNY spending (\$26 million), and revised subsidy costs associated with the Court Facilities Incentive Aid Fund (\$21 million). These savings are offset by a reduction in Federal support for the State Criminal Alien Assistance Program (SCAAP) that produce higher General Fund costs (\$33 million).

The outyear 30-day Financial Plan projections are expected to decrease by \$65 million in 2004-05 and \$55 million in 2005-06 as compared to the Executive Budget forecast. These net decreases primarily reflect revised welfare caseload projections (\$50 million in both years), additional Federal Medicaid payments (\$19 million in both years), and a revision in the subsidy to the Court Facilities Incentive Aid Fund (\$21 million in 2004-05 and \$12 million in 2005-06), offset by the continued impact of Federal SCAAP cuts (\$33 million in both years).

No changes were made in the projection period to the underlying disbursement growth trends detailed in the Executive Budget. Readers should refer to the Financial Plan Overview in

Appendix II of the Executive Budget for a more detailed explanation of projected disbursement trends for the 2002-03 through 2005-06 period.

Reserves/Closing Fund Balance

The 30-day Financial Plan projects a closing balance of \$1.0 billion at the end of the 2002-03 fiscal year, a decline of \$180 million from the Executive Budget projection. The closing balance of \$1.0 billion represents the monies on deposit in the Tax Stabilization Reserve Fund (\$710 million), the Contingency Reserve Fund (\$20 million), and the Community Projects Fund (\$75 million), as well as the remaining projected extra tobacco securitization receipts (\$198 million). This fund balance would change depending on the need to delay payments as part of the contingency plan if tobacco securitization proceeds are unavailable by the close of the fiscal year.

The 2003-04 closing balance of \$730 million remains unchanged from the Executive Budget, and includes \$710 million in the Tax Stabilization Reserve Fund and \$20 million in the Contingency Reserve Fund.

State Funds

STATE FUNDS DISBURSEMENTS (millions of dollars)				
SFY:	2002-03	2003-04	2004-05	2005-06
Executive Budget	58,963	58,890	62,086	65,545
Change	(53)	(19)	(9)	(5)
30-Day	58,910	58,871	62,095	65,540

State Funds represent the portion of the State's budget supported exclusively by State revenues: taxes, fees, fines, and other revenues imposed and collected by the State. Federal grants are not included as part of State Funds.

The \$53 million decrease in spending projected in 2002-03 primarily reflects timing-related changes in spending from the Dedicated Highway Fund (\$50 million) augmented by the decrease in General Fund disbursements described above, offset in part by higher than anticipated costs associated with highway snow and ice removal (\$18 million).

Compared to Executive Budget projections, disbursements are now projected to decrease by \$19 million, \$9 million and \$5 million in 2003-04, 2004-05 and 2005-06, respectively. This decrease reflects changes to welfare, school aid, Medicaid, and SCAAP detailed in the General Fund discussion above, offset by anticipated increased spending in CUNY programs supported by Special Revenue Funds (including technology improvements) of \$45 million in 2003-04 and \$28 million in 2004-05 and 2005-06.

All Governmental Funds

ALL GOVERNMENTAL FUNDS DISBURSEMENTS (millions of dollars)				
SFY:	2002-03	2003-04	2004-05	2005-06
Executive Budget	90,948	90,822	95,368	98,269
Change	(53)	(13)	230	179
30-Day	90,895	90,809	95,598	98,448

All Governmental Funds combines activity in the four governmental funds types: the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds. All Governmental Funds excludes Fiduciary, Internal Service, and Enterprise Funds.

Total All Governmental Funds spending decreases by \$53 million in 2002-03 and \$13 million in 2003-04 consistent with the changes described in State Funds above.

Outyear projections increase by \$230 million in 2004-05 and \$179 million in 2005-06. The increase primarily reflects additional spending resulting from the anticipated passage of the Federal Unemployment Insurance Reemployment Account Program (\$360 million in both years). This increase is offset by decreases in federal welfare spending (\$129 million in 2004-05 and \$166 million in 2005-06) and the net decrease described in State funds above.

General Fund GAAP Financial Plans

The General Fund Financial Plans prepared in accordance with Generally Accepted Accounting Principles (GAAP) for State fiscal years 2002-03 through 2005-06 were presented in the Executive Budget submission of January 29, 2003. The GAAP revisions included in the 30-day period incorporate the proposed 30-day amendments to the cash-basis Financial Plan. The GAAP projections are based on the accounting principles applied by the State Comptroller in the financial statements issued for the 2001-02 State fiscal year. They do not reflect any pending proposals of the Governmental Accounting Standards Board, including GASB 34, which will significantly change the presentation of GAAP financial information for state and local governments in 2002-03.

The two-year impact on the GAAP operating results and accumulated deficit remains unchanged from the Executive Budget projections. The operating deficit increases by \$180 million in 2002-03 and decreases by a like amount in 2003-04.

In 2002-03, the General Fund GAAP Financial Plan is projected to end the year with an operating imbalance of \$2.74 billion, an increase of \$180 million from the Executive Budget projections. The increase in the GAAP deficit is due to the estimated cash shortfall of \$180 million. Consistent with the Executive Budget, this operating result reflects the use of reserves in response to the World Trade Center disaster while the State restrains overall spending over the next few years. As a result, the accumulated surplus declines from \$492 million at the end of 2001-02 to a \$2.24 billion accumulated deficit at the end of 2002-03.

In 2003-04, the General Fund is now expected to end the fiscal year with an operating surplus of \$42 million as compared to a projected operating deficit of \$138 million in the Executive Budget. The net benefit of \$180 million from the Executive Budget estimate is due to

savings associated with the 30-day changes. The accumulated deficit is still projected at \$2.20 billion at the end of 2003-04.

The General Fund GAAP Financial Plan projects a deficit of \$2.80 billion in 2004-05 and \$4.35 billion in 2005-06, which is consistent with the projected cash imbalance before actions that will be proposed to close those gaps.

If spending is temporarily delayed from 2002-03 until the first quarter of 2003-04 to respond to continued legislative inaction on tobacco securitization, the projected GAAP operating deficit will increase significantly in the current year with a commensurate increase in the operating surplus in 2003-04.

**CASH FINANCIAL PLAN
GENERAL FUND
UPDATED FOR 30-DAY CHANGES
2002-2003
(millions of dollars)**

	<u>January</u>	<u>Change</u>	<u>30-Day</u>
Opening fund balance	<u>1,032</u>	<u>0</u>	<u>1,032</u>
Receipts:			
Taxes:			
Personal income tax	17,182	(112)	17,070
User taxes and fees	7,052	0	7,052
Business taxes	3,522	(50)	3,472
Other taxes	761	0	761
Miscellaneous receipts	4,085	0	4,085
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	4,278	(38)	4,240
Sales tax in excess of LGAC debt service	1,850	0	1,850
Real estate taxes in excess of CW/CA debt service	266	0	266
All other	942	0	942
Total receipts	<u>39,938</u>	<u>(200)</u>	<u>39,738</u>
Disbursements:			
Grants to local governments	26,932	(25)	26,907
State operations	7,762	5	7,767
General State charges	2,770	0	2,770
Transfers to other funds:			
Debt service	1,474	0	1,474
Capital projects	170	0	170
State university	26	0	26
Other purposes	653	0	653
Total disbursements	<u>39,787</u>	<u>(20)</u>	<u>39,767</u>
Change in fund balance	<u>151</u>	<u>(180)</u>	<u>(29)</u>
Closing fund balance	<u>1,183</u>	<u>(180)</u>	<u>1,003</u>
Tax Stabilization Reserve Fund	710	0	710
Contingency Reserve Fund	20	0	20
Community Projects Fund	75	0	75
Reserve for 2003-04	378	(180)	198

**CASH FINANCIAL PLAN
GENERAL FUND
UPDATED FOR 30-DAY CHANGES
2003-2004
(millions of dollars)**

	<u>Executive</u>	<u>Change</u>	<u>30-Day</u>
Opening fund balance	<u>1,183</u>	<u>(180)</u>	<u>1,003</u>
Receipts:			
Taxes:			
Personal income tax	15,250	4	15,254
User taxes and fees	7,508	0	7,508
Business taxes	3,682	0	3,682
Other taxes	771	0	771
Miscellaneous receipts	3,538	41	3,579
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	4,864	1	4,865
Sales tax in excess of LGAC debt service	1,999	0	1,999
Real estate taxes in excess of CW/CA debt service	202	0	202
All other	377	2	379
Total receipts	<u>38,191</u>	<u>48</u>	<u>38,239</u>
Disbursements:			
Grants to local governments	25,913	(133)	25,780
State operations	7,152	14	7,166
General State charges	3,165	0	3,165
Transfers to other funds:			
Debt service	1,583	0	1,583
Capital projects	206	0	206
State university	145	0	145
Other purposes	480	(13)	467
Total disbursements	<u>38,644</u>	<u>(132)</u>	<u>38,512</u>
Change in fund balance	<u>(453)</u>	<u>180</u>	<u>(273)</u>
Closing fund balance	<u>730</u>	<u>0</u>	<u>730</u>
Tax Stabilization Reserve Fund	710	0	710
Contingency Reserve Fund	20	0	20

**CASH FINANCIAL PLAN
GENERAL FUND
UPDATED FOR 30-DAY CHANGES
2004-2005
(millions of dollars)**

	<u>Executive</u>	<u>Change</u>	<u>30-Day</u>
Receipts:			
Taxes:			
Personal income tax	16,134	4	16,138
User taxes and fees	7,788	0	7,788
Business taxes	3,787	0	3,787
Other taxes	790	0	790
Miscellaneous receipts	2,068	25	2,093
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	5,009	2	5,011
Sales tax in excess of LGAC debt service	2,060	0	2,060
Real estate taxes in excess of CW/CA debt service	198	0	198
All other	176	3	179
Total receipts	<u>38,010</u>	<u>34</u>	<u>38,044</u>
Disbursements:			
Grants to local governments	26,866	(74)	26,792
State operations	7,511	30	7,541
General State charges	3,654	0	3,654
Transfers to other funds:			
Debt service	1,879	0	1,879
Capital projects	303	0	303
State university	115	0	115
Other purposes	581	(21)	560
Total disbursements	<u>40,909</u>	<u>(65)</u>	<u>40,844</u>
Margin	<u>(2,899)</u>	<u>99</u>	<u>(2,800)</u>

**CASH FINANCIAL PLAN
GENERAL FUND
UPDATED FOR 30-DAY CHANGES
2005-2006
(millions of dollars)**

	<u>Executive</u>	<u>Change</u>	<u>30-Day</u>
Receipts:			
Taxes:			
Personal income tax	17,392	5	17,397
User taxes and fees	8,034	0	8,034
Business taxes	3,922	0	3,922
Other taxes	850	0	850
Miscellaneous receipts	1,624	25	1,649
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	5,330	2	5,332
Sales tax in excess of LGAC debt service	2,151	0	2,151
Real estate taxes in excess of CW/CA debt service	208	0	208
All other	168	3	171
Total receipts	<u>39,679</u>	<u>35</u>	<u>39,714</u>
Disbursements:			
Grants to local governments	29,064	(74)	28,990
State operations	7,740	31	7,771
General State charges	4,304	0	4,304
Transfers to other funds:			
Debt service	1,867	0	1,867
Capital projects	313	0	313
State university	122	0	122
Other purposes	505	(12)	493
Total disbursements	<u>43,915</u>	<u>(55)</u>	<u>43,860</u>
Margin	<u>(4,236)</u>	<u>90</u>	<u>(4,146)</u>

**CASH FINANCIAL PLAN
GENERAL FUND
UPDATED FOR 30-DAY CHANGES
2003-2004 THROUGH 2005-2006
(millions of dollars)**

	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>
Receipts:			
Taxes:			
Personal income tax	15,254	16,138	17,397
User taxes and fees	7,508	7,788	8,034
Business taxes	3,682	3,787	3,922
Other taxes	771	790	850
Miscellaneous receipts	3,579	2,093	1,649
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	4,865	5,011	5,332
Sales tax in excess of LGAC debt service	1,999	2,060	2,151
Real estate taxes in excess of CW/CA debt service	202	198	208
All other	379	179	171
Total receipts	<u>38,239</u>	<u>38,044</u>	<u>39,714</u>
Disbursements:			
Grants to local governments	25,780	26,792	28,990
State operations	7,166	7,541	7,771
General State charges	3,165	3,654	4,304
Transfers to other funds:			
Debt service	1,583	1,879	1,867
Capital projects	206	303	313
State university	145	115	122
Other purposes	467	560	493
Total disbursements	<u>38,512</u>	<u>40,844</u>	<u>43,860</u>
Deposit to/(use of) Community Projects Fund	<u>(75)</u>	<u>0</u>	<u>0</u>
Deposit to/(use of) Reserve for 2003-04	<u>(198)</u>	<u>0</u>	<u>0</u>
Margin	<u>0</u>	<u>(2,800)</u>	<u>(4,146)</u>

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
UPDATED FOR 30-DAY CHANGES
2002-2003
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	1,032	1,047	(268)	169	1,980
Receipts:					
Taxes	28,355	4,177	1,686	6,820	41,038
Miscellaneous receipts	4,085	9,747	2,455	626	16,913
Federal grants	0	30,955	1,482	0	32,437
Total receipts	<u>32,440</u>	<u>44,879</u>	<u>5,623</u>	<u>7,446</u>	<u>90,388</u>
Disbursements:					
Grants to local governments	26,907	37,479	1,161	0	65,547
State operations	7,767	7,321	0	7	15,095
General State charges	2,770	519	0	0	3,289
Debt service	0	0	0	3,091	3,091
Capital projects	0	3	3,870	0	3,873
Total disbursements	<u>37,444</u>	<u>45,322</u>	<u>5,031</u>	<u>3,098</u>	<u>90,895</u>
Other financing sources (uses):					
Transfers from other funds	7,298	3,009	195	4,585	15,087
Transfers to other funds	(2,323)	(2,707)	(1,231)	(8,926)	(15,187)
Bond and note proceeds	0	0	222	0	222
Net other financing sources (uses)	<u>4,975</u>	<u>302</u>	<u>(814)</u>	<u>(4,341)</u>	<u>122</u>
Change in fund balance	<u>(29)</u>	<u>(141)</u>	<u>(222)</u>	<u>7</u>	<u>(385)</u>
Closing fund balance	<u>1,003</u>	<u>906</u>	<u>(490)</u>	<u>176</u>	<u>1,595</u>

PART II: Special Considerations

The most significant short-term risk to the Financial Plan is that the Legislature will fail to enact legislation authorizing the State to securitize its tobacco settlement payments during State fiscal year 2002-03 as recommended in the Governor's Executive Budget. To securitize its tobacco payments, the Executive Budget recommends the sale of the tobacco payment stream to a statutorily created, bankruptcy-remote corporation that would be a subsidiary of the Municipal Bond Bank Agency. In exchange for the sale of the tobacco payment stream asset, the State will receive one or more upfront payments from the proceeds generated from the issuance of bonds by the corporation.

As of the date of this Supplement, the Legislature has not acted on the enabling legislation submitted by the Governor, or on any other budget bills for the 2003-04 fiscal year. If the Legislature does not act on the tobacco securitization legislation promptly, the State will be required to defer payments budgeted in 2002-03 until 2003-04. The payment delays under consideration are described in the 30-day Financial Plan set forth above. If necessary, the State may also take other actions to reduce disbursements or increase receipts. The State has no plans to issue short-term tax and revenue anticipation notes or borrow funds from the Tax Stabilization Reserve Fund (the "rainy day" fund) to bring the budget into balance in the current fiscal year.

Any payment deferrals from 2002-03 are expected to be made in 2003-04 and would therefore weaken the State's cashflow in the first quarter of that year, and would also adversely affect the cashflow of school districts and local governments. The 30-day Financial Plan, which assumes the enactment of the Governor's budget recommendations in their entirety (including the receipt of tobacco securitization proceeds), projects that the General Fund will have closing balances of \$195 million in May, \$369 million in July, and \$358 million in August 2003 (such levels are below those achieved in recent years). To meet its cash-flow needs during this period in the absence of an enacted budget, DOB may limit the level of spending authorized through interim spending appropriations to essential contractual and statutory obligations. The State is investigating other austerity measures to augment its cash-flow position if the Legislature fails to enact a budget during this period.

As in any year, there can be no assurance that a budget will be enacted by the Legislature by the start of the fiscal year, or that the budget that is enacted will not differ materially and adversely from the projections described in this Supplement.

In every year, many uncertainties exist in the forecast of the national and State economies. Two variables which stand out as being particularly vulnerable to financial market volatility, and which are closely associated with State personal income tax receipts, are finance sector bonus income and capital gains realizations. Historically, financial sector bonus income has been closely tied to security firm profits. Both bonus income and capital gains realizations have historically been subject to a high degree of variation and may produce results below the current receipts forecast. Also, the United States Congress is expected to consider several economic stimulus packages during the

winter of 2003. Several proposals could have a detrimental impact on New York State income receipts.

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. Similarly, a conflict in Iraq carries the potential for a large spike of some duration in oil prices as well as a sharp drop in consumer sentiment and business confidence.

Financial market performance also impacts the level of contributions required for the pension funds. As noted in Part I above, the 30-day Financial Plan assumes that the State's 2003-04 pension contribution will be toward the lower end of the range of contributions provided by the State Comptroller in October 2002. On February 7, 2003 the Comptroller provided an updated estimate of pension costs for the 2003-04 fiscal year that estimates that State contributions are likely to be \$660 million higher than the amounts budgeted in the 30-day Financial Plan. To the extent the required contribution is greater than such amount, the State will be required by law to pay the deficiency, with interest, by the second fiscal year following such underpayment. The Comptroller does not estimate pension contribution costs beyond those due in the upcoming fiscal year, and any such future costs would be dependent on numerous variables, including the performance of the assets of the New York State and Local Retirement Systems (the "Systems").

The State Comptroller is the Administrative Head of the Systems, and Trustee of the assets of those Systems. If the proposed pension reform changes described in Part I are authorized by the State Legislature, any proposed changes to the method of computing employer contributions would have to be reviewed and approved by the State Comptroller to ensure that such changes (i) do not violate the State Constitution and (ii) are consistent with his fiduciary responsibilities to System members and beneficiaries.

An ongoing risk to the State Financial Plan arises from the potential impact of certain litigation and Federal disallowances now pending against the State, which could produce adverse effects on the State's projections of receipts and disbursements. The Financial Plan 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 the February 3, 2003 Update to the AIS and the AIS.