Annual Information Statement

State of New York

June 3, 2002

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Dated: June 3, 2002

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Annual Information Statement of the State of New York

Introduction

This Annual Information Statement (AIS) is dated June 3, 2002 and contains information only through that date. This AIS constitutes the official disclosure information regarding the financial condition of the State. It includes a discussion of the State's current fiscal year and results from the three prior fiscal years, as well as information on the State's economy, debt and other financing activities, governmental organization, public authorities and localities, and litigation.

The State plans to issue updates to this AIS in July 2002, November 2002 and February 2003. The State intends to announce publicly when an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS in Official Statements or related disclosure documents for State or State-supported debt issuance. Readers may obtain informational copies of the AIS, updates, and supplements by contacting Mr. Louis Raffaele, Chief Budget Examiner, Division of the Budget, State Capitol, Albany, NY 12224, (518) 473-8705, or the Office of the State Comptroller, 110 State Street, Albany, NY 12236, (518) 474-4015. This AIS has also been filed with the Nationally Recognized Municipal Securities Information Repositories. The General Purpose Financial Statements for the 2001-02 fiscal year will be available beginning in July 2002 and can be obtained from the Office of the State Comptroller, 110 State Street, Albany, NY 12236.

Informational copies of this AIS are available electronically on the Division of the Budget (DOB) Internet site at www.state.ny.us/dob. 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 information relating to the State of New York in this AIS has been furnished by DOB and the Office of the State Comptroller (OSC), with additional information obtained from sources that the State believes to be reliable, but its presentation herein has not been subject to an independent audit process. Information relating to matters described in the section entitled "Litigation" is furnished by the Office of the State Attorney General. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any update or supplement.

During the fiscal year, the Governor, the State Comptroller, State legislators, and others may issue statements or reports that contain predictions, projections or other information relating to the State's financial condition, including potential operating results for the current fiscal year and projected baseline gaps for future fiscal years, that may vary materially from the information provided in this AIS. Investors and other market participants should, however, refer to this AIS, as revised, updated, or supplemented, for official information regarding the financial condition of the State.

Current Fiscal Year

Recent Events

The State's current fiscal year began on April 1, 2002 and ends on March 31, 2003. The State Legislature enacted appropriations for all State-supported, contingent contractual, and certain other debt service obligations for the entire 2002-03 fiscal year on March 26, 2002, and the remaining appropriations and accompanying legislation constituting the budget for the 2002-03 fiscal year on May 16, 2002. The Governor did not veto any legislative additions to the budget.

Overview of the 2002-03 Financial Plan

In January 2002, the Governor presented a balanced 2002-03 Financial Plan (the Executive Plan) with proposals that closed a combined 2001-02 and 2002-03 General Fund budget gap of $6.8 billion, according to DOB. The Executive Plan reflected legislative and administrative actions taken during 2001-02 following the World Trade Center terrorist attacks that produced savings of $2.4 billion; the use of reserves set aside for economic uncertainties ($1.11 billion) and through the Temporary Assistance for Needy Families (TANF) program ($885 million); and revenue and spending actions totaling $2.4 billion (of which approximately $560 million were non-recurring). As a result, the 2001-02 and 2002-03 Financial Plans were projected to be in balance on a cash basis at that time.

In April 2002, DOB projected a shortfall of approximately $1.4 billion from the Executive Plan resulting primarily from lower than projected receipts associated with the final settlement of 2001 tax liability. DOB expects that the majority of this shortfall will be non-recurring, with a significant portion attributable to income losses associated with the World Trade Center terrorist attacks.

On May 22, 2002, DOB issued a revised 2002-03 Financial Plan following final action on the budget by the State Legislature (the Enacted Plan) to reflect enactment of a series of non-recurring actions to offset the projected revenue losses and produce a balanced 2002-03 Financial Plan. The actions include a tax amnesty program, increased receipts from the sale of abandoned property, a change in the payment date for various business taxes, and utilization of available cash reserves and other fund balances.

As compared to the Executive Plan, the Enacted Plan also supports spending restorations of approximately $600 million related to education, health, economic development, and human services. These costs are fully financed through actions to reduce spending or increase revenues on a recurring basis, including education building aid reform, workforce savings through attrition and an early retirement program, and tobacco tax increases and enforcement actions, as well as the use of resources from other funds.

General Fund receipts and transfers from other funds are projected to total $39.90 billion in 2002-03, a decrease of $1.25 billion or –3.0 percent from the 2001-02 fiscal year. General Fund disbursements, including transfers to other funds, are projected to total $40.22 billion for 2002-03, an annual decrease of $1.01 billion or –2.4 percent from the 2001-02 fiscal year. The General Fund closing balance is projected to total $716 million, a decline of $316 million from 2001-02.

Projected General Fund disbursements in the Enacted Plan are essentially unchanged from the levels projected in the Executive Plan. The annual decrease in spending results from efforts to limit the growth of State operations, capital and debt service costs, and by the reduction of General Fund spending through the use of alternate financing sources, including TANF reserves and health care resources created under the Health Care Reform Act (HCRA). These reductions are partially offset by increases for school aid, collective bargaining, pensions and other fringe benefits, and underlying programmatic growth in health programs.

All Governmental Funds spending for 2002-03 is projected to be $89.56 billion, consisting of $59.35 billion in State-supported spending and $30.21 billion in federal aid. This represents an increase of $5.08 billion or 6.0 percent for 2001-02 (after excluding federal World Trade Center "pass-through" disaster assistance funds to The City of New York and other localities).

The following table summarizes projected spending for the General Fund, State Funds, and All Governmental Funds in the 2002-03 Enacted Plan. For the definitions of these spending categories see Exhibit A.

	Actual 2001-02 Spending ($ millions)	Projected 2002-03 Spending ($ millions)	Dollar Change ($ millions)	Percent Change From 2001-02	Avg. Annual Percent Change 1994-95 thru 2002-03
General Fund	**$41,222**	**$40,214**	**($1,008)**	**(2.4%)**	**2.3%**
State Funds	**56,978**	**59,358**	**2,380**	**4.2%**	**4.2%**
All Funds	**84,475**	**89,556**	**5,081**	**6.0%**	**4.7%**

Note: All Governmental Funds spending excludes federal "flow-through" aid to New York City for costs incurred as a result of the World Trade Center attacks.

The projected 2002-03 General Fund closing balance of $716 million consists of $710 million in the Tax Stabilization Reserve Fund (the State's "rainy day" fund) and $6 million in the Contingency Reserve Fund (the State's litigation reserve).

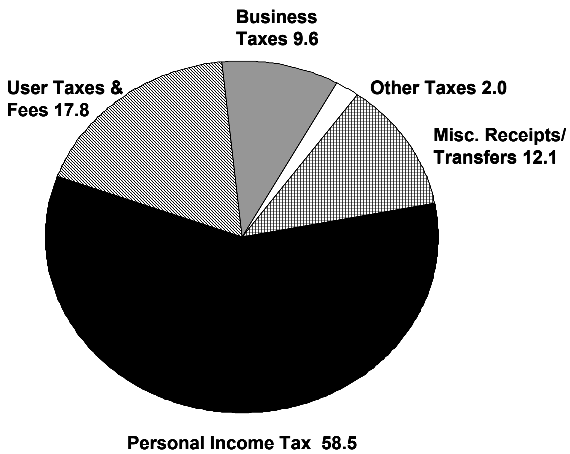
The 2002-03 General Fund balance excludes amounts on deposit in the refund reserve account. The State had a balance of $1.68 billion on deposit in the refund reserve account at the end of the 2001-02 fiscal year and projects to have a balance of $427 million on deposit at the end of 2002-03 (a decline of $1.25 billion from 2001-02). A portion of these reserves ($1.1 billion) are expected to be used to help balance the Enacted Plan by replacing revenues lost in the aftermath of the World Trade Center terrorist attacks. 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 fiscal year to the next. Changes to the refund reserve impact the level of reported personal income tax receipts.

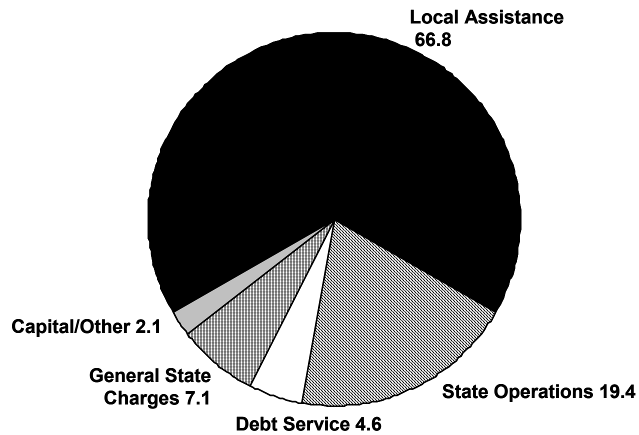
2002-03 State Financial Plan

Four governmental fund types comprise the State Financial Plan: the General Fund, the Special Revenue Funds, the Capital Projects Funds, and the Debt Service Funds. The State's fund structure adheres to the accounting standards of the Governmental Accounting Standards Board. This section discusses significant activities in the General Fund and the other governmental funds anticipated in 2002-03.

General Fund

The General Fund is the principal operating fund of the State and is used to account for all financial transactions except those required to be accounted for in another fund. It is the State's largest fund and receives almost all State taxes and other resources not dedicated to particular purposes. In the State's 2002-03 fiscal year, the General Fund is expected to account for approximately 42 percent of All Governmental Funds disbursements. For an explanation of the composition of All Governmental Funds spending in recent years, please see the section entitled "Prior Fiscal Years" in this AIS. General Fund moneys are also transferred to other funds, primarily to support certain capital projects and debt service payments in other fund types. The graphs below depict the components of projected receipts and disbursements in the General Fund (in percent).





Many complex political, social and economic forces influence the State's economy and finances, which may in turn affect the State Financial Plan. These forces may affect the State unpredictably from fiscal year to fiscal year and are influenced by governments, institutions, and organizations that are not subject to the State's control. The 2002-03 Enacted Plan is also necessarily based upon forecasts of national and State economic activity. Economic forecasts have frequently failed to predict accurately the timing and magnitude of changes in the national and State economies. The World Trade Center attacks magnified the uncertainties inherent in the State's forecasts, and increase the likelihood that current projections will differ materially and adversely from the projections set forth in this AIS. See the section entitled "Special Considerations" below for a discussion of certain risks and uncertainties faced by the State.

Projected General Fund Receipts

To close the significant 2002-03 budget gap caused largely by the events of September 11, the Enacted Plan contains numerous revenue actions. These actions include: lowering the threshold for sales and withholding tax electronic funds transfer ($58 million); increasing alcoholic beverage control license fees ($8 million); adopting a new price index for the prepayment of sales tax on cigarettes ($6 million); increasing the tax rate on tobacco products to 37 percent of wholesale price ($15 million); enhancing cigarette enforcement measures ($5 million); changing the mandatory first installment payment of estimated taxes for certain businesses from 25 percent to 30 percent ($100 million); authorizing a tax amnesty program (net benefit of $175 million primarily in personal income and business taxes); selling securities held as abandoned property ($300 million); increasing miscellaneous receipts from bond issuance charges ($115 million); changing the surcharge on wireless services ($38 million); transferring Power Authority resources to fund the Power for Jobs program ($42 million); and providing new technology investments at the Department of Taxation and Finance to increase audit collections ($130 million).

General Fund Receipts (in millions)			
1999-00	**2000-01**	**2001-02**	**2002-03**
$37,395	**$39,883**	**$41,144**	**$39,898**

Total General Fund receipts, including transfers from other funds are projected to total $39.90 billion in fiscal year 2002-03, a decrease of $1.25 billion from 2001-02. This total includes $35.08 billion in tax receipts, $2.15 billion in miscellaneous receipts, and $2.67 billion in transfers from other funds. The transfer of $1.68 billion in resources through the tax refund reserve account from fiscal year 2001-02 to fiscal year 2002-03 has the effect of exaggerating the change in State receipts from year to year by depressing 2001-02 figures and inflating 2002-03 projections. Table 3 at the end of this section outlines the movement of resources across the fiscal years.

Personal Income Taxes (in millions)			
1999-00	**2000-01**	**2001-02**	**2002-03**
$20,339	**$23,566**	**$25,854**	**$23,342**

The *personal income tax* is imposed on individuals, estates, and trusts, and is based, with certain modifications, on federal definitions of income and deductions. Net General Fund personal income tax collections are projected to reach $23.34 billion in fiscal year 2002-03. Collections in this category, which account for over half of General Fund receipts, are expected to fall below 2001-02 results by $2.51 billion. After excluding the impact of the tax refund reserve transaction and the diversion of certain income tax receipts to the STAR fund, the underlying decline in projected receipts is approximately $900 million or 3 percent.

The year-to-year decline in receipts is caused primarily by the economic dislocation caused by the terrorist attacks of September 11, the national recession, the decline in equity markets, and the drop in compensation paid to financial service workers. Personal income tax payments associated with the 2001 tax year are significantly below 2000 levels, with associated impacts on final payments and refunds.

User Taxes and Fees (in millions)			
1999-00	**2000-01**	**2001-02**	**2002-03**
$7,604	**$7,404**	**$7,098**	**$7,105**

User taxes and fees are comprised of the State's sales and use tax; and cigarette, tobacco, alcoholic beverage, and auto rental taxes. They also include receipts from motor vehicle fees and alcoholic beverage license fees. Dedicated transportation funds outside the General Fund receive all the revenues of the motor fuel tax and motor vehicle registration fees, and all highway use taxes and fees.

Receipts from user taxes and fees are projected to total $7.11 billion in fiscal year 2002-03, an increase of $7 million from 2001-02, attributable to the projected growth in the sales tax base (after adjusting for tax law changes and other factors) of 3.0 percent yielding a projected cash growth of 3.8 percent, as well as an increase in alcoholic beverage tax receipts and legislation enacted for 2002-03 increasing the tax on tobacco products and increasing most alcoholic beverage control license fees. Decreases in the motor vehicle fees, cigarette tax, and auto rental tax components offset most of the gains. The decline in General Fund cigarette tax receipts is the result of the increased dedication of these receipts to the Tobacco Control and Insurance Initiatives Pool. The decline in motor vehicle fees and auto rental taxes in the General Fund largely reflect the increased dedication of these sources to the Dedicated Highway and Bridge Trust Fund.

Business Taxes (in millions)			
1999-00	**2000-01**	**2001-02**	**2002-03**
$4,560	**$4,328**	**$3,616**	**$3,842**

Business taxes include franchise taxes based generally on the net income of business, banking, and insurance corporations, taxes based on the gross receipts of utilities, and gallonage-based petroleum business taxes. Total business tax collections are projected to total $3.84 billion in fiscal year 2002-03, an increase of $226 million from 2001-02. The increase is concentrated in the corporation franchise tax and utility taxes, and is due largely to changes in the schedule by which certain businesses make estimated tax payments and to the new tax amnesty program.

Other Taxes (in millions)			
1999-00	**2000-01**	**2001-02**	**2002-03**
$1,107	**$795**	**$803**	**$787**

Other taxes include the estate and gift tax, the real property gains tax, and pari-mutuel taxes. Other taxes are projected to total $787 million in fiscal year 2002-03, a decrease of $16 million from 2001-02. The primary factors accounting for this decline include tax reductions in pari-mutuel taxes, real property gains taxes, and estate and gift taxes enacted in prior fiscal years.

Miscellaneous Receipts (in millions)			
1999-00	**2000-01**	**2001-02**	**2002-03**
$1,648	**$1,553**	**$1,625**	**$2,148**

Miscellaneous receipts include investment income, abandoned property receipts, medical provider assessments, minor federal grants, receipts from public authorities, and certain license and fee revenues. Receipts in this category are projected to total $2.15 billion in fiscal year 2002-03, an increase of $523 million from 2001-02. The growth includes the sale of abandoned property assets, fees from bond issuance charges, resources from other funds, and revenues from the surcharge on wireless communication services.

Transfers From Other Funds (in millions)			
1999-00	**2000-01**	**2001-02**	**2002-03**
$2,137	**$2,237**	**$2,148**	**$2,674**

Transfers from other funds to the General Fund consist primarily of tax revenues in excess of debt service requirements, including the one percent sales tax used to support payments to the Local Government Assistance Corporation (LGAC). Transfers from other funds are projected to total $2.67 billion in fiscal year 2002-03, an increase of $526 million from 2001-02 (primarily from the receipt of available fund balances, including amounts from the Environmental Protection Fund).

Projected General Fund Disbursements

General Fund disbursements and transfers to other funds are estimated to total $40.21 billion for 2002-03, a decrease of $1.01 billion or 2.4 percent from 2001-02. Spending for most ongoing programs is consistent with 2001-02 funding levels. The annual decline in spending results primarily from the use of Temporary Assistance For Needy Families (TANF) reserves ($955 million) and other non-General Fund sources to maintain program commitments at a reduced General Fund cost ($1.5 billion). Annual increases for pensions and other fringe benefit costs ($197 million), school aid ($186 million on a fiscal year basis), and health care partially offset the savings produced by these actions. The annual change in spending is explained by financial plan category in more detail below.

General Fund Disbursements (in millions)			
1999-00	2000-01	2001-02	2002-03
$37,170	$39,702	$41,222	$40,214

Total projected spending in the Enacted Plan is essentially unchanged from the level recommended in the Executive Plan. Legislative additions of approximately $600 million for education ($360 million), the Tuition Assistance Program ($149 million), and various health and human services programs ($91 million) were offset through savings from the use of alternate financing sources for health care and other programs ($268 million), spending reductions ($200 million), and building aid reform ($88 million).

Grants to Local Governments (in millions)			
1999-00	2000-01	2001-02	2002-03
$25,590	$26,667	$27,835	$26,848

Grants to local governments is the largest category of General Fund disbursements and includes financial aid to local governments and non-profit organizations, as well as entitlement payments for individuals. The largest areas of spending in local assistance are for aid to public schools (46 percent) and for the State's share of Medicaid payments to medical providers (22 percent). Spending for higher education programs (5 percent), mental hygiene programs (6 percent), welfare assistance (4 percent), and children and families services (4 percent) represent the next largest areas of local aid.

Spending in local assistance is estimated at $26.85 billion in 2002-03, a decrease of $987 million (3.5 percent) from the 2001-02 fiscal year. Although overall spending declines, funding for some programs is increasing, including education, higher education, and underlying spending growth in Medicaid and other health programs. These increases are more than offset by maximizing the use of non-General Fund revenue sources to finance program costs, including the use of nursing home assessments ($266 million), alternate funding sources for various Medicaid and health programs ($872 million), and the use of federal TANF reserves for higher education and welfare assistance programs ($955 million).

School aid of $14.6 billion on a school year basis reflects a school year increase of $410 million. On a fiscal year basis, General Fund spending for school aid is projected at $12.36 billion in 2002-03, an increase of $186 million over 2001-02. This reflects increases for most major aid components, implementation of building aid reforms, and the latest estimate of available lottery funds.

Medicaid spending is estimated at $5.85 billion in 2002-03, a decrease of $359 million (5.8 percent) from 2001-02. Expected underlying spending growth of roughly 7 percent is offset by approximately $800 million from various proposed revenue actions and program restructuring initiatives. Proposed actions that will lower General Fund costs include implementation of a nursing home assessment ($266 million), increased Intergovernmental Transfers and Upper Payment Limit payments ($74 million), and increased health care spending supported by HCRA ($475 million).

General Fund spending for health programs is projected at $496 million, a net decrease of $174 million (26 percent) from 2001-02. Higher costs for a projected increase in participation in the Early Intervention program and other programmatic growth is more than offset by utilizing dedicated funding sources of $323 million for various health programs. These dedicated funding sources will support the cost of the Elderly Pharmaceutical Insurance Coverage (EPIC) program ($194 million), State support for the Roswell Park Cancer Institute ($60 million), the Public Health Campaign program, Indian Health programs, and Immunization and Water Supply Protection ($69 million).

Spending on welfare is projected at $496 million, a decrease of $564 million (53.2 percent) from 2001-02. This decrease is largely attributable to the additional use of federal TANF funds ($514 million) to support program costs.

Higher Education Service Corporation (HESC) spending is projected at $284 million, a decrease of $406 million (58.9 percent) from 2001-02. This reduction primarily reflects the use of federal TANF funds to finance spending on the Tuition Assistance Program ($380 million).

Spending for all other local assistance programs will total $7.36 billion in 2002-03, a net increase of $330 million (4.7 percent) from 2001-02. This increase primarily includes increased support for the pre-school special education program ($96 million), funding for the Yonkers settlement agreement ($92 million), and additional funding for the Community Projects Fund ($58 million).

State Operations (in millions)			
1999-00	**2000-01**	**2001-02**	**2002-03**
$6,600	**$7,604**	**$7,839**	**$7,815**

State operations pays for the costs of operating the Executive, Legislative, and Judicial branches of government. State operations spending increases $358 million for the annualized costs of labor agreements and related costs with State employee unions. These costs are more than offset by proposed spending restraint and revenue maximization efforts totaling $382 million**.** The imposition of a strict hiring freeze, offering a retirement incentive to State employees, and various actions to restrain spending in all agencies are anticipated to save $96 million. In addition, a total of $286 million in additional savings are projected to be available in 2002-03 from various revenue maximization efforts to finance State operations spending. These efforts include $141 million in additional Patient Income Account revenues to offset spending on mental hygiene programs, and $79 million in additional federal and other funding sources to finance spending on higher education and health programs.

The State's overall workforce is projected to be 191,100 persons by the end of 2002-03, down approximately 5,000 from November 2001 when the Governor announced a series of cost savings actions following the World Trade Center attacks. This reduction will occur through attrition and early retirement.

General State Charges (in millions)			
1999-00	2000-01	2001-02	2002-03
$2,087	$2,567	$2,650	$2,847

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

Disbursements for GSCs are estimated at $2.85 billion in fiscal year 2002-03, an increase of $197 million from the prior year. The projected growth is primarily attributable to rising health insurance costs and additional contributions to the State and Local Employee Retirement System (ERS). The Enacted Plan projects $55 million in additional State contributions to the ERS for fiscal year 2002-03 based on an anticipated decline in the value of pension fund assets. The pension estimate assumes an ERS contribution rate of 1.5 percent of salary for the 2002-03 fiscal year, an increase from 0.7 percent in 2001-02. Significant growth is also expected in costs for health insurance premiums, which are projected to increase 11 percent in calendar year 2002.

Transfer to Other Funds (in millions)			
1999-00	2000-01	2001-02	2002-03
$2,887	$2,863	$2,898	$2,704

Transfers to other funds from the General Fund are made primarily to finance certain portions of State capital projects spending and debt service on long-term bonds where these costs are not funded from other sources. For a full discussion of the State's capital and debt programs, see the section entitled "Debt and Other Financing Activities" in this AIS.

Transfers for debt service total $1.85 billion in 2002-03, a reduction of $235 million. The decrease is primarily attributable to continued savings resulting from the use of $1 billion from the Debt Reduction Reserve Fund over the last several fiscal years to reduce high cost debt, the use of the new lower-cost State Personal Income Tax Revenue Bonds to finance capital projects, and the benefits of legislation that will enhance the State's ability to manage its bond portfolio and reduce borrowing costs.

Transfers for capital projects pay for projects that are not financed by bond proceeds, dedicated taxes, Federal grants or other revenues. Transfers for capital projects in 2002-03 are projected to decrease by $115 million and reflect the one-time conversion of certain capital projects from pay-as-you-go financing to bonding.

The State's cost of transfers to the State University increased by $17 million over 2001-02 primarily due to financing the State's share of an outstanding SUNY loan.

All other transfers, which include all remaining transfers from the General Fund to other funds, are estimated to total $593 million in 2002-03, an increase of $139 million. The growth is attributable to increases in Medicaid payments to SUNY hospitals ($89 million) and the State's subsidy to the Court Facilities Incentive Aid Fund to support Judiciary capital projects ($52 million).

Non-Recurring Actions

The non-recurring actions incorporated in the 2002-03 Enacted Plan, are primarily intended to finance the extraordinary revenue losses associated with the 2001 tax year that DOB expects will not recur.

The vast majority of the non-recurring resources utilize existing available fund balances, including the Abandoned Property Fund ($300 million), the Environmental Protection Fund and the Superfund ($264 million), the State of New York Mortgage Agency ($150 million), the New York State Housing Finance Agency ($50 million), the Power Authority of the State of New York ($42 million), various health and Medicaid Special Revenue Funds ($341 million), the Higher Education Services Corporation ($39 million), the Dormitory Authority of the State of New York ($12 million), and various routine fund transfers ($75 million).

In addition, a variety of measures were enacted to preserve revenues, including a tax amnesty program ($175 million), a change in the payment date on various business taxes ($100 million), recoveries of school aid and welfare overpayments ($39 million), and changes in tax collection procedures ($64 million).

General Fund Closing Balance

The 2002-03 Financial Plan projects a closing balance in the General Fund of $716 million. The closing balance is comprised of $710 million in the Tax Stabilization Reserve Fund and $6 million in the Contingency Reserve Fund. The closing balance declined by $316 million from 2001-02, reflecting the use of balances in the Community Projects Fund, the Contingency Reserve Fund, and the Universal Pre-K Fund. The closing fund balance excludes $427 million expected to be on deposit in the refund reserve account at the close of 2002-03.

Outyear Projections of Receipts and Disbursements

The Executive Plan projected General Fund budget gaps of $2.8 billion for 2003-04 and $3.3 billion for 2004-05. DOB will formally update its projections of receipts and disbursements for future years in early 2003, as part of the Governor's 2003-04 Executive Budget. Preliminary analysis by DOB indicates that the State will have a 2003-04 budget gap which is larger than projected at the time of the Executive Plan, but significantly below the shortfall that was closed as a part of actions on the 2002-03 Enacted Plan. The Governor will submit a balanced budget and Financial Plan for 2003-04 in early 2003, as required by law.

In recent years, the State has closed projected budget gaps which DOB estimated at $5.0 billion (1995-96), $3.9 billion (1996-97), $2.3 billion (1997-98), less than $1.0 billion (in each of the fiscal years 1998-99 through 2000-01) and $6.8 billion in 2002-03.

Other Governmental Funds

In addition to the General Fund, the 2002-03 Enacted Plan includes Special Revenue Funds, Capital Projects Funds, and Debt Service Funds. These are discussed below.

Over the next several years, a substantial amount of federal aid is projected to flow through the State to localities for disaster response and reconstruction activities related to the World Trade Center attacks. The Enacted Plan estimated that federal "flow-through" disaster aid totaled $569 million in 2001-02 and is projected to total $2.76 billion in 2002-03 as recovery and rebuilding efforts reach full capacity. Nearly all of the federal disaster aid is expected to flow from the Federal Emergency Management Agency through the State Emergency Management Office (SEMO) to New York City and other localities affected by the terrorist attacks. This "flow-through" spending is not counted in the All Governmental Funds financial plan tables contained in this section of the AIS.

The All Governmental Funds Financial Plan does include State spending for World Trade Center costs of $330 million in 2002-03. Unlike the flow-through aid, these projected disbursements in the Financial Plan finance State government activities. Most of this spending is supported by Federal funds ($306 million) which will finance, among other things, payments to the victims of the attack, State Police and Division of Military and Naval Affairs staffing costs directly related to the terrorist attacks, expanded counseling and trauma services, and infrastructure repairs.

All Governmental Funds spending is estimated at $89.56 billion in 2002-03, an annual increase of $5.08 billion or 6 percent. Of this amount, growth in Federal grants amounts to $2.70 billion. Federal aid increases are primarily for Medicaid, including payments to State-operated mental health and retardation facilities and SUNY hospitals ($1.55 billion), the share of the college tuition assistance program financed by TANF ($380 million), social welfare initiatives authorized under TANF ($319 million), services for children and families ($223 million) and the Federal share of Child Health Plus ($126 million). All other Federal support grows by $103 million, or less than one percent.

Special Revenue Funds

Total disbursements for programs supported by Special Revenue Funds are projected at $43.20 billion, an increase of $5.51 billion or 14.6 percent over 2001-02 (excluding federal "flow-through" aid). Special Revenue Funds, which include Federal grants and State Special Revenue Funds, comprise 50 percent of the All Governmental Funds Financial Plan.

Federal grants account for 66 percent of all special revenue spending in 2002-03, comparable to prior years. Disbursements from Federal funds, excluding aid for capital programs, are estimated at $28.63 billion, an increase of $2.51 billion or 9.6 percent. Medicaid is the largest program within Federal funds, accounting for over half of total spending in this category. In 2002-03, Federal support for Medicaid spending is projected at $15.61 billion, an increase of $1.10 billion over 2001-02. Other increases include Medicaid payments to State-operated mental health and retardation facilities and SUNY hospitals ($446 million), the share of the college tuition assistance program financed by TANF ($380 million), enhanced social welfare initiatives authorized under TANF ($319 million), services for children and families ($223 million) and the Federal share of Child Health Plus ($126 million).

State special revenue spending is projected to be $14.57 billion, an increase of $3.0 billion or 25.9 percent from 2001-02. Spending from State special revenue funds for Medicaid is projected to total $2.50 billion in 2002-03, an increase of $1.35 billion from 2001-02. Roughly $730 million of this Medicaid increase is financed by HCRA resources, and the balance is supported by a new 6 percent nursing home assessment ($441 million) and revenues received from various bad debt and charity care pools ($175 million).

Other components of the State Funds spending increase include program growth in the EPIC prescription drug program and Child Health Plus ($288 million), State aid for education financed by the lottery ($282 million), aid to local social service providers through the community service provider assistance program ($188 million), aid to transit systems ($193 million), increased costs for employee fringe benefits ($134 million), and growth in the STAR local tax relief program ($120 million). State special revenue spending increased $491 million over the 2002-03 Executive Plan, which primarily reflects additional Medicaid spending financed through HCRA.

Capital Projects Funds

Spending from Capital Projects Funds in 2002-03 is projected at $5.29 billion, an increase of $977 million or 22.7 percent from last year. The increase will primarily support capital investments to promote economic development ($340 million), transportation ($291 million), and education ($210 million).

Debt Service Funds

Spending from Debt Service Funds is estimated at $3.56 billion in 2002-03, a decrease of $592 million or 14.3 percent from 2001-02. The decrease is primarily attributable to the use of $500 million in Debt Reduction Reserve Fund (DRRF) monies during 2001-02 (which technically is shown as an increase in debt service spending in that year), savings in 2002-03 generated from the use of DRRF to reduce debt and debt service costs, the use of lower-cost State Personal Income Tax Revenue Bonds, and the impact of legislation that will enhance the State's ability to manage its bond portfolio and reduce borrowing costs.

2002-03 GAAP-Basis Financial Plan

State law requires the State to update its projected GAAP-basis financial results for the current fiscal year on or before September 1 of each year. The State will base its GAAP projections on the cash estimates in the Enacted Plan and on actual results for the 2001-02 fiscal year as reported by the State Comptroller in July 2002.

Special Considerations

The September 11, 2001 terrorist attacks in New York City and the lingering effects of the national recession are expected to have continued adverse consequences for the State. DOB believes their impact is adequately reflected in the current financial forecast, but the combined effect of both factors adds significant uncertainty to the Enacted Plan estimates.

Another uncertainty is the assumed performance of the financial sector. The securities industry is more important to the New York economy than to the national economy as a whole, amplifying the impact of continued volatility in the financial markets. A further reduction in financial sector jobs coupled with a large negative change in stock market performance during the forecast horizon would result in wage and unemployment levels that are significantly different from those embodied in the current forecast.

Aside from the recent terrorist attacks in New York City, many complex political, social and economic forces influence the State's economy and finances, which may in turn affect the State's Financial Plan. These forces may affect the State unpredictably from fiscal year to fiscal year and are influenced by governments, institutions, and events that are not subject to the State's control. The Financial Plan is also necessarily based upon forecasts of national and State economic activity. Economic forecasts have frequently failed to predict accurately the timing and magnitude of changes in the national and State economies.

Two variables which stand out as being particularly vulnerable to financial market volatility, and which are closely associated with the recent strength of 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. DOB is forecasting a significant decline in financial sector profits for

2002. DOB also expects that the decline in equity values observed since early 2000, combined with the recent decline in the average holding period for equities, will produce a decline in capital gains realizations for this year. However, both bonus income and capital gains realizations have historically been subject to a large degree of variation and could fall substantially below expectations.

An ongoing risk to the Enacted 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 Enacted 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 AIS.

In the past, the State has taken management actions to address potential financial plan shortfalls, and DOB believes it could take similar actions should adverse variances occur in its projections for the current fiscal year. To help guard against such risks, the State is maintaining a total of $716 million in General Fund reserves.

Table 1
General Fund Receipts and Disbursements
State Fiscal Year 2002-2003
(millions of dollars)

	2001-02 Actual	Change	2002-03 Enacted
OPENING FUND BALANCE (1)	1,110	(78)	1,032
Personal Income Tax	25,854	(2,512)	23,342
User Taxes and Fees:			
Sales and Use Tax	6,131	225	6,356
Cigarette and Tobacco Tax	532	(65)	467
Motor Fuel Tax	0	0	0
Motor Vehicle Fees	185	(121)	64
Alcoholic Beverage Taxes and Fees	212	6	218
Container Tax	0	0	0
Auto Rental Tax	38	(38)	0
Subtotal	7,098	7	7,105
Business Taxes:			
Corporation Franchise Tax	1,515	213	1,728
Corporation and Utilities Taxes	972	53	1,025
Insurance Taxes	633	(36)	597
Bank Tax	496	(4)	492
Petroleum Business Tax	0	0	0
Subtotal	3,616	226	3,842
Other Taxes:			
Estate and Gift Taxes	767	(12)	755
Real Property Gains Tax	5	(3)	2
Pari-mutuel Tax	30	(1)	29
Other Taxes	1	0	1
Subtotal	803	(16)	787
Miscellaneous Receipts & Federal Grants	1,625	523	2,148
Transfers from Other Funds:			
Sales Tax in Excess of LGAC Debt Service	1,750	58	1,808
All Other Transfers	398	468	866
Subtotal	2,148	526	2,674
TOTAL RECEIPTS	41,144	(1,246)	39,898
Grants to Local Governments	27,835	(987)	26,848
State Operations	7,839	(24)	7,815
General State Charges	2,650	197	2,847
Debt Service	0	0	0
Transfers to Other Funds:			
In Support of Debt Service	2,086	(235)	1,851
In Support of Capital Projects	289	(115)	174
All Other Transfers	523	156	679
Subtotal	2,898	(194)	2,704
TOTAL DISBURSEMENTS	41,222	(1,008)	40,214
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	(78)	(238)	(316)
CLOSING FUND BALANCE	1,032	(316)	716

Source: New York State Division of the Budget

Table 2
Cash Basis Financial Plan
All Governmental Funds
State Fiscal Year 2002-03
(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	35,076	4,225	1,673	2,479	43,453
Miscellaneous receipts	2,148	9,591	2,507	626	14,872
Federal grants	0	28,783	1,576	0	30,359
Total receipts	37,224	42,599	5,756	3,105	88,684
Disbursements:					
Grants to local governments	26,848	35,442	1,241	0	63,531
State operations	7,815	7,193	0	7	15,015
General State charges	2,847	560	0	0	3,407
Debt service	0	0	0	3,550	3,550
Capital projects	0	4	4,049	0	4,053
Total disbursements	37,510	43,199	5,290	3,557	89,556
World Trade Center revenues (costs):					
Federal grants	0	2,760	0	0	2,760
Disaster assistance to localities	0	(2,760)	0	0	(2,760)
Net World Trade Center revenues (costs)	0	0	0	0	0
Other financing sources (uses):					
Transfers from other funds	2,674	3,002	199	4,984	10,859
Transfers to other funds	(2,704)	(2,477)	(1,241)	(4,537)	(10,959)
Bond and note proceeds	0	0	260	0	260
Net other financing sources (uses)	(30)	525	(782)	447	160
Change in fund balance	(316)	(75)	(316)	(5)	(712)
Closing fund balance	716	972	(584)	164	1,268

Source: New York State Division of the Budget

Tax Refund Reserve Account

Net personal income tax collections in recent years have been affected by transactions in the tax refund reserve account. The tax refund reserve account is used to hold moneys designated to pay tax refunds. The Comptroller deposits into this account tax receipts at the discretion of the Commissioner of Taxation and Finance. The deposit of moneys into the account during a fiscal year has the effect of reducing receipts for the fiscal year, and the withdrawal of moneys from the account has the effect of increasing receipts in the fiscal year of withdrawal. The tax refund reserve account also includes amounts made available as a result of the LGAC financing program. Beginning in 1998-99, a portion of personal income tax collections was deposited directly in the School Tax Reduction (STAR) Fund to be used to make payments to reimburse local governments for their revenue decreases due to the STAR program. The 2000-01 and 2001-02 Financial Plans also included an additional $250 million deposit of personal income tax receipts to the Debt Reduction Reserve Fund.

The chart below shows actual components of gross collections, the State/City offset, refund reserve activity, refunds and net collections of personal income tax receipts for fiscal years 1999-2000 through 2001-2002 as well as projected amounts for the 2002-03 fiscal year.

Table 3
Personal Income Tax Collections,
Refunds And Refund Reserve Activity
(millions of dollars)

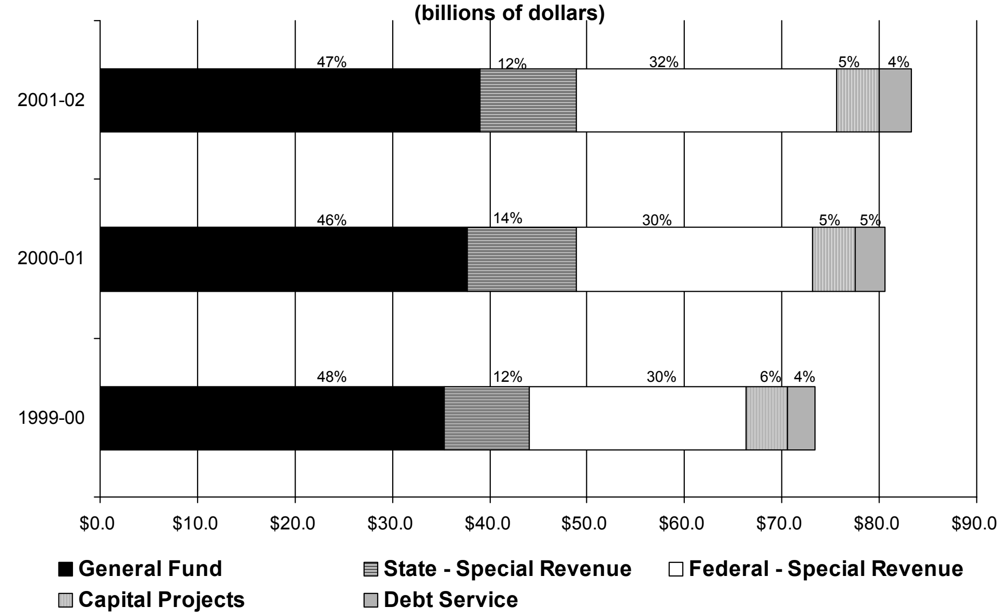
	1999-2000	2000-01	2001-02	2002-03 (1)
Withholdings	$18,460	$20,955	$20,262	$20,956
Estimated Payments	5,835	6,874	6,353	5,754
Final Payments	1,429	1,684	1,874	1,305
Delinquencies	512	558	601	826
Gross Collections	$26,236	$30,071	$29,090	$28,841
State/City Offset	($325)	($169)	($225)	($200)
Refund Reserve (Increase) Decrease	(1,661)	450	1,840	1,250
Refunds	(2,716) (2)	(3,460) (3)	(3,291) (4)	(3,919) (5)
Reported Tax Collections	$21,534	$26,892	$27,414	$25,972
STAR Fund Deposits	($1,195)	($3,076)	($1,310)	($2,630)
DRRF	---	(250)	(250)	---
General Fund	$20,339	$23,566	$25,854	$23,342

Source: State Division of the Budget.
(1) As projected on May 22, 2002.
(2) Reflects the payment of the balance of refunds on 1998 liability and the payment of $460 million of 1999 calendar year refunds in the last quarter of the State's 1999-2000 fiscal year and a balance in the tax refund reserve account of $3.967 billion.
(3) Reflects the payment of the balance of refunds on 1999 liability and the payment of $960 million of 2000 calendar year refunds in the last quarter of the State's 2000-2001 fiscal year and a balance in the tax refund reserve account of $3.517 billion.
(4) Reflects the payment of the balance of refunds on 2000 liability and the payment of $960 million of 2001 calendar year refunds in the last quarter the State’s 2001-02 fiscal year and a balance in the tax refund reserve account of $1.68 billion.
(5) Reflects the payments of the balance of refunds on 2001 liability and the projected payments of $960 million of calendar year 2002 in the last quarter of the State’s 2002-03 fiscal year and the projected balance in the tax refund reserve account of $427 million.

Prior Fiscal Year

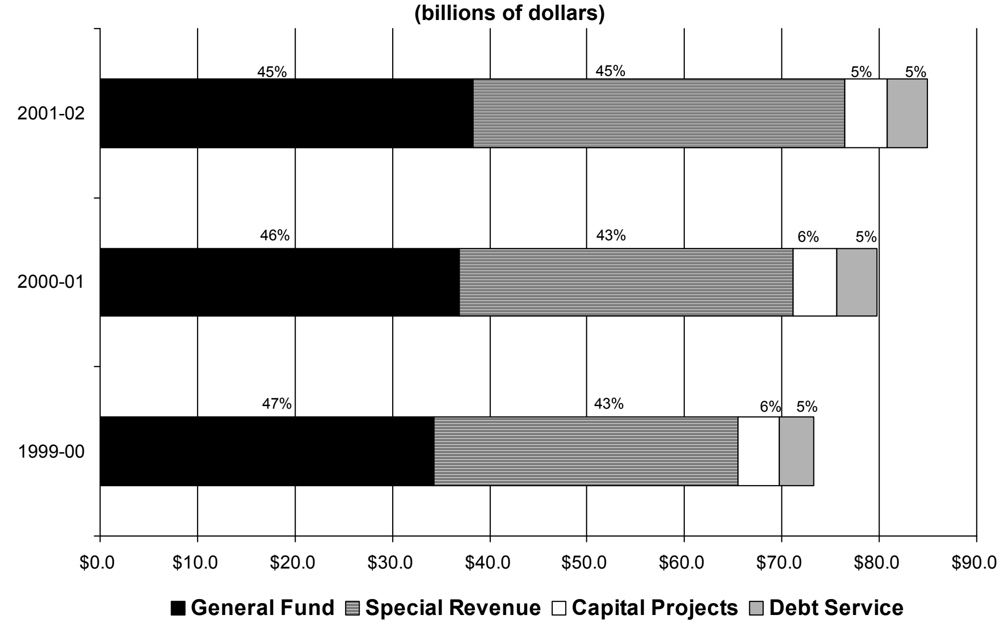
The following four tables show the composition of the State's governmental funds and its General Fund. Following the tables is a summary of the cash-basis results for the State's three most recent fiscal years for the four governmental fund types, with particular emphasis on the General Fund.

Table 4
Governmental Funds Receipts
State Fiscal Years 1999-00, 2000-01, and 2001-02
(billions of dollars)



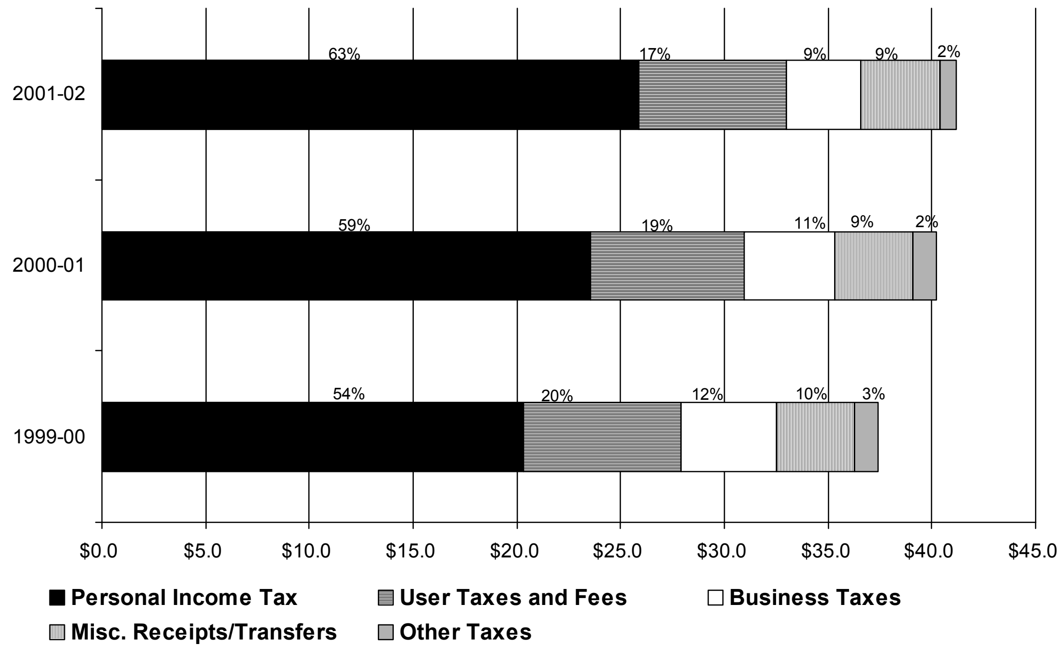
Note: Percentage total may not add due to rounding.

Table 5
Governmental Funds Disbursements
State Fiscal Years 1999-00, 2000-01, and 2001-02
(billions of dollars)



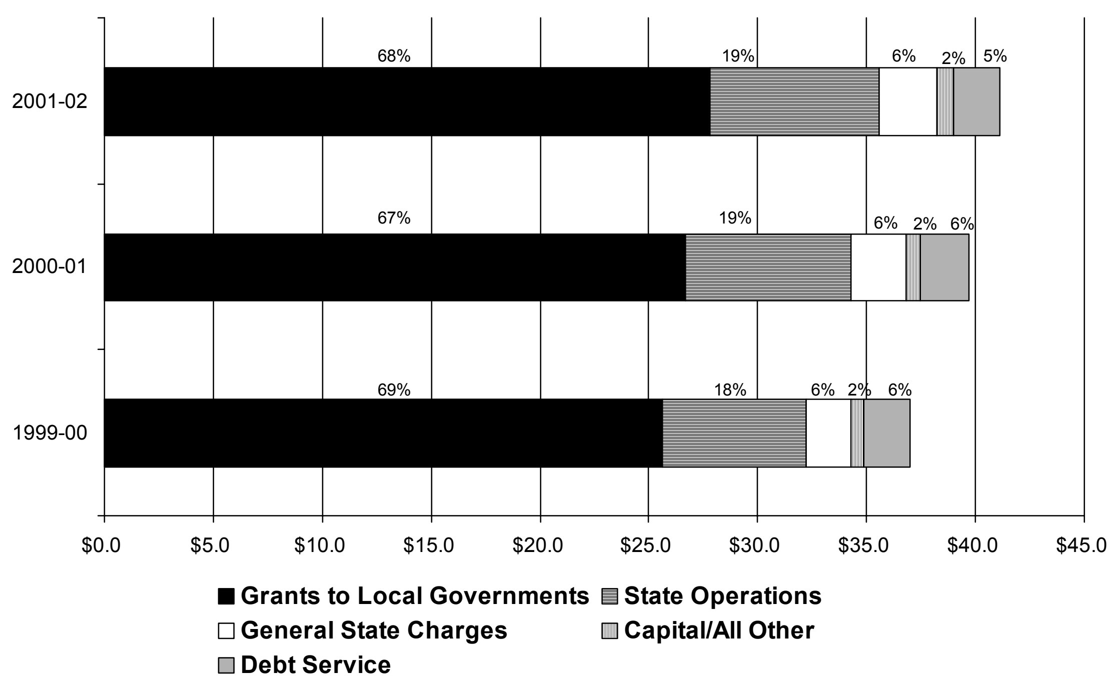
Note: Percentage total may not add due to rounding.

Table 6
General Fund Receipts and Transfers by Source
State Fiscal Years 1999-00, 2000-01, and 2001-02
(billions of dollars)



Note: Percentage total may not add due to rounding.

Table 7
General Fund Disbursements and Transfers by Type
State Fiscal Years 1999-00, 2000-01, and 2001-02
(billions of dollars)



Note: Percentage total may not add due to rounding.

Cash-Basis Results for Prior Fiscal Years

The State reports its financial results on two bases of accounting: the cash basis, showing receipts and disbursements; and the modified accrual basis, prescribed by Generally Accepted Accounting Principles (GAAP), showing revenues and expenditures. These financial terms are described in the Glossary of Financial Terms in Exhibit A to this AIS.

General Fund 1999-00 through 2001-02

The General Fund is the principal operating fund of the State and is used to account for all financial transactions, except those required to be accounted for in another fund. It is the State's largest fund and receives most State taxes and other resources not dedicated to particular purposes. General Fund moneys are also transferred to other funds, primarily to support certain capital projects and debt service payments in other fund types.

New York State's financial operations had improved during recent fiscal years but were adversely affected by the national recession and the terrorist attack of September 11, 2001. Nonetheless, during its last ten fiscal years, the State has recorded balanced budgets on a cash basis, with positive year-end fund balances.

A narrative description of cash-basis results in the General Fund for the prior three fiscal years is presented below, followed by tables that summarize actual General Fund results. For a description of the principal State taxes and fees, see Exhibit B to this AIS.

2001-02 Fiscal Year

The State ended its 2001-02 fiscal year on March 31, 2002 in balance on a cash basis. There was no General Fund surplus reported by DOB. After year-end adjustments related to the refund reserve account, the closing balance in the General Fund was $1.03 billion, a decrease of $67 million from the 2000-01 fiscal year. Of this balance, $710 million was held in the Tax Stabilization Reserve Fund (TSRF) (after a deposit of $83 million in fiscal year 2001-02), $157 million in the Contingency Reserve Fund (CRF), $159 million in the Community Projects Fund (CPF), and $5 million in the Universal Pre-kindergarten Fund. The closing fund balance excludes $1.68 billion on deposit in the refund reserve account at the end of the 2001-02 fiscal year.

General Fund receipts, including transfers from other funds, totaled $41.14 billion for the 2001-02 fiscal year, an increase of $1.26 billion (3.3 percent) over fiscal year 2000-01 results. Receipts results for fiscal year 2001-02 reflect refund reserve transactions that had the effect of reducing personal income tax receipts in the 2001-02 fiscal year and increasing them in the 2002-03 fiscal year, as discussed previously in the AIS. In comparison to the 2001-02 Financial Plan projected in January 2002 (the January Financial Plan), receipts were $1.3 billion lower than projected. When the refund reserve is adjusted for the set-aside of $1.07 billion for economic uncertainties, General Fund receipts and transfers from other funds totaled $42.21 billion, a decrease of $225 million from the January Financial Plan (the January Financial Plan also adjusted the refund reserve for a projected deposit of $1.13 billion for economic uncertainties). The decrease of $225 million in receipts reflected lower-than-expected personal income and business tax collections due from 2001 tax year liability.

General Fund disbursements, including transfers to other funds, totaled $41.22 billion for the 2001-02 fiscal year, an increase of $1.52 billion (3.8 percent) from the 2000-01 fiscal year. In comparison to the January Financial Plan, disbursements were $233 million lower than projected. A portion of the lower amount of spending was attributable to the timing of payments and these payments are expected to occur in the 2002-03 fiscal year.

2000-01 Fiscal Year

The State ended its 2000-01 fiscal year on March 31, 2001 in balance on a cash basis with a General Fund surplus of $2.73 billion as reported by DOB. After year-end adjustments described below, the closing balance in the General Fund was $1.10 billion, a decrease of $69 million from the 1999-2000 fiscal year. Of this balance, $627 million was held in the Tax Stabilization Reserve Fund (TSRF) (after a deposit of $80 million in fiscal year 2000-01), $150 million in the Contingency Reserve Fund (CRF), $292 million in the Community Projects Fund (CPF), and $29 million in the Universal Pre-Kindergarten Fund.

The closing fund balance excluded $3.52 billion on deposit in the tax refund reserve account at the end of the 2000-01 fiscal year. The State retained $2.65 billion of the $3.52 billion balance for reserves, with $2.4 billion set aside for economic uncertainties and $250 million deposited into the Debt Reduction Reserve Fund in 2001-02. The remaining balance of $865 million was comprised of $293 million in resources to pay for costs incurred in 2000-01 but disbursed in 2001-02, $521 million from the Local Government Assistance Corporation (LGAC) that was used to pay tax refunds during fiscal year 2001-02 and $51 million in additional funds used to pay refunds related to the Earned Income Tax Credit and the Dependent Care Tax Credit.

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 receipts, including transfers from other funds, totaled $39.88 billion for the 2000-01 fiscal year, an increase of $2.49 billion (6.7 percent) over fiscal year 1999-2000 results. General Fund disbursements, including transfers to other funds, totaled $39.70 billion for the 2000-01 fiscal year, an increase of $2.53 billion (6.8 percent) from the 1999-2000 fiscal year.

1999-2000 Fiscal Year

The State ended its 1999-2000 fiscal year in balance on a cash basis, with a General Fund cash-basis surplus of $1.51 billion as reported by DOB. As in recent years, strong growth in receipts above forecasted amounts produced most of the year-end surplus. Spending was also modestly below projections, further adding to the surplus.

The State reported a closing balance of $1.17 billion in the General Fund, an increase of $275 million over the closing balance from the prior year. The balance was comprised of $547 million in the TSRF after a deposit of $74 million in 1999-2000; $107 million in the CRF; $250 million in the DRRF; and $263 million in the CPF.

The closing fund balance excluded $3.97 billion that the State deposited into the tax refund reserve account at the close of 1999-2000 to pay for tax refunds in 2000-01 of which $521 million was made available as a result of the LGAC financing program and was required to be on deposit as of March 31, 2000. The tax refund reserve account transaction had the effect of decreasing reported personal income tax receipts in 1999-2000, while increasing reported receipts in 2000-01.

General Fund receipts and transfers from other funds (net of tax refund reserve account activity) for the 1999-2000 fiscal year totaled $37.40 billion, an increase of 1.6 percent over 1998-99. General Fund disbursements and transfers to other funds totaled $37.17 billion, an increase of 1.6 percent from the prior fiscal year.

Other Governmental Funds (1999-00 through 2001-02)

The State All Governmental Funds Financial Plan is comprised of the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds. Activity outside the General Fund has increased in recent years: beginning in fiscal year 1995-96, combined disbursements from Special Revenue, Capital Projects, and Debt Service Funds ("other governmental funds") have accounted for 50 percent or more of the State's All Governmental Funds disbursements. In fiscal year 2001-02, disbursements from governmental funds other than the General Fund totaled $46.72 billion.

The All Governmental Funds spending reported for 2001-02 includes federal "flow-through" disaster assistance made available to New York City. This spending has been and continues to be excluded from the Financial Plan projections published by DOB.

Several programmatic changes have increased activity in these funds, including the financing of several health care initiatives under the Health Care Reform Act of 2000 (HCRA) through Special Revenue Funds, the creation of the School Tax Relief (STAR) program that is funded by the diversion of personal income tax receipts to a Special Revenue Fund, and the redirection of a 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 (MTA) and other transit entities.

In the Special Revenue Funds, disbursements increased from $31.17 billion in fiscal year 1999-00 to $38.26 billion in 2001-02 (an average annual growth rate of 10.8 percent). The growth is primarily attributable to increased federal payments to Medicaid, phase in of the STAR program and the financing of health care programs under HCRA. Other significant components of the Special Revenue Funds growth include, federal welfare funding through the TANF block grant which has increased in support of a wide range of services including child welfare services and tax credits for the working poor and federal funding for education which has increased due to additional funding for class size reductions, school construction and elementary and secondary education programs and increases in the EPIC prescription drug program.

Disbursements in the Capital Projects Funds increased from $4.22 billion in 1999-2000 to $4.31 billion in 2001-02, primarily for education, environment, public protection and transportation programs. The composition of this fund type's receipts has also changed as dedicated taxes, federal grants and reimbursements from public authority bonds increased, while general obligation bond proceeds declined.

Activity in the Debt Service Funds reflected increased use of bonds during the three-year period for improvements to the State's capital facilities and the ongoing costs of the LGAC fiscal reform program. The increases were moderated by the refunding savings achieved by the State over the last several years. Disbursements in this fund type increased from $3.59 billion in 1999-00 to $4.15 billion in 2001-02.

Table 8
Comparison of Actual General Fund Receipts and Disbursements
1999-00 through 2001-02
(millions of dollars)

	1999-2000	2000-01	2001-02
OPENING FUND BALANCE (1) (2)	942	917	1,110
Personal Income Tax	20,339	23,566	25,854
User Taxes and Fees:			
Sales and Use Tax	6,141	6,272	6,131
Cigarette and Tobacco Tax	643	528	532
Motor Fuel Tax	180	17	0
Motor Vehicle Fees	401	337	185
Alcoholic Beverage Taxes and Fees	200	211	212
Container Tax	0	0	0
Auto Rental Tax	39	39	38
Subtotal	7,604	7,404	7,098
Business Taxes:			
Corporation Franchise Tax	1,939	2,335	1,515
Corporation and Utilities Taxes	1,418	817	972
Insurance Taxes	589	584	633
Bank Tax	525	506	496
Petroleum Business Tax	89	86	0
Subtotal	4,560	4,328	3,616
Other Taxes:			
Estate and Gift Taxes	1,055	759	767
Real Property Gains Tax	15	6	5
Pari-mutuel Tax	36	29	30
Other Taxes	1	1	1
Subtotal	1,107	795	803
Miscellaneous Receipts & Federal Grants	1,648	1,553	1,625
Transfers from Other Funds:			
Sales Tax in Excess of LGAC Debt Service	1,719	1,758	1,750
All Other Transfers	418	479	398
Subtotal	2,137	2,237	2,148
TOTAL RECEIPTS	37,395	39,883	41,144
Grants to Local Governments	25,590	26,667	27,835
State Operations	6,600	7,604	7,839
General State Charges	2,087	2,567	2,650
Debt Service	6	1	0
Transfers to Other Funds:			
In Support of Debt Service	2,242	2,215	2,086
In Support of Capital Projects	211	285	289
All Other Transfers	434	363	523
Subtotal	2,887	2,863	2,898
TOTAL DISBURSEMENTS	37,170	39,702	41,222
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	225	181	(78)
CLOSING FUND BALANCE	1,167	1,098	1,032

Source: State Division of the Budget.
(1) 1999-2000 opening fund balances reflects reclassification of DRRF from the Debt Service Fund type to the General Fund. 2000-01 opening fund balance reflects reclassification of DRRF from General Fund to Capital Projects Fund.
(2) 2001-02 opening balance reflects reclassification of the Fringe Benefit Escrow Fund from the Agency Group Fund to the General Fund.

Table 9
Governmental Funds Combined Statement of Cash Receipts, Disbursements and Changes in Fund Balances for the Fiscal Year Ended March 31, 2002 on Financial Plan Basis
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance (1)	1,110	2,199	(89)	422	3,642
Receipts					
Taxes	37,371	2,779	1,505	2,660	44,315
Miscellaneous receipts	1,625	7,134	1,444	613	10,816
Federal grants	0	26,693	1,423	0	28,116
Total receipts	38,996	36,606	4,372	3,273	83,247
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 (2)	38,324	38,257	4,314	4,149	85,044
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)	(750)	499	(237)	623	135
Change in fund balance	(78)	(1,152)	(179)	(253)	(1,662)
Closing fund balance	1,032	1,047	(268)	169	1,980

Source: Office of the State Comptroller.
(1) The opening fund balances of the General Fund and the Debt Service Funds are changed by $250 million to reflect the reclassification of the Debt Reduction Reserve Fund from the General Fund to the Debt Service Funds.
(2) Includes federal "flow-through" aid related to the World Trade Center terrorist attacks.

Table 10
Governmental Funds Combined Statement of Cash Receipts, Disbursements and Changes in Fund Balances for the Fiscal Year Ended March 31, 2001 on Financial Plan Basis
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance (1)	917	762	(19)	448	2,108
Receipts					
Taxes	36,093	4,532	1,237	2,746	44,608
Miscellaneous receipts	1,549	6,646	1,674	860	10,729
Federal grants	4	24,273	1,509	0	25,786
Total receipts	37,646	35,451	4,420	3,606	81,123
Disbursements					
Grants to local governments	26,667	27,734	707	0	55,108
State operations	7,605	6,316	0	13	13,934
General State charges	2,567	301	0	0	2,868
Debt service	1	0	0	4,082	4,083
Capital projects	0	9	3,751	0	3,760
Total disbursements	36,840	34,360	4,458	4,095	79,753
Other financing sources (uses)					
Transfers from other funds	2,237	2,396	376	4,751	9,760
Transfers to other funds	(2,863)	(2,050)	(627)	(4,288)	(9,828)
Bond and note proceeds	0	0	219	0	219
Use of Debt Reduction Reserve Fund	0	0	0	0	0
Net other financing sources (uses)	(626)	346	(32)	463	151
Change in fund balance	180	1,437	(70)	(26)	1,521
Closing fund balance	1,097	2,199	(89)	422	3,629

Source: Office of the State Comptroller.
(1) Reflects reclassification of DRRF from the Debt Service Funds Group to the General Fund.

Table 11
Governmental Funds Combined Statement of Cash Receipts, Disbursements and Changes in Fund Balances for the Fiscal Year Ended March 31, 2000 on Financial Plan Basis
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance (1)	942	672	19	170	1,803
Receipts:					
Taxes	33,611	2,607	1,123	2,388	39,729
Miscellaneous receipts	1,643	6,081	1,775	611	10,110
Federal grants	4	22,185	1,381	0	23,570
Total receipts	35,258	30,873	4,279	2,999	73,409
Disbursements:					
Grants to local governments	25,590	24,372	477	0	50,439
State operations	6,600	6,236	0	14	12,850
General State charges	2,087	554	0	0	2,641
Debt service	6	0	0	3,571	3,577
Capital projects	0	12	3,747	0	3,759
Total disbursements	34,283	31,174	4,224	3,585	73,266
Other financing sources (uses):					
Transfers from other funds	2,137	2,352	240	4,605	9,334
Transfers to other funds	(2,887)	(1,961)	(541)	(3,991)	(9,380)
Bond and note proceeds	0	0	208	0	208
Net other financing sources (uses)	(750)	391	(93)	614	162
Change in fund balance	225	90	(38)	28	305
Closing fund balance	1,167	762	(19)	198	2,108

Source: Office of the State Comptroller. Reflects accounting restatement of medical provider assessments in the General Fund which has the affect of increasing miscellaneous receipts and local assistance grants by $82 million

GAAP-Basis Results for Prior Fiscal Years

The Comptroller prepares a comprehensive annual financial report on a GAAP basis for governments as promulgated by the Governmental Accounting Standards Board. The report, generally released in July each year, contains general purpose financial statements with a Combined Balance Sheet and its Combined Statement of Revenues, Expenditures and Changes in Fund Balances. These statements are audited by independent certified public accountants. The following table summarizes recent governmental funds results on a GAAP basis. For information regarding the State's accounting and financial reporting requirements, see the section entitled "State Organization—Accounting, Financial Reporting and Budgeting."

Table 12
Comparison of Actual GAAP-Basis Operating Results
(millions of dollars)

Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accum. General Fund Surplus/(Deficit)
March 31, 2001	245	1,252	(20)	109	1,586	4,170
March 31, 2000	2,229	665	38	99	3,031	3,925
March 31, 1999	1,078	(117)	209	154	1,324	1,696*

*As restated in 2000.

The General Purpose Financial Statements for the 2001-02 fiscal year will be available in July 2002 and can be obtained at that time from the Office of the State Comptroller, 110 State Street, Albany, NY 12236.

2000-01 Fiscal Year

The State completed its 2000-01 fiscal year with a combined governmental funds operating surplus of $1.59 billion, which included operating surpluses in the General Fund ($245 million), in Special Revenue Funds ($1.25 billion) and in Capital Projects Funds ($109 million) offset, in minor part, by an operating deficit in the Debt Service Funds ($20 million).

General Fund

The State reported a General Fund operating surplus of $245 million for the 2000-01 fiscal year, as compared to an operating surplus of $2.23 billion for the 1999-2000 fiscal year. The operating surplus for the 2000-01 fiscal year resulted in part from a cash basis operating surplus and increases in taxes and other receivables of $686 million and $13 million, respectively, and decreases in deferred revenues, pension contributions payable and other liabilities of $101 million. These gains were partially offset by decreases in other assets and amounts due from other funds of $258 million, increases in payables to local governments of $368 million and an increase in tax refunds payable of $252 million. The State reported an accumulated fund balance of $4.17 billion in the General Fund for its 2000-01 fiscal year.

General Fund revenues increased $682 million (1.8 percent) from the 1999-2000 fiscal year with an increase reported only for personal income taxes. Business, consumption and use and other taxes and miscellaneous revenues fell from the prior fiscal year. Personal income taxes grew $1.89 billion, an increase of nearly 8.4 percent. The increase in personal income taxes was caused by strong employment, wage and bonus payment growth and an increase in interest and dividend income during 2000. This increase was partially offset by decreases in consumption and use, business and other taxes and miscellaneous revenues. Consumption and use taxes decreased $305 million, or 4.0 percent, primarily as a result of the reduction in motor fuel taxes and motor vehicle fees distributed to the General Fund and a decline in cigarette and tobacco products taxes. Business taxes decreased $488 million, or 10.7 percent, primarily due to a reduction in certain corporation and utility taxes distributed to the General Fund and because of reductions in the corporate and utility tax rates. Other taxes, primarily estate and gift taxes, decreased over $381 million, or 34.4 percent due mainly to a decline in the stock market and tax rate reductions. Miscellaneous revenues decreased $30 million (1.2 percent).

General Fund expenditures increased $2.30 billion (6.3 percent) from the 1999-2000 fiscal year, with the largest increases occurring in the areas of education, health and environment and social services. Education expenditures grew $1.17 billion (9.1 percent) due mainly to an increase in spending for support for public schools and municipal and community colleges. Social services expenditures increased $238 million (2.6 percent) due primarily to increased spending for Medicaid and income maintenance programs. Health and environment expenditures increased over $145 million (16.9 percent) primarily reflecting increased spending for the Elderly Pharmaceutical Insurance Coverage and Child Health Plus programs.

Personal service costs increased $473 million (7.4 percent) principally as a result of increases in wages as required by recently approved collective bargaining agreements. Non-personal service costs increased $164 million (6.5 percent) due primarily to increased spending for goods and services. General state charges increased $144 million (8.1 percent) primarily because of an increase in the State's health insurance premiums.

Net other financing sources in the General Fund decreased $369 million (60.5 percent) in part because transfers from the Hospital Bad Debt and Charity Care Fund decreased by nearly $240 million while State subsidies for higher education (SUNY and CUNY) increased $170 million.

Special Revenue, Debt Service and Capital Projects Fund Types

An operating surplus of $1.25 billion was reported for the Special Revenue Funds for the 2000-01 fiscal year which increased the accumulated fund balance in this fund type to $3.39 billion. Revenues increased $4.54 billion over the prior fiscal year (13.5 percent) as a result of increases in tax, federal grants, and miscellaneous revenues. Expenditures increased $3.63 billion (12.6 percent) as a result of increased costs for local assistance grants and non-personal service. Net other financing uses increased $324 million (8.1 percent).

Debt Service Funds ended the 2000-01 fiscal year with an operating deficit of $20 million and, as a result, the accumulated fund balance in this fund type decreased to $2.04 billion. Revenues rose $143 million (4.9 percent) primarily because of increases in dedicated taxes while debt service expenditures increased $366 million (11.1 percent). Net other financing sources increased $174 million (40.8 percent) due primarily to increases in transfers from the General Fund.

An operating surplus of $109 million was reported in the Capital Projects Funds for the State's 2000-01 fiscal year and, as a result, the accumulated fund balance deficit decreased to $20 million. Revenues increased $226 million (8.7 percent) primarily because the allocation of motor fuel taxes and motor vehicle fees was increased $131 million and federal grant revenues increased $90 million for transportation projects. Expenditures increased $212 million (5.5 percent) primarily because of increases in spending for grants to local governments - education and health and environment programs and capital construction spending for transportation projects. Net other financing sources decreased by $4 million (0.3 percent).

1999-2000 Fiscal Year

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

General Fund

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

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

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

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

Special Revenue, Debt Service and Capital Projects Fund Types

An operating surplus of $665 million was reported for the Special Revenue Funds for the 1999-2000 fiscal year which increased the accumulated fund balance to $2.14 billion after restatement of prior year fund balances. As a result of legislation enacted during the fiscal year ended March 31, 2000, the Hospital Bad Debt and Charity Accounts were reclassified to Special Revenue Funds thereby increasing the beginning fund balance by $1.01 billion. Revenues increased $2.15 billion over the prior fiscal year

(6.9 percent) as a result of increases in tax, federal grants, and miscellaneous revenues. Expenditures increased $1.49 billion (5.4 percent) as a result of increased costs for local assistance grants and non-personal service. Net other financing uses increased $174 million (4.5 percent).

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

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

1998-99 Fiscal Year

The State completed its 1998-99 fiscal year with a combined governmental funds operating surplus of $1.32 billion, which included operating surpluses in the General Fund ($1.078 billion), in Debt Service Funds ($209 million) and in Capital Projects Funds ($154 million) offset, in part, by an operating deficit in Special Revenue Funds ($117 million).

General Fund

The State reported a General Fund operating surplus of $1.078 billion for the 1998-99 fiscal year, as compared to an operating surplus of $1.562 billion for the 1997-98 fiscal year. As a result, the State reported an accumulated fund balance of $1.696 billion, as restated, in the General Fund. The 1998-99 fiscal year operating surplus resulted, in part, from an increase in taxes receivable of $516 million, a decrease in payables to local government of $262 million, a decrease in accrued liabilities of $129 million and a decrease in deferred revenues of $69 million. These gains were partially offset by a decrease in other assets of $117 million and an increase in tax refunds payable of $102 million.

Revenues increased $1.969 billion (5.7 percent) over the prior fiscal year with increases in personal income, consumption and use and other taxes, and miscellaneous revenues. Business tax revenues fell from the prior fiscal year. Personal income taxes grew $1.733 billion, an increase of nearly 9.3 percent. The increase in personal income taxes was caused by strong employment and wage growth and the continued strong performance by the financial markets during 1998. Consumption and use taxes increased $269 million, or 3.8 percent, due to increased consumer confidence. Other taxes increased $73 million, or 6.9 percent. Miscellaneous revenues increased $145 million, a 5.6 percent increase, primarily because of an increase in reimbursements from regulated industries (e.g., banking and insurance) to fund the State's administrative costs. Business taxes decreased nearly $252 million, or 4.9 percent, because of prior year refunds and carry forwards which were applied against the current year (1998) liabilities.

Expenditures increased $1.826 billion (5.5 percent) from the prior fiscal year, with the largest increases occurring in State aid for education and general purpose aid spending. Education expenditures grew $1.014 billion (9.1 percent) due mainly to an increase in spending for support for public schools, handicapped pupil education and municipal and community colleges. General purpose aid increased nearly $329 million (56.5 percent) due to statutory changes in the payment schedule. Personal service and fringe benefit costs increased due to increases in wages and continuing fringe benefits required by collective bargaining agreements.

Net other financing sources decreased $626 million (159.3 percent) primarily because appropriated transfers from the Special Revenue Funds declined by over $230 million with increases of $265 million in appropriated transfers to Special Revenue, Debt Service and College and University Funds. In addition, transfers to public benefit corporations increased over $170 million primarily because of a change in reporting for the Roswell Park Cancer Institute.

Special Revenue, Debt Service and Capital Projects Fund Types

An operating deficit of $117 million was reported for the Special Revenue Funds for the 1998-99 fiscal year which decreased the accumulated fund balance to $464 million. Revenues increased $1.108 billion over the prior fiscal year (4.0 percent) as a result of increases in tax and federal grants revenues. Expenditures increased $1.308 billion (5.3 percent) as a result of increased costs for local assistance grants. Net other financing uses increased $34 million (1.0 percent).

Debt Service Funds ended the 1998-99 fiscal year with an operating surplus of $209 million and, as a result, the accumulated fund balance increased to $2.07 billion. Revenues increased $160 million (6.3 percent) primarily because of increases in dedicated taxes. Debt service expenditures increased $162 million (6.0 percent). Net other financing sources increased $253 million (227.4 percent) due primarily to increases in transfers from the General Fund, patient revenue transfers and the establishment of the Debt Reduction Reserve Fund.

An operating surplus of $154 million was reported in the Capital Projects Funds for the State's 1998-99 fiscal year and, as a result, the accumulated deficit fund balance decreased to $228 million. Revenues increased $242 million (10.6 percent) primarily because tax revenues increased $101 million and federal grant revenues increased $94 million for transportation projects. Expenditures increased $355 million (10.5 percent) primarily because of increases in capital construction spending for transportation and correctional services projects. Net other financing sources increased by $35 million.

Economic and Demographics

The following section presents economic information which may be relevant in evaluating the future prospects of the State economy. However, the demographic and statistical data, which have been obtained from the sources indicated, do not represent all of the factors which may have a bearing on the State's fiscal and economic affairs. Further, such information requires economic and demographic analysis in order to assess its significance, and may be interpreted differently by individual experts.

The U.S. Economy

The events of September 11, 2001 dealt a substantial blow to the U.S. economy. The slowdown in economic activity that began in early 2001 deepened significantly in the wake of the attack. Almost one million jobs were lost in the fourth quarter of calendar year 2001 alone. However, continued consumer spending, combined with an expansionary fiscal and monetary policy, has kept the nation's first recession in ten years relatively mild. Unlike most recessions, real U.S. gross domestic product (GDP) declined for only one quarter — the third quarter of 2001. The national economy grew an unexpected 1.7 percent in the fourth quarter of 2001, followed by growth of almost 6 percent in the first quarter of 2002.

Growth is expected to continue throughout 2002, with real U.S. GDP expected to grow by 2.5 percent for 2002, following growth of 1.2 percent in 2001. Continued growth in real household and government spending, along with a positive swing in the change in business inventories, are likely to be the major factors contributing to real GDP growth in 2002. The Division of the Budget expects U.S. personal income to grow 3.0 percent for 2002, with its largest component, wages and salaries, expected to grow 2.6 percent. The U.S. unemployment rate is forecast to average 6.0 percent for this year. In contrast, U.S. corporate profits are expected to fall 7.0 percent in 2002.

There are significant risks to the current forecast, foremost among them being global political instability. Higher energy prices could also delay the global recovery, reducing export growth below expectations. In contrast, a stronger global recovery than anticipated could result in stronger export and profits growth than expected. A weakening of growth in consumer spending or a failure of investment spending to commence growth during the year could result in a return to recessionary conditions. Although the current forecast presumes no further terrorist attacks on U.S. soil, the possibility poses what is perhaps the gravest risk to the U.S. economy in the current environment.

Table 13
Economic Indicators for the United States

	1998	1999	2000	2001	2002(1)
Gross Domestic Product					
(billions $)	8781.5	9268.6	9872.9	10208.1	10601.8
Percent Change	5.6	5.5	6.5	3.4	3.9
(billions 1996 chain wt.)	8508.9	8856.5	9224.0	9333.8	9565.8
Percent Change	4.3	4.1	4.1	1.2	2.5
Personal Income					
(billions $)	7426.0	7777.3	8319.2	8723.5	8989.4
Percent Change	7.0	4.7	7.0	4.9	3.0
Nonagricultural Employment					
(millions)	125.9	128.9	131.8	132.2	131.6
Percent Change	2.6	2.4	2.2	0.3	(0.5)
Unemployment Rate (Percent)	4.5	4.2	4.0	4.8	6.0
Consumer Price Index					
(1982-84=100)	163.0	166.6	172.2	177.1	179.8

Sources: US Department of Commerce, Bureau of Economic Analysis; US Department of Labor, Bureau of Labor Statistics. Table reflects adjustments by source agencies to figures for prior years.

(1) As projected by the Division of the Budget, based on National Income and Product Account data through April 2002, except for nonagricultural employment and unemployment rate, which are based on U.S. Department of Labor data through early May 2002.

The New York Economy

As expected, the World Trade Center terrorist attacks had an even more devastating impact on the State economy than on the national economy as a whole. As a result, the State economy could remain in recession even after the initiation of a recovery for the nation overall. Employment is expected to decline by 0.8 percent in 2002, following a 0.5 percent decline in 2001. Wages and salaries are expected to show an increase of 2.4 percent for 2001, followed by a decline of 1.5 percent for 2002 due to weakness in securities industry profits in the first quarter of 2002.

The risks to the New York forecast are substantial. Weaker than expected growth for both the national and international economies could delay the onset of the State's recovery. This would result in even slower employment and income growth than projected. In contrast, stronger national and international growth could result in an earlier recovery than projected. At the State level, the cleanup of the World Trade Center site has been completed and redevelopment is expected to commence shortly. As a result, employment growth could be stronger than projected. Financial sector activity remains the largest risk to the New York forecast. Wall Street compensation fell precipitously in early 2002. Continued weakness in this sector would have a deleterious impact on the State's prospects for economic recovery, while a sharp improvement in profits for the financial industry would likely have a significant beneficial impact on the State's economy.

Table 14
Economic Indicators for New York State

	1998	1999	2000	2001(1)	2002
Personal Income					
(billions $)	590.4	615.3	658.7	677.8	681.2
Percent Change	6.7	4.2	7.1	2.9	0.5
Nonagricultural Employment					
(thousands)	8236.7	8456.0	8635.3	8592.1	8523.4
Percent Change	2.1	2.7	2.1	(0.5)	(0.8)
Unemployment Rate (Percent)	5.6	5.2	4.6	4.9	6.4

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

(1) As projected by the Division of the Budget, based on National Income and Product Account and employment data through April 2002.

New York is the third most populous state in the nation and has a relatively high level of personal wealth. The State's economy is diverse, with a comparatively large share of the nation's finance, insurance, transportation, communications and services employment, and a very small share of the nation's farming and mining activity. The State's location and its air transport facilities and natural harbors have made it an important link in international commerce. Travel and tourism constitute an important part of the economy. Like the rest of the nation, New York has a declining proportion of its workforce engaged in manufacturing, and an increasing proportion engaged in service industries.

Services: The services sector, which includes entertainment, personal services, such as health care and auto repairs, and business-related services, such as information processing, law and accounting, is the State's leading economic sector. The services sector accounts for more than three of every ten nonagricultural jobs in New York and has a noticeably higher proportion of total jobs than does the rest of the nation.

Manufacturing: Manufacturing employment continues to decline in New York, as in most other states, and New York's economy is less reliant on this sector than in the past. However, it remains an important sector of the State economy, particularly for the upstate economy, as high concentrations of manufacturing industries for transportation equipment, optics and imaging, materials processing, and refrigeration, heating, and electrical equipment products are located in the upstate region.

Trade: Wholesale and retail trade is the second largest sector in terms of nonagricultural jobs in New York but is considerably smaller when measured by income share. Trade consists of wholesale businesses and retail businesses, such as department stores and eating and drinking establishments.

Finance, Insurance and Real Estate: New York City is the nation's leading center of banking and finance and, as a result, this is a far more important sector in the State than in the nation as a whole. Although this sector accounts for under one-tenth of all nonagricultural jobs in the State, it contributes about one-fifth of total wages.

Agriculture: Farming is an important part of the economy in rural areas, although it constitutes a very minor part of total State output. Principal agricultural products of the State include milk and dairy products, greenhouse and nursery products, fruits, and vegetables. New York ranks among the nation's leaders in the production of these commodities.

Government: Federal, State and local governments together are the third largest sector in terms of nonagricultural jobs, with the bulk of the employment accounted for by local governments. Public education is the source of nearly one-half of total State and local government employment.

The importance of the different sectors of the State's economy relative to the national economy is shown in the following table, which compares nonagricultural employment and wages by sector for the State and the nation as a whole. Relative to the nation, the State has a smaller share of manufacturing and construction and a larger share of service-related industries. The State's finance, insurance, and real estate share, as measured by wages, is particularly large relative to the nation. The State is likely to be less affected than the nation as a whole during an economic recession that is concentrated in manufacturing and construction, but likely to be more affected by any economic downturn that is concentrated in the services sector.

Table 15
Nonagricultural Employment and Wages by Categories
Annual Percentage Composition

	Employment		Wages	
	State	United States	State	United States
Construction	3.9	5.2	3.8	5.3
Transportation, Communication and Utilities	5.0	5.3	6.0	6.9
Finance, Insurance and Real Estate	5.1	5.3	5.3	6.5
Manufacturing	8.6	5.8	21.9	8.9
Government	9.9	13.8	11.2	17.8
Retail Trade	15.1	17.8	6.9	9.3
Wholesale Trade	17.1	15.8	14.6	15.9
Services	35.5	31.0	29.7	28.6

Source: NYS Department of Labor; US Department of Labor, Bureau of Labor Statistics; US Department of Commerce, Bureau of Economic Analysis. Employment is 2001 annual averages; wages are 2000 annual averages.

Economic and Demographic Trends

In the calendar years 1990 through 1998, the State's rate of economic growth was somewhat slower than that of the nation. In particular, during the 1990-91 recession and post-recession period, the economy of the State, and that of the rest of the Northeast, was more heavily damaged than that of the nation as a whole and had been slower to recover. However, the situation has been improving during recent years. In 1999, for the first time in 13 years, the employment growth rate of the State surpassed the national growth rate, and, in 2000, the rates were essentially the same. In 2001, the September 11 attack resulted in a slowdown in New York that was more severe than in the nation as a whole. Although the State unemployment rate was higher than the national rate from 1991 to 2000, the gap between them has narrowed in recent years.

The following table compares population change in the State and in the United States since 1960.

Table 16
Comparative Population Figures

	State			US	
	Total Population (thousands)	% Change From Preceding Period	Percentage of U.S. Population	Total Population (thousands)	% Change from Preceding Period
1960	16,782	13.2	9.4	179,323	18.5
1970	18,241	8.7	9.0	203,302	13.4
1980	17,558	(3.7)	7.8	226,542	11.4
1990	17,990	2.5	7.2	248,710	9.8
2000	18,976	5.5	6.7	281,422	13.2
2001 (prelim.)	19,011	0.2	6.7	284,797	1.2

Source: US Department of Commerce, Census Bureau.

Total State nonagricultural employment has declined as a share of national nonagricultural employment. The following historical table compares these levels and the rate of unemployment for the State and the nation.

Table 17
Nonagricultural Employment and Unemployment Rate For New York and the United States

	Employment (Thousands)		State Percentage of US Employment	Unemployment Rate (percent)	
	State	US		State	US
1960	6,182	54,189	11.4	N/A	5.5
1970	7,156	70,879	10.1	4.5	5.0
1980	7,207	90,406	8.0	7.5	7.2
1990	8,212	109,403	7.5	5.3	5.6
2000	8,632	131,759	6.6	4.6	4.0
2001 (prelim.)	8,633	132,213	6.5	4.9	4.8

Source: US and NYS Departments of Labor.
Note: Nonagricultural employment and unemployment rates are generated from separate surveys.

State per capita personal income has historically been significantly higher than the national average, although the ratio has varied substantially. Because New York City is a regional employment center for a multi-state region, State personal income measured on a residence basis understates the relative importance of the State to the national economy and the size of the base to which State taxation applies. The following table compares per capita personal income for the State and the nation.

Table 18
Per Capita Personal Income
(dollars)

	State	US	State/US
1960	2,788	2,293	1.22
1970	4,895	4,137	1.18
1980	11,101	10,258	1.08
1990	23,331	19,715	1.18
2000	34,686	29,428	1.18
2001 (prelim.)	35,884	30,271	1.19

Source: US Department of Commerce, Bureau of Economic Analysis.

Debt and Other Financing Activities

Legal Categories of State Debt and Other Financings

Financing activities of the State include general obligation debt and State-guaranteed debt, to which the full faith and credit of the State has been pledged, as well as lease-purchase and contractual-obligation financings, moral obligation and other financings through public authorities and municipalities, where the State's legal obligation to make payments to those public authorities and municipalities for their debt service is subject to annual appropriation by the Legislature. These categories are described in more detail below.

The State has never defaulted on any of its general obligation indebtedness or its obligations under lease-purchase or contractual-obligation financing arrangements and has never been called upon to make any direct payments pursuant to its guarantees.

General Obligation and State-Guaranteed Financing

There are a number of methods by which the State itself may incur debt. The State may issue general obligation bonds. Under the State Constitution, the State may not, with limited exceptions for emergencies, undertake long-term general obligation borrowing (i.e., borrowing for more than one year) unless the borrowing is authorized in a specific amount for a single work or purpose by the Legislature and approved by the voters. There is no constitutional limitation on the amount of long-term general obligation debt that may be so authorized and subsequently incurred by the State. However, the Debt Reform Act of 2000 imposes statutory limitations on new State-supported debt outstanding, which apply to general obligations bonds as well as other State-supported bonds issued on and after April 1, 2000. The State Constitution also provides that general obligation bonds must be paid in equal annual installments or installments that result in substantially level or declining debt service payments, within 40 years after issuance, and beginning not more than one year after issuance of such bonds. General obligation housing bonds must be paid within 50 years after issuance, commencing no more than three years after issuance. However, the Debt Reform Act of 2000 limits the maximum term of State-supported bonds, including general obligation bonds, to thirty years (see "Debt Reform Act – Limitations on State-Supported Debt" below).

The State may undertake short-term borrowings without voter approval (i) in anticipation of the receipt of taxes and revenues, by issuing tax and revenue anticipation notes (TRANs), and (ii) in anticipation of the receipt of proceeds from the sale of duly authorized but unissued general obligation bonds, by issuing bond anticipation notes (BANs). TRANs must mature within one year from their dates of issuance and may not be refunded or refinanced beyond such period. However, since 1990, the State's ability to issue TRANs has been limited due to enactment of the fiscal reform program which created LGAC (see "Local Government Assistance Corporation" below). BANs may only be issued for the purposes and within the amounts for which bonds may be issued pursuant to voter authorizations, and must be paid from the proceeds of the sale of bonds in anticipation of which they were issued or from other sources within two years of the date of issuance or, in the case of BANs for housing purposes, within five years of the date of issuance. In order to provide flexibility within these maximum term limits, the State had previously utilized the BANs authorization to conduct a commercial paper program to fund disbursements eligible for general obligation bond financing. The State does not anticipate issuing new BANs during the 2002-03 fiscal year.

Pursuant to specific constitutional authorization, the State may also directly guarantee certain public authority obligations. The State Constitution provides for the State guarantee of the repayment of certain borrowings for designated projects of the New York State Job Development Authority (JDA). The State has never been called upon to make any direct payments pursuant to any such guarantees.

In February 1997, the JDA issued approximately $85 million of State-guaranteed bonds to refinance certain of its outstanding bonds and notes in order to restructure and improve JDA's capital finances. Due to concerns regarding the economic viability of its programs, JDA's loan and loan guarantee activities were suspended in 1995. JDA resumed its lending activities in 1997 under a revised set of lending programs and underwriting guidelines. As a result of the structural imbalances in JDA's capital structure, and defaults in its loan portfolio and loan guarantee program incurred between 1991 and 1996, JDA would have experienced a debt service cash flow shortfall had it not completed the 1997 refinancing. JDA anticipates that it will transact an additional refinancing in 2003 to complete its long-term plan of finance and further alleviate cash flow imbalances which are likely to occur in future years. The State does not anticipate that it will be called upon to make any payments pursuant to the State guarantee in the 2002-03 fiscal year.

Payments of debt service on State general obligation and State-guaranteed bonds and notes are legally enforceable obligations of the State.

State Personal Income Tax Revenue Financing

In 2001, legislation was enacted to provide for the issuance by certain State authorities of State Personal Income Tax Revenue Bonds, which are expected to become the primary financing vehicle for a broad range of State-supported debt programs authorized to be secured by service contract or lease-purchase payments. These State Personal Income Tax Revenue Bonds are expected to reduce borrowing costs by improving the marketability and creditworthiness of State-supported obligations and by permitting the consolidation of multiple bonding programs to reduce administrative costs.

The legislation provides that 25 percent of personal income tax receipts (excluding refunds owed to taxpayers and deposits to the STAR Fund) be deposited to the Revenue Bond Tax Fund for purposes of making debt service payments on these bonds, with excess amounts returned to the General Fund. In the event that (i) the State Legislature fails to appropriate amounts required to make all debt service payments on the State Personal Income Tax Revenue Bonds or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on the bonds, the legislation requires that personal income tax receipts continue to be deposited to the Revenue Bond Tax Fund until amounts on deposit in the Fund equal the greater of 25 percent of annual personal income tax receipts or $6 billion.

The State issued its first State Personal Income Tax Revenue Bonds (in an aggregate principal amount of $225 million) on May 9, 2002.

Lease-Purchase and Contractual-Obligation Financing

The State employs additional long-term financing mechanisms, lease-purchase and contractual-obligation financings, which involve obligations of public authorities or municipalities that are State-supported, but are not general obligations of the State. Under these financing arrangements, certain public authorities and municipalities have issued obligations to finance the construction and rehabilitation of facilities or the acquisition of equipment, and expect to meet their debt service requirements through the receipt of rental or other contractual payments made by the State. Although these financing arrangements involve a contractual agreement by the State to make payments to a public authority, municipality or other entity, the State's obligation to make such payments is generally expressly made subject to appropriation by the Legislature and the actual availability of money to the State for making the payments.

The State has entered into a financing arrangement with LGAC to restructure the way the State makes certain local aid payments (see "Local Government Assistance Corporation" below). Subject to legislative authorization, the State may also participate in the issuance of certificates of participation (COPs) in a pool of leases entered into by the State's Office of General Services on behalf of several State departments and agencies interested in acquiring operational equipment, or in certain cases, real property. Legislation enacted in 1986 established restrictions upon and centralized State control, through the Comptroller and the Director of the Budget, over the issuance of COPs representing the State's contractual obligation, subject to annual appropriation by the Legislature and availability of money, to make installment or lease-purchase payments for the State's acquisition of such equipment or real property.

The State is also committed under numerous capital lease-purchase agreements covering electronic data processing and telecommunications equipment and real property capital lease-purchase agreements. Expenditures for these obligations during the 2001-02 fiscal year were $45.3 million comprised of $32.5 million attributable to principal and $12.8 million attributable to interest. As of March 31, 2002, the remaining State liability for scheduled payments over the remaining term of these capital lease-purchase agreements is approximately $358 million, comprised of approximately $221 million attributable to principal and $137 million attributable to interest. Included in these amounts is approximately $181 million attributable to principal and $135 million attributable to interest for real property capital lease-purchase agreements. As such obligations do not entail a traditional bond, note, or COPs financing, these amounts are not reflected in the tables describing State-supported debt.

Moral Obligation and Other Financing

Moral obligation financing generally involves the issuance of debt by a public authority to finance a revenue-producing project or other activity. The debt is secured by project revenues and includes statutory provisions requiring the State, subject to appropriation by the Legislature, to make up any deficiencies which may occur in the issuer's debt service reserve fund. There has never been a default on any moral obligation debt of any public authority. The State does not intend to increase statutory authorizations for moral obligation bond programs. From 1976 through 1987, the State was called upon to appropriate and make payments totaling $162.8 million to make up deficiencies in the debt service reserve funds of the Housing Finance Agency (HFA) pursuant to moral obligation provisions. In the same period, the State also expended additional funds to assist the Project Finance Agency, the Urban Development Corporation (UDC) and other public authorities which had moral obligation debt outstanding. The State has not been called upon to make any payments pursuant to any moral obligations since the 1986-87 fiscal year and no such requirements are anticipated during the 2002-03 fiscal year.

In addition to the moral obligation financing arrangements described above, State law provides for the creation of State municipal assistance corporations, which are public authorities established to aid financially troubled localities. The Municipal Assistance Corporation for the City of New York (NYC MAC) was created in 1975 to provide financing assistance to New York City. To enable NYC MAC to pay debt service on its obligations, NYC MAC receives, subject to annual appropriation by the Legislature, receipts from the four percent New York State sales tax for the benefit of New York City, the State-imposed stock transfer tax and, subject to certain prior liens, certain local assistance payments otherwise payable to New York City. The legislation creating NYC MAC also includes a moral obligation provision. Under its enabling legislation, NYC MAC's authority to issue moral obligation bonds and notes (other than refunding bonds and notes) expired on December 31, 1984 and no bonds containing the moral obligation pledge are currently outstanding. In 1995, the State created the Municipal Assistance Corporation for the City of Troy (Troy MAC). The bonds issued by Troy MAC do not include moral obligation provisions.

The State also provides for contingent contractual-obligation financing for the Secured Hospital Program pursuant to legislation enacted in 1985. Under this financing method, the State entered into service contracts which obligate the State to pay debt service, subject to annual appropriations, on bonds either formerly issued by the New York State Medical Care Facilities Finance Agency (MCFFA) and now included as debt of the Dormitory Authority of the State of New York (DASNY), or bonds issued directly by DASNY, in the event there are shortfalls of revenues from other sources. The State has never been required to make any payments pursuant to this financing arrangement, nor does it anticipate being required to do so during the 2002-03 fiscal year. The statutory authorization to issue bonds under this program expired on March 1, 1998.

Local Government Assistance Corporation

In 1990, as part of a State fiscal reform program, legislation was enacted creating LGAC, a public benefit corporation empowered to issue long-term obligations to fund certain payments to local governments that had been traditionally funded through the State's annual seasonal borrowing. The legislation also dedicated revenues equal to one percent of the four percent State sales and use tax to pay debt service on these bonds. As of June 1995, LGAC had issued bonds and notes to provide net proceeds of $4.7 billion, completing the program. The issuance of these long-term obligations, which are to be amortized over no more than 30 years, was expected to eliminate the need for continued short-term seasonal borrowing.

The legislation also imposed a limitation on the annual seasonal borrowing of the State except in cases where the Governor and the legislative leaders have certified the need for additional seasonal borrowing, based on emergency or extraordinary factors or factors unanticipated at the time of adoption of the budget, and provided a schedule for eliminating it over time. Any seasonal borrowing is required by law to be eliminated by the fourth fiscal year after the limit was first exceeded (i.e., no TRAN borrowing in the fifth year). This provision limiting the seasonal State's borrowing practices was included as a covenant with LGAC's bondholders in the resolution authorizing such bonds. No restrictions were placed upon the State's ability to issue deficit notes.

The impact of the LGAC reforms, as well as other changes in revenue and spending patterns, is that the State has been able to meet its cash flow needs throughout the fiscal year without relying on short-term seasonal borrowings.

2002-03 Borrowing Plan

Section 22-c of the State Finance Law requires the Governor to submit the five-year Capital Program and Financing Plan (the Plan) with the Executive Budget. The proposed 2002-03 through 2006-07 Capital Program and Financing Plan was released with the Executive Budget on January 22, 2002 and updated to reflect the 30-Day Amendments on February 22, 2002. The Plan is required to be updated by the later of July 30 or 90 days after the enactment of the State Budget. A copy of the current Plan and the updated Plan, when available, can be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 473-8705, or by visiting its website at www.state.ny.us/dob.

Chapter 383 of the Laws of 2001 authorized the issuance of State Personal Income Tax Revenue Bonds, which are supported by the dedication of 25 percent of State personal income tax receipts. The issuance plan for 2002-03 and the remaining years of the Capital Plan reflects the expectation that State Personal Income Tax Revenue Bonds will be issued to finance certain programs authorized to be secured by service contract or lease-purchase payments. The first State Personal Income Tax Revenue Bonds were issued on May 9, 2002.

Legislation enacted with the 2002-03 Budget authorizes issuers of State-supported debt to issue a limited amount of variable rate obligations and, subject to guidelines adopted by the governing boards of such issuer, to enter into a limited amount of interest rate exchange agreements. The legislation also limits the use of debt instruments which result in a variable rate exposure (i.e., variable rate obligations and interest rate exchange agreements) to no more than 15 percent of total outstanding State-supported debt.

The State's 2002-03 borrowing plan projects issuance of $260 million in general obligation bonds. The State Legislature did not authorize the issuance of any COPs in the 2002-03 fiscal year.

Other State-supported borrowings by public authorities to finance various capital programs of the State are projected to total approximately $4.09 billion, which includes Personal Income Tax Revenue Bonds, including costs of issuance, reserve funds, and other costs, net of anticipated refundings and other adjustments in 2002-03. Included therein are borrowings by: (i) DASNY for the State University of New York (SUNY), the City University of New York (CUNY), mental health facilities, school construction (RESCUE), capital projects for school districts, university facilities (Jobs 2000), and State court facilities; (ii) the Thruway Authority for the Dedicated Highway and Bridge Trust Fund and Consolidated Highway Improvement Program; (iii) UDC (doing business as the Empire State Development Corporation) for prisons, youth facilities, sports facilities, homeland security, State facilities and Jobs Now Program; (iv) the Environmental Facilities Corporation (EFC) for State Environmental Infrastructure Projects, including Water Pollution Control and Pipeline for Jobs (Jobs 2000); (v) HFA for housing programs; and (vi) MTA for service contract bonds related to their debt restructuring. Borrowings for 2002-03 also include the Community Enhancement Facilities Assistance Program (CEFAP) for economic development purposes which may be issued by the Thruway Authority, DASNY, UDC and HFA; the Strategic Investment Program (SIP) for environmental, historic preservation, economic development, arts, and cultural purposes, which may be issued by DASNY, UDC and EFC and economic development programs, including the Empire Opportunity Fund program, the Gen*NY*sis biotechnology program, the regional economics program and the Community Capital Assistance Program which may be issued by DASNY and UDC.

The projections of State borrowings for the 2002-03 fiscal year are subject to change as market conditions, interest rates and other factors vary throughout the fiscal year.

Debt Reform Act - Limitations on State-Supported Debt

Chapter 59 of the Laws of 2000 enacted the Debt Reform Act of 2000 (Debt Reform Act). The Debt Reform Act implemented statutory initiatives intended to improve the State's borrowing practices. The Debt Reform Act applies to all new State-supported debt issued on and after April 1, 2000 and imposes phased-in caps on new debt outstanding and new debt service costs. The Act also limited the use of debt to capital works and purposes only, and established a maximum term of 30 years on such debt.

The cap on new State-supported debt outstanding began at 0.75 percent of personal income in 2000-01 and is gradually increasing until it is fully phased-in at 4 percent of personal income in 2010-11. Similarly, the cap on new State-supported debt service costs began at 0.75 percent of total governmental funds receipts in 2000-01 and is gradually increasing until it is fully phased in at 5 percent in 2013-14.

The Debt Reform Act requires the limitations on the issuance of State-supported debt and debt service costs to be calculated by October 31 of each year and reported in the quarterly Financial Plan Update most proximate to October 31st of each year. If the calculations for new State-supported debt outstanding and debt service costs are less than the State-supported debt outstanding and debt service costs permitted under the Debt Reform Act, new State-supported debt may continue to be issued.

However, if either the debt outstanding or the debt service cap is met or exceeded, the State would be precluded from contracting new State-supported debt until the next annual cap calculation is made and State-supported debt is found to be within the appropriate limitations. The Division of the Budget expects that the prohibition on issuing new State-supported debt if the caps are met or exceeded will provide an incentive to treat the debt caps as absolute limits that should not be reached, and therefore DOB intends to manage subsequent capital plans and issuance schedules under these limits.

Pursuant to the provisions of the Debt Reform Act, the first calculation of the Debt Reform Act's limitations was reported in the Financial Plan Update most proximate to October 31, 2001. On November 8, 2001, the State reported that it was in compliance with both debt caps, with debt issued after March 31, 2000 then outstanding at 0.39 percent of personal income and debt service on such debt at 0.09 percent of total governmental receipts. The Division of the Budget expects that debt outstanding and debt service costs for the 2002-03 fiscal year will also be within the statutory caps.

Outstanding Debt of the State and Certain Authorities

For purposes of analyzing the financial condition of the State, debt of the State and of certain public authorities may be classified as *State-supported debt*, which includes general obligation debt of the State and lease-purchase and contractual obligations of public authorities (and municipalities) where debt service is paid from State appropriations (including dedicated tax sources, and other revenues such as patient charges and dormitory facilities rentals). In addition, a broader classification, referred to as *State-related debt*, includes State-supported debt, as well as certain types of contingent obligations, including moral obligation financings, certain contingent contractual-obligation financing arrangements, and State-guaranteed debt described above, where debt service is expected to be paid from other sources and State appropriations are contingent in that they may be made and used only under certain circumstances.

State-Supported Debt Outstanding

General Obligation Bond Programs

The first type of State-supported debt, general obligation debt, is currently authorized for transportation, environment and housing purposes. The amount of general obligation bonds and BANs issued in the 1999-2000 through 2001-02 fiscal years (excluding bonds issued to redeem BANs and refunding bonds) were $208 million, $219 million, and $211 million, respectively. Transportation-related bonds are issued for State highway and bridge improvements, aviation, highway and mass transportation projects and purposes, and rapid transit, rail, canal, port and waterway programs and projects. Environmental bonds are issued to fund environmentally-sensitive land acquisitions, air and water quality improvements, municipal non-hazardous waste landfill closures and hazardous waste site cleanup projects. As of March 31, 2002, the total amount of outstanding general obligation debt was $4.1 billion.

The following table sets forth information regarding the levels of authorized, unissued and outstanding State general obligation debt by purpose as of March 31, 2002.

Table 19
State General Obligation Debt
As of March 31, 2002
(millions of dollars)

Purpose/Year Authorized	Total Authorized	Authorized but Unissued	Total Debt Outstanding
Transportation Bonds:			
Transportation Capital Facilities (1967)			
Highways	1,250.0	0.0	0.0
Mass Transportation	1,000.0	0.0	143.8
Aviation	250.0	0.0	72.1
Rail Preservation (1974)	250.0	0.0	64.0
Energy Conservation Through Improved Transportation (1979)			
Local Streets and Highways	100.0	0.0	0.0
Rapid Transit and Rail Freight	400.0	1.7	74.6
Rebuild New York Through Transportation Infrastructure Renewal (1983)			
Highway Related Projects	1,064.0	29.0	12.0
Rapid Transit, Rail and Aviation Projects	136.6	0.0	68.2
Ports, Canals, and Waterways	49.4	0.0	4.7
Accelerated Capacity and Transportation Improvements of the Nineties (1988)	3,000.0	61.8	1,304.3
Total Transportation Bonds	7,500.0	92.5	1,743.7
Environmental Bonds:			
Park and Recreation Land Acquisition (1960)	100.0	0.8	0.2
Pure Waters (1965)	1,000.0	33.7	205.3
Outdoor Recreation Development (1966)	200.0	0.2	0.8
Environmental Quality (1972)			
Water	650.0	6.7	248.8
Air	150.0	24.4	34.3
Land and Wetlands	350.0	35.4	93.0
Environmental Quality (1986)			
Solid Waste Management	1,200.0	271.0	681.8
Land and Forests	250.0	6.5	141.5
Clean Water/Clean Air (1996)			
Safe Drinking Water	355.0	80.0	228.8
Clean Water	790.0	505.9	276.4
Solid Waste	175.0	77.1	96.2
Environmental Restoration	200.0	181.0	17.5
Air Quality	230.0	70.5	138.7
Total Environmental Bonds	5,650.0	1,293.2	2,163.3
Housing Bonds:			
Low-Income Housing (through 1958)	960.0	7.9	152.4
Middle-Income Housing (through 1958)	150.0	0.5	75.5
Urban Renewal (1958)	25.0	1.6	0.9
Total Housing Bonds	1,135.0	10.0	228.8
Education Bonds:			
Higher Education Facilities (1957)	250.0	0.0	6.4
TOTAL GENERAL OBLIGATION DEBT	14,535.0	1,395.7	4,142.2

Source: Office of the State Comptroller

State Personal Income Tax Revenue Bonds

As of March 31, 2002, no State Personal Income Tax Revenue Bonds had been issued. The first issuance occurred on May 9, 2002 and is therefore not included in Table 20.

Lease-Purchase and Contractual-Obligation Financing Programs

The second type of State-supported debt, lease-purchase and contractual-obligation financing arrangements with public authorities and municipalities, has been used primarily by the State to finance the State's highway and bridge program, SUNY and CUNY buildings, health and mental hygiene facilities, prison construction and rehabilitation, and various other State capital projects.

The State has utilized and expects to continue to utilize lease-purchase and contractual-obligation financing arrangements to finance its capital programs, in addition to authorized general obligation bonds. Some of the major capital programs financed by lease-purchase and contractual-obligation agreements are highlighted below.

Transportation. The State Department of Transportation is primarily responsible for maintaining and rehabilitating the State's system of highways and bridges, which includes 40,000 State highway lane miles and 7,500 State bridges. The Department also oversees and funds programs for rail, port, transit and aviation projects and programs that help defray local capital expenses associated with road and bridge projects.

Legislation enacted in 1991 established the Dedicated Highway and Bridge Trust Fund to provide for the dedication of a portion of the petroleum business tax and certain other transportation-related taxes and fees for transportation improvements. Since 1993, periodic legislation has authorized a series of multi-year capital plans for the State's transportation programs. Most recently, legislation enacted in 2000 authorized a $17.1 billion 2000-01 through 2004-05 capital program for highways and bridges, canals, rail, ports, aviation, and non-MTA transit systems. This original plan also included $2.2 billion from the Transportation Infrastructure Bond Act of 2000 (the "Bond Act") that was not approved by the voters in November 2000. As a result of the Bond Act not passing, the State enacted a revised five-year transportation plan, including a new highway and bridge capital program for State Fiscal Years 2000-01 through 2004-05. The State's 2002-03 Enacted Budget continues a $15.4 billion plan for State Fiscal Years 2000-01 through 2004-05. The current State transportation plan includes funding for highways and bridges, associated engineering and construction inspection, preventative maintenance, a multi-modal infrastructure improvement program, industrial access, canal, rail, aviation, local highway and bridge, and other programs. The new program will be financed by a combination of federal grants, pay-as-you-go capital and bond proceeds supported by the Dedicated Highway and Bridge Trust Fund, and revenues from the Dedicated Mass Transportation Trust Fund.

The State has supported the capital plans of the MTA in part by entering into service contracts relating to certain bonds issued by the MTA. Legislation adopted in 1992 and 1993 also authorized payments, subject to appropriation, of a portion of the petroleum business tax from the State's Dedicated Mass Transportation Trust Fund to the MTA and authorized it to be used as a source of payment for bonds to be sold by the MTA to support its capital program. Legislation adopted in 2000 provided for increases in amounts dedicated to the MTA through the Dedicated Mass Transportation Trust Fund by increasing the portion of the petroleum business tax and other transportation-related taxes and fees that would flow to that Fund. The legislation schedules these increases throughout the 2000-01 through 2004-05 period. See the section entitled "Authorities and Localities" for additional information about the MTA.

Education. The State finances the physical infrastructure of SUNY and CUNY and their respective community colleges and the State Education Department through direct State capital spending and through financing arrangements with DASNY, paying all capital costs of the senior colleges and sharing equally with local governments for the community colleges, except that SUNY dormitories are financed through dormitory fees.

The 34 SUNY campuses include more than 2,300 buildings, including classrooms, dormitories, libraries, athletic and student facilities and other buildings of which 84 percent are over 20 years of age. Together with the 30 SUNY community colleges, the SUNY system serves nearly 383,000 students. The CUNY system is comprised of 11 senior colleges and 6 community colleges that serve approximately 198,000 degree credit students.

Mental Hygiene/Health. The State provides care for its citizens with mental illness, mental retardation and developmental disabilities, and for those with chemical dependencies, through the Office of Mental Health (OMH), the Office of Mental Retardation and Developmental Disabilities (OMRDD) and the Office of Alcoholism and Substance Abuse Services (OASAS). Historically, this care has been provided at large State institutions. Beginning in the 1980s the State adopted policies to provide institutional care to those most in need and to expand care in community residences.

OMRDD's capital program supports a State institutional infrastructure comprising 13 Developmental Disabilities Services Offices with approximately 400 buildings, and a State- and non-profit operated community network of approximately 35,000 beds. The program continues the recent shift in emphasis from the development of new facilities (primarily in the community) to the improvement and maintenance of existing State- and non-profit infrastructure.

OMH's capital program supports an institutional physical plant consisting of 23 campuses with over 1,000 buildings as well as 10,000 State- and non-profit operated community residential beds. The overall policy direction of this program has limited institutional capital projects to those that are necessary to ensure the health and safety of clients and staff, retain program accreditation, and maintain the condition of existing facilities. In addition, the program supports the preservation of the existing capital base of State-and non-profit operated community beds and the development of new non-profit operated community beds.

As the need for institutional beds has declined over recent years, both OMRDD and OMH have consolidated, reconfigured or closed many of their campuses, permitting the planned development of alternate uses for the surplus facilities. Capital investments for these programs are primarily supported by patient revenues through financing arrangements with DASNY.

Various capital programs for Department of Health facilities have also been financed by DASNY using contractual-obligation financing arrangements.

Corrections. The State prison system houses approximately 67,000 inmates in 71 facilities with 3,400 buildings. With the completion of the Five Points Correctional Facility in 2000 signaling the end of the most recent capacity expansion effort, the capital program will now focus on critical physical plant maintenance and rehabilitation projects.

Other Programs. The State also uses lease-purchase and contractual-obligation financing arrangements for the institutional facilities of the Office of Children and Family Services (formerly known as the Division for Youth), the State's housing programs, and various environmental, economic development, and State building programs.

The following table shows the total amount of authorized and outstanding State-supported debt as of March 31, 2002. In addition to showing the amounts of authorized and outstanding general obligation and LGAC debt, the table provides the amount of authorized and outstanding lease-purchase and contractual-obligation debt by purpose, issuer, and program. Debt authorizations for certain programs are approved or enacted all at one time and are expected to be fully issued over time. Authorizations for other capital programs are enacted annually by the Legislature and are usually consistent with bondable capital projects appropriations. Authorization does not, however, indicate an intent to sell bonds for the entire amount of those authorizations, because capital appropriations often include projects that do not materialize or are financed from other sources.

In May 2002, legislation was enacted with the 2002-03 budget that imposes limits on the amounts of new bonds authorized under certain State-supported bond programs where no limit previously existed. These limits include Pilgrim Sewage Treatment ($423 million), SUNY Dormitory Facilities ($405 million), SUNY Upstate Community Colleges ($175 million), Riverbank State Park ($78 million), SED Facilities ($76 million), Judicial Training Institute ($17 million), and State Park Infrastructure ($11 million). Table 20 does not reflect these new authorization limits.

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Table 20
Outstanding State-Supported Debt (1)
As of March 31, 2002
(millions of dollars)

	Authorized As of 3/31/02	Authorized but Unissued As of 3/31/02	Outstanding As of 3/31/02 (2)
GENERAL OBLIGATION	14,535	1,396	4,142
LOCAL GOVERNMENT ASSISTANCE CORP.	4,700	0	4,621
OTHER LEASE-PURCHASE AND CONTRACTUAL OBLIGATION FINANCING ARRANGEMENTS			
Transportation:			
MTA:			
1981 Act Service Contract	no limit	no limit	843
1986-87 Acts Service Contract	859	0	997
Thruway Authority:			
Consolidated Highway Improvement Program	3,788	1,125	2,445
Dedicated Highway & Bridge Trust	10,250	4,898	4,689
DASNY:			
Albany County Airport	40	1	37
Education:			
DASNY:			
SUNY Educational Facilities (3)	3,200	588	4,195
SUNY Dormitory Facilities	Note 4	Note 4	427
SUNY Upstate Community Colleges	Note 4	Note 4	477
CUNY Educational Facilities (5)	3,415	485	3,228
State Education Department Facilities	Note 4	Note 4	72
Library for the Blind	16	0	17
SUNY Athletic Facilities	22	0	25
RESCUE	195	130	65
Judicial Training Institute	Note 4	Note 4	16
Health/Mental Hygiene:			
DASNY/MCFFA:			
Department of Health Facilities	474	2	439
Mental Health Facilities (6)	5,050	844	3,574
Corrections:			
UDC\ESDC:			
Prison Facilities	4,551	925	3,295
Youth Facilities	328	146	151
Environment:			
EFC:			
Riverbank State Park	Note 4	Note 4	61
Water Pollution Control	Note 4	Note 4	174
Pilgrim Sewage Treatment	Note 4	Note 4	9
State Park Infrastructure	18	0	12
Fuel Tanks	23	0	12
Pipeline for Jobs (Jobs 2000)	23	11	11
ERDA:			
Western New York Nuclear Service Center	104	0	67
UDC\ESDC:			
Long Island Pine Barrens	15	0	14
State Building/Equipment:			
UDC\ESDC:			
Empire State Plaza	133	10	78
State Buildings	45	25	15
State Capital Projects	200	0	235
Certificates of Participation	Note 7	0	297
DASNY:			
State Facilities	no limit	no limit	89

(Continued on next page)

Table 20 (continued)
Outstanding State-Supported Debt (1)
As of March 31, 2002
(millions of dollars)

	Authorized As of 3/31/02	Authorized but Unissued As of 3/31/02	Outstanding As of 3/31/02 (2)
Housing:			
HFA:			
Capital Programs	1,235	64	958
Economic Development:			
CEFAP	425	148	244
Triborough Bridge and Tunnel Authority:			
Convention Center Project	375	0	316
UDC\ESDC\DASNY:			
University Technology Centers	288	53	178
Onondaga Convention Center	40	0	43
Sports Facilities	145	15	127
University Facilities (Jobs 2000)	48	48	0
Natural Resources Preservation	25	0	24
Child Care Facilities	30	30	29
Bio-Tech Facilities	10	10	0
Strategic Investment	225	225	0
Other:			
DASNY:			
Pension Obligation	787	14	229
Total Other Financing Arrangements			28,214
TOTAL STATE SUPPORTED DEBT			36,977
DEBT REDUCTION RESERVE FUND OFFSETS (8)			(355)
NET			36,622

Source: Office of the State Comptroller
(1) Includes only authorized programs that are currently active or have outstanding balances or both.
(2) Amounts issued may exceed the stated amount authorized for the purpose of providing for the cost of issuance, reserve fund requirements and, in certain circumstances, refunding bonds.
(3) Authorization also includes any amount necessary to refund outstanding Housing Finance Agency (HFA) State University Construction Bonds, all of which have been refunded.
(4) Legislation enacted in May 2002 applies an authorization limit to new bonds issued under this program.
(5) The amount outstanding includes one half of $651.5 million for CUNY Community Colleges for which the State pays 50 percent of the debt service and the City pays 50 percent of the debt service. The total amount authorized for CUNY Senior Colleges was unlimited for resolutions adopted prior to 7/1/85 and limited to $3.415 billion for both CUNY Senior and CUNY Community Colleges for resolutions adopted after 7/1/85.
(6) Authorization also includes any amount necessary to refund outstanding HFA Mental Hygiene Bonds, all of which have been refunded.
(7) Certificates of Participation were legislatively authorized to be issued annually between 1986 and 2001, but no new issuances were authorized in 2002.
(8) During fiscal year 2001-02, the State transferred $350 million to several State authorities for the purpose of providing for the payment of $355 million of State-supported debt ($45 million for mental health bonds and $229 for pension obligation bonds to DASNY; $45 million in prison facilities bonds to UDC/ESDC; and $36 million in Water Pollution control bonds to EFC). As of March 31, 2002, these funds were held in the form of cash and investments for this purpose. However, under the terms of the financing resolutions under which such bonds were issued, these bonds are still considered legally outstanding.

State-Related Debt Outstanding

The category of State-related debt includes the State-supported debt described above, moral obligation and certain other financings and State-guaranteed debt.

The following table contains information on the amounts of State-related debt at the close of the three most recent fiscal years, including the levels of State-supported debt, contingent contractual-obligation financing, moral obligation financing and State-guaranteed debt. There are no notes outstanding under any of the moral obligation programs listed below.

Table 21
Outstanding State-Related Debt
As of March 31, 2002
(millions of dollars)

	As of 3/31/00	As of 3/31/01	As of 3/31/02
State-Supported Debt			
General Obligation	4,556	4,346	4,142
Local Government Assistance Corporation	4,874	4,728	4,621
Other Lease-Purchase and Contractual-Obligation Financing Arrangements	27,367	27,884	28,214
Total State-Supported Debt (2)	36,797	36,958	36,977
Contingent Contractual-Obligation Financing			
DASNY/MCFFA (1)	1,060	1,035	999
Moral Obligation Financing			
Housing Finance Agency	497	459	429
MCFFA-Hospitals and Nursing Homes	97	92	88
Total Moral Obligation Financing	594	551	517
State-Guaranteed Debt			
Job Development Authority	133	119	110
Total State-Guaranteed Debt	133	119	110
TOTAL STATE-RELATED DEBT	38,584	38,663	38,603

Source: Office of the State Comptroller
(1) Includes bonds issued for the Secured Hospital Program, for which the State's contingent obligation, subject to annual appropriation, is to provide funds for debt service in the event there is a shortfall of revenues from other specified sources.
(2) During fiscal year 2001-02, the State transferred $350 million to several State authorities for the purpose of providing for the payment of $355 million of State-supported debt. As of March 31, 2002, these funds were held in the form of cash and investments for this purpose. However, under the terms of the financing resolutions under which such bonds were issued, these bonds are still considered legally outstanding.

Debt Service Requirements

The table below presents the current and future debt service (principal and interest) requirements on State-supported debt outstanding as of March 31, 2002. The requirements of LGAC and other financing obligations of public authorities are the gross amounts due from the authorities to bondholders within the fiscal year when such authorities make the payments. The amounts shown do not reflect other associated costs or revenues anticipated to be available, such as interest earnings or capitalized interest. Thus, the requirements shown are generally in excess of the amounts expected to be paid by the State during its fiscal year. Debt service projections for variable rate issues were calculated at rates in effect at March 31, 2002 ranging from 1.25 percent to 2.60 percent.

Table 22
Debt Service Requirements on State-Supported Debt
As of March 31, 2002
(millions of dollars)

Fiscal Years Ending March 31	General Obligation(1)	Local Government Assistance Corporation(2)	Other Financing Obligations	Total
2002-03	572	296	3,000	3,868
2003-04	499	298	2,843	3,640
2004-05	456	328	2,787	3,571
2005-06	432	338	2,716	3,486
2006-07	422	345	2,639	3,406
Thereafter	3,069	5,774	31,578	40,421
Total	5,450	7,379	45,563	58,392

Source: Office of the State Comptroller
(1) Debt Service Requirements on approximately $582.1 million in general obligation variable rate bonds are calculated using the rate in effect as of 3/31/2002. Debt Service Requirements on $230.1 million of general obligation variable rate bonds in commercial paper mode is calculated at the rate most recently remarketed as of 3/31/2002. The State's general obligation variable rate bonds are adjusted on a periodic basis depending on the mode that they are remarketed. Currently, the State's general obligation variable rate bond portfolio consists of $230.1 million in commercial paper mode (1 - 270 days), $315.7 million in short-term intermediate rate mode (1 – 365 days) and $266.4 million in auction rate mode (weekly and every 28 days).
(2) Debt Service Requirements on approximately $917 million in LGAC Tax Exempt variable rate bonds are calculated using the rate in effect as of 3/31/2002. LGAC variable rate bonds are reset weekly at rates determined by the Corporation's remarketing agents.

Legislation accompanying the 1998-99 budget created the Debt Reduction Reserve Fund (DRRF) in an effort to set aside resources that could be used to reduce State indebtedness either through the use of DRRF as a pay-as-you-go financing source or to defease outstanding debt. In 1998-99, $50 million was deposited to the DRRF. Those deposits were used in 1999-2000 to pay cash for projects that would have otherwise been bond financed. Additional deposits to DRRF include $250 million in 1999-2000, $500 million in 2000-01 and $250 million in 2001-02. In 2000-01, $500 million of DRRF deposits were disbursed, $422 million of which was used to defease existing high cost debt and $78 million used to pay for projects that otherwise would have been bond financed. In 2001-02, the remaining $500 million in DRRF was to defease or provide resources to redeem existing high-cost State-supported debt.

Long-Term Trends

The following tables provide an overview of trends during the last ten years and an estimate for the current year. They compare: (1) the growth in State-supported debt service requirements with the growth in total governmental funds receipts; (2) the growth in State-supported and State-related debt with the growth in personal income in the State; and (3) the growth in State-supported and State-related debt requirements with the number of State residents.

Table 23 compares the total amount of State-supported debt service with total governmental funds receipts. During the prior ten years, State-supported long-term debt service increased on an average annual basis by 7.64 percent to $4.26 billion by 2001-02 while Total Governmental Funds Receipts increased on an average annual basis by 4.80 percent. Debt Service for 2001-02 included $500 million of DRRF funds used to provide for the payment of existing high-cost debt. Excluding this amount, debt service grew by 6.15 percent during the prior ten years. During the first five years of this ten-year period, debt service increased by an annual average of 6.49 percent and over the remaining five years of the period the annual average growth in debt service has increased to 8.56 percent. Excluding the use of

DRRF funds, debt service over the remaining five years grew by an annual average of 5.88 percent. The relative growth in receipts and debt service resulted in a general trend of increases in the ratio of debt service to receipts from fiscal years 1992-93 to 2001-02. The ratio is estimated to decrease to 4.12 percent in fiscal year 2002-03.

Table 23
State-Supported Debt Service Requirements
Total Governmental Funds Receipts

Fiscal Year	Total State-Supported Debt Service (dollars in millions)		Total Governmental Funds Receipts (dollars in millions)	State-Supported Debt Service as a % of Total Governmental Funds Receipts (includes DRRF)	State-Supported Debt Service as a % of Total Governmental Funds Receipts (excludes DRRF)
1992-93	2,198		54,601	4.03%	4.03%
1993-94	2,266		57,971	3.91%	3.91%
1994-95	2,490		61,106	4.07%	4.07%
1995-96	2,749		62,969	4.37%	4.37%
1996-97	2,827		62,886	4.50%	4.50%
1997-98	3,195		66,246	4.82%	4.82%
1998-99	3,387		70,819	4.78%	4.78%
1999-2000	3,672		73,502	5.00%	5.00%
2000-01	4,194	(1)	81,123	5.17%	4.64%
2001-02	4,262	(2)	83,247	5.12%	4.55%
2002-03 (estimated)	3,651		88,684	4.12%	4.12%

Source: State Division of the Budget.
(1) Includes $422 million in DRRF funds used to defease high-cost debt.
(2) Includes $500 million in DRRF funds used to defease or provide for the payment of high-cost debt.

Included in the table above are principal and interest payments on general obligation bonds which were $624 million for the 2001-02 fiscal year, and are estimated to be $605 million for 2002-03. State payments for debt service on fixed rate and variable rate bonds issued by LGAC were $290 million for the 2001-02 fiscal year, and are estimated to be $320 million for 2002-03. State lease-purchase and contractual-obligation payments (including State installment payments relating to COPs), classified as "Other Financing Obligations", were $3.37 billion in fiscal year 2001-02, and are estimated to be $2.78 billion for 2002-03.

Table 24 below compares total State-supported and State-related debt outstanding to New York State personal income. Total outstanding State-related debt increased from $32.93 billion at the end of the 1992-93 fiscal year to $38.60 billion at the end of the 2001-02 fiscal year, an average annual increase of 1.78 percent. State-supported debt increased from $23.97 billion at the end of the 1992-93 fiscal year to $36.98 billion at the end of the 2001-02 fiscal year, an average annual increase of 4.93 percent. During the first five years of this ten-year period, State-related debt outstanding grew by an annual average of 3.29 percent and over the remaining five years of the period the annual average growth in State-related debt outstanding has remained flat. During the first five years of this ten-year period, State-supported debt outstanding grew by an annual average of 8.43 percent and over the remaining five years of the period the annual growth in State supported debt outstanding has slowed to 2.22 percent. During the prior ten year period, annual personal income in the State rose from $455.7 billion to $682.2 billion, an average annual increase of 4.59 percent. Thus, State-supported debt grew at a faster rate than personal income while State-related obligations grew at a slower rate. Expressed in other terms, the total amount of State-supported debt outstanding grew from 5.26 percent of personal income in the 1992-93 fiscal year to a peak of 6.24 percent in the 1996-97 fiscal year, and has gradually declined since then to 5.42 percent for the 2001-02 fiscal year while State-related debt outstanding declined from 7.23 percent to 5.66 percent of personal income for the same period. These long-term trends are expected to continue in the 2002-03 fiscal year, although State-supported debt outstanding is expected to modestly increase to 5.73 percent of personal income.

Table 24
State-Supported and State-Related Debt Compared with Personal Income

Fiscal Year	NYS Personal Income ($billions)(1)	State-Supported Debt Amount ($millions)	State-Supported Debt As % of Personal Income	State-Related Debt Amount ($millions)	State-Related Debt As % of Personal Income
1992-93	455.7	23,971	5.26%	32,930	7.23%
1993-94	464.2	26,696	5.75%	35,014	7.54%
1994-95	478.6	28,169	5.89%	36,359	7.60%
1995-96	503.2	31,009	6.16%	38,593	7.67%
1996-97	531.0	33,130	6.24%	37,478	7.06%
1997-98	553.5	34,247	6.19%	36,999	6.68%
1998-99	590.4	35,842	6.07%	37,740	6.39%
1999-2000	615.3	36,797	5.98%	38,584	6.27%
2000-01	658.7	36,958	5.61%	38,663	5.87%
2001-02	682.2	36,977 (2)	5.42%	38,603	5.66%
2002-03 (estimated)	687.0	39,335	5.73%	40,913	5.96%

Source: State Division of the Budget.
(1) For calendar year ending in State's fiscal year. Based on US Department of Commerce, Bureau of Economic Analysis (BEA) data through May, 2002. Personal income for 2001 and 2002 estimated by State Division of The Budget.
(2 During fiscal year 2001-02, the State transferred $350 million to several State authorities for the purpose of providing for the payment of $355 million of State-supported debt. As of March 31, 2002, these funds were held in the form of cash and investments for this purpose. However, under the terms of the financing resolutions under which such bonds were issued, these bonds are still considered legally outstanding.

Table 25
State-Supported and State-Related Debt Per Capita

Fiscal Year	Total State Population (millions)(1)	State-Supported Debt Amount ($millions)	State Supported Debt/$Capita	State-Related Debt Amount ($millions)	State Related Debt/$Capita
1992-93	18.2	23,971	1,317	32,930	1,809
1993-94	18.4	26,696	1,451	35,014	1,903
1994-95	18.5	28,169	1,523	36,359	1,965
1995-96	18.5	31,009	1,676	38,593	2,086
1996-97	18.6	33,130	1,781	37,478	2,015
1997-98	18.7	34,247	1,831	36,999	1,979
1998-99	18.8	35,842	1,906	37,740	2,007
1999-2000	18.9	36,797	1,947	38,584	2,041
2000-01	19.0	36,958	1,945	38,663	2,035
2001-02	19.0	36,977 (2)	1,946	38,603	2,032
2002-03 (estimated)	19.0	39,335	2,070	40,913	2,153

Source: State Division of the Budget.
(1) For calendar year ending in State's fiscal year.
(2 During fiscal year 2001-02, the State transferred $350 million to several State authorities for the purpose of providing for the payment of $355 million of State-supported debt. As of March 31, 2002, these funds were held in the form of cash and investments for this purpose. However, under the terms of the financing resolutions under which such bonds were issued, these bonds are still considered legally outstanding.

State Organization

State Government

The State has a centralized administrative system with most executive powers vested in the Governor. The State has four officials elected in statewide elections, the Governor, Lieutenant Governor, Comptroller and Attorney General. These officials serve four-year terms that next expire on December 31, 2002.

Name	Office	Party Affiliation	First Elected
George E. Pataki	Governor	Republican	1994
Mary Donohue	Lieutenant Governor	Republican	1998
H. Carl McCall	Comptroller	Democrat	1993*
Eliot Spitzer	Attorney General	Democrat	1998

*Pursuant to a vote of the State Legislature, Comptroller McCall took office in 1993; he was elected in the Statewide election of November 1994.

The Governor is elected on a single ticket with the Lieutenant Governor, while the Comptroller and Attorney General are elected on separate tickets. The Governor and the Comptroller have principal responsibility for the State's financial operations. The Governor appoints the heads of most State departments, including the Director of the Budget (the current Director is Carole E. Stone). The Division of the Budget is responsible for preparing the Governor's Executive Budget, negotiating that budget with the State Legislature, and implementing the budget once it is adopted, which includes updating the State's fiscal projections quarterly. The Comptroller, the State's chief auditor and fiscal officer, is responsible for auditing the disbursements, receipts and accounts of the State, as well as for auditing State departments, agencies, public authorities and municipalities. The Comptroller is also charged with managing the State's general obligation debt and most of its investments (see "Fiscal Controls" and "Investment of State Moneys" below). The Attorney General, the State's chief legal officer, is the legal advisor to State departments, represents the State and certain public authorities in legal proceedings and opines upon the validity of all State general obligations.

The State Legislature is composed of a 61-member Senate and a 150-member Assembly, all elected from geographical districts for two-year terms, expiring December 31, 2002. Both the Senate and the Assembly operate on a committee system. The Legislature meets annually, generally for about six months, and remains formally in session the entire year. In recent years there have been special sessions, as well. The current majority leaders of the Legislature are Joseph Bruno (Republican), Temporary President of the Senate, and Sheldon Silver (Democrat), Speaker of the Assembly. The minority leaders are Martin Connor (Democrat) in the Senate and Charles Nesbitt (Republican) in the Assembly.

State Financial Procedures

The State Budget Process

The requirements of the State budget process are set forth in Article VII of the State Constitution and the State Finance Law. The process begins with the Governor's submission of the Executive Budget to the Legislature each January, in preparation for the start of the fiscal year on April 1. (The submission date is February 1 in years following a gubernatorial election.) The budget must contain a complete plan of estimated available receipts and projected disbursements for the ensuing fiscal year ("State Financial Plan"). The proposed State Financial Plan must be balanced on a cash basis and must be accompanied by bills that: (i) set forth all proposed appropriations and reappropriations, (ii) provide for any new or modified revenue measures, and (iii) make any other changes to existing law necessary to implement the budget recommended by the Governor.

In acting on the bills submitted by the Governor, the Legislature has the power to alter both recommended appropriations and proposed changes to existing law. The Legislature may strike out or reduce an item of appropriation recommended by the Governor. The Legislature may add items of appropriation, provided such additions are stated separately. These additional items are then subject to line-item veto by the Governor. If the Governor vetoes an appropriation or a bill (or a portion thereof) related to the budget, these items can be reconsidered in accordance with the rules of each house of the Legislature. If approved by two-thirds of the members of each house, such items will become law notwithstanding the Governor's veto.

Once the appropriation bills and other bills become law, DOB revises the State Financial Plan to reflect the Legislature's actions, and begins the process of implementing the budget. Throughout the fiscal year, DOB monitors actual receipts and disbursements, and may adjust the estimates in the State Financial Plan. Adjustments may also be made to the State Financial Plan to reflect changes in the economy, as well as new actions taken by the Governor or the Legislature. As required by the State Finance Law, the Governor updates the State Financial Plan within 30 days of the close of each quarter of the fiscal year, generally issuing reports by July 30, October 30, and in January as part of the Executive Budget. The Governor is required to submit these updates to the Legislature and explain any changes from the previous State Financial Plan.

Subject to approval by the Governor, the Legislature may enact additional appropriation bills or revenue measures (including tax reductions) during any regular session or, if called into session for that purpose, any special session. In the event additional appropriation bills or revenue measures are disapproved by the Governor, the Legislature has authority to override the Governor's veto upon the vote of two-thirds of the members of each house of the Legislature. The Governor may present deficiency appropriations to the Legislature near the end of any fiscal year to supplement inadequate appropriations or to provide new appropriations for purposes not covered by the regular and supplemental appropriations

Fiscal Controls

The State Constitution requires the Comptroller to audit the accrual and collection of State receipts. In addition, the Comptroller is required to audit all official State accounts and all claims against the State before payment. No such payment may be made unless the Comptroller has approved it.

Disbursements from State funds are limited to the lowest of (i) appropriations, (ii) available cash or (iii) the amounts allocated by the Director of the Budget. Disbursements from federal funds must be appropriated in accordance with appropriate legal authority, are limited to the amounts anticipated from federal programs and may not be made in the absence of appropriate certifications from the Director of the Budget. Contracts for disbursements in excess of $15,000 require the Comptroller's approval and depend in most cases upon the existence of an appropriation and the issuance of a certificate of availability by the Director of the Budget. The Budget Director must review all applications for State participation in continuing grant- or contract-supported programs, with specified exceptions. Certain legislative leaders have the opportunity to make recommendations on the applications.

No appropriation may be increased or decreased by transfer or otherwise, except by (i) the interchange within a fund, among items of a particular program or purpose, of moneys appropriated for such program or purpose in such fund, with limited exceptions, or (ii) the enactment of certain emergency appropriations. Moneys or other financial resources from one fund may also be loaned to another fund, but only if such loan is repaid in full prior to the end of the month in which the loan was made, except as provided by law.

In addition, the Governor has traditionally exercised substantial authority in administering the State Financial Plan by limiting disbursements after the Legislature has enacted appropriation bills and revenue measures. The Governor may, primarily through DOB, limit spending by State departments, or delay construction projects to control disbursements. An important limitation of the Governor's ability to restrict disbursements is that local assistance payments, which make up 67 percent of General Fund disbursements (including operating transfers to other funds), are generally mandated by statute. The State Court of Appeals has held that, even in an effort to maintain a balanced Financial Plan, neither the Governor nor the Director of the Budget has the authority to refuse to make a disbursement mandated by law.

In May 2000, the State enacted several statutory provisions designed to restrict the amount of new debt that can be issued in the future. These debt reform provisions are discussed in the section entitled "Debt and Other Financing Activities" in this AIS.

Investment of State Moneys

The Comptroller is responsible for the investment of substantially all State moneys. By law, such moneys may be invested only in obligations issued or guaranteed by the federal government or the State, obligations of certain federal agencies that are not guaranteed by the federal government, certain general obligations of other states, direct obligations of the State's municipalities and obligations of certain public authorities, certain short-term corporate obligations, certain bankers' acceptances, and certificates of deposit secured by legally qualified governmental securities. All securities in which the State invests moneys held by funds administered within the State Treasury must mature within twelve years of the date they are purchased. Money impounded by the Comptroller for payment of TRANs may only be invested, subject to the provisions of the State Finance Law, in (i) obligations of the federal government, (ii) certificates of deposit secured by such obligations, or (iii) obligations of or obligations guaranteed by agencies of the federal government as to which the payment of principal and interest is guaranteed by the federal government.

Accounting, Financial Reporting and Budgeting

Historically, the State has accounted for, reported and budgeted its operations on a cash basis. Under this form of accounting, receipts are recorded only at the time money or checks are deposited in the State Treasury, and disbursements are recorded only at the time a check is drawn. As a result, actions and circumstances, including discretionary decisions by certain governmental officials, can affect the timing of payments and deposits and therefore can significantly affect the cash amounts reported in a fiscal year. Under cash-basis accounting, all estimates and projections of State receipts and disbursements relating to a particular fiscal year are of amounts to be deposited in or disbursed from the State Treasury during that fiscal year, regardless of the fiscal period to which particular receipts or disbursements may otherwise be attributable.

The State also has an accounting and financial reporting system based on GAAP and currently formulates a GAAP financial plan. GAAP for governmental entities requires use of (i) the modified accrual basis of accounting for governmental and certain fiduciary fund types to measure changes in financial position, and (ii) the full accrual basis of accounting for public benefit corporations, college and university funds (except for depreciation on fixed assets) and certain fiduciary fund types to measure net income. Under modified accrual procedures, revenues are recorded when they become both measurable and available to finance expenditures; expenditures are generally recognized and recorded when the State incurs a liability to pay for goods or services, or makes a commitment to make State aid payments, regardless of when actually paid. Financial statements prepared in accordance with GAAP differ in format from the State's traditional financial statements in that, among other things, they are prepared on a modified or full accrual basis, whichever is appropriate, rather than on a cash basis and include a combined balance sheet, reflect a reorganization of the State's fund structure and report on the activities of all funds.

State Government Employment

The State currently has approximately 195,000 full-time equivalent (FTE) employees funded from all funds including part-time and temporary employees but excluding seasonal, legislative and judicial employees.

The current size of the State workforce reflects continuing efforts to streamline operations and improve efficiency. The workforce is now 15 percent smaller than it was twelve years ago, when it peaked at 230,600 positions and the State began its workforce reduction efforts. In January 1995, the State implemented concerted initiatives designed to reduce the size of the workforce and now has 16,200 fewer full-time employees than it had at that time. FTE levels have been stable in recent years. However, following the September 11, 2001 terrorist attacks, the Governor announced a series of cost-saving actions that included reducing the workforce by 5,000 employees. As a result, the State expects to end the 2002-03 fiscal year with a workforce of 191,100 employees.

Negotiating units for State employees are defined by the State Public Employment Relations Board. Collective bargaining negotiations are conducted by the Governor's Office of Employee Relations except for employees of the Judiciary, public authorities and the Legislature. Such negotiations include terms and conditions of employment, except grade classification policies and certain pension benefits. Approximately 93 percent of the State workforce is unionized. The remainder of the workforce (about 12,000) is designated as managerial or confidential and is excluded from collective bargaining. In practice, however, the results of collective bargaining negotiations are generally applied to all State employees within the executive agencies. Under the State's Taylor Law, the general statute governing public employee-employer relations in the State, employees are prohibited from striking. A strike against the State last occurred in 1979 by employees of the Department of Correctional Services.

State Retirement Systems

General

The New York State and Local Retirement Systems (the "Systems") provide coverage for public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). The Systems comprise the New York State and Local Employees Retirement System and the New York State and Local Police and Fire Retirement System. The Comptroller is the administrative head of the Systems. State employees made up about 36 percent of the membership during the 2000-01 fiscal year. There were 2,896 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees) and a large number of local authorities of the State.

As of March 31, 2001, 626,565 persons were in membership and 298,078 pensioners and beneficiaries were receiving benefits. The State Constitution considers membership in any State pension or retirement system to be a contractual relationship, the benefits of which shall not be diminished or impaired. Members cannot be required to begin making contributions or make increased contributions beyond what was required when membership began.

Contributions

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

By law, the State makes its annual payment to the Systems on or before March 1 for the then current fiscal year ending on March 31 based on an estimate of the required contribution prepared by the Systems. The Director of the Budget is authorized to revise and amend the estimate of the Systems' bill for purposes of preparing the State's budget for a fiscal year. Legislation also provides that any underpayments by the State (as finally determined by the Systems) must be paid, with interest at the actuarially assumed interest earnings rate, in the second fiscal year following the year of the underpayment. Similarly, any overpayment for a fiscal year serves as a credit against the Systems' estimated bill for the second fiscal year following the fiscal year in which the overpayment is made.

The Enacted Plan estimates a $55 million increase in the State's contribution to the system in 2002-03. Comparable increases are expected for other participating employers.

Assets and Liabilities

Assets are held exclusively for the benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the Comptroller as trustee of the Common Retirement Fund, a pooled investment vehicle. The net assets available for benefits as of March 31, 2001 were $114.0 billion (including $2.3 billion in receivables). The present value of anticipated benefits for current members, retirees, and beneficiaries as of March 31, 2001 was $120.2 billion. For current retirees and beneficiaries alone the amount was $39.3 billion. Under the funding method used by the Systems, the net assets, plus future actuarially determined contributions, are expected to be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. For information on the growth of assets held by the Systems, see the following tables.

Table 26
Contributions and Benefits
New York State and Local Retirement Systems
(millions of dollars)

Fiscal Year Ended March 31	Contributions Recorded				Total Benefits Paid(2)
	All Participating Employers(1)	Local Employers(1)	State(1)	Employees	
1997	904	497	407	348	3,204
1998	463	358	105	369	3,395
1999	292	156	136	400	3,570
2000	165	11	154	423	3,787
2001	215	112	103	319	4,267

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

Table 27
Net Assets Available for Benefits of the
New York State and Local Retirement Systems(1)
(millions of dollars)

Fiscal Year Ended March 31	Total Assets(2)	Percent Increase/ (Decrease) From Prior Year
1997	83,947	8.4
1998	106,319	26.7
1999	112,723	6.0
2000	128,889	14.3
2001	114,044	(11.5)

(1) Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2001 includes approximately $2.3 billion of receivables.
(2) Includes certain accrued employer contributions to be paid with respect to service rendered during fiscal years other than the year shown.

Authorities and Localities

Public Authorities

The fiscal stability of the State is related in part to the fiscal stability of its public authorities. For the purposes of this AIS, public authorities refer to public benefit corporations, created pursuant to State law, other than local authorities. Public authorities are not subject to the constitutional restrictions on the incurrence of debt that apply to the State itself and may issue bonds and notes within the amounts and restrictions set forth in legislative authorization. The State's access to the public credit markets could be impaired and the market price of its outstanding debt may be materially and adversely affected if any of its public authorities were to default on their respective obligations, particularly those using the financing techniques referred to as State-supported or State-related debt under the section entitled" Debt and Other Financing Activities" in this AIS. As of December 31, 2001, there were 17 public authorities that had outstanding debt of $100 million or more, and the aggregate outstanding debt, including refunding bonds, of these State public authorities was almost $101 billion, only a portion of which constitutes State-supported or State-related debt. The table below summarizes the outstanding debt of these State public authorities.

Table 28
Outstanding Debt of Certain Authorities
As of December 31, 2001
(millions of dollars)

Authority	Amount(1)
Dormitory Authority (2)	29,037
Metropolitan Transportation Authority	9,564
Port Authority of NY & NJ	9,059
Thruway Authority	8,212
Long Island Power Authority	7,666
Triborough Bridge and Tunnel Authority	7,090
UDC\ESDC	5,043
Housing Finance Agency	4,760
Local Government Assistance Corporation	4,621
State of New York Mortgage Agency	4,265
Environmental Facilities Corporation	4,227
Energy Research and Development Authority	3,911
Power Authority	2,303
Battery Park City Authority	683
Niagara Frontier Transporation Authority	190
United Nations Development Corporation	139
Job Development Authority	119
TOTAL OUTSTANDING	100,889

Source: Office of the State Comptroller.
(1) Includes short-term and long-term debt.
(2) Includes debt previously issued by New York State Medical Care Facilities Finance Agency, which was consolidated with the Dormitory Authority on September 1, 1995.

The State has numerous public authorities with various responsibilities, including those which finance, construct and/or operate revenue-producing public facilities. Public authorities generally pay their operating expenses and debt service costs from revenues generated by the projects they finance or operate, such as tolls charged for the use of highways, bridges or tunnels, charges for public power, electric and gas utility services, rentals charged for housing units, and charges for occupancy at medical care facilities. In addition, State legislation authorizes several financing techniques for public authorities that are described under the section entitled "Debt and Other Financing Activities" above. Also, there are statutory arrangements providing for State local assistance payments otherwise payable to localities to be made under certain circumstances to public authorities. Although the State has no obligation to provide additional assistance to localities whose local assistance payments have been paid to public authorities under these arrangements, the affected localities may seek additional State assistance if local assistance payments are diverted. Some authorities also receive moneys from State appropriations to pay for the operating costs of certain of their programs. As described below, the MTA receives the bulk of this money in order to provide transit and commuter services.

Metropolitan Transportation Authority

The MTA oversees the operation of subway and bus lines in New York City by its affiliates, the New York City Transit Authority and the Manhattan and Bronx Surface Transit Operating Authority (collectively, the TA). The MTA operates certain commuter rail and bus services in the New York metropolitan area through the MTA's subsidiaries, the Long Island Rail Road Company, the Metro-North Commuter Railroad Company, and the Metropolitan Suburban Bus Authority. In addition, the Staten Island Rapid Transit Operating Authority, an MTA subsidiary, operates a rapid transit line on Staten Island. Through its affiliated agency, the Triborough Bridge and Tunnel Authority (TBTA), the MTA operates certain intrastate toll bridges and tunnels. Because fare revenues are not sufficient to finance the mass transit portion of these operations, the MTA has depended on, and will continue to depend on, operating support from the State, local governments and TBTA, including loans, grants and subsidies. If current revenue projections are not realized and/or operating expenses exceed current projections, the TA or commuter railroads may be required to seek additional State assistance, raise fares or take other actions.

Since 1980, the State has enacted several taxes including a surcharge on the profits of banks, insurance corporations and general business corporations doing business in the 12-county Metropolitan Transportation Region served by the MTA and a special one-quarter of one percent regional sales and use tax that provide revenues for mass transit purposes, including assistance to the MTA. Since 1987, State law also has required that the proceeds of a one-quarter of 1 percent mortgage recording tax paid on certain mortgages in the Metropolitan Transportation Region be deposited in a special MTA fund for operating or capital expenses. In 1993, the State dedicated a portion of certain additional petroleum business tax receipts to fund operating or capital assistance to the MTA. The 2000-01 Enacted Budget initiated a five-year State transportation plan that included nearly $2.2 billion in dedicated revenue support for the MTA's 2000-2004 Capital Program. This capital commitment includes approximately $800 million of newly dedicated State petroleum business tax revenues, motor vehicle fees, and motor fuel taxes not previously dedicated to the MTA.

State legislation accompanying the 2000-01 Enacted Budget increased the aggregate bond cap for the MTA, TBTA and TA to $16.5 billion in order to finance a portion of the 2000-04 Capital Program. On May 4, 2000, the Capital Program Review Board approved the MTA's $17.1 billion capital program for 2000 through 2004. The 2000-04 Capital Program is the fifth approved capital plan since the Legislature authorized procedures for the adoption, approval and amendment of MTA capital programs and is designed to upgrade the performance of the MTA's transportation systems by investing in new rolling stock, maintaining replacement schedules for existing assets, bringing the MTA system into a state of good repair, and making major investments in system expansion projects such as the Second Avenue Subway project and the East Side Access project.

The 2000-04 Capital Program approved by the Capital Program Review Board assumes the issuance of an estimated $10.6 billion in new money MTA bonds. The remainder of the plan is projected to be financed with assistance from the federal government, the State, The City of New York, and from various other revenues generated from actions taken by the MTA. Legislation enacted in 2000 authorized the MTA to refund approximately $13.7 billion in bonds, consolidate its credit sources, and obviate the need for certain debt service reserves. The authorization for debt restructuring includes outstanding bonds secured by service contracts with the State.

The 2000-04 Capital Plan assumed $1.6 billion in State support using proceeds from State general obligation bonds under the proposed $3.8 billion Transportation Infrastructure Bond Act of 2000, which was defeated by the voters in the November 2000 general election. Although not formally submitted to the Review Board as an amendment to the 2000-2004 Capital Program, the MTA expects that all or a substantial portion of this amount will be replaced by additional proceeds generated by the debt restructuring and proceeds derived from the leasing of certain assets.

There can be no assurance that all the necessary governmental actions for the current or future capital programs will be taken or that funding sources currently identified will not be decreased or eliminated. As appropriate, the MTA and the Capital Plan Review Board may amend the 2000-2004 Capital Program from time to time to reflect the level of funding available to pay for the capital projects anticipated to be undertaken during the time period covered by the approved programs. If the 2000-04 Capital Plan is delayed or reduced, ridership and fare revenue may decline, which could impair the MTA's ability to meet its operating expenses without additional State assistance.

The MTA reported that certain portions of its regional transportation operations were affected by the terrorist attack on the World Trade Center. The MTA noted that the most significant infrastructure damage involved the subway tunnel running beneath the World Trade Center on the #1 and #9 subway lines that will need to be completely rebuilt, along with the related stations and infrastructure, and damage to the N/R Line Cortland Street Station. On April 11, 2002, the Capital Program Review Board approved an amendment to the 2000-2004 Capital Program which identified insurance proceeds as the funding source for the reconstruction of the #1 and #9 Subway lines damaged in the World Trade Center attacks, increasing the overall plan by $162 million. The most recent estimate of overall property damage to the transit system (dated December 6, 2001) is $855 million. The MTA currently expects that insurance coverage in the amount of approximately $1.5 billion and federal disaster assistance will cover substantially all of the property and business interruption losses related to this event. While the loss of revenues associated with the World Trade Center attacks may be significant, the MTA does not expect that it will materially affect its obligations to bondholders and others.

The 2002-03 Enacted Plan will assist the MTA in addressing potential operating shortfalls caused in part by the World Trade Center attacks by providing $348 million in aid increases and payment accelerations. In its May 2002 official statement, the MTA identified a potential budget shortfall of $663 million for 2003 after taking such assistance into account.

The City of New York

The fiscal health of the State may also be affected by the fiscal health of New York City, which continues to receive significant financial assistance from the State. State aid contributes to the City's ability to balance its budget and meet its cash requirements. The State may also be affected by the ability of the City, and certain entities issuing debt for the benefit of the City, to market their securities successfully in the public credit markets.

On September 11, 2001, two hijacked passenger jetliners flew into the World Trade Center, resulting in a substantial loss of life, destruction of the World Trade Center, and damage to other buildings in the vicinity. Trading on the major New York stock exchanges was suspended until September 17, 2001, and business in the financial district was interrupted. Recovery efforts were completed on May 30, 2002.

Recovery, cleanup, and repair efforts will result in substantial expenditures. The U.S. Congress passed emergency legislation that authorized $40 billion for disaster assistance, increased security costs, the rebuilding of infrastructure systems and other public facilities, and disaster recovery and related activities. Congress and the President have already appropriated over $10 billion of this amount for disaster assistance in New York, Pennsylvania, and Virginia. The President has submitted a bill to Congress that would bring the total commitment of federal disaster assistance for New York to $21.4 billion. In addition, the State legislature increased the financing capacity of the New York City Transitional Finance Authority (TFA) by $2.5 billion to fund recovery costs, and has authorized the TFA to issue debt without limit as to principal amount that is payable solely from State or federal aid received on account of the disaster.

On March 9, 2002, the President signed nationwide stimulus legislation that includes $5.5 billion toward the $21.4 billion commitment, in the form of temporary tax provisions aimed at creating redevelopment incentives for businesses located in the Liberty Zone, the area surrounding the World Trade Center site. The Liberty Zone provisions expand the work opportunity tax credit, provide a bonus 30 percent depreciation deduction, authorize the issuance of $8 billion in tax-exempt private activity bonds, allow for advance refunding of certain bonds for facilities in New York City, and increase the small business expensing limit.

The City is seeking to be reimbursed by the federal government for all of its direct costs for response and remediation of the World Trade Center site. These costs are now expected to be substantially below previous estimates. The City also expects to receive federal funds for costs of economic revitalization and other needs, not directly payable through the City budget, relating to the September 11 attack.

The City has achieved balanced operating results for each of its fiscal years since 1981 as measured by the GAAP standards in force at that time. The City prepares a four-year financial plan annually and updates it periodically, and prepares a comprehensive annual financial report each October describing its most recent fiscal year. For current information on the City's financial plan and its most recent financial disclosure, contact the New York City Office of Management and Budget, 75 Park Place, New York, NY 10007, Attention: Director.

To successfully implement its financial plan, the City and certain entities issuing debt for the benefit of the City must market their securities successfully. This debt is issued to finance the rehabilitation of the City's infrastructure and other capital needs and to refinance existing debt, as well as to fund seasonal needs. In recent years, the State constitutional debt limit would have prevented the City from entering into new capital contracts, except for the creation of the TFA in 1997 and TSASC, Inc., in 1999 (a local development corporation empowered to issue tax-exempt debt backed by tobacco settlement revenues). The City expects that these actions will provide sufficient financing capacity to continue its capital program at least through fiscal year 2011.

For its 2001 fiscal year (ending June 30, 2001), the City had an operating surplus of $2.9 billion before discretionary and other transfers, and achieved balanced operating results after discretionary and other transfers, in accordance with GAAP. The City is projecting balanced operating results in accordance with GAAP in its 2002 fiscal year. Prior to its gap-closing program, the City projected a $5 billion budget gap for fiscal year 2003, and even larger gaps in subsequent years. The April Financial Plan sets forth gap-closing actions to eliminate the projected gap for FY 2003, and to reduce the projected gaps for fiscal years 2004 through 2006 to $2.7 billion, $3.1 billion, and $3.6 billion, respectively. The gap-closing program includes resources from agency actions and anticipates actions to be taken by the federal and State governments and the municipal unions. The budgets for fiscal years 2002 and 2003 also include nearly $2 billion in bond proceeds from the TFA to cover a portion of the costs and revenue losses related to the September 11 attack on the World Trade Center. The City's gap estimates do not make any provision for increased pension expenditures if investment of pension fund assets fails to achieve the 2 percent gain in fiscal year 2002 assumed in the financial plan; wage increases for teachers, police officers, and firefighters beyond those negotiated with the unions representing other civilian and uniformed employees; and wage increases for any employees beyond the current round of collective bargaining.

Fiscal Oversight

In response to the City's fiscal crisis in 1975, the State took action to help the City return to fiscal stability. These actions included the establishment of the Municipal Assistance Corporation for the City of New York (NYC MAC), to provide the City with financing assistance; the New York State Financial Control Board (FCB), to oversee the City's financial affairs; and the Office of the State Deputy Comptroller for the City of New York (OSDC), to assist the Control Board in exercising its powers and responsibilities. A "control period" existed from 1975 to 1986, during which the City was subject to certain statutorily prescribed fiscal controls. The FCB terminated the control period in 1986 when certain statutory conditions were met. State law requires the FCB to reimpose a control period upon the occurrence or "substantial likelihood and imminence" of the occurrence, of certain events, including (but not limited to) a City operating budget deficit of more than $100 million or impaired access to the public credit markets.

Currently, the City and its covered organizations (i.e., those organizations that receive or may receive monies from the City directly, indirectly, or contingently) operate under the City's financial plan, which summarizes its capital, revenue, and expense projections and outlines proposed gap-closing programs for years with projected budget gaps. The projections set forth in the financial plan are based on various assumptions and contingencies, some of which are uncertain and may not materialize. Unforeseen developments (such as the World Trade Center attack) and changes in major assumptions could significantly affect the City's ability to balance its budget as required by State law and to meet its annual cash flow and financing requirements.

Monitoring Agencies

The staffs of the FCB, OSDC, and the City Comptroller issue periodic reports on the City's financial plans. The reports analyze the City's forecasts of revenues and expenditures, cash flow, and debt service requirements, and also evaluate the compliance of the City and its covered organizations with the financial plan.

The monitoring agencies' reports indicate that recent City budgets have been balanced in part through the use of substantial surpluses and other nonrecurring resources, and that the City's financial plan relies in part on actions outside its direct control. These reports have also indicated that the City has not yet brought its long-term expenditure growth in line with recurring revenue growth, and that the City is likely to continue to face substantial gaps between forecast revenues and expenditures in future years, which will need to be closed with reduced expenditures and/or increased revenues. In addition to these monitoring agencies, the Independent Budget Office (IBO) has been established, pursuant to the City Charter, to provide analysis to elected officials and the public on relevant fiscal and budgetary issues affecting the City. Copies of the most recent staff reports are available by contacting: FCB, 123 William Street, 23rd Floor, New York, NY 10038, Attention: Executive Director; OSDC, 59 Maiden Lane, 29th Floor, New York, NY 10038, Attention: Deputy Comptroller; City Comptroller, Municipal Building, 6th Floor, One Centre Street, New York, NY 10007-2341, Attention: Deputy Comptroller for Budget; and IBO, 110 William Street, 14th Floor, New York, NY 10038, Attention: Director.

Other Localities

Certain localities outside New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's 2002-03 fiscal year or thereafter.

To help resolve persistent fiscal difficulties in Nassau County, the State enacted legislation in 2000 that created the Nassau County Interim Finance Authority. The Authority is empowered to issue bonds, backed solely by diverted Nassau County sales tax revenues, to achieve short-term budget relief and ensure credit market access for the County. The Authority has $436 million in bonds and $245 million in BANs outstanding as of the date of this AIS. The Authority may also impose financial plan requirements on Nassau County. The State expects to make a total of $100 million in transitional aid payments to the County over a five-year period. To date, the State has provided $50 million in transitional assistance ($25 million annually since 2000-01), and the State Financial Plan authorizes an additional $20 million payment in 2002-03. Future transitional aid payments ($15 million annually in 2003-04 and 2004-05) must be appropriated by the State and are contingent upon the Authority's annual approval of Nassau County's financial plan.

The State traditionally provides unrestricted financial assistance to cities, counties, towns and villages outside of New York City. Funding in the 2002-03 Enacted Plan totals approximately $486 million, and includes General Purpose Local Government Aid, Local Government Aid to Counties, Supplemental Municipal Aid and targeted emergency aids.

Counties, cities, towns, villages, school districts and fire districts have engaged in substantial short-term and long-term borrowings. In 2000, the total indebtedness of all localities in the State, other than New York City, was approximately $23.1 billion. A small portion of that indebtedness represented borrowing to finance budgetary deficits; $108 million in deficit financing was authorized pursuant to enabling State legislation. For further information on the debt of New York localities, see the tables below. State law requires the Comptroller to review and make recommendations concerning the budgets of those local government units (other than New York City) authorized by State law to issue debt to finance deficits during the period that such deficit financing is outstanding. Nineteen localities had outstanding indebtedness for deficit financing at the close of their fiscal year ending in 2000.

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control. Such changes may adversely affect the financial condition of certain local governments. For example, the federal government may reduce (or in some cases eliminate) federal funding of some local programs or disallow certain claims which, in turn, may require local governments to fund these expenditures from their own resources. It is also possible that the State, New York City, Nassau County, or any of their respective public authorities may suffer serious financial difficulties that could jeopardize local access to the public credit markets, which may adversely affect the marketability of notes and bonds issued by localities within the State. Localities may also face unanticipated problems resulting from certain pending litigation, judicial decisions and long-range economic trends. Other large-scale potential problems, such as declining urban populations, increasing expenditures, and the loss of skilled manufacturing jobs, may also adversely affect localities and necessitate State assistance.

Table 29
Debt of New York City
as of June 30 of each year
(millions of dollars)

Year	General Obligation Bonds	Obligations of MAC	Obligations of TFA	Obligations of TSASC, Inc.	Other(1) Obligations	Treasury Obligations	Total
1980	6,178.5	6,116.2	---	---	1,111.9	(294.6)	13,112.0
1990	13,499.0	7,121.6	---	---	542.8	(1,670.9)	19,492.5
1995	24,504.5	4,882.0	---	---	720.3	(1,243.1)	28,863.7
1996	26,179.2	4,724.2	---	---	730.0	(1,121.7)	30,511.7
1997	27,148.2	4,423.6	---	---	783.2	(391.0)	31,964.0
1998	26,879.0	4,066.5	2,150.0	---	787.9	(365.5)	33,517.9
1999	27,441.1	3,832.4	4,150.0	---	746.2	(298.8)	35,870.9
2000	26,892.1	3,531.6	6,438.2 (2)	709.3	690.6	(230.5)	38,031.3
2001	26,835.8	3,217.0	7,386.0	703.7	622.9	(168.4)	38,597.0

Source: Office of the State Comptroller.
(1) Includes bonds issued by the Dormitory Authority of the State of New York for the City University Construction Fund and for the New York City Educational Construction Fund, and bonds issued by the Samurai Funding Corporation which will be repaid from revenues of the City or revenues that would otherwise be available to the City if not needed for debt service.
(2) Includes $515 million of bond anticipation notes.

Table 30
Debt of New York Localities(1)
(millions of dollars)

Locality Fiscal Year Ending	Combined New York City Debt (2)		Other Localities Debt(3)		Total Locality Debt(3)	
	Bonds	Notes	Bonds(4)	Notes(4)	Bonds(3)(4)	Notes(4)
1980	13,112.0	---	6,835.4	1,792.9	19,947.4	1,792.9
1990	19,492.5	---	10,252.8	3,082.1	29,745.3	3,082.1
1995	28,863.7	---	15,828.6	3,218.7	44,692.3	3,218.7
1996	30,511.7	---	16,413.8	3,590.4	46,925.5	3,590.4
1997	31,964.0	---	17,526.1	3,208.1	49,490.1	3,208.1
1998	33,517.9	---	17,099.5	3,203.1	50,617.4	3,203.1
1999	35,870.9	---	18,435.5	3,411.2	54,306.4	3,411.2
2000	38,031.3	---	19,058.9	3,991.6	57,090.2	3,991.6
2001	38,597.0	---	N/A	N/A	N/A	N/A

N/A: Not Available
Source: Office of the State Comptroller.

NOTE: For localities other than New York City, the amounts shown for fiscal years ending in 1990 through 1997 may include debt that has been defeased through the issuance of refunding bonds.
(1) Because the State calculates locality debt differently for certain localities (including New York City), the figures above may vary from those reported by such localities. In addition, this table excludes indebtedness of certain local authorities and obligations issued in relation to State lease-purchase arrangements.
(2) Debt of New York City includes its general obligation bonds as well as bonds and notes of the Municipal Assistance Corporation for the City of New York, the New York City Transitional Finance Authority, TSASC, Inc., and certain other obligations.
(3) Outstanding bonded debt shown includes bonds issued by the localities and certain debt guaranteed by the localities and excludes assets held in sinking funds and certain amounts available at the start of a fiscal year for redemption of debt.
(4) Does not include the indebtedness of certain localities that did not file annual financial reports with the Comptroller.

Litigation

General

The legal proceedings listed below involve State finances and programs and miscellaneous civil rights, real property, contract and other tort claims in which the State is a defendant and the potential monetary claims against the State are deemed to be material, generally in excess of $100 million. As explained below, these proceedings could adversely affect the State's finances in the 2002-03 fiscal year or thereafter. The State intends to describe newly initiated proceedings which the State deems to be material, as well as any material and adverse developments in the listed proceedings, in quarterly updates and/or supplements to this AIS.

For the purpose of this Litigation section of the AIS, the State defines "material and adverse developments" as rulings or decisions on or directly affecting the merits of a proceeding that have a significant adverse impact upon the State's ultimate legal position, and reversals of rulings or decisions on or directly affecting the merits of a proceeding in a significant manner, whether in favor of or adverse to the State's ultimate legal position. The State intends to end disclosure with respect to any individual case after a final determination on the merits or upon a determination by the State that the case does not meet the materiality threshold described above.

As of the date of this AIS, except as described below, there is no current material litigation involving the State's Constitutional or statutory authority to contract indebtedness, issue its obligations, or pay such indebtedness when due, or affects the State's power or ability, as a matter of law, to impose or collect significant amounts of taxes and revenues.

The State is party to other claims and litigation, which either its legal counsel has advised that it is not probable that the State will suffer adverse court decisions or the State has determined do not meet the materiality threshold described in the first paragraph of this section. Although the amounts of potential losses, if any, resulting from this litigation are not presently determinable, it is the State's opinion that its ultimate liability in any of these cases is not expected to have a material and adverse effect on the State's financial position in the 2002-03 fiscal year or thereafter.

The General Purpose Financial Statements for the 2000-01 fiscal year reported probable awarded and anticipated unfavorable judgments of $730 million, of which $242 million were expected to be paid during the 2001-02 fiscal year (for more information on the State's estimated liability, see footnote 13 in the General Purpose Financial Statements for the 2000-01fiscal year). The General Purpose Financial Statement for the 2001-02 fiscal year will update these estimates in July 2002.

Adverse developments in the proceedings described below, other proceedings for which there are unanticipated, unfavorable and material judgments, or the initiation of new proceedings could affect the ability of the State to maintain a balanced 2002-03 Financial Plan. The State believes that the proposed 2002-03 Financial Plan includes sufficient reserves to offset the costs associated with the payment of judgments that may be required during the 2002-03 fiscal year. These reserves include (but are not limited to) amounts appropriated for Court of Claims payments and projected fund balances in the General Fund (for a discussion of the State's projected fund balances for the 2002-03 fiscal year, see the section entitled "Current Fiscal Year"). In addition, any amounts ultimately required to be paid by the State may be subject to settlement or may be paid over a multi-year period. There can be no assurance, however, that adverse decisions in legal proceedings against the State would not exceed the amount of all potential 2002-03 Financial Plan resources available for the payment of judgments, and could therefore affect the ability of the State to maintain a balanced 2002-03 Financial Plan.

State Finance Policies

Line Item Veto

In *Silver v. Pataki*, the Speaker of the Assembly of the State of New York challenges the Governor's application of his constitutional line item veto to certain portions of budget bills adopted by the State Legislature contained in Chapters 56, 57 and 58 of the Laws of 1998. By decision dated July 20, 2000, the Appellate Division reversed the January 7, 1999 order of the Supreme Court, New York County, and dismissed the petition. By opinion dated July 10, 2001, the Court of Appeals reversed the decision of the Appellate Division, holding that plaintiff has the capacity and standing to sue as a member of the Assembly.

Gaming

In *Dalton, et al. v. Pataki, et al.*, plaintiffs seek a judgment declaring as unconstitutional, under provisions of the Constitutions of the United States and the State, parts B, C and D of Chapter 383 of the Laws of 2001, which respectively authorize (1) the governor to enter into tribal-state compacts for the operation by Indian tribes of gambling casinos in certain areas of the State, (2) the Division of the Lottery to license the operation of video lottery terminals at certain race tracks in the State and (3) the Division of the Lottery to enter into a joint, multi-jurisdiction and out-of-state lottery. Plaintiffs also seek to enjoin defendants from taking any action to implement the provisions of Chapter 383.

Budget Process

In *Pataki v. McCall, et al.*, the Governor seeks a judgment declaring that the actions of the Senate and the Assembly in voting and passing 46 budget bills on August 2, 2001 and August 3, 2001 violated Article 7, sections 4 and 5 of the State Constitution, because they deleted provisions of appropriations proposed by the Governor, substituted other appropriations, and considered other appropriation bills prior to taking action on the appropriation bills submitted by the Governor. The action also seeks to enjoin the approval of vouchers submitted pursuant to the budget bills enacted by the Senate and Assembly. This action would not affect appropriations enacted to pay debt service obligations for the 2001-02 fiscal year.

By decision and order dated November 7, 2001, the Supreme Court, Albany County, granted the State Comptroller's motion to dismiss this action as against the Comptroller. The plaintiff has appealed from that order. By decision and order dated January 17, 2002, the Supreme Court, Albany County, granted summary judgment dismissing certain affirmative defenses and declaring the actions of the Legislature in enacting the budget bills as modified or proposed by the Legislature other than the Legislative and Judiciary budget bills an unconstitutional violation of article VII of the State Constitution and denied defendants' cross-motions for summary judgment.

Real Property Claims

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

In 1998, the United States filed a complaint in intervention in Oneida Indian Nation of New York. In December 1998, both the United States and the tribal plaintiffs moved for leave to amend their complaints to assert claims for 250,000 acres, including both monetary damages and ejectment, to add the State as a defendant, and to certify a class made up of all individuals who currently purport to hold title within the affected 250,000 acre area. On September 25, 2000, the District Court granted the motion to amend the complaint to the extent that it sought to add the State as a defendant and to assert money damages with respect to the 250,000 acres and denied the motion to certify a class of individual landowners and to seek the remedy of ejectment.

In a decision dated March 29, 2002, the District Court granted, in part, plaintiffs' motion to strike the State's defenses and counterclaims. The defenses that were dismissed may not be asserted as to liability, but may still be asserted with respect to damages. The District Court also denied the State's motion to dismiss for failure to join indispensable parties.

Other Indian land claims include *Cayuga Indian Nation of New York v. Cuomo, et al.*, and *Canadian St. Regis Band of Mohawk Indians, et al., v. State of New York, et al.*, both in the United States District Court for the Northern District of New York and *Seneca Nation of Indians, et al*. v. State, et al., in the United States District Court for the Western District of New York.

In the Cayuga Indian Nation of New York case, plaintiffs seek monetary damages for their claim that approximately 64,000 acres in Seneca and Cayuga Counties were illegally purchased by the State in 1795. Prior to trial, the court held that plaintiffs were not entitled to seek the remedy of ejectment. In October 1999, the District Court granted the federal government's motion to have the State held liable for any damages owed to the plaintiffs. In February, 2000, at the conclusion of the damages phase of the trial of this case, a jury verdict of $35 million in damages plus $1.9 million representing the fair rental value of the tract at issue was rendered against the defendants. By decision and judgment dated October 2, 2001, the District Court also granted plaintiffs $211 million in prejudgment interest.

In the Canadian St. Regis Band of Mohawk Indians case, plaintiffs seek ejectment and monetary damages with respect to their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest.

In the Seneca Nation of Indians case, plaintiffs seek monetary damages and ejectment with regard to their claim of ownership of certain islands in the Niagara River and the New York State Thruway right of way where the Thruway crosses the Cattaraugus reservation in Erie and Chatauqua Counties. By order dated November 22, 1999, the District Court confirmed the July 12, 1999 magistrate's report, which recommended granting the State's motion to dismiss that portion of the action relating to the Thruway right of way and denying the State's motion to dismiss the federal government's damage claims.

Civil Rights Claims

Yonkers

In an action commenced in 1980 (*United States, et al. v. Yonkers Board of Education, et al.*), plaintiffs sued the Yonkers Board of Education, the State and others alleging the creation and maintenance of an unlawful dual school system in the City of Yonkers.

On March 26, 2002, after notice and hearing, the District Court approved the settlement proposed and accepted by all parties. Under the terms of the settlement, the Yonkers public schools are deemed desegregated, and control of the schools by the Yonkers Board of Education resumes. The State has agreed to pay a total of $300 million dollars to finance specified educational programs for the Yonkers public schools over the next five years, with the last payment to be made in the 2006-07 State fiscal year. The settlement takes effect after: 1) the District Court entered an order approving the settlement; 2) the District Court vacated all prior remedial orders; 3) the District Court entered an order severing this action from other claims of housing discrimination; 4) the District Court entered a judgment dismissing the education claims with prejudice, subject only to the Court's retention of ancillary jurisdiction to enforce the terms of the settlement; and 5) the State Legislature approved the first annual funding obligation in the State's 2002-03 fiscal year, expressly recognizing the total amount due under the funding schedule. A judgment has been entered approving the settlement and bringing this case to an end.

School Aid

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

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

By decision dated January 9, 2001, following trial, the trial court held that the State's education funding mechanism does not provide New York City students with a "sound basic education" as required by the State Constitution, and that it has a disparate impact on plaintiffs in violation of regulations enacted by the U.S. Department of Education pursuant to Title VI of the Civil Rights Act of 1964. The court ordered that defendants put in place reforms of school financing and governance designed to redress those constitutional and regulatory violations, but did not specify the manner in which defendants were to implement these reforms. The State has appealed. The trial court's decision is stayed pending resolution of the appeal.

State Programs

Medicaid

There are two separate cases or lines of cases reported in this section.

Several cases challenge provisions of Chapter 81 of the Laws of 1995 which alter the nursing home Medicaid reimbursement methodology on and after April 1, 1995. Included are *New York State Health Facilities Association, et al., v. DeBuono, et al., St. Luke's Nursing Center, et al. v. DeBuono, et al., New York Association of Homes and Services for the Aging v. DeBuono, et al. (three cases), Healthcare Association of New York State v. DeBuono and Bayberry Nursing Home et al. v. Pataki, et al.* Plaintiffs allege that the changes in methodology have been adopted in violation of procedural and substantive requirements of State and federal law.

In a consolidated action commenced in 1992 (*Dowd, et al. v. Bane*, Supreme Court, New York County), Medicaid recipients and home health care providers and organizations challenge (1) the 1992 promulgation by the State Department of Social Services (DSS) of a home assessment resource review instrument (HARRI), to be used by DSS to determine eligibility for and the nature of home health care services for Medicaid recipients, and (2) the DSS policy of limiting reimbursable hours of service until a patient is assessed using the HARRI. In a related case, *Rodriguez v. DeBuono*, on April 19, 1999, the

United States District Court for the Southern District of New York enjoined the State's use of task based assessment, which is similar to the HARRI, unless the State assesses safety monitoring as a separate task based assessment, on the ground that such use would violate federal Medicaid law and the Americans with Disabilities Act. By order dated October 6, 1999, the Second Circuit reversed the April 19, 1999 order and vacated the injunction.

Exhibit A to Annual Information Statement

Glossary of Financial Terms

The following glossary, which is an integral part of this AIS, includes certain terms that are used herein and are intended for use only in connection with the entire AIS.

Appropriation: An appropriation is a statutory authorization against which liabilities may be incurred during a specific year, and from which disbursements may be made, up to a stated amount, for the purposes designated. Appropriations generally are authorizations, rather than mandates, to spend, and disbursements from an appropriation need not, and generally do not, equal the amount of the appropriation. An appropriation represents maximum spending authority. Appropriations may be adopted at any time during the fiscal year.

Bond Anticipation Note or BANs: A bond anticipation note is a short-term obligation, the principal of which is paid from the proceeds of the bonds in anticipation of which such note is issued.

Capital Projects Funds: Capital Projects Funds, one of the four GAAP-defined governmental fund types, account for financial resources of the State to be used for the acquisition or construction of major capital facilities (other than those financed by Special Revenue Funds, Proprietary Funds and Fiduciary Funds).

Cash Basis Accounting: Accounting, budgeting and reporting of financial activity on a cash basis results in the recording of receipts at the time money or checks are deposited in the State Treasury and the recording of disbursements at the time a check is drawn, regardless of the fiscal period to which the receipts or disbursements relate.

Certificates of Participation or COPs: Certificates of Participation represent undivided proportionate interests in certain lease payments made by the State with respect to equipment or real property of the departments and agencies of the State. Such lease payments are subject to annual appropriation by the Legislature and the availability of money to the State for making such payments.

College and University Funds: College and University Funds account for the operations of both the State University of New York and the senior colleges of the City University of New York, including the research foundations, endowment loan fund and capital and debt related activity.

Community Projects Fund or CPF: The State created this fund within the General Fund in 1996 to finance certain community projects for the Legislature and the Governor. The State transfers moneys from other General Fund accounts into the CPF, as provided by law. Spending out of the CPF is governed by specific appropriations for each account in the Fund, but cannot exceed the cash balance for that account.

Contingency Reserve Fund or CRF: This fund was established in 1993 to assist the State in financing the costs of any extraordinary known or anticipated litigation. Deposits to this fund are made from the General Fund.

Contractual-Obligation Financing: Contractual-obligation financing is an arrangement pursuant to which the State makes periodic payments to a public benefit corporation under a contract having a term not less than the amortization period of debt obligations issued by the public benefit corporation in connection with such contract. Payments made by the State are used to pay debt service on such obligations and are subject to annual appropriation by the Legislature and the availability of moneys to the State for the purposes of making contractual payments.

Debt Reduction Reserve Fund or DRRF: The State created DRRF in 1998 to accumulate surplus revenues to pay debt service costs on State-supported bonds, retire or defease such bonds, and to finance capital projects. Use of DRRF funds requires an appropriation.

Debt Service: Debt service refers to the payment of principal and interest on bonds, and interest on bond anticipation notes and tax and revenue anticipation notes, in accordance with the respective terms thereof.

Debt Service Funds: Debt Service Funds, one of the four GAAP-defined governmental fund types, account for the accumulation of resources (including receipts from certain taxes, transfers from other funds and miscellaneous revenues, such as dormitory room rental fees, which are dedicated by statute for payment of lease-purchase rentals) for the payment of general long-term debt service and related costs and payments under lease-purchase and contractual-obligation financing arrangements.

Disbursement: A disbursement is a cash outlay and in the General Fund includes transfers to other funds.

Executive Budget: The Executive Budget is the Governor's constitutionally mandated annual submission to the Legislature which contains his recommended program for the forthcoming fiscal year. The Executive Budget is an overall plan of recommended appropriations. It projects disbursements and expenditures needed to carry out the Governor's recommended program and receipts and revenues expected to be available for such purpose. The recommendations contained in the Executive Budget serve as the basis for the State Financial Plan (defined below) which is adjusted after the Legislature acts on the Governor's submission. Under the State Constitution, the Governor is required each year to propose an Executive Budget that is balanced on a cash basis.

Expenditure: An expenditure, in GAAP terminology, is a decrease in net financial resources as measured under the modified accrual basis of accounting. In contexts other than GAAP, the State uses the term expenditure to refer to a cash outlay or disbursement.

Fiduciary Funds: Fiduciary Funds refers to a GAAP-defined fund type which accounts for assets held by the State in a trustee capacity or as agent for individuals, private organizations and other governmental units and/or other funds. These funds are custodial in nature and do not involve the measurement of operations. Although the Executive Budget for a fiscal year generally contains operating plans for Fiduciary Funds, and their results are included in the Comptroller's GAAP-based financial statements, they are not included in the State Financial Plan.

Financial Plan: see State Financial Plan.

Fiscal Year: The State's fiscal year commences on April 1 and ends on March 31. The term fiscal year refers to the fiscal year of the State unless the context clearly indicates otherwise.

Fund Accounting: The accounts of the State are presented on the basis of GAAP funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise the fund's assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GAAP: GAAP refers to generally accepted accounting principles for state and local governments, which are the uniform minimum standards of and guidelines for financial accounting and reporting prescribed by the Governmental Accounting Standards Board. GAAP requires fund accounting for all government resources and the modified accrual basis of accounting for measuring the financial position and changes therein of governmental funds. The modified accrual basis of accounting recognizes revenues when they become measurable and available to finance expenditures, and expenditures when a liability to pay for goods or services is incurred or a commitment to make aid payments is made, regardless of when actually paid.

General Fund: The General Fund, one of the four GAAP-defined governmental fund types, is the major operating fund of the State and receives all receipts that are not required by law to be deposited in another fund, including most State tax receipts and certain fees, transfers from other funds and miscellaneous receipts from other sources.

General obligation bonds: Long-term obligations of the State, used to finance capital projects. These obligations must be authorized by the voters in a general election, are issued by the Comptroller, and are backed by the full faith and credit of the State. Under current provisions of the Constitution, only one bond issue may be put before the voters at each general election, and it must be for a single work or purpose. Debt service must be paid from the first available taxes whether or not the Legislature has enacted the required appropriations for such payments.

General State Charges: Costs mandated by statute or court decree or by agreements negotiated with employee unions for which the State is liable, including: pensions; health, dental and optical benefits; payments on behalf of State employees for Social Security; unemployment insurance benefits; employee benefit programs; court judgments and settlements; assessments for local improvements; and taxes on public lands;

Governmental Funds: Governmental funds refers to a category of GAAP-defined funds which account for most governmental functions and which, for the State, include four GAAP-defined governmental fund types: the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The State's projections of receipts and disbursements in the governmental funds comprise the State Financial Plan.

Interfund Transfers: Under GAAP fund accounting principles, each fund is treated as a separate fiscal and accounting unit with limitations on the kinds of disbursements to be made. To comply with these limitations, moneys are moved from one fund to another to make them available for use in the proper fund, and are accounted for as "interfund transfers."

Lease-Purchase Financing: Lease-purchase financing is an arrangement pursuant to which the State leases facilities from a public benefit corporation or municipality for a term not less than the amortization period of the debt obligations issued by the public benefit corporation or municipality to finance acquisition and construction, and pays rent which is used to pay debt service on the obligations. At the expiration of the lease, title to the facility vests in the State in most cases. Generally, the State's rental payments are expressly subject to annual appropriation by the Legislature and availability of moneys to the State for the purposes thereof.

Local Assistance: Disbursements of State grants to counties, cities, towns, villages, school districts and other local entities, certain contractual payments to localities, and financial assistance to, or on behalf of, individuals and not-for-profit organizations.

Moral obligation debt: Long-term bonds issued by certain State public benefit corporations which are essentially supported by their own revenues. Moral obligation debt is not incurred pursuant to a referendum, is not considered State debt, and is not backed by the full faith and credit of the State. However, the authorities selling such obligations have been allowed to establish procedures where, under certain conditions, the State may be requested to meet deficiencies in debt service reserve funds supporting such bonds. An appropriation must be enacted by the Legislature to meet any such request.

Official Statement: A disclosure document prepared to accompany an issuance of bonds, notes and certificates of participation offered for sale by the State or its public authorities. Its primary purpose is to provide prospective bond or note purchasers sufficient information to make informed investment decisions. It describes, among other things, the issuer, the project or program being financed and the security behind the bond issue.

Pay-as-you-go financing: The use of current State resources (as opposed to bonds) to finance capital projects. Also referred to as "hard dollar" financing.

Receipts: Receipts consist of cash actually received during the fiscal year and in the General Fund include transfers from other funds.

Revenue Accumulation Fund: This fund holds certain tax receipts temporarily before their deposit into other funds.

Revenues: Revenues, in GAAP terminology, are an increase in net financial resources, as measured for governmental funds under the modified accrual basis of accounting. In contexts other than GAAP, the State uses the term revenues to refer to income or receipts.

Short-Term Investment Pool or STIP: The combination of available cash balances in funds within the State Treasury on a daily basis for investment purposes.

Special Revenue Funds: Special Revenue Funds, one of the four GAAP-defined governmental fund types, account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects), such as federal grants, that are legally restricted to specified purposes.

State Financial Plan: The State Financial Plan sets forth projections of State receipts and disbursements in the governmental fund types for each fiscal year and is prepared by the Director of the Budget based initially upon the recommendations contained in the Executive Budget. After the budget is enacted, the State Financial Plan is adjusted to reflect revenue measures, appropriation bills and certain related bills enacted by the Legislature. It serves as the basis for the administration of the State's finances by the Director of the Budget, and is updated quarterly, or more frequently as necessary, during the fiscal year.

State Funds: State funds refers to a category of funds which includes the General Fund and all other State-controlled moneys, excluding federal grants. This category captures all governmental disbursements except spending financed with federal grants.

State-guaranteed debt: Debt authorized by the voters to be sold by three public authorities: the Job Development Authority, the New York State Thruway Authority, and the Port Authority of New York and New Jersey. State-guaranteed bonds issued for the Thruway Authority and the Port Authority were fully retired on July 1, 1995 and December 31, 1996, respectively . Such debt is backed by the full faith and credit of the State.

State Operations: Operating costs of State departments and agencies, the Legislature and the Judiciary, including salaries and other compensation for most State employees.

State-related debt: This broad category combines all forms of debt for which the State is liable, either directly or on a contingent basis, including all State-supported debt and State guaranteed and moral obligation debt.

State-supported debt: This category includes all obligations for which the State appropriates and pays debt service, including general obligation debt, for personal income tax revenue bonds, lease-purchase and contractual-obligation debt, and certificates of participation. While tax supported debt (obligations supported by State taxes) represents the majority of obligations in this category, obligations supported by other State revenues (such as dormitory fees or patient revenues) are also included.

Tax and Revenue Anticipation Notes or TRANs: Notes issued in anticipation of the receipt of taxes and revenues, direct or indirect, for the purposes and within the amounts of appropriations theretofore made.

Tax Refund Reserve Account: The tax refund reserve account is used to hold moneys available to pay tax refunds. During a given fiscal year, the deposit of moneys in the account reduces receipts and the withdrawal of moneys from the account increases receipts. There is no requirement that moneys withdrawn from this account be replaced.

Tax Stabilization Reserve Fund or TSRF: This fund was created to hold surplus revenue that can be used in the event of any unanticipated General Fund deficit. Amounts within this fund can be borrowed to cover any year-end deficit and must be repaid within six years in no less than three equal annual installments. The fund balance cannot exceed two percent of General Fund disbursements for the fiscal year; contributions are limited to two-tenths of one percent of General Fund disbursements in that year.

Exhibit B to Annual Information Statement

Principal State Taxes and Fees

Personal income taxes are imposed on the New York income of individuals, estates and trusts. Personal income taxes are projected to account for roughly 60 percent of estimated General Fund receipts during the State's 2002-03 fiscal year. The State tax adheres closely to the definitions of adjusted gross income and itemized deductions used for federal personal income tax purposes, with certain modifications. New York allows a standard deduction of $14,200 for married couples filing jointly, with lower deductions for the other types of filers. New York also allows a $1,000 exemption for dependents. The tax rate schedule has five tax brackets which, for married couples filing jointly, start at 4 percent for taxable income below $16,000 and increase to 6.85 percent on taxable income over $40,000. There are comparable tax rate schedules for heads of households and single and married couples filing separately. New York also allows several credits against the tax. The most significant are the: household credit, credit for taxes paid to other states, the investment tax credit, employment incentive credit, child and dependent care credit, real property tax circuit breaker credit, earned income tax credit, and college tuition credit. Receipts from this tax are sensitive to changes in economic conditions in the State.

In 2001, legislation was enacted to provide for the issuance of State Personal Income Tax Revenue Bonds, which are expected to become the primary financing vehicle for a broad range of existing State-supported debt programs previously secured by service contract or lease-purchase payments. The legislation provides that 25 percent of personal income tax receipts (excluding refunds owed to taxpayers and deposits to the STAR Fund) be deposited to the Revenue Bond Tax Fund for purposes of making debt service payments on the bonds, with excess amounts returned to the General Fund.

In the event that (i) the State Legislature fails to appropriate amounts required to make all debt service payments on the State Personal Income Tax Revenue Bonds or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on the bonds, the legislation requires that personal income tax receipts continue to be deposited to the Revenue Bond Tax Fund until amounts on deposit in the Fund equal the greater of 25 percent of annual personal income tax receipts or $6 billion. The first bonds were issued in May 2002.

User taxes and fees consist of several taxes on consumption, the largest of which is the State sales and compensating use tax. The *sales and use tax* is imposed, in general, on the receipts from the sale of all tangible personal property unless exempted, and all services are exempt unless specifically enumerated. Certain charges for meals, admissions, hotel and motel occupancy and dues are also subject to the tax. The State sales tax rate is 4 percent, of which 3 percent is deposited in the General Fund and 1 percent is deposited in the Local Government Assistance Tax Fund to meet debt service obligations. Receipts in excess of debt service requirements are transferred to the General Fund. Although there are numerous exemptions, the most significant are: food; clothing and footwear costing less than $110; drugs; medicine and medical supplies; residential energy; capital improvements and installation charges; machinery and equipment used in manufacturing; trade-in allowances; and goods sold to federal, state or local governments. Legislation enacted in 2000 totally or partially exempted: receipts from the transmission and distribution of energy, certain equipment and services purchased by telecommunications, broadcasting, cable and web hosting companies, virtually all purchases related to farm production, vending machine purchases of food and drink under 75 cents, most purchases made by qualifying businesses located in Empire Zones and pollution abatement equipment. Legislation enacted in 2002 lowered the electronic funds transfer threshold for taxpayers from $1 million to $500,000. Receipts from these taxes and fees are sensitive to economic conditions in the State.

The State imposes a *tax on cigarettes* at the rate of $1.50 per package of 20 cigarettes and imposes a *tax on other tobacco products* equal to 20 percent of the wholesale price of such products. Legislation enacted in 2002 will raise this rate to 37 percent effective July 1, 2002. The tax rate on cigarettes was raised from 39 cents to 56 cents, and the tax rate on tobacco products other than cigarettes was increased from 15 percent to 20 percent in 1993. The tax on cigarettes was raised from 56 cents to $1.11 per pack on March 1, 2000 and to $1.50 per pack on April 3, 2002. The revenue derived from the tax is split, with 35.4 percent of receipts deposited in the General Fund and the balance deposited in the Tobacco Control and Insurance Initiatives Pool established by the Health Care Reform Act of 2000.

Motor fuel and *diesel motor fuel taxes* are levied at 8 cents per gallon upon the sale, generally for highway use, of gasoline and diesel fuel. The diesel fuel tax was reduced from 10 cents per gallon to 8 cents per gallon on January 1, 1996. The 2000-01 Enacted Budget contained legislation to deposit additional gasoline and diesel motor fuel taxes in the dedicated transportation funds. The legislation provided that all motor fuel taxes be deposited in the dedicated transportation funds effective April 1, 2001.

Motor vehicle fees are derived from a variety of sources, including motor vehicle registration fees and driver licensing fees, which together account for most motor vehicle fee revenue. From April 1, 1993, to December 31, 1994, 13 percent of registration fee receipts were earmarked to the Dedicated Highway and Bridge Trust Fund. On January 1, 1995, this percentage rose to 17 percent and on January 1, 1996 (and thereafter) to 20 percent of such receipts. Legislation enacted in 1997 provided for five-year licenses instead of four-year licenses, and for the retention of refunds. Legislation enacted in 1998 reduced motor vehicle registration fees by 25 percent and re-instituted the prior refund policy and increased the percent of such fees earmarked to the Dedicated Highway and Bridge Trust Fund to 28 percent on April 1, 1998, 34 percent on July 1, 1998, and to 45.5 percent on February 1, 1999. Legislation enacted with the 2000-01 Budget directs the remaining 54.5 percent of registration fees to the dedicated transportation funds. Over the next three years, the legislation directs the deposit of additional motor vehicle fee revenue to those funds. Legislation enacted in 2001 and 2002 directs the deposit of other additional moneys to the Dedicated Highway and Bridge Trust Fund.

The State imposes *alcoholic beverage excise taxes* at various rates on liquor, beer, wine and specialty beverages. Separate licensing fees are imposed on those who sell alcoholic beverages in New York. The fees vary depending on the type and location of the establishment or premises operated by the licensee, as well as the class of beverage for which the license is issued. Legislation enacted in 2002 raised fees on the majority of licenses by 28 percent. Legislation enacted in 1999 reduced the excise tax on beer from 13.5 cents per gallon to 12.5 cents per gallon, and expanded an exemption for small brewers. Legislation enacted with the 2000-01 Budget reduced the tax on a gallon of beer from 12.5 cents to 11 cents on September 1, 2003, and accelerated the current exemption for small brewers to January 1, 2000.

The *highway use tax* revenue is derived from three sources: the truck mileage tax, related highway use permit fees and the fuel use tax. The truck mileage tax is levied on commercial vehicles, at rates graduated by vehicle weight, based on miles traveled on State highways. Legislation enacted in 1998 cut the truck mileage tax by 25 percent beginning in January 1999. Highway use permits are issued triennially at $15 for an initial permit and $4 for a permit renewal. The fuel use tax is an equitable complement to the State's motor fuel tax and sales tax paid by those who purchase fuel in New York. It is levied on commercial vehicles having three or more axles or a gross vehicle weight of more than 26,000 pounds. Currently all collections from the highway use tax are deposited in the Dedicated Highway and Bridge Trust Fund. Legislation enacted with the 2000-01 Budget reduced the Supplemental Truck Mileage Tax from 50 percent of the base tax to 40 percent of the base tax and increased the flow of motor vehicle fee receipts to the Dedicated Highway and Bridge Trust Fund to compensate for the revenue loss.

The State imposes a 5 percent *auto rental tax* on charges for any rental of passenger cars rented or used in the State, subject to certain exceptions including leases covering a period of one year or more. Legislation enacted in 2002 provided that effective April 1, 2002, all auto rental tax receipts be deposited in the dedicated transportation funds.

Business taxes include a general business corporation franchise tax as well as specialized franchise taxes on banks, insurance companies, certain transportation and transmission companies, and a cents-per-gallon-based levy on businesses engaged in the sale or importation for sale of various petroleum products. The franchise tax on utilities was eliminated as of January 1, 2000. Utilities now are taxed under the general business tax.

The *corporation franchise tax* is the largest of the business taxes, and the State's third largest source of revenue. It is imposed on all domestic general business corporations and foreign general business corporations which do business or conduct certain other activities in the State. The tax is imposed, generally, at a rate of 7.5 percent of taxable income allocated to New York. Taxable income is defined as federal taxable income with certain modifications.

Legislation enacted in 1998 reduced the general business tax rate from 9 percent to 7.5 percent in three steps beginning in 1999; reduced the corporate alternative minimum tax rate from 3.5 percent to 3 percent in two steps beginning in 1998; reduced the fixed-dollar minimum corporate tax for most small businesses from $325 to $100 beginning in 1998; reduced the tax rate applied to subchapter S-corporations by 40 percent or more beginning in 1998; and adopted an investment tax credit for investment in securities trading infrastructure and institutes tax benefits for investments and employment in emerging technology companies. Significant statutory changes enacted in 1999 included: reforms to the subsidiary capital tax; a further reduction on the alternative minimum tax rate from 3 percent to 2.5 percent; doubling the Empire Zone and zone equivalent area wage tax credits; and reforms to the apportionment of income for the airline industry. In 2000, legislation was enacted to: shift the taxation of public utilities from taxation under a gross earnings tax to taxation as general business corporations; reduce taxes for small businesses; change the allocation formula for financial services companies; add new credits for "green buildings," low-income housing, alternative fuel vehicles, and certain transportation projects; and eliminate energy taxes paid by industrial and manufacturing businesses. Empire Zones were created which provide various credits and exemptions to qualified companies meeting certain employment criteria. In 2002, legislation was enacted authorizing six new Empire Zones, and increasing the mandatory first installment of estimated business tax payments from 25 percent to 30 percent for businesses.

The excise tax on telecommunications companies and the gross receipts tax on utilities are the second largest source of receipts among the business taxes.

Legislation enacted in 1996 provided that as of January 1, 1997 the franchise tax rate imposed on truckers and railroads was reduced from 0.75 percent to 0.6 percent of gross earnings. As of January 1, 1998 truckers and railroads were allowed to choose between taxation under this tax or taxation under the general business corporation tax.

Legislation enacted in 1997 reduced the 3.5 percent gross receipts tax imposed upon gas, electric, and telephone service to 3.25 percent on October 1, 1998, and then to 2.5 percent on January 1, 2000. Local telephone companies and other franchise taxpayers realized an additional rate cut of .375 percent in their franchise tax on July 1, 2000. Also, the franchise tax on trucking and railroads was reduced on July 1, 2000, from 0.6 percent to 0.375 percent. Additional 1997 legislation established the Power for Jobs program which made 400 megawatts of low-cost power available for job creation and expansion with the utilities recouping their losses through a tax credit. Legislation enacted in 1998 expands to 450 megawatts and accelerates the phase-in of the Power for Jobs program.

In 2000, legislation was enacted which altered the way traditional gas and electric utilities are taxed. The changes include: the shift from a franchise tax imposed on gross earnings to taxation based on net income or the alternative bases under Article 9-A of the Tax Law, phase-out of the gas import tax, phase out of the gross receipts tax on gas and electricity for business consumers, and overall reductions in remaining gross receipts taxes. The legislation also provides for an expansion of the Power for Jobs program which allows credits against the gross receipts taxes paid by utilities furnishing low-cost power. In 2002, legislation was enacted increasing the mandatory first installment of estimated business tax payments from 25 percent to 30 percent.

Insurance taxes are imposed on insurance corporations, brokers and certain insurers at a basic rate of 7.5 percent (as of July 1, 2002) of entire net income allocable to New York, based on the level of activity of an insurance company in the State during the taxable year. In addition, there is a franchise tax on net premiums written or received by insurance corporations on risks resident or located within the State, at rates between 0.8 percent and 1.3 percent, depending on policy type, as well as certain taxes imposed under the Insurance Law. Legislation enacted in 1997 provided that on or after January 1, 1998 the overall limit on the combined taxes of 2.6 percent of premiums for life insurance companies is reduced to 2.0 percent and the gross premiums tax on such components is decreased from 0.8 percent to 0.7 percent. Also, the legislation provides preferential premium tax rates to captive insurance companies that insure the primary risks of their parent and affiliated companies. In addition, provisions enacted in 1999 reduce the limitation on tax liability for non-life insurers over a three-year period. Legislation enacted in 2000 extends the investment tax credit for equipment used in the trading of securities by insurance companies and expands the existing certified capital company program. In 2002, legislation was enacted increasing the mandatory first installment payment from 25 percent to 30 percent.

The State imposes a *franchise tax on banking corporations* at a basic tax rate of 7.5 percent (as of July 1, 2002) of entire net income with certain exclusions, and subject to special rates for institutions with low net worth. The 7.5 percent rate represents a reduction from the rate of 12 percent that was in effect until 1985, when the bank tax was restructured. The 1985 changes were extended through taxable years beginning before January 1, 2001. This was extended in 2001 for two more years. Legislation enacted in 1997 allows banks a net operating loss deduction which can be carried forward against the bank franchise tax. This applies to net operating losses sustained on or after January 1, 2001. The legislation also allows banks to form subchapter S-corporations which will exempt them from taxation under the bank tax and allow the same tax treatment as other subchapter S-subsidiaries. Legislation enacted in 1998 authorizes an investment tax credit for the purchase of tangible personal property used in a bank's normal course of business as a broker or dealer in connection with the purchase or sale of stocks or bonds. In 2002, legislation was enacted increasing the mandatory first installment payment from 25 percent to 30 percent.

The State imposes a *petroleum business tax* on the privilege of operating a petroleum business in the State. This tax is measured by the quantity of various petroleum products imported into the State for sale or use. The tax is imposed at various cents-per-gallon rates depending on the type of petroleum product. The cents-per-gallon tax rates are indexed to reflect petroleum price changes but are limited to changes of no more than 5 percent of the tax rate in any one year. The portion of the receipts from this tax deposited to the General Fund has declined significantly, reflecting the dedication of receipts to transportation accounts, and the adoption in 1994, 1995, and 1996 of a variety of tax relief measures. Legislation enacted in 1996, which was fully phased in on April 1, 1999, provided for reductions in the petroleum business taxes on residual petroleum, non-automotive diesel and diesel fuel used by motor vehicles and railroads, utilities, and commercial enterprises, and the elimination of the petroleum business taxes imposed on fuel used in manufacturing. In addition, the legislation also provided reimbursements of the tax paid for aviation gasoline when the fuel is consumed outside New York. Legislation enacted in 1999 cut the tax rate on fuel used for commercial heating, eliminated the tax on fuel used for mining and adjusted the proportions of the tax going to dedicated funds to save-harmless the revenue flowing to those funds. Legislation enacted in 2000 eliminated certain minimum taxes and reduced the tax rate on commercial heating fuels. In addition, the legislation provided that the remaining General Fund receipts from this tax be directed to the dedicated transportation funds.

Other tax revenues include taxes on pari-mutuel wagering, the estate tax, taxes on real estate transfers, certain other minor taxes, and residual receipts following the repeal of the real property gains tax and the gift tax.

The State imposes *estate taxes* on the estates of deceased New York residents, and on that part of a nonresident's net estate made up of real and tangible personal property located within New York State. Estate tax liability is computed on the basis of the federal definition of "gross estate" and is set equal to the federal credit for federal estate tax liability allowable for State estate taxes paid. Reflecting the composition of many decedents' estates in New York, collections of this tax are heavily influenced by fluctuations in the value of common stock. New York has not conformed to the most recent changes in Federal law and thus the base of the tax is, in general, unaffected by such changes.

The *real estate transfer tax* applies to each real property conveyance, subject to certain exceptions, at a rate of $2 for each $500 of consideration or fraction thereof. Pursuant to statute, $112 million of real estate transfer tax receipts are deposited in the Environmental Protection Fund (EPF) and the remaining receipts are deposited in the Clean Water/Clean Air Debt Service Fund. Receipts in excess of the debt service requirements are transferred back to the General Fund.

The *real property gains tax* had been levied at the rate of 10 percent on gains derived from certain real property transactions where the consideration is $1 million or more. Legislation adopted in 1996 repealed the real property gains tax on transfers occurring on or after June 15, 1996; however, some receipts continue to flow to the General Fund based on transactions occurring prior to such date.

The State levies *pari-mutuel taxes* on wagering activity conducted at horse racetracks, simulcast theaters and off-track betting parlors throughout the State. In previous years the State temporarily reduced its tax rates and expanded simulcast opportunities and increased purses. Legislation enacted in 1998 extended the tax cut and simulcast provisions to 2002. In addition to pari-mutuel taxes, a 4 percent tax is levied on the charge for admissions to racetracks and simulcast theaters, and a 3.0 percent tax is levied on gross receipts from boxing and wrestling exhibitions, including receipts from broadcast and motion picture rights. Legislation enacted in 1999 and 2000 reduced taxes on races run at non-profit racing association tracks and dedicates the reduction to increasing purses at those tracks and to operate the Breeders Cup races.

Miscellaneous receipts and other revenues include various fees, fines, tuition, license revenues, lottery revenues, investment income, assessments on various businesses (including healthcare providers), and abandoned property. Miscellaneous receipts also include minor amounts received from the federal government and deposited directly in the General Fund. Legislation enacted in 1997 provided for a phase-out of most of the assessments on health care providers by April 1, 2001. Legislation enacted in 1998 and 1999 accelerated the phase-out of the health care provider assessments; they were eliminated in January 2000. Legislation enacted in 2002 re-imposed assessments on nursing home care providers and imposed a surcharge on State wireless communication services and increased bond issuance charges.