



**New York State**

**2005-06 Mid-Year  
Financial Plan Update**

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## **INTRODUCTION**

This is the Mid-Year Update to the 2005-06 Financial Plan for the State of New York (hereafter the "Update" or "Current Financial Plan"). The Division of the Budget ("DOB") has revised the 2005-06 Financial Plan based on (a) actual operating results through the first six months of the 2005-06 fiscal year, (b) an updated economic forecast, and (c) a review of program trends. Except where noted, the Financial Plan information herein is presented on a cash basis of accounting, in accordance with the State Constitution and State Finance Law.

In this Update readers will find:

- An explanation of the revisions to the 2005-06 Financial Plan and updated gap projections for 2006-07 and 2007-08;
- A revised economic forecast for the nation and State;
- A discussion of Financial Plan reserves and risks;
- A review of revenue and spending results through the first half of 2005-06;
- Revised Generally Accepted Accounting Principles (GAAP) projections;
- Updated 2005-06 receipts and disbursements estimates for programs budgeted as part of the Health Care Reform Act (HCRA); and,
- Updated information on the State's debt measures.

Financial Plan tables appear at the end of this Update that summarize (a) the General Fund, State Funds, and All Governmental Funds ("All Funds") Cash-basis Financial Plans, (b) the monthly General Fund cash flow projections, (c) GAAP Financial Plans, (d) the HCRA cash flow projections, (e) General Fund, State Funds, and All Funds spending by agency and major program, and (f) updates to State workforce totals.

The current Financial Plan projections are subject to revision as additional information becomes available about, among other things, the national and State economies, financial sector activity, entitlement spending and social service caseloads, and State reimbursement obligations that are driven by local government activity. Key factors include: business tax collections; calendar year economic results; year-end financial sector bonus income; periodic school aid database updates that affect the distribution of certain aid; and Medicaid and welfare trends. Historically, many of these factors have been subject to a high degree of fluctuation across the forecast period, and could produce results that differ from the current projections.

The First Quarterly Update estimates cited in this Update were originally published in the "2005-06 First Quarterly Update Report," issued by DOB on August 1, 2005.

This Update, the First Quarterly Update, and the Enacted Budget Report are available on-line at [www.budget.state.ny.us](http://www.budget.state.ny.us) or by contacting the Division of the Budget, State Capitol, Albany, NY 12224, 518-473-8705.

## EXECUTIVE SUMMARY

The updated General Fund Financial Plan for 2005-06 projects balanced operations in the current fiscal year and outyear budget gaps of \$2.5 billion in 2006-07 and \$4.4 billion in 2007-08. DOB has revised its revenue forecast upward for each of the three years of the Financial Plan, based on experience to date and a revised economic forecast. Increases in projected General Fund spending across the Plan period partially offset the revenue gains. The revenue and spending revisions are described in detail later in this Update.

DOB's employment, wage, and total personal income growth projections for 2005 and 2006 continue to reflect the belief that the State economy is on a solid expansionary path. DOB's New York State Index of Coincident Economic Indicators shows that the State economy has been in recovery for two years, adding about 80,000 private sector jobs since September 2004. The outlook for the State labor market is slightly weaker than projected in the First Quarterly Update, but represents a significant improvement from the 0.6 percent increase observed in 2004. Wage income is now projected to rise 4.6 percent in 2005, followed by growth of 5.2 percent for 2006, slightly below the First Quarterly Update. However, the changes are largely due to revisions to the underlying data. For example, both the wage and non-wage components of New York personal income were revised up significantly for 2004.

As a result of the mid-year economic, revenue, and spending revisions, DOB now projects the State will have \$1 billion available in its fiscal stability reserve at the end of 2005-06, an increase of \$359 million from the level projected in the First Quarterly Update to the Financial Plan. The Financial Plan assumes the reserve will be used in equal installments to help reduce the budget gaps in 2006-07 and 2007-08.

The table below summarizes the mid-year revisions to the State's General Fund Financial Plan and the impact on net operating projections.

<b>Net General Fund Operating Projections (Surplus/Gap)</b>			
<b>Savings/(Costs)</b>			
<b>(millions of dollars)</b>			
	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>
<b>First Quarterly Update</b>	<b>0</b>	<b>(2,904)</b>	<b>(3,924)</b>
Tax Forecast	752	750	750
Medicare Part D	(72)	(392)	(496)
Medicaid: Timing of HCRA Costs	(250)	250	0
Other Medicaid Costs	(117)	(161)	(150)
Energy Costs	(86)	(121)	(123)
Public Assistance	118	88	112
Additional Support for HCRA	0	0	(391)
All Other Revisions	14	(236)	(365)
(Increase)/Use of Reserves in Outyears	(359)	180	179
<b>Mid-Year Quarterly Update</b>	<b>0</b>	<b>(2,546)</b>	<b>(4,408)</b>

The expected merger of WellChoice, Inc. and WellPoint, Inc. would eliminate the most significant known risk to the State's 2005-06 Financial Plan. In the current year, the State had been planning on an additional \$1.1 billion in revenues for HCRA through stock sales related to the conversion of WellChoice into a for-profit entity. The merger, if completed as planned, is

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expected to generate approximately \$2 billion in cash in the current year for HCRA, as well as additional resources in future years. A fuller discussion appears later in this Update.

DOB now projects General Fund receipts, including transfers from other funds, of \$47.1 billion and General Fund disbursements, including transfers to other funds, of \$46.9 billion. The General Fund is projected to end the current fiscal year with a balance of \$2.8 billion. The balance includes \$1 billion in the fiscal stability reserve which is planned to be used in equal installments to lower the outyear gaps, \$872 million in the Tax Stabilization Reserve Fund (the "rainy day reserve"), \$552 million in the Personal Income Tax (PIT) Reserve Fund set aside to pay refunds on calendar year 2005 tax liabilities, \$286 million in the Community Projects Fund that finances existing legislative and gubernatorial initiatives, and \$21 million in the Contingency Reserve Fund for litigation.

The most significant revisions to the three-year General Fund forecast include an increase in projected revenues driven by continued favorable economic conditions, partially offset by higher spending for energy in the wake of the gulf coast hurricanes, Medicaid due mainly to implementation of the Federal Medicare Part D Prescription Drug Benefit Program, and an additional General Fund subsidy to HCRA in 2007-08. Significant revisions to the General Fund Financial Plan are explained in more detail below.

**Revenue Forecast:** Continued positive economic results through September 2005 generated a significant upward revision to the revenue forecast. The PIT and corporate franchise tax have been increased to reflect positive results to date.

**Medicare Part D:** The new Medicare prescription drug program is available to all Medicare beneficiaries beginning January 1, 2006. The Federal government now requires the states to finance a portion of this program. Each state's payment will correspond closely to the spending it would have made on prescription drugs through Medicaid for those recipients who are eligible for both Medicaid and Medicare ("dually eligible"). For New York, the Medicare Part D program is particularly complicated because certain drugs now available to dually eligible individuals through Medicaid will not be covered under Part D, and must be fully financed by the State under Medicaid. The State estimates that Part D implementation could cost \$72 million in the current year growing to roughly \$400 million in 2006-07 and \$500 million in 2007-08.

**Medicaid/Timing of HCRA Costs:** In 2005-06, the General Fund will finance certain health-care costs that were originally expected to be a part of the 2005-06 HCRA program. HCRA will finance these costs in 2006-07. This timing change will temporarily improve HCRA's cash flow position until the WellChoice merger is completed, and has no net impact on either HCRA or the General Fund over the two-year period.

**Other Medicaid Costs:** Costs for other Medicaid activities have also been revised upward. Payments to counties for the reimbursement of costs for providing services to the mentally disabled have been increased by \$61 million in 2005-06, reflecting the reconciliation of prior years claims. Federal reimbursement for spending under the State's School Supported Health Services programs continues to be partially deferred as part of ongoing audits (resulting in higher costs of \$61 million in 2006-07 and \$50 million in 2007-08). Finally, increased utilization, medical price increases, and refinements to the Enacted Budget forecast account for the remaining upward revisions (\$50 million in 2005-06 growing to \$100 million in both 2006-07 and 2007-08).

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**Energy Costs:** As a result of Hurricanes Katrina and Rita and the related surge in energy prices, the State is expecting to pay more to supply heat and electricity to its buildings, including the Department of Corrections and Mental Hygiene facilities and the State University of New York (SUNY) campus, and to fuel its fleet of cars, including State Police and Transportation vehicles. The Governor has proposed a legislative package to promote greater energy efficiency and to mitigate the impact of higher energy costs. Similarly, the Legislature is evaluating a range of policy options to mitigate the impact of higher energy prices on businesses and households. The potential fiscal impact of these proposals is not reflected in the current Financial Plan.

**Public Assistance:** Both the Family Assistance and Safety Net programs are experiencing a sharper reduction in caseloads than previously projected.

**Additional Support for HCRA:** Under current law, if HCRA experiences an operating imbalance, the General Fund is required to provide a subsidy up to the amount that otherwise would have been received by HCRA through the national Master Settlement Agreement (roughly \$425 million annually). At the time of the First Quarterly Update, the Financial Plan projected a \$152 million subsidy to HCRA in 2006-07 through the Tobacco Guarantee Fund. The updated Financial Plan now includes a potential subsidy in 2007-08, as well, based on current operating assumptions and the expected continuation of the statute authorizing the Tobacco Guarantee.

**Other Revisions:** The main revisions include higher projected spending in several areas, including preschool and summer school special education programs (\$60 million in 2006-07 and \$70 million in 2007-08); debt service, due to faster than anticipated SUNY and economic development capital spending (\$31 million in 2006-07 and \$19 million in 2007-08); school aid, reflecting the latest school aid database update (\$42 million in 2006-07 and 2007-08); certain State operating costs (roughly \$65 million in both 2006-07 and 2007-08); and the Judiciary based on a reestimate of contractual costs and inflation (\$73 million in 2007-08).

Through the first six months of the 2005-06 fiscal year, General Fund revenues, including transfers from other funds, exceeded planned levels by \$711 million. General Fund spending, including transfers from other funds, were \$81 million higher than projected. The operating results are described in detail later in this report, and have been reflected in the Financial Plan forecast.

### **2005-06 Disbursement Revisions**

DOB projects General Fund disbursements, including transfers to other funds, will total \$46.9 billion in 2005-06, an increase of \$447 million over the First Quarterly Update. State Funds disbursements, which include spending financed from other state revenue sources as well as the General Fund, are projected to total \$70.5 million in 2005-06, an increase of \$16 million from the First Quarterly Update. All Funds spending, which includes Federal grants and is the broadest measure of the State budget, is projected to total \$106.7 billion in 2005-06, an increase of \$24 million from the First Quarterly Update. The table following summarizes revisions to the 2005-06 All Funds spending plan.



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<b>Summary of 2005-06 Disbursement Revisions Higher Spending/(Lower Spending) (millions of dollars)</b>			
	<b>General Fund</b>	<b>State Funds</b>	<b>All Funds</b>
<b>2004-05 Actual Results</b>	<b>43,619</b>	<b>63,971</b>	<b>100,668</b>
<b>2005-06 Enacted Budget</b>	<b>46,207</b>	<b>70,273</b>	<b>106,503</b>
First Quarter Spending Revisions	242	179	148
<b>2005-06 First Quarterly Update</b>	<b>46,449</b>	<b>70,452</b>	<b>106,651</b>
Energy Costs	86	103	103
State University of New York	1	134	131
Welfare	(118)	(118)	71
Hurricane Relief	35	35	35
Medicaid	439	(73)	(178)
All Other Changes	4	(65)	(138)
<b>Net Costs/(Savings)</b>	<b>447</b>	<b>16</b>	<b>24</b>
<b>2005-06 Mid-Year Quarterly Update</b>	<b>46,896</b>	<b>70,468</b>	<b>106,675</b>

**Energy Costs:** As a result of the surge in energy prices following the gulf coast hurricanes, the State is expecting to pay more for heating, electricity, and gasoline. Energy costs for State agencies have been increased by \$86 million in the General Fund and \$103 million in All Funds in 2005-06. The State agencies with the largest expected increases in All Funds energy costs include the Department of Corrections and SUNY (\$21 million each), the Department of Transportation (\$16 million), the Mental Hygiene agencies and the Office of General Services (\$12 million each), the City University of New York (\$8 million), and State Police (\$6 million).

**SUNY:** Projected All Funds spending has been increased over the First Quarterly Update estimate primarily based upon year-to-date operating results, and faster than expected spending in capital projects.

**Welfare:** On an All Funds basis, Welfare spending is projected to increase by \$71 million over the First Quarterly Update. Higher than anticipated Federal spending on child care, education, health and preventive services (\$188 million) through the Temporary Assistance for Needy Families program is offset by General Fund savings resulting from a greater reduction in estimated caseload expenditures than previously projected (\$118 million).

**Hurricane Relief:** State and local disaster assistance to Louisiana, Mississippi, Texas, and Alabama in the wake of Hurricane Katrina totaled \$35 million. The full cost, which is reflected in the Division of Military and Naval Affairs budget, is expected to be reimbursed through the Emergency Management Assistance Compact process in 2007-08.

**Medicaid:** The forecast for All Funds Medicaid spending has been lowered by \$178 million from the First Quarterly Update. As described earlier, projected General Fund spending has been increased for Medicare Part D and other costs. Spending from State Special Revenue Funds declines due mainly to a technical adjustment to HCRA receipts and payments. Lower Federal funding is primarily driven by the implementation of Medicare Part D (\$155 million).

**All Other:** The 2005-06 General Fund Financial Plan includes State Operations savings of \$108 million, an increase of \$33 million from the Enacted Budget estimates. These savings

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include continuation of the hiring freeze, strict spending controls on non-personal service spending, implementation of administrative efficiencies, and centralized purchasing of certain commodities and services, such as information technology equipment and services. In addition, consistent with overall capital spending assumptions on the First Quarterly Update, actual results reflect a slower pace of capital spending for transportation and economic development projects.

### 2005-06 Receipt Revisions

General Fund receipts, including transfers from other funds, are now projected to total \$47.1 billion in 2005-06, an increase of \$777 million from the First Quarterly Update. The positive revisions are due to better than anticipated results in PIT and corporate franchise tax.

All Funds tax receipts are projected to total nearly \$53 billion in the current year, an increase of \$804 million from the First Quarterly Update. The revision reflects the better than expected results for PIT and corporate franchise tax.

DOB believes the revisions to the receipts forecast are conservative given positive results to date and, as a result, the potential exists for future positive changes to the revenue forecast. However, much of the increase in collections through September 2005 was concentrated in taxes that historically have been highly volatile, especially the real estate transfer tax, estate tax, and the corporate franchise tax. Should the upward trend in these taxes continue to be positive, DOB expects to revise the receipts forecast upward with the Executive Budget presentation.

<b>Summary of 2005-06 Receipt Revisions</b>			
<b>Increase/(Decrease)</b>			
<b>(millions of dollars)</b>			
	<b>General Fund</b>	<b>State Funds</b>	<b>All Funds</b>
<b>2004-05 Actual Results</b>	<b>43,760</b>	<b>64,215</b>	<b>100,576</b>
<b>2005-06 Enacted Budget</b>	<b>46,023</b>	<b>69,304</b>	<b>105,732</b>
First Quarter Receipt Revisions	321	2	(18)
<b>2005-06 First Quarterly Update</b>	<b>46,344</b>	<b>69,306</b>	<b>105,714</b>
Tax Revisions	752	750	750
HCRA Receipts	0	846	846
All Other Changes	25	(37)	29
<b>Subtotal</b>	<b>777</b>	<b>1,559</b>	<b>1,625</b>
<b>2005-06 Mid-Year Quarterly Update</b>	<b>47,121</b>	<b>70,865</b>	<b>107,339</b>

PIT/Revenue Bond Tax Fund

Personal Income Tax Components 2005-06 (millions of dollars)			
	First Quarterly Update	Mid-Year Update	Change
Withholding	24,419	24,419	0
Estimated Payments	9,022	9,357	335
Final Returns	1,748	1,808	60
Delinquencies	705	740	35
<b>Gross Collections</b>	<b>35,894</b>	<b>36,324</b>	<b>430</b>
State/City Offset	(400)	(400)	0
Refunds	(4,761)	(4,701)	60
<b>Net Tax Collections</b>	<b>30,733</b>	<b>31,223</b>	<b>490</b>
STAR <sup>(1)</sup>	(3,222)	(3,222)	0
RBTF <sup>(2)</sup>	(6,878)	(7,001)	(123)
<b>General Fund</b>	<b>20,633</b>	<b>21,000</b>	<b>367</b>

<sup>(1)</sup> Beginning in 1998-99, a portion of personal income tax collections are deposited directly into the School Tax Reduction (STAR) Fund and used to make payments to reimburse local governments for their revenue decreases due to the STAR program.

<sup>(2)</sup> Beginning in 2002-03, 25 percent of personal income tax collections after the STAR transfer are deposited directly in the Revenue Bond Tax Fund (RBTF) and used for debt service payments.

Compared to the First Quarterly Update, All Funds PIT receipts are projected to increase by \$490 million, or 1.6 percent. The increase is primarily attributable to stronger-than-anticipated growth in current estimated payments (\$335 million).

Stronger growth is also expected for final returns (\$60 million) on 2004 liability and delinquencies (\$35 million). In addition, it is expected that State payments for refunds will be \$60 million lower than projected. Compared to 2004-05, All Funds PIT receipts are projected to increase by about \$3.1 billion, or 11.1 percent, principally reflecting growth in current and prior year estimated taxes of \$2.3 billion (32.5 percent), and increased withholding of \$1 billion (4.5 percent)

As a result of the increase in net collections, transfers to the Revenue Bond Tax Fund are projected to increase by \$123 million compared to the First Quarterly Update.

**Business Taxes**

Compared to the First Quarterly Update, General Fund corporate franchise taxes are expected to increase by \$260 million. Actual General Fund receipts through September are approximately \$515 million or 64 percent higher than collections in the first six months of 2004-05 and exceed First Quarterly Update projections by about \$250 million. Although approximately \$150 million of the variance between 2005-06 actual and projected receipts reflects stronger than expected growth in audit and compliance receipts, it is unclear whether

the balance is attributable to underlying growth in liability or volatility in quarterly estimated payments. To the extent that the higher trends in corporate tax receipts are the result of actual and continued growth in liability for the remaining year, corporate tax receipts for 2005-06 could exceed the Mid-Year Update projections by a substantial amount.

Estimated 2005-06 General Fund tax receipts for the bank, corporation and utilities, and insurance taxes remain unchanged from the First Quarterly Update. Estimated receipts for the bank and corporation and utilities taxes reflect actual collections through September. Higher than expected receipts from the premiums tax imposed on excess lines brokers under the Insurance Law is expected to compensate for the \$29 million shortfall in receipts through September.

### **User Taxes and Fees**

The General Fund and All Funds receipts estimates for consumption and use taxes category are \$8.5 billion and \$13.7 billion respectively and are unchanged from the First Quarterly Update. The economic backdrop has changed little and the year to date cash flow supports the current forecast.

### **Other Taxes**

The General Fund estimate for the other taxes category is \$779 million which is essentially unchanged from the First Quarterly Update. The estate tax, which makes up over 96 percent of this category, has experienced significant growth in the first half of the fiscal year but due to the significant volatility of this tax source more experience is needed before making upward revisions. We expect the remainder of the year to return to more normal receipt levels.

The All Funds estimate for the other taxes category is \$1.5 billion which is unchanged from the First Quarterly Update. The real estate transfer tax has shown exceptional growth during the first half of the fiscal year but in the face of the increasing speculation concerning a “real estate bubble”, rising interest rates and the volatility of the tax the estimates remain unchanged.

### **Miscellaneous Receipts**

General Fund miscellaneous receipts estimates have been increased by \$15 million in 2005-06 compared to the First Quarterly Update estimate. The revision is attributable to an increase in the receipts estimates for licenses and fees based on collections experience to date.

## **ECONOMIC OUTLOOK**

### **National Economy**

Since the release of the First Quarterly Update, the U.S. economy has been hit by two major hurricanes, Katrina in late August and Rita in late September. In addition to the storms' extraordinary human cost, significant damage occurred to the nation's energy production and refining capacity. With global demand for energy at peak levels, the hurricanes not only disrupted current supply lines but also generated substantial uncertainty about future market conditions, resulting in higher energy prices. Since then, crude oil prices have receded beneath pre-hurricane levels, but gasoline and natural gas prices have not. In addition, higher energy prices have begun to filter through the rest of the economy. Consequently, DOB has increased its forecast for inflation since the First Quarterly Update. Inflation, as measured by growth in the Consumer Price Index is now projected at 3.4 percent for 2005, followed by price growth of 3.2

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percent for 2006. With higher energy prices effectively behaving as a "tax" on household spending, DOB now expects slightly slower growth during the second half of the year than in the First Quarterly Update forecast. The national economy, as measured by real U.S. Gross Domestic Product, is now expected to grow 3.5 percent in 2005, followed by growth of 3.3 percent for 2006.

The Federal Reserve continued to increase its Federal Funds rate target in September, from 3.50 percent to 3.75 percent, the eleventh consecutive increase since June of 2004. The Federal Reserve is expected to continue to raise rates at a "measured pace" through the first half of 2006 at a slightly accelerated pace than was assumed previously. Higher oil prices and rising interest rates are expected to contribute to lower real consumption growth of 3.1 percent for 2006, following estimated growth of 3.6 percent for 2005. The extensive destruction of both household and business assets by the hurricanes is expected to have taken a significant toll on personal income for the third quarter of 2005. That impact, combined with downward revisions to first and second quarter data, has led DOB to revise personal income growth down for 2005. Personal income is now expected to grow 5.7 percent for 2005, followed by 6.0 percent for 2006.

Major Economic Indicators			
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Gross Domestic Product (real)	4.2	3.5	3.3
Personal Income	5.9	5.7	6.0
Nonfarm Employment	1.1	1.7	1.6
Consumer Price Index	2.7	3.4	3.2

*Note: Numbers above are percent change/calendar year. Budget Division estimates are based on National Income and Product Account data through September 2005.*

*Source: U.S. Bureau of Economic Analysis, DOB staff estimates.*

In the current environment of accelerating inflation and rising interest rates, there is substantial risk surrounding DOB's forecast. If oil prices remain well above \$60 per barrel throughout 2006, both inflation and interest rates could be higher and real output growth lower than expected. Persistent geopolitical uncertainty and slower global growth could combine with higher energy prices to produce slower growth in profits, employment, and investment than expected. In turn, continued weakness in the labor market could further depress consumption spending. In contrast, if oil prices decline faster than expected, real consumption and output could be stronger, while inflation could be weaker than predicted.

### New York State Economy

DOB's New York State Index of Coincident Economic Indicators shows that the State economy has been in recovery for two years. The State economy has added about 80,000 private sector jobs since September of last year. DOB's outlook for the State labor market is slightly weaker than projected in the First Quarterly Update, but represents a significant improvement from the 0.6 percent increase observed in 2004. Total State employment is projected to rise 1.1 percent in 2005, followed by growth of 0.9 percent in 2006. Wage income is now projected to rise 4.6 percent in 2005, followed by growth of 5.2 percent for 2006, slightly below the First Quarterly Update forecast. However, these changes are largely due to revisions to the underlying data. For example, both the wage and non-wage components of New York personal income were revised up significantly for 2004. Employment, wage, and total personal

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income growth projected for 2005 and 2006 continue to reflect the belief that the State economy is on a solid expansionary path.

In addition to the risks associated with the national economic forecast, there exist specific risks to the State economy. Chief among them is a weaker performance within the financial sector than is currently projected. An accelerated pace of interest rate hikes, as well as lower corporate earnings could adversely affect equity markets, possibly resulting in lower bonus payment growth than projected, with the impact largely felt during the first quarter of 2006. A larger increase in mortgage rates than expected could also have a negative impact on the State's housing market. In contrast, a stronger national economy than anticipated could result in greater equity market growth and, in turn, stronger finance sector income growth than expected.

<b>Major Economic Indicators</b>			
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Personal Income	7.0	4.9	5.5
Nonagricultural Employment	0.6	1.0	0.8
Unemployment Rate	5.8	4.9	5.0
<i>Note: Numbers above are percent change/calendar year. DOB estimates are based on National Income and Product Account data through September 2005. Source: U.S. Bureau of Economic Analysis, DOB staff estimates.</i>			

## GENERAL FUND OUTYEAR PROJECTIONS

As noted in the Enacted Budget Report and First Quarterly Update, the projected outyear budget gaps are primarily the result of anticipated spending increases that exceed the growth in revenues, and the loss of non-recurring resources used to help balance the budget in 2005-06. The Governor is required to submit a balanced 2006-07 budget with the Executive Budget submission in mid-January 2006. The table below provides a "zero-based" look at the 2006-07 gap.

<b>General Fund Outyear Projections</b> (billions of dollars)		
	<u>2006-07</u>	<u>2007-08</u>
Receipts (includes Fund Balances)	48.8	50.7
Disbursements (excludes takeover of MA/FHP)	(50.6)	(53.8)
Use of Fiscal Stability Reserve	0.5	0.5
Preliminary Surplus/(Gaps)	(1.3)	(2.6)
Takeover of MA/FHP	(1.2)	(1.8)
<b>Projected Gaps</b>	<b>(2.5)</b>	<b>(4.4)</b>

General Fund receipts in 2006-07 are projected to increase by \$1.8 billion from the current year. Underlying revenue growth of \$3.2 billion (6.2 percent) in 2006-07 is offset by the loss of several one-time revenues (roughly \$500 million), the phase-out of PIT surcharge and a one-quarter percent increase in sales tax (\$1 billion) and higher debt service costs which reduce the amount of transfers from the Revenue Bond Tax Fund to the General Fund (\$185 million).

General Fund disbursements in 2006-07 increase due to a number of factors. Medicaid growth of \$1.8 billion is primarily attributable to the increasing cost of providing health care services and rising utilization of medical services and costs associated with Medicare Part D. In addition, State Medicaid costs increase due to significant growth in the state takeover of local government Medicaid costs (from \$410 million in 2005-06 to \$1.2 billion in 2006-07) which includes the cap on local Medicaid costs (+\$510 million to a total of \$631 million) and the complete State takeover of local government Family Health Plus costs (+\$239 million to a total of \$528 million). In addition, spending growth occurs in state operations (\$787 million), driven primarily by projected spending increases in Correctional Services, the Judiciary, the Mental Hygiene agencies and the State University; school aid (\$658 million), resulting from increases to spending in expense-based programs and selected aid categories; and fringe benefits, primarily due to rising pension (\$227 million) and health insurance costs (\$247 million).

## **FINANCIAL PLAN RESERVES AND RISKS**

### **Reserves**

The State projects balances in its general reserves to guard against unbudgeted risks will total \$893 million, including \$872 million in the rainy day reserve (the "tax stabilization reserve") and \$21 million in the Contingency Reserve Fund for litigation risks. In addition, another \$1.0 billion is set aside in a fiscal stability reserve which is currently planned for use in equal installments in 2006-07 and 2007-08 to help lower the projected budget gaps in those years. Finally, the State has \$839 million in restricted fund balances that are set aside for the payment of 2005 tax refunds (\$552 million) and existing liabilities for the Community Projects Fund (\$287 million).

### **Risks**

The following provides an update to some of the risks the State is continuing to monitor. The risks presented herein are not comprehensive, reflecting only those items that have had substantial changes since the First Quarterly Update. Accordingly, readers should refer to State's Annual Information Statement Update (August 8, 2005) for a more complete review of present risks, including the status of school finance litigation, Native American land claims, and other actions affecting the State.

### **Merger of WellChoice and WellPoint**

On September 27, 2005, WellPoint and WellChoice announced that the two companies had agreed to merge. Under the merger, WellPoint will provide WellChoice stockholders a blend of cash and stock. As a result of this transaction, the New York Public Asset Fund, which owns about 52 million shares of WellChoice stock and is the State's agent in the transaction, is expected to receive approximately \$2 billion in cash in 2005-06, plus 27 million shares of WellPoint common stock.

If the transaction closes during the first quarter of calendar 2006, HCRA would receive \$2 billion in cash in 2005-06, or approximately \$850 million more than originally planned.

### **Proposed Constitutional Amendment to Alter the Executive Budget Process**

The State Legislature has approved a concurrent resolution to amend the State's budget process that will be submitted to voters on November 8, 2005. If approved, the amendment to the State Constitution and its companion statute, would take effect on January 1, 2006.

## 2005-06 Mid-Year Financial Plan Update

DOB believes the amendment and the companion statutory changes, if enacted, could present a number of substantive and technical problems that have the potential to disrupt State finances. For example, moving the start of the State's fiscal year from April 1 to May 1 results in the State ending the fiscal year on a volatile revenue month, increasing the risk of year-end shortfalls. In addition, starting the fiscal year on May 1 may potentially require the State to issue short-term notes ("seasonal borrowing") to support General Fund cash disbursements in the first quarter of the fiscal year, since May disbursements typically exceed May receipts by \$2 billion to \$3 billion, while the statutory cash flow reserve established to deal with this concern will total only \$150 million in the first year. The State eliminated the practice of seasonal borrowing in the early 1990s through the Local Government Assistance Corporation and is limited by existing law and bond covenants from returning to similar borrowing in the future.

### OPERATING RESULTS THROUGH SEPTEMBER 2005

DOB has summarized actual cash results for the period from April 1, 2005 through September 30, 2005 against (i) the estimates in the 2005-06 First Quarterly Update, (ii) the 2005-06 Enacted Budget, and (iii) actual results for the same six-month period in 2004.

General Fund (April 1, 2005 through September 30, 2005)					
Actual Results vs. Projections					
(millions of dollars)					
	Enacted Budget*	First Quarter	Actual Results	Favorable/(Unfavorable) Variance vs. Actuals	
				Enacted	First Quarter
Total Receipts	23,905	23,701	24,412	507	711
Total Disbursements	21,869	21,954	22,035	(166)	(81)
Closing Fund Balance	4,582	4,293	4,923	341	630
<i>*The Enacted Budget receipts have been adjusted to reflect the inclusion of the Personal Income Tax Refund Reserve in the General Fund.</i>					

#### Variance vs. First Quarterly Update

Through September 2005, General Fund receipts, including transfers from other funds, totaled \$24.4 billion, which was \$711 million above the First Quarterly Update. This variance is primarily attributable to greater than expected PIT payments on 2005 liabilities through the first six months of the fiscal year (\$220 million), augmented by higher than expected receipts from business and real estate transfer taxes (\$224 million and \$108 million, respectively).

General Fund disbursements, including transfers to other funds, totaled \$22.0 billion through September 2005, approximately \$81 million higher than the First Quarterly Update. The largest variance occurred in State Operations (\$60 million) and reflects retroactive salary payments made to State Troopers earlier than projected.

The General Fund ended the first six months of fiscal year 2005-06 with a balance of \$4.9 billion, \$630 million above the estimate in the First Quarterly Update. A combination of \$711 million in higher receipts partially offset by \$81 million in higher spending produced the favorable results.

#### Variance vs. Enacted Budget Estimate

General Fund receipts from April 1 through September 30, 2005 were \$507 million higher than the Enacted Budget projections. This variance is primarily attributable to greater than



## 2005-06 Mid-Year Financial Plan Update

expected PIT (\$120 million), business taxes (\$149 million) and real estate transfer tax (\$126 million) collections.

Total General Fund disbursements through September 2005 were \$166 million higher than the Enacted Budget. This variance is comprised of higher spending for State Operations primarily due to the retroactive salary payments made to State Troopers earlier than projected (\$73 million), and General State Charges reflecting higher than anticipated health insurance payments and later than expected payments by non-General Fund agencies which are used to support General Fund fringe benefit costs (\$136 million). These increases are partially offset by lower debt service spending due to the State achieving savings from debt management initiatives earlier than expected in the fiscal year (\$48 million).

The closing balance on September 30, 2005 is \$4.9 billion an increase of \$341 million from the projection published in the Enacted Budget. This increase results from higher receipts of \$507 million partially offset by higher spending of \$166 million.

### Annual Change

<b>General Fund Actual Results (April 1 through September 30)</b>			
<b>2004 vs. 2005</b>			
<b>(millions of dollars)</b>			
	<b>2004*</b>	<b>2005</b>	<b>Increase (Decrease)</b>
Total Receipts	21,913	24,412	2,499
Total Disbursements	21,802	22,035	233
Closing Fund Balance	2,413	4,923	2,510
<i>*Total receipts through September 30, 2004 have been adjusted to reflect the inclusion of the Personal Income Tax Refund Reserve in the General Fund.</i>			

General Fund receipts from April 1, 2005 through September 30, 2005 totaled \$24.4 billion, an increase of \$2.5 billion from the same period in 2004. Total taxes, before the deposits to the Debt Service Funds, the Tax Refund Reserve account, and the School Tax Relief Fund, increased by \$2.8 billion or over 13 percent from 2004-05. This increase is largely attributable to continued economic improvement in 2005, strong payments on 2004 and 2005 PIT liability and the continued strength in the real estate market.

General Fund spending through September is \$233 million or 1 percent higher than the prior year. This higher spending is comprised of growth in local aid payments to public schools (\$293 million) and pension and employee health insurance costs (\$377 million), partially offset by lower Medicaid spending resulting from the earlier use of Federal moneys to offset General Fund spending (\$480 million).

The closing balance on September 30, 2005 was \$4.9 billion, an increase of \$2.5 billion from September 30, 2004.

### 2005-06 Cash Flow

DOB projects healthy cash flow balances of \$3.4 billion at the end of December 2005 (the close of the third quarter of the fiscal year), and \$2.8 billion at the end of the 2005-06 fiscal year (March 31, 2006). The lowest projected month-end balance is expected in November 2005

## 2005-06 Mid-Year Financial Plan Update

(\$2.5 billion). Detailed monthly cash flow projections for the current year are included in the Financial Plan tables at the end of this Update.

### GAAP FINANCIAL PLANS

DOB also prepares the General Fund and All Funds Financial Plans on a GAAP basis in accordance with Governmental Accounting Standards Board regulations. The GAAP projections for both years are based on the accounting principles applied by the State Comptroller in the financial statements issued for 2004-05. The GAAP basis results for 2004-05 show the State in a net positive overall financing condition of \$43.8 billion, and with an accumulated General Fund GAAP surplus of \$546 million.

In 2005-06, the General Fund GAAP Financial Plan shows total revenues of \$39.5 billion, total expenditures of \$48.9 billion, and net other financing sources of \$9.4 billion, resulting in an operating surplus of \$46 million and a projected accumulated surplus of \$592 million. The operating results primarily reflect the moneys set aside in the Fiscal Stability Reserve.

### HCRA FINANCIAL PLAN

The following provides a summary of changes to the HCRA 2005-06 Financial Plan that was presented in the 2005-06 First Quarterly Update. The revised estimates of receipts and disbursements are detailed on a quarterly basis in the Financial Plan tables later in this Update.

<b>HCRA Financial Plan Summary</b> (millions of dollars)			
	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>
<b>Opening Balance</b>	<b>412</b>	<b>1,139</b>	<b>85</b>
<b>Total Receipts</b>	<b>6,050</b>	<b>3,817</b>	<b>4,957</b>
Empire Conversion Proceeds	2,694	400	500
New Conversion Proceeds	0	0	800
Surcharges	1,641	1,607	1,613
Covered Lives Assessment	737	775	775
Cigarette Tax	664	691	686
Hospital Assessments	192	192	192
General Fund "Tobacco" Resources	0	152	391
All Other	122	0	0
<b>Total Disbursements</b>	<b>5,323</b>	<b>4,871</b>	<b>4,957</b>
Medicaid/Public Health Support	1,660	942	940
Hospital Indigent Care	853	853	853
Elderly Pharmaceutical Insurance Coverage	539	654	771
Graduate Medical Education	372	390	390
Family Health Plus (FHP)	439	526	572
Child Health Plus	344	365	384
Workforce Recruitment and Retention	416	416	355
Insurance Programs	150	179	121
Mental Health Programs	87	87	87
Worker Retraining	63	63	63
All Other	400	396	421
<b>Excess/(deficiency) receipts over disbursements</b>	<b>727</b>	<b>(1,054)</b>	<b>0</b>
<b>Closing Balance</b>	<b>1,139</b>	<b>85</b>	<b>85</b>

## 2005-06 Mid-Year Financial Plan Update

The 2005-06 Enacted Budget extended HCRA authorization through June 30, 2007 and created a new HCRA Resources Fund that added the remaining roughly 25 percent of spending that was previously financed outside of the All Funds Financial Plan so that all of HCRA is now “on budget.” HCRA spending can be found in the following areas of the budget: Medicaid, Health, Mental Hygiene, and the State Office for the Aging. Increases in receipts coupled with a decrease in disbursements will leave an estimated HCRA closing balance of approximately \$1.14 billion at the end of 2005-06.

The Empire Conversion proceeds in 2005-06 reflects \$754 million already received plus another \$1.94 billion expected to be received after finalization of the merger of WellChoice and WellPoint. The outyear proceeds reflect the disposition of some of the 27 million shares of WellPoint common stock, with sales valued at \$400 million in 2006-07 and \$500 million in 2007-08.

The outyears of the HCRA plan currently show modest positive balances in 2006-07 and 2007-08. The balances assume that new health care conversions valued at \$800 million will be authorized by the Legislature and completed by 2007-08 and that the General Fund will provide subsidies to HCRA of \$152 million in 2006-07 growing to \$391 million in 2007-08. It is expected that the 2006-07 Executive Budget will include proposals that may alter the current projections.

### 2005-06 HCRA Receipts

<b>HCRA 2005-06 Projected Receipts</b> (millions of dollars)			
	<b>First Quarterly Update</b>	<b>Mid-Year Update</b>	<b>Increase (Decrease)</b>
Empire Conversion Proceeds	1,842	2,694	852
Surcharges	1,641	1,641	0
Covered Lives Assessment	737	737	0
Cigarette Tax	670	664	(6)
Hospital Assessment (1 percent)	192	192	0
Other	122	122	0
<b>Total Receipts</b>	<b>5,204</b>	<b>6,050</b>	<b>846</b>

DOB projects total HCRA receipts at \$6.1 billion in 2005-06, an increase of \$846 million from the First Quarterly Update. This increase primarily reflects the additional proceeds attributed to the merger of Wellchoice/Empire and Wellpoint.

Under the terms of the merger, it is estimated that New York State will receive approximately \$2 billion in cash in 2005-06 and approximately 27 million shares of WellPoint stock. In 2005-06, the merger will increase the amount of total Empire Conversion proceeds collected to \$2.7 billion – an increase of \$852 million.

## 2005-06 HCRA Disbursements

<b>HCRA 2005-06 Projected Disbursements</b> (millions of dollars)			
	<b>First Quarterly Update</b>	<b>Mid-Year Update</b>	<b>Increase (Decrease)</b>
Medicaid/Public Health Support	1,910	1,660	(250)
Hospital Indigent Care	853	853	0
Elderly Pharmaceutical Insurance Coverage	540	539	(1)
Graduate Medical Education	372	372	0
Family Health Plus (FHP)	426	439	13
Child Health Plus	352	344	(8)
Workforce recruitment and Retention	416	416	0
All Other	719	700	(19)
<b>Total Disbursements</b>	<b>5,588</b>	<b>5,323</b>	<b>(265)</b>

Total disbursements in 2005-06 are projected at \$5.3 billion, a decrease of \$265 million from the First Quarterly Update. This decrease is primarily associated with the timing of Medicaid payments, with the General Fund financing costs in 2005-06 that were originally budgeted in HCRA, and HCRA financing an equal amount of costs in 2006-07. This timing change has no net impact on HCRA resources over the two fiscal years, but does require a General Fund deficiency appropriation in 2005-06. In addition Family Health Plus costs are expected to increase due to a delay in receiving Federal approval to increase existing co-pays and impose new co-pays. This increase is offset by spending decreases in other HCRA financed programs (i.e., Child Health Plus, Elderly Pharmaceutical Insurance Coverage, and the AIDS Drugs Assistance Program).

Additional detail on quarterly receipts and disbursements is contained in the Financial Plan tables later in this Update.

## STATE WORKFORCE UPDATE

DOB projects the overall State Executive Branch workforce (All Funds) will reach 191,500 positions at the end of 2005-06, which is attributable primarily to growth in SUNY. Detailed summary tables for the All Funds and General Fund workforce are included later in this Update. Such tables report individual agency workforce estimates. The aggregate workforce estimate for all agencies has been reduced by approximately 2,200 positions to reflect the anticipated effect of the existing hiring freeze and position controls utilized by various agencies. In related matters, the updated Financial Plan also includes funds to accommodate a recent settlement of the court case regarding the withholding of Management Confidential employees' performance advances in 2003. Also, consistent with the Governor's recent direction, DOB is developing additional information on the State's use of contracts for consulting services which is planned for inclusion in the Executive Budget.

## DEBT UPDATE

### Improving the Transparency of New York State's Debt Portfolio

To increase the transparency of the State's debt portfolio and practices, DOB has recently expanded the information available on its public website (<http://www.budget.state.ny.us>). The Investor's Guide section of the site now contains detailed information on New York State bonds including: swap and variable rate capacity reports, variable rate trading activity, PIT revenue

bond debt service and debt outstanding, and monthly swaps reports. It is expected that the information available on the site will continue to be expanded on a regular basis in an effort to provide the public with greater access to the composition and performance of the State's debt portfolio.

**Classification of NYS Debt – State-supported and State-Related Debt**

For purposes of analyzing the financial condition of the State, debt may be classified as State-supported or State-related. State-supported debt includes general obligation debt, to which the full faith and credit of the State has been pledged, and lease-purchase and contractual obligations of public authorities, where the State's legal obligation to make payments to those entities is subject to, and paid from, annual appropriations made by the Legislature.

State-related debt includes State-supported debt noted above, as well as State-guarantee debt, to which the full faith and credit of the State has been pledged, moral obligation financings and certain contingent-contractual obligation financings, where debt service is paid from other non-State sources and State appropriations are available, but not expected to be needed, to make payments.

The State debt levels do not include debt that is issued by or on behalf of local governments that may be funded in part by local assistance State aid payments. For example, State aid programs such as school aid or local assistance aid to New York City may in turn be used by those local entities to help support debt service for locally-sponsored and locally-determined financings. Since this debt was not issued by the State, (or on behalf of the State), and does not result in a State obligation to pay debt service, it is not included in the State debt totals. However, such debt is reflected in the respective financial statements of the local governments.

**Debt Reform Limitations**

The State has statutory limitations which restrict the issuance of State-supported debt to capital purposes only and establish a maximum term of 30 years for such debt. The statute also imposes caps that limit the amount of new State-supported debt to 4 percent of personal income and new State-supported debt service costs to 5 percent of the All Funds budget. The restrictions apply to all new State-supported debt issued on and after April 1, 2000.

The statute requires that the limitations on the amount of State-supported debt and debt service costs be calculated by October 31 of each year and reported in this Mid-Year Update. If the actual new State-supported debt outstanding and debt service costs are below the caps at this time, new State-supported debt may continue to be issued for another year. However, if either the debt outstanding or the debt service cap is met or exceeded, the State would be precluded from issuing new State-supported debt until the next annual cap calculation is made and State-supported debt is found to be within the appropriate limitations.

For the 2004-05 fiscal year, the cumulative debt outstanding and debt service caps are 2.32 percent each. As shown in the table that follows, the actual level of debt outstanding and debt service costs continue to remain below the statutory limits.

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<b>Debt Outstanding Cap (million of dollars)</b>	
New Debt Outstanding	\$12,725
Personal Income (CY 2004)	\$737,039
Debt Outstanding (Percent of PI)	1.73%
Cap Imposed by Debt Reform Act	2.32%

<b>Debt Service Cap (millions of dollars)</b>	
New Debt Service	\$1,083
Governmental Funds Receipts	\$101,381
Debt Service (Percent of Gov't'l Fund Receipts)	1.07%
Cap Imposed by Debt Reform Act	2.32%

From April 1, 2000 through March 31, 2005 the State has issued \$13.9 billion of new debt, of which \$1.2 billion was retired - resulting in \$12.7 billion of net new debt. This is \$4.4 billion below the statutory cap. The debt service costs on this new debt totaled \$1.1 billion in 2004-05 – or roughly \$1.3 billion below the statutory limit.

### Interest Rate Exchange Agreements

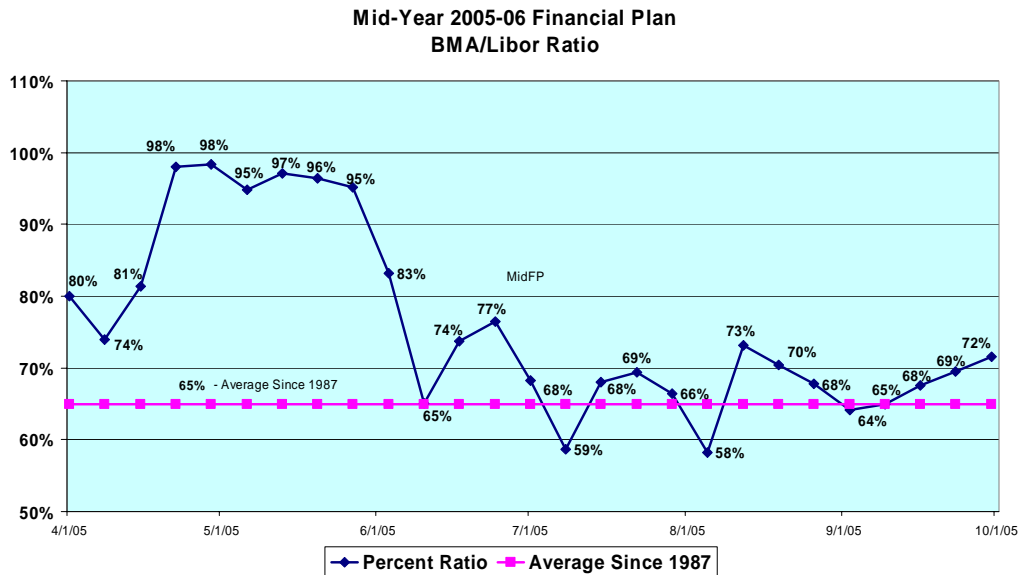
Legislation enacted in 2002 authorized the State to use a limited amount of interest rate exchange agreements to help lower debt service costs. Subject to various statutory and policy criteria to minimize risk, issuers of State-supported bonds may enter into interest rate exchange agreements in a total notional amount that does not exceed 15 percent of State-supported debt.

	<b>Interest Rate Exchange Cap (millions of dollars)</b>			
	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>
Statutory Limit	6,105	6,261	6,561	6,866
Actual	5,970	5,970	5,966	5,961
% of Interest Rate Exchange Agreements to Debt Outstanding	14.7%	14.3%	13.6%	13.0%

As reflected in the table above, the State has utilized \$6.0 billion in synthetic fixed rate swaps to refinance existing high cost debt. This generated savings of roughly 80 to 100 basis points above what would have been achieved with traditional fixed rate refinancings. The State will continue to monitor market conditions to take advantage of any further refunding opportunities, including the possible use of remaining swap authorization. Detailed reports on the State's interest rate exchange agreements are available on DOB's website.

In addition to the \$6 billion in synthetic fixed rate swaps, State-supported debt issuers have entered into approximately \$1 billion in swaps, which are statutorily excluded from the cap because they reduce the State's exposure to risk under existing swap agreements. Such reduction in exposure must be certified by an independent financial advisor and be approved by bond counsel. In addition to minimizing exposure, these swaps allow State-supported debt issuers to cost effectively increase the State's variable rate exposure.

During the first half of 2005-06, the State's fixed payer swaps have performed well, with all counterparties continuing to meet their payment obligations. In addition, the performance of the underlying variable rate payments received by the State has improved. As shown in the chart that follows, the spread of 65 percent of London Interbank Offered Rates (LIBOR) to the Bond Market Association Index (BMA), which is an industry benchmark that approximates the bonds' variable rates, has narrowed closer to the long-term historical average.



**Variable Rate Obligations**

Legislation enacted in 2002 also allowed the State to enter into a limited amount of variable rate exposure. The legislation provides that issuers of State-supported bonds may enter into variable rate debt instruments that result in a maximum total net variable rate exposure of 15 percent of State-supported debt.

As noted on the table below, the State expects to have roughly \$5.2 billion of net variable rate exposure at the end of 2005-06. The State and its authorized issuers will continue to evaluate market conditions, credit and liquidity support costs related to variable rate debt, as well as alternative structures to help implement a planned increase in variable rate exposure during each of the next two fiscal years.

<b>Variable Rate Exposure</b>				
	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
<b>Statutory Cap</b>	<b>6,105</b>	<b>6,261</b>	<b>6,561</b>	<b>6,866</b>
Net Variable Rate Obligations	2,062	3,105	3,964	3,818
Convertible bonds	6	6	6	6
Policy Reserve for LIBOR Swaps	2,090	2,090	2,088	2,087
<b>Total Exposure</b>	<b>4,158</b>	<b>5,201</b>	<b>6,058</b>	<b>5,911</b>
% Variable Rate Exposure to Debt Outstanding (Including Policy Reserve)	10.2%	12.4%	13.8%	12.9%

The State's current policy on variable rate exposure is to count both the net variable rate exposure required by statute and 35 percent of the outstanding notional amount of 65 percent of LIBOR fixed rate swaps. This policy reserve provides a cushion against the unlikely risk of a significant difference between payments owed and received by the State's Authorized Issuers under their synthetic fixed rate swaps.

## 2005-06 Mid-Year Financial Plan Update

About \$2.4 billion in State-supported convertible rate bonds are also currently outstanding. These bonds bear a fixed rate until future mandatory tender dates in 2009, 2011, 2012, and 2013 at which time they can convert to a fixed or variable rate. Consistent with statute, convertible bonds which bear a fixed rate, and thus do not result in a net variable rate exposure to the State, are not counted under the cap until their mandatory tender date when they are assumed to convert to a variable rate. Approximately \$6 million of such bonds have already converted and \$664 million of the bonds are assumed to convert to variable rate on their 2009 tender date.

Consistent with market trends and Financial Plan expectations, variable rate costs on State-supported variable rate obligations have increased through the first half of the fiscal year. Interest rates on tax-exempt State-Supported variable rate debt instruments have risen from an average of approximately 1.8 percent in the fourth quarter of fiscal year 2004-05 to 2.37 in the first half of 2005-06. Rates in the State's variable rate portfolio peaked in May, following an extended period of reduced demand as investors liquidated variable rate holdings to make tax payments in April.

As the table below demonstrates, State-Supported variable rate debt instruments continue to outperform the BMA index. This is due to a combination of factors, including strong investor demand for New York State variable rate debt, high credit quality, and longer-term variable rate instruments whose rates were established before the recent rise in interest rates in the General Market.

<b>Tax Exempt Variable Rate Comparison</b> (thousands of dollars)							
<b>Month</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>August</b>	<b>September</b>	<b>Year To Date</b>
BMA	2.55%	2.97%	2.42%	2.26%	2.43%	2.55%	2.52%
VR Assumption	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
VR Actuals	2.32%	2.64%	2.26%	2.15%	2.39%	2.50%	2.37%
Basis Point Savings/(Loss)	48	16	54	65	41	30	43
\$ Savings/(Loss)	856	228	766	1,162	582	545	4,140

Tax-exempt variable rates have also been below DOB's forecasted 2.8 percent rate for fiscal year 2005-06, generating savings of approximately \$4.1 million. It is expected that some or all of this savings will be offset by additional costs as variable interest rates continue to rise, such that the State will end the year around the original forecasted level.

As the table below shows, taxable variable rate obligations have followed the one month LIBOR index very closely through the first half of 2005-06, and slightly exceeded DOB's forecasted 3.30 percent, averaging 3.32 percent. If interest rates continue to rise in the second half of 2005-06 this will result in a small additional cost.

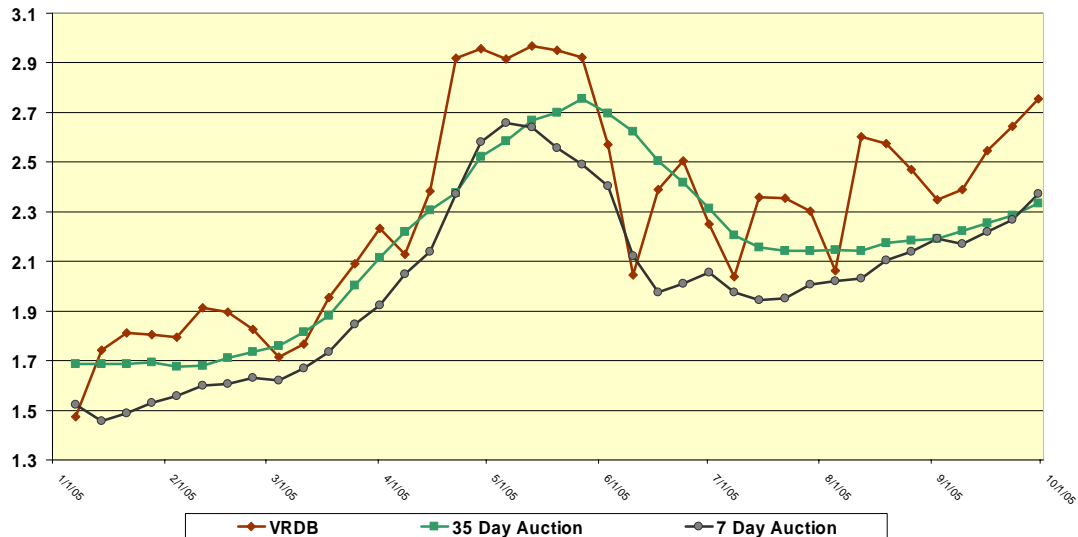
<b>Taxable Variable Rate Comparison</b> (thousands of dollars)							
<b>Month</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>August</b>	<b>September</b>	<b>Year To Date</b>
VR Assumption	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%
VR Actuals	2.94%	3.08%	3.16%	3.35%	3.59%	3.75%	3.32%
1-Month LIBOR	2.95%	3.10%	3.24%	3.42%	3.61%	3.78%	3.35%
Basis Point Savings/(Loss)	36	22	14	(5)	(29)	(45)	(2)
\$ Savings/(Loss)	119	59	37	(18)	(79)	(152)	(35)



## 2005-06 Mid-Year Financial Plan Update

Through this point in the fiscal year, as summarized in the chart below, auction rate securities (ARS) have been the most cost effective form of variable rate debt. Through these six months, seven-day ARS have traded between 5 and 50 basis points better than BMA and variable rate demand bonds (VRDBs).

Variable Reset Rate History January 7, 2005 to September 30, 2005



The State has approximately \$3.8 billion in weekly VRDBs; \$1 billion in 35-Day auctions and \$2.2 billion in seven-day auctions. Some of these bonds are associated with swaps and do not result in net variable rate exposure.

### Debt Management Initiatives

The Enacted Budget Financial Plan projected that \$107 million in additional savings would be realized through debt management initiatives during 2005-06. To date, the State has achieved \$84 million of the projected savings through bond refinancings (\$25 million), defeasances and escrow restructurings (\$36 million), transfers from other funds (\$10 million), higher than expected reserve earnings (\$5 million), and reestimates including revised size and/or timing of projected bonds sales (\$8 million). The State expects to realize the remaining \$23 million in savings by the end of the fiscal year. In addition, \$43 million of savings was achieved between the time of the Executive and Enacted Budgets, bringing the total projected debt management initiatives to \$150 million.

### Debt Issuance/Bond Sale Schedule

Issuances of State-supported debt obligations have been fairly consistent with the expected sale schedule for the current year. Revisions to the schedule during the first half of 2005-06 include the delay of the \$357 million bond sale to fund the expansion of the Javits Convention center, and the delay of the \$21 million Dormitory Authority of the State of New York, Department of Health sale until later this year when matching Federal funding have been secured. The reduced issuances associated with the delay of these two sales were largely offset by the issuance of an additional \$42 million in Thruway Authority Trust Fund Bonds, as well as a \$204 million Empire State Development Corporation PIT economic development sale that occurred in June rather than November of this year.

## 2005-06 Mid-Year Financial Plan Update

### Debt Affordability

The State's debt affordability measures through the first half of the 2005-06 fiscal year are consistent with the forecasts contained in the Enacted Capital Program and Financing Plan. The table below shows that State debt service costs remain below 5 percent of the budget.

<b>State Supported &amp; State Related Debt (millions of dollars)</b>			
<b><u>Bond Type/Program</u></b>	<b><u>Debt Outstanding March 31, 2005</u></b>	<b><u>Actual Debt Service 2004-05</u></b>	<b><u>Debt Service as % of 2004-05 All Funds Budget</u></b>
General Obligation Debt	3,590	484	0.48%
Local Government Assistance Corporation	4,317	306	0.30%
PIT Revenue Bonds	6,961	348	0.34%
Dedicated Highway	6,024	708	0.70%
All Other Lease-Purchase & Contractual- Obligation Financing Arrangements	21,684	1,951	1.92%
<b>Total State-Supported Debt</b>	<b>42,576</b>	<b>3,797</b>	<b>3.74%</b>
State-Guaranteed Debt:			
Job Development Authority	64	16	0.02%
Moral Obligation Financings:			
Housing Finance Agency	102	269	0.26%
MCCFA Hospitals & Nursing Homes	16	3	0.00%
Contingent-Contractual Obligations:			
Secured Hospital Program	905	81	0.08%
Tobacco Bonds	4,495	324	0.44%
<b>Total State-Related Debt</b>	<b>5,582</b>	<b>693</b>	<b>0.70%</b>
<b>Total State-supported and Related Debt</b>	<b>48,158</b>	<b>4,490</b>	<b>4.40%</b>

*Note: HFA moral obligation debt outstanding was reduced by \$207 million on November 1, 2004. The 2004-05 Debt Service costs shown in the chart include this principal pre-payment.*

## **EXPLANATION OF THE FINANCIAL PLAN TABLES**

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

Projected disbursements are based on agency staffing levels, program caseloads, levels of service needs, formulas contained in State and Federal law, inflation and other factors. The factors that affect spending estimates vary by program. For example, welfare spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends, projected economic conditions and changes in Federal law. In criminal justice, spending estimates are based on recent trends and data from the criminal justice system, as well as on estimates of the State's prison population. All projections account for the timing of payments, since not all the amounts appropriated in the budget are disbursed in the same fiscal year.

### **The State's Fund Structure**

The State accounts for all of its spending and receipts by the fund in which the activity takes place (such as the General Fund or the Capital Projects Fund), and the broad category or purpose of that activity (such as State Operations or Capital Projects). The Financial Plan tables sort all State projections and results by fund and category.

The General Fund receives the majority of State taxes. State Funds include the General Fund and funds specified for dedicated purposes, with the exception of Federal Funds. All Governmental Funds, which includes State Funds and Federal Funds, comprises four major fund types, and provides the most comprehensive view of the financial operations of the State. It includes:

- The General Fund, which receives most of the State's tax revenue and accounts for spending on programs that are not supported directly by dedicated fees and revenues;
- Special Revenue Funds, which receive Federal grants, certain dedicated taxes, fees and other revenues that are used for a specified purpose;
- Capital Projects Funds, which account for costs incurred in the construction and reconstruction of roads, bridges, prisons, and other infrastructure projects; and,
- Debt Service Funds, which pay principal, interest and related expenses on long-term bonds issued by the State and its public authorities.

Within each of these fund types, revenues and spending are classified by major categories of the Financial Plan (e.g., taxes, miscellaneous receipts, Grants to Local Governments, State Operations). The following tables summarize projected General Fund, State Funds and All Governmental Funds receipts and disbursements for the 2005-06 fiscal year.

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## 2005-06 Mid-Year Financial Plan Update

**CASH FINANCIAL PLAN  
GENERAL FUND  
2005-2006  
(millions of dollars)**

	<b>First Quarterly Update</b>	<b>Change</b>	<b>Mid-Year Update</b>
<b>Opening fund balance</b>	2,546	0	2,546
<b>Receipts:</b>			
Taxes:			
Personal income tax	20,633	367	21,000
User taxes and fees	8,533	0	8,533
Business taxes	4,223	260	4,483
Other taxes	777	2	779
Miscellaneous receipts	2,431	16	2,447
Federal grants	9	0	9
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	6,461	114	6,575
Sales tax in excess of LGAC debt service	2,251	8	2,259
Real estate taxes in excess of CW/CA debt service	514	0	514
All other	512	10	522
<b>Total receipts</b>	46,344	777	47,121
<b>Disbursements:</b>			
Grants to local governments	31,383	318	31,701
State operations	8,238	123	8,361
General State charges	4,060	(15)	4,045
Transfers to other funds:			
Debt service	1,700	13	1,713
Capital projects	214	0	214
Other purposes	854	8	862
<b>Total disbursements</b>	46,449	447	46,896
<b>Change in fund balance</b>	(105)	330	225
<b>Closing fund balance</b>	2,441	330	2,771
<b>General Reserves</b>			
Statutory Rainy Day Reserve	872	0	872
Fiscal stability reserve	680	359	1,039
Contingency Reserve Fund	21	0	21
<b>Restricted Balances</b>			
Community Projects Fund	316	(29)	287
Payment of Tax Refunds	552	0	552

## 2005-06 Mid-Year Financial Plan Update

**CASH FINANCIAL PLAN  
GENERAL FUND  
2006-2007  
(millions of dollars)**

	<b>First Quarterly Update</b>	<b>Change</b>	<b>Mid-Year Update</b>
<b>Receipts:</b>			
Taxes:			
Personal income tax	21,762	422	22,184
User taxes and fees	8,725	0	8,725
Business taxes	4,596	187	4,783
Other taxes	814	1	815
Miscellaneous receipts	2,353	15	2,368
Federal grants	9	0	9
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	6,643	141	6,784
Sales tax in excess of LGAC debt service	2,332	4	2,336
Real estate taxes in excess of CW/CA debt service	505	0	505
All other	231	31	262
<b>Total receipts</b>	<b>47,970</b>	<b>801</b>	<b>48,771</b>
<b>Disbursements:</b>			
Grants to local governments	35,126	315	35,441
State operations	8,799	349	9,148
General State charges	4,568	(90)	4,478
Transfers to other funds:			
Debt service	1,712	34	1,746
Capital projects	245	(7)	238
Other purposes	786	22	808
<b>Total disbursements</b>	<b>51,236</b>	<b>623</b>	<b>51,859</b>
<b>Deposit to/(use of) fiscal stability reserve</b>	<b>(340)</b>	<b>(180)</b>	<b>(520)</b>
<b>Deposit to/(use of) Community Projects Fund</b>	<b>(50)</b>	<b>0</b>	<b>(50)</b>
<b>Deposit to/(use of) PIT Refund Reserve</b>	<b>28</b>	<b>0</b>	<b>28</b>
<b>Surplus/(Gap)</b>	<b>(2,904)</b>	<b>358</b>	<b>(2,546)</b>

## 2005-06 Mid-Year Financial Plan Update

### CASH FINANCIAL PLAN GENERAL FUND 2005-2006 through 2007-2008 (millions of dollars)

	<u>2005-2006 Mid-Year Update</u>	<u>2006-2007 Projected</u>	<u>2007-2008 Projected</u>
<b>Receipts:</b>			
Taxes:			
Personal income tax	21,000	22,184	23,417
User taxes and fees	8,533	8,725	8,586
Business taxes	4,483	4,783	5,309
Other taxes	779	815	842
Miscellaneous receipts	2,447	2,368	2,426
Federal Grants	9	9	9
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	6,575	6,784	7,002
Sales tax in excess of LGAC debt service	2,259	2,336	2,274
Real estate taxes in excess of CW/CA debt service	514	505	520
All other	522	262	272
<b>Total receipts</b>	<u>47,121</u>	<u>48,771</u>	<u>50,657</u>
<b>Disbursements:</b>			
Grants to local governments	31,701	35,441	38,199
State operations	8,361	9,148	9,561
General State charges	4,045	4,478	4,781
Transfers to other funds:			
Debt service	1,713	1,746	1,738
Capital projects	214	238	251
Other purposes	862	808	1,078
<b>Total disbursements</b>	<u>46,896</u>	<u>51,859</u>	<u>55,608</u>
<b>Deposit to/(use of) fiscal stability reserve</b>	<u>0</u>	<u>(520)</u>	<u>(519)</u>
<b>Deposit to/(use of) Community Projects Fund</b>	<u>(38)</u>	<u>(50)</u>	<u>(50)</u>
<b>Deposit to/(use of) PIT Refund Reserve</b>	<u>(776)</u>	<u>28</u>	<u>26</u>
<b>Surplus/(Gap)</b>	<u>1,039</u>	<u>(2,546)</u>	<u>(4,408)</u>

## 2005-06 Mid-Year Financial Plan Update

**GENERAL FUND  
PERSONAL INCOME TAX COMPONENTS  
2005-2006  
(millions of dollars)**

	<u>First Quarterly Update</u>	<u>Mid-Year Update</u>	<u>Change</u>
Withholdings	24,419	24,419	0
Estimated Payments	9,022	9,357	335
Final Payments	1,748	1,808	60
Delinquencies	<u>705</u>	<u>740</u>	<u>35</u>
<b>Gross Collections</b>	35,894	36,324	430
State/City Offset	(400)	(400)	0
Refunds	<u>(4,761)</u>	<u>(4,701)</u>	<u>60</u>
<b>Reported Tax Collections</b>	30,733	31,223	490
STAR (1)	(3,222)	(3,222)	0
RBTF (2)	<u>(6,878)</u>	<u>(7,001)</u>	<u>(123)</u>
<b>General Fund</b>	<u><u>20,633</u></u>	<u><u>21,000</u></u>	<u><u>367</u></u>

(1) Beginning in 1998-99, a portion of personal income tax collections are deposited directly into the School Tax Reduction (STAR) Fund and used to make payments to reimburse local governments for their revenue decreases due to the STAR program.

(2) Beginning in 2002-03, 25 percent of personal income tax collections after the STAR transfer is deposited directly in the Revenue Bond Tax Fund (RBTF) and used for debt service payments.



## 2005-06 Mid-Year Financial Plan Update

**CURRENT STATE RECEIPTS  
GENERAL FUND  
2005-2006  
(millions of dollars)**

	<u>First Quarterly Update</u>	<u>Mid-Year Update</u>	<u>Change</u>
<b>Personal income tax</b>	20,633	21,000	367
<b>User taxes and fees:</b>	8,533	8,533	0
Sales and use tax	7,902	7,902	0
Cigarette and tobacco taxes	394	394	0
Motor vehicle fees	0	0	0
Alcoholic beverages taxes	189	189	0
Alcoholic beverage control license fees	48	48	0
<b>Business taxes:</b>	4,223	4,483	260
Corporation franchise tax	2,024	2,284	260
Corporation and utilities tax	583	583	0
Insurance taxes	1,031	1,031	0
Bank tax	585	585	0
<b>Other taxes:</b>	777	779	2
Estate tax	752	752	0
Gift tax	0	2	2
Real property gains tax	0	0	0
Pari-mutuel taxes	24	24	0
Other taxes	1	1	0
<b>Total taxes</b>	<u>34,166</u>	<u>34,795</u>	<u>629</u>
<b>Miscellaneous receipts</b>	<u>2,431</u>	<u>2,447</u>	<u>16</u>
<b>Federal grants</b>	<u>9</u>	<u>9</u>	<u>0</u>
<b>Total receipts*</b>	<u><u>36,606</u></u>	<u><u>37,251</u></u>	<u><u>645</u></u>

\* Excludes transfers

2005-06 Mid-Year Financial Plan Update

CASHFLOW  
GENERAL FUND  
2005-2006  
(dollars in millions)

	2005 April Actual	May Actual	June Actual	July Actual	August Actual	September Actual	October Projected	November Projected	December Projected	January Projected	February Projected	March Projected	Total
<b>Opening fund balance</b>	2,546	5,584	3,188	4,007	3,603	3,670	4,923	4,203	2,490	3,383	6,885	7,433	2,546
<b>Receipts:</b>													
Taxes													
Personal income tax	3,347	553	2,213	1,254	1,537	2,105	707	536	1,858	3,638	2,084	1,168	21,000
User taxes and fees	662	687	894	680	628	898	615	615	891	666	520	797	8,533
Business taxes	217	177	891	90	83	919	8	8	881	41	21	1,064	4,483
Other taxes	49	64	131	118	63	68	62	45	45	45	45	44	779
Miscellaneous receipts	160	81	175	95	107	108	173	387	250	189	177	545	2,447
Federal Grants	1	0	1	0	2	0	1	1	1	1	1	0	9
Transfers from other funds													
PIT in excess of Revenue Bond debt service	1,114	160	737	417	431	718	200	8	654	1,213	428	495	6,575
Sales tax in excess of LGAC debt service	174	57	392	201	113	281	186	187	275	203	2	188	2,259
Real estate taxes in excess of CW/CA debt service	108	60	15	66	99	66	31	26	21	16	5	1	514
All Other	0	76	63	7	6	12	0	0	20	57	0	281	522
<b>Total receipts</b>	5,832	1,895	5,512	2,928	3,069	5,175	2,066	1,813	4,896	6,069	3,283	4,583	47,121
<b>Disbursements:</b>													
Grants to local governments													
School Aid	168	1,917	1,253	53	351	1,205	445	587	1,133	230	499	5,674	13,495
Medicaid	798	633	1,155	466	864	426	444	901	326	663	805	806	8,287
Welfare	114	134	74	80	150	10	149	149	32	149	118	97	1,256
All Other	242	511	798	724	635	632	761	507	1,107	585	647	1,514	8,663
State operations													
Personal Service	562	520	687	556	476	690	433	659	371	398	229	358	5,939
Non-Personal Service	174	223	180	160	214	174	184	188	206	200	203	316	2,422
General State charges	405	186	269	1,212	213	379	271	270	250	279	140	171	4,045
Transfers to other funds													
Debt service	207	105	197	39	30	313	50	184	437	18	27	106	1,713
Capital projects	15	30	44	16	42	33	29	39	59	26	48	(167)	214
Other purposes	109	32	36	26	27	60	20	62	82	19	19	370	862
<b>Total disbursements</b>	2,794	4,291	4,693	3,332	3,002	3,922	2,786	3,526	4,003	2,567	2,735	9,245	46,896
<b>Change in fund balance</b>	3,038	(2,396)	819	(404)	67	1,253	(720)	(1,713)	893	3,502	548	(4,662)	225
<b>Closing fund balance</b>	5,584	3,188	4,007	3,603	3,670	4,923	4,203	2,490	3,383	6,885	7,433	2,771	2,771

**2005-06 Mid-Year Financial Plan Update**

**CASH FINANCIAL PLAN  
STATE FUNDS  
2005-2006  
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
<b>Opening fund balance</b>	<u>2,546</u>	<u>2,006</u>	<u>(206)</u>	<u>184</u>	<u>4,530</u>
<b>Receipts:</b>					
Taxes	34,795	5,881	1,862	10,216	52,754
Miscellaneous receipts	2,447	13,278	1,721	655	18,101
Federal grants	9	1	0	0	10
<b>Total receipts</b>	<u>37,251</u>	<u>19,160</u>	<u>3,583</u>	<u>10,871</u>	<u>70,865</u>
<b>Disbursements:</b>					
Grants to local governments	31,701	13,636	918	0	46,255
State operations	8,361	5,072	0	23	13,456
General State charges	4,045	587	0	0	4,632
Debt service	0	0	0	3,808	3,808
Capital projects	0	1	2,316	0	2,317
<b>Total disbursements</b>	<u>44,107</u>	<u>19,296</u>	<u>3,234</u>	<u>3,831</u>	<u>70,468</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	9,870	1,257	252	5,227	16,606
Transfers to other funds	(2,789)	(407)	(906)	(12,248)	(16,350)
Bond and note proceeds	0	0	167	0	167
<b>Net other financing sources (uses)</b>	<u>7,081</u>	<u>850</u>	<u>(487)</u>	<u>(7,021)</u>	<u>423</u>
<b>Change in fund balance</b>	<u>225</u>	<u>714</u>	<u>(138)</u>	<u>19</u>	<u>820</u>
<b>Closing fund balance</b>	<u>2,771</u>	<u>2,720</u>	<u>(344)</u>	<u>203</u>	<u>5,350</u>

**2005-06 Mid-Year Financial Plan Update**

**CASH FINANCIAL PLAN  
STATE FUNDS  
2005-2006  
(millions of dollars)**

	<u>First Quarter</u>	<u>Change</u>	<u>Mid-Year Update</u>
<b>Opening fund balance</b>	<u>4,530</u>	<u>0</u>	<u>4,530</u>
<b>Receipts:</b>			
Taxes	51,950	804	52,754
Miscellaneous receipts	17,346	755	18,101
Federal grants	<u>10</u>	<u>0</u>	<u>10</u>
<b>Total receipts</b>	<u>69,306</u>	<u>1,559</u>	<u>70,865</u>
<b>Disbursements:</b>			
Grants to local governments	46,499	(244)	46,255
State operations	13,326	130	13,456
General State charges	4,615	17	4,632
Debt service	3,829	(21)	3,808
Capital projects	<u>2,183</u>	<u>134</u>	<u>2,317</u>
<b>Total disbursements</b>	<u>70,452</u>	<u>16</u>	<u>70,468</u>
<b>Other financing sources (uses):</b>			
Transfers from other funds	16,481	125	16,606
Transfers to other funds	(16,230)	(120)	(16,350)
Bond and note proceeds	<u>232</u>	<u>(65)</u>	<u>167</u>
<b>Net other financing sources (uses)</b>	<u>483</u>	<u>(60)</u>	<u>423</u>
<b>Change in fund balance</b>	<u>(663)</u>	<u>1,483</u>	<u>820</u>
<b>Closing fund balance</b>	<u>3,867</u>	<u>1,483</u>	<u>5,350</u>

## 2005-06 Mid-Year Financial Plan Update

**CASH FINANCIAL PLAN  
ALL GOVERNMENTAL FUNDS  
2005-2006  
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
<b>Opening fund balance</b>	<u>2,546</u>	<u>2,005</u>	<u>(454)</u>	<u>184</u>	<u>4,281</u>
<b>Receipts:</b>					
Taxes	34,795	5,881	1,862	10,216	52,754
Miscellaneous receipts	2,447	13,287	1,721	655	18,110
Federal grants	9	34,706	1,760	0	36,475
<b>Total receipts</b>	<u>37,251</u>	<u>53,874</u>	<u>5,343</u>	<u>10,871</u>	<u>107,339</u>
<b>Disbursements:</b>					
Grants to local governments	31,701	44,805	1,124	0	77,630
State operations	8,361	8,143	0	23	16,527
General State charges	4,045	805	0	0	4,850
Debt service	0	0	0	3,808	3,808
Capital projects	0	2	3,858	0	3,860
<b>Total disbursements</b>	<u>44,107</u>	<u>53,755</u>	<u>4,982</u>	<u>3,831</u>	<u>106,675</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	9,870	3,826	252	5,227	19,175
Transfers to other funds	(2,789)	(3,278)	(918)	(12,248)	(19,233)
Bond and note proceeds	0	0	167	0	167
<b>Net other financing sources (uses)</b>	<u>7,081</u>	<u>548</u>	<u>(499)</u>	<u>(7,021)</u>	<u>109</u>
<b>Change in fund balance</b>	<u>225</u>	<u>667</u>	<u>(138)</u>	<u>19</u>	<u>773</u>
<b>Closing fund balance</b>	<u>2,771</u>	<u>2,672</u>	<u>(592)</u>	<u>203</u>	<u>5,054</u>

## 2005-06 Mid-Year Financial Plan Update

**CASH FINANCIAL PLAN  
ALL GOVERNMENTAL FUNDS  
2005-2006  
(millions of dollars)**

	<u>First Quarter</u>	<u>Change</u>	<u>Mid-Year Update</u>
<b>Opening fund balance</b>	<u>4,281</u>	<u>0</u>	<u>4,281</u>
<b>Receipts:</b>			
Taxes	51,950	804	52,754
Miscellaneous receipts	17,356	754	18,110
Federal grants	36,408	67	36,475
<b>Total receipts</b>	<u>105,714</u>	<u>1,625</u>	<u>107,339</u>
<b>Disbursements:</b>			
Grants to local governments	77,839	(209)	77,630
State operations	16,389	138	16,527
General State charges	4,834	16	4,850
Debt service	3,829	(21)	3,808
Capital projects	3,760	100	3,860
<b>Total disbursements</b>	<u>106,651</u>	<u>24</u>	<u>106,675</u>
<b>Other financing sources (uses):</b>			
Transfers from other funds	18,885	290	19,175
Transfers to other funds	(18,943)	(290)	(19,233)
Bond and note proceeds	232	(65)	167
<b>Net other financing sources (uses)</b>	<u>174</u>	<u>(65)</u>	<u>109</u>
<b>Change in fund balance</b>	<u>(763)</u>	<u>1,536</u>	<u>773</u>
<b>Closing fund balance</b>	<u>3,518</u>	<u>1,536</u>	<u>5,054</u>

## 2005-06 Mid-Year Financial Plan Update

**CURRENT STATE RECEIPTS  
ALL GOVERNMENTAL FUNDS  
2005-2006  
(millions of dollars)**

	<u>First Quarterly Update</u>	<u>Mid-Year Update</u>	<u>Change</u>
<b>Personal income tax</b>	30,734	31,223	489
<b>User taxes and fees</b>	13,654	13,654	0
Sales and use taxes	11,096	11,096	0
Cigarette and tobacco taxes	949	949	0
Motor fuel tax	533	533	0
Motor vehicle fees	635	635	0
Highway use tax	163	163	0
Alcoholic beverage taxes	189	189	0
Alcoholic beverage control license fees	48	48	0
Auto rental tax	41	41	0
<b>Business taxes</b>	6,046	6,359	313
Corporation franchise tax	2,279	2,592	313
Corporation and utilities taxes	782	782	0
Insurance taxes	1,147	1,147	0
Bank tax	693	693	0
Petroleum business taxes	1,145	1,145	0
<b>Other taxes</b>	1,516	1,518	2
Estate tax	752	752	0
Gift tax	0	2	2
Real property gains tax	0	0	0
Real estate transfer tax	739	739	0
Pari-mutuel taxes	24	24	0
Other taxes	1	1	0
<b>Total taxes</b>	51,950	52,754	804
<b>Miscellaneous receipts</b>	17,356	18,110	754
<b>Federal grants</b>	36,408	36,475	67
<b>Total receipts</b>	105,714	107,339	1,625

**2005-06 Mid-Year Financial Plan Update**

**CASH FINANCIAL PLAN  
SPECIAL REVENUE FUNDS  
2005-2006  
(millions of dollars)**

	<u>State</u>	<u>Federal</u>	<u>Total</u>
<b>Opening fund balance</b>	<u>2,006</u>	<u>(1)</u>	<u>2,005</u>
<b>Receipts:</b>			
Taxes	5,881	0	5,881
Miscellaneous receipts	13,278	9	13,287
Federal grants	<u>1</u>	<u>34,705</u>	<u>34,706</u>
<b>Total receipts</b>	<u>19,160</u>	<u>34,714</u>	<u>53,874</u>
<b>Disbursements:</b>			
Grants to local governments	13,636	31,169	44,805
State operations	5,072	3,071	8,143
General State charges	587	218	805
Debt service	0	0	0
Capital projects	<u>1</u>	<u>1</u>	<u>2</u>
<b>Total disbursements</b>	<u>19,296</u>	<u>34,459</u>	<u>53,755</u>
<b>Other financing sources (uses):</b>			
Transfers from other funds	1,257	2,569	3,826
Transfers to other funds	(407)	(2,871)	(3,278)
Bond and note proceeds	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net other financing sources (uses)</b>	<u>850</u>	<u>(302)</u>	<u>548</u>
<b>Change in fund balance</b>	<u>714</u>	<u>(47)</u>	<u>667</u>
<b>Closing fund balance</b>	<u>2,720</u>	<u>(48)</u>	<u>2,672</u>



## 2005-06 Mid-Year Financial Plan Update

### CASH FINANCIAL PLAN CAPITAL PROJECTS FUNDS 2005-2006 (millions of dollars)

	<u>State</u>	<u>Federal</u>	<u>Total</u>
<b>Opening fund balance</b>	<u>(206)</u>	<u>(248)</u>	<u>(454)</u>
<b>Receipts:</b>			
Taxes	1,862	0	1,862
Miscellaneous receipts	1,721	0	1,721
Federal grants	<u>0</u>	<u>1,760</u>	<u>1,760</u>
<b>Total receipts</b>	<u>3,583</u>	<u>1,760</u>	<u>5,343</u>
<b>Disbursements:</b>			
Grants to local governments	918	206	1,124
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	<u>2,316</u>	<u>1,542</u>	<u>3,858</u>
<b>Total disbursements</b>	<u>3,234</u>	<u>1,748</u>	<u>4,982</u>
<b>Other financing sources (uses):</b>			
Transfers from other funds	252	0	252
Transfers to other funds	(906)	(12)	(918)
Bond and note proceeds	<u>167</u>	<u>0</u>	<u>167</u>
<b>Net other financing sources (uses)</b>	<u>(487)</u>	<u>(12)</u>	<u>(499)</u>
<b>Change in fund balance</b>	<u>(138)</u>	<u>0</u>	<u>(138)</u>
<b>Closing fund balance</b>	<u>(344)</u>	<u>(248)</u>	<u>(592)</u>

## 2005-06 Mid-Year Financial Plan Update

**GAAP FINANCIAL PLAN  
GENERAL FUND  
2005-2006  
(millions of dollars)**

	<u>First Quarterly Update</u>	<u>Change</u>	<u>Mid-Year Update</u>
<b>Revenues:</b>			
Taxes:			
Personal income tax	21,333	437	21,770
User taxes and fees	8,556	3	8,559
Business taxes	4,326	240	4,566
Other taxes	640	(2)	638
Miscellaneous revenues	3,945	35	3,980
Federal grants	9	0	9
<b>Total revenues</b>	<u>38,809</u>	<u>713</u>	<u>39,522</u>
<b>Expenditures:</b>			
Grants to local governments	34,332	341	34,673
State operations	10,685	62	10,747
General State charges	3,472	(18)	3,454
Debt service	25	0	25
Capital projects	0	0	0
<b>Total expenditures</b>	<u>48,514</u>	<u>385</u>	<u>48,899</u>
<b>Other financing sources (uses):</b>			
Transfers from other funds	13,500	132	13,632
Transfers to other funds	(4,972)	(88)	(5,060)
Proceeds from financing arrangements/ advance refundings	951	(100)	851
<b>Net other financing sources (uses)</b>	<u>9,479</u>	<u>(56)</u>	<u>9,423</u>
<b>Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<u>(226)</u>	<u>272</u>	<u>46</u>
<b>Accumulated (Deficit)/Surplus</b>	<u>320</u>	<u>272</u>	<u>592</u>

## 2005-06 Mid-Year Financial Plan Update

**GAAP FINANCIAL PLAN  
ALL GOVERNMENTAL FUNDS  
2005-2006  
(millions of dollars)**

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Debt Service Funds</b>	<b>(MEMO) Total</b>
<b>Revenues:</b>					
Taxes	35,533	5,878	1,861	10,174	53,446
Patient fees	0	0	0	326	326
Miscellaneous revenues	3,980	6,221	266	23	10,490
Federal grants	9	35,681	1,760	0	37,450
<b>Total revenues</b>	<u>39,522</u>	<u>47,780</u>	<u>3,887</u>	<u>10,523</u>	<u>101,712</u>
<b>Expenditures:</b>					
Grants to local governments	34,673	41,526	1,114	0	77,313
State operations	10,747	1,731	0	23	12,501
General State charges	3,454	280	0	0	3,734
Debt service	25	0	0	3,067	3,092
Capital projects	0	2	3,498	0	3,500
<b>Total expenditures</b>	<u>48,899</u>	<u>43,539</u>	<u>4,612</u>	<u>3,090</u>	<u>100,140</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	13,632	302	228	5,250	19,412
Transfers to other funds	(5,060)	(3,708)	(941)	(12,710)	(22,419)
Proceeds of general obligation bonds	0	0	167	0	167
Proceeds from financing arrangements/ advance refundings	851	0	1,158	0	2,009
<b>Net other financing sources (uses)</b>	<u>9,423</u>	<u>(3,406)</u>	<u>612</u>	<u>(7,460)</u>	<u>(831)</u>
<b>Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses</b>					
	<u>46</u>	<u>835</u>	<u>(113)</u>	<u>(27)</u>	<u>741</u>

**2005-06 Mid-Year Financial Plan Update**

**GAAP FINANCIAL PLAN  
All GOVERNMENTAL FUNDS  
2005-2006  
(millions of dollars)**

	<u>Major Funds</u>			<u>Eliminations</u>	<u>Total</u>
	<u>General Fund</u>	<u>Federal Special Revenue</u>	<u>Other Governmental Funds</u>		
<b>Revenues:</b>					
Taxes:					
Personal income tax	21,770	0	10,227	0	31,997
User taxes and fees	8,559	0	5,089	0	13,648
Business taxes	4,566	0	1,870	0	6,436
Other taxes	638	0	727	0	1,365
Federal grants	9	35,680	1,761	0	37,450
Patient fees	0	0	326	0	326
Miscellaneous receipts	3,980	49	6,461	0	10,490
<b>Total revenues</b>	<u>39,522</u>	<u>35,729</u>	<u>26,461</u>	<u>0</u>	<u>101,712</u>
<b>Expenditures:</b>					
Grants to local governments	34,673	30,749	11,891	0	77,313
State operations	10,747	1,154	600	0	12,501
General State charges	3,454	180	100	0	3,734
Debt service	25	0	3,067	0	3,092
Capital projects	0	1	3,499	0	3,500
<b>Total expenditures</b>	<u>48,899</u>	<u>32,084</u>	<u>19,157</u>	<u>0</u>	<u>100,140</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	13,632	0	5,780	(18,776)	636
Transfers to other funds	(5,060)	(3,645)	(13,714)	18,776	(3,643)
Proceeds of General obligation bonds	0	0	167	0	167
Proceeds from financing arrangements/ advance refundings	851	0	1,158	0	2,009
<b>Net other financing sources (uses)</b>	<u>9,423</u>	<u>(3,645)</u>	<u>(6,609)</u>	<u>0</u>	<u>(831)</u>
<b>Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<u>46</u>	<u>0</u>	<u>695</u>	<u>0</u>	<u>741</u>

## 2005-06 Mid-Year Financial Plan Update

### CASH DISBURSEMENTS BY FUNCTION 2005-2006 GENERAL FUND (thousands of dollars)

	First Quarterly Update	Mid-Year Update	Change
<b>ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT</b>			
Agriculture and Markets, Department of	48,103	48,835	732
Alcoholic Beverage Control	0	0	0
Banking Department	250	250	0
Consumer Protection Board	0	0	0
Economic Development, Department of	43,199	43,199	0
Empire State Development Corporation	64,598	64,598	0
Energy Research and Development Authority	0	0	0
Housing Finance Agency	0	0	0
Housing and Community Renewal, Division of	75,710	76,276	566
Insurance Department	0	0	0
Olympic Regional Development Authority	7,350	7,350	0
Public Service, Department of	0	0	0
Science, Technology and Academic Research, Office of	50,834	50,834	0
<b>Functional Total</b>	<u>290,044</u>	<u>291,342</u>	<u>1,298</u>
<b>PARKS AND THE ENVIRONMENT</b>			
Adirondack Park Agency	4,408	4,408	0
Environmental Conservation, Department of	115,872	113,191	(2,681)
Environmental Facilities Corporation	0	0	0
Parks, Recreation and Historic Preservation, Office of	109,348	110,448	1,100
<b>Functional Total</b>	<u>229,628</u>	<u>228,047</u>	<u>(1,581)</u>
<b>TRANSPORTATION</b>			
Motor Vehicles, Department of	0	0	0
Thruway Authority	0	0	0
Transportation, Department of	105,640	105,640	0
<b>Functional Total</b>	<u>105,640</u>	<u>105,640</u>	<u>0</u>
<b>HEALTH AND SOCIAL WELFARE</b>			
Advocate for Persons with Disabilities, Office of	0	0	0
Aging, Office for the	79,013	73,949	(5,064)
Children and Family Services, Office of	1,436,930	1,433,107	(3,823)
Health, Department of	8,389,276	8,805,317	416,041
<i>Medical Assistance</i>	<u>7,513,997</u>	<u>7,952,997</u>	<u>439,000</u>
<i>Medicaid Administration</i>	119,950	119,950	0
<i>All Other</i>	755,329	732,370	(22,959)
Human Rights, Division of	13,142	12,813	(329)
Labor, Department of	16,176	16,072	(104)
Prevention of Domestic Violence, Office of	2,415	2,415	0

## 2005-06 Mid-Year Financial Plan Update

### CASH DISBURSEMENTS BY FUNCTION 2005-2006 GENERAL FUND (thousands of dollars)

	First Quarterly Update	Mid-Year Update	Change
<b>HEALTH AND SOCIAL WELFARE (Continued)</b>			
Temporary and Disability Assistance, Office of	1,451,257	1,334,954	(116,303)
<i>Welfare Assistance</i>	1,000,969	883,166	(117,803)
<i>Welfare Administration</i>	371,550	371,550	0
<i>All Other</i>	78,738	80,238	1,500
Welfare Inspector General, Office of	754	714	(40)
Workers' Compensation Board	0	0	0
<b>Functional Total</b>	<b>11,388,963</b>	<b>11,679,341</b>	<b>290,378</b>
<b>MENTAL HEALTH</b>			
Mental Health, Office of	1,344,801	1,359,137	14,336
Mental Hygiene, Department of	0	0	0
Mental Retardation and Developmental Disabilities, Office of	834,647	853,441	18,794
Alcohol and Substance Abuse Services, Office of	298,292	299,084	792
Developmental Disabilities Planning Council	0	0	0
Quality of Care for the Mentally Disabled, Commission on	4,363	4,363	0
<b>Functional Total</b>	<b>2,482,103</b>	<b>2,516,025</b>	<b>33,922</b>
<b>PUBLIC PROTECTION</b>			
Capital Defenders Office	10,916	4,500	(6,416)
Correction, Commission of	2,510	2,510	0
Correctional Services, Department of	1,997,345	2,005,562	8,217
Crime Victims Board	3,314	3,314	0
Criminal Justice Services, Division of	106,356	105,131	(1,225)
Homeland Security	64,219	81,883	17,664
Investigation, Temporary State Commission of	3,463	3,376	(87)
Judicial Commissions	2,703	2,703	0
Military and Naval Affairs, Division of	27,434	62,897	35,463
Parole, Division of	183,489	181,840	(1,649)
Probation and Correctional Alternatives, Division of	78,832	74,832	(4,000)
Public Security, Office of	0	0	0
State Police, Division of	446,935	445,713	(1,222)
<b>Functional Total</b>	<b>2,927,516</b>	<b>2,974,261</b>	<b>46,745</b>
<b>EDUCATION</b>			
Arts, Council on the	42,705	42,700	(5)
City University of New York	932,222	939,722	7,500
Education, Department of	15,083,613	15,083,775	162
<i>School Aid</i>	13,494,028	13,494,028	0
<i>STAR Property Tax Relief</i>	0	0	0
<i>Handicapped</i>	908,473	925,173	16,700
<i>All Other</i>	681,112	664,574	(16,538)
Higher Education Services Corporation	889,478	889,478	0
State University Construction Fund	0	0	0
State University of New York	1,362,297	1,420,377	58,080
<b>Functional Total</b>	<b>18,310,315</b>	<b>18,376,052</b>	<b>65,737</b>

## 2005-06 Mid-Year Financial Plan Update

### CASH DISBURSEMENTS BY FUNCTION 2005-2006 GENERAL FUND (thousands of dollars)

	First Quarterly Update	Mid-Year Update	Change
<b>GENERAL GOVERNMENT</b>			
Audit and Control, Department of	167,367	164,914	(2,453)
Budget, Division of the	28,185	31,630	3,445
Civil Service, Department of	24,199	23,599	(600)
Elections, State Board of	4,094	4,094	0
Employee Relations, Office of	3,580	3,580	0
Executive Chamber	15,480	15,480	0
General Services, Office of	148,686	160,312	11,626
Inspector General, Office of	4,579	4,465	(114)
Law, Department of	125,637	123,321	(2,316)
Lieutenant Governor, Office of the	485	485	0
Lottery, Division of	0	0	0
Racing and Wagering Board, State	0	0	0
Real Property Services, Office of	21,197	21,197	0
Regulatory Reform, Governor's Office of	3,554	3,554	0
State Labor Relations Board	3,357	3,357	0
State, Department of	20,523	20,955	432
Tax Appeals, Division of	2,994	2,994	0
Taxation and Finance, Department of	306,876	304,876	(2,000)
Technology, Office for	20,076	20,699	623
TSC Lobbying	1,409	1,409	0
Veterans Affairs, Division of	12,089	11,879	(210)
<b>Functional Total</b>	<b>914,367</b>	<b>922,800</b>	<b>8,433</b>
<b>ALL OTHER CATEGORIES</b>			
Legislature	206,730	206,730	0
Judiciary (excluding fringe benefits)	1,392,500	1,392,500	0
World Trade Center	0	0	0
Local Government Assistance	1,028,900	1,028,900	0
Long-Term Debt Service	1,699,633	1,712,542	12,909
Capital Projects	214,395	214,395	0
General State Charges/Miscellaneous	5,258,286	5,247,678	(10,608)
<b>Functional Total</b>	<b>9,800,444</b>	<b>9,802,745</b>	<b>2,301</b>
<b>TOTAL GENERAL FUND SPENDING</b>	<b>46,449,020</b>	<b>46,896,253</b>	<b>447,233</b>

## 2005-06 Mid-Year Financial Plan Update

### CASH DISBURSEMENTS BY FUNCTION 2005-2006 STATE FUNDS (thousands of dollars)

	First Quarterly Update	Mid-Year Update	Change
<b>ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT</b>			
Agriculture and Markets, Department of	77,099	77,831	732
Alcoholic Beverage Control	11,471	10,870	(601)
Banking Department	68,061	66,774	(1,287)
Consumer Protection Board	2,575	2,553	(22)
Economic Development, Department of	488,644	392,968	(95,676)
Empire State Development Corporation	94,798	94,798	0
Energy Research and Development Authority	26,006	26,006	0
Housing Finance Agency	0	0	0
Housing and Community Renewal, Division of	188,675	188,215	(460)
Insurance Department	149,329	149,329	0
Olympic Regional Development Authority	7,750	7,750	0
Public Service, Department of	55,395	54,995	(400)
Science, Technology and Academic Research, Office of	67,834	67,834	0
<b>Functional Total</b>	<u>1,237,637</u>	<u>1,139,923</u>	<u>(97,714)</u>
<b>PARKS AND THE ENVIRONMENT</b>			
Adirondack Park Agency	4,408	4,408	0
Environmental Conservation, Department of	736,352	731,265	(5,087)
Environmental Facilities Corporation	12,664	12,664	0
Parks, Recreation and Historic Preservation, Office of	227,945	229,045	1,100
<b>Functional Total</b>	<u>981,369</u>	<u>977,382</u>	<u>(3,987)</u>
<b>TRANSPORTATION</b>			
Motor Vehicles, Department of	250,213	261,242	11,029
Thruway Authority	4,000	4,000	0
Transportation, Department of	4,170,613	4,004,227	(166,386)
<b>Functional Total</b>	<u>4,424,826</u>	<u>4,269,469</u>	<u>(155,357)</u>
<b>HEALTH AND SOCIAL WELFARE</b>			
Advocate for Persons with Disabilities, Office of	0	0	0
Aging, Office for the	82,064	75,950	(6,114)
Children and Family Services, Office of	1,461,977	1,458,601	(3,376)
Health, Department of	15,160,513	15,122,189	(38,324)
<i>Medical Assistance</i>	11,794,247	11,721,047	(73,200)
<i>Medicaid Administration</i>	119,950	119,950	0
<i>All Other</i>	3,246,316	3,281,192	34,876
Human Rights, Division of	13,148	12,819	(329)
Labor, Department of	99,294	89,856	(9,438)
Prevention of Domestic Violence, Office of	2,445	2,445	0



## 2005-06 Mid-Year Financial Plan Update

### CASH DISBURSEMENTS BY FUNCTION 2005-2006 STATE FUNDS (thousands of dollars)

	First Quarterly Update	Mid-Year Update	Change
<b>HEALTH AND SOCIAL WELFARE (Continued)</b>			
Temporary and Disability Assistance, Office of	1,547,289	1,431,086	(116,203)
<i>Welfare Assistance</i>	1,000,969	883,166	(117,803)
<i>Welfare Administration</i>	371,550	371,550	0
<i>All Other</i>	174,770	176,370	1,600
Welfare Inspector General, Office of	754	714	(40)
Workers' Compensation Board	144,188	144,188	0
<b>Functional Total</b>	<b>18,511,672</b>	<b>18,337,848</b>	<b>(173,824)</b>
<b>MENTAL HEALTH</b>			
Mental Health, Office of	1,635,658	1,673,684	38,026
Mental Hygiene, Department of	4,800	4,800	0
Mental Retardation and Developmental Disabilities, Office of	939,403	958,197	18,794
Alcohol and Substance Abuse Services, Office of	336,512	337,304	792
Developmental Disabilities Planning Council	0	0	0
Quality of Care for the Mentally Disabled, Commission on	4,665	4,665	0
<b>Functional Total</b>	<b>2,921,038</b>	<b>2,978,650</b>	<b>57,612</b>
<b>PUBLIC PROTECTION</b>			
Capital Defenders Office	10,916	4,500	(6,416)
Correction, Commission of	2,510	2,510	0
Correctional Services, Department of	2,184,850	2,226,398	41,548
Crime Victims Board	30,890	30,890	0
Criminal Justice Services, Division of	130,567	125,816	(4,751)
Homeland Security	79,143	97,837	18,694
Investigation, Temporary State Commission of	3,652	3,565	(87)
Judicial Commissions	2,703	2,703	0
Military and Naval Affairs, Division of	45,478	82,240	36,762
Parole, Division of	183,589	181,983	(1,606)
Probation and Correctional Alternatives, Division of	78,832	74,832	(4,000)
Public Security, Office of	0	0	0
State Police, Division of	616,414	614,546	(1,868)
<b>Functional Total</b>	<b>3,369,544</b>	<b>3,447,820</b>	<b>78,276</b>
<b>EDUCATION</b>			
Arts, Council on the	43,405	43,400	(5)
City University of New York	1,454,714	1,462,214	7,500
Education, Department of	20,722,171	20,730,021	7,850
<i>School Aid</i>	15,807,772	15,807,772	0
<i>STAR Property Tax Relief</i>	3,222,000	3,222,000	0
<i>Handicapped</i>	908,473	925,173	16,700
<i>All Other</i>	783,926	775,076	(8,850)
Higher Education Services Corporation	1,029,194	1,027,980	(1,214)
State University Construction Fund	10,480	10,480	0
State University of New York	4,756,967	4,891,226	134,259
<b>Functional Total</b>	<b>28,016,931</b>	<b>28,165,321</b>	<b>148,390</b>

## 2005-06 Mid-Year Financial Plan Update

### CASH DISBURSEMENTS BY FUNCTION 2005-2006 STATE FUNDS (thousands of dollars)

	First Quarterly Update	Mid-Year Update	Change
<b>GENERAL GOVERNMENT</b>			
Audit and Control, Department of	247,988	224,405	(23,583)
Budget, Division of the	43,399	50,705	7,306
Civil Service, Department of	25,199	24,599	(600)
Elections, State Board of	4,094	4,094	0
Employee Relations, Office of	3,768	3,768	0
Executive Chamber	15,580	15,480	(100)
General Services, Office of	242,542	254,490	11,948
Inspector General, Office of	6,017	5,524	(493)
Law, Department of	164,656	162,160	(2,496)
Lieutenant Governor, Office of the	485	485	0
Lottery, Division of	177,264	177,264	0
Racing and Wagering Board, State	17,902	18,388	486
Real Property Services, Office of	51,299	52,007	708
Regulatory Reform, Governor's Office of	3,554	3,554	0
State Labor Relations Board	3,614	3,614	0
State, Department of	159,272	116,137	(43,135)
Tax Appeals, Division of	2,994	2,994	0
Taxation and Finance, Department of	343,506	339,106	(4,400)
Technology, Office for	20,076	20,699	623
TSC Lobbying	1,876	1,876	0
Veterans Affairs, Division of	12,089	11,879	(210)
<b>Functional Total</b>	<u>1,547,174</u>	<u>1,493,228</u>	<u>(53,946)</u>
<b>ALL OTHER CATEGORIES</b>			
Legislature	207,680	207,680	0
Judiciary (excluding fringe benefits)	1,618,566	1,618,566	0
World Trade Center	0	0	0
Local Government Assistance	1,028,900	1,028,900	0
Long-Term Debt Service	3,828,893	3,808,219	(20,674)
General State Charges/Miscellaneous	5,118,145	5,112,903	(5,242)
GAAP/Other Adjustments (1)	(2,360,000)	(2,118,658)	241,342
<b>Functional Total</b>	<u>9,442,184</u>	<u>9,657,610</u>	<u>215,426</u>
<b>TOTAL STATE FUNDS SPENDING</b>	<u><u>70,452,375</u></u>	<u><u>70,467,251</u></u>	<u><u>14,876</u></u>

(1) Includes:

(a) Adjustment to exclude capital projects spending that occurs directly from bond proceeds. Such spending is displayed in the agency totals above, but is eliminated from the aggregate total since the State Comptroller reports such spending only in the GAAP results, not cash results.

(b) Adjustment to reduce projected special revenue and capital projects spending consistent with historical trends and overall forecast model.

## 2005-06 Mid-Year Financial Plan Update

### CASH DISBURSEMENTS BY FUNCTION 2005-2006 ALL GOVERNMENTAL FUNDS (thousands of dollars)

	First Quarterly Update	Mid-Year Update	Change
<b>ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT</b>			
Agriculture and Markets, Department of	92,639	93,371	732
Alcoholic Beverage Control	11,471	10,870	(601)
Banking Department	68,061	66,774	(1,287)
Consumer Protection Board	2,575	2,553	(22)
Economic Development, Department of	488,989	393,313	(95,676)
Empire State Development Corporation	94,798	94,798	0
Energy Research and Development Authority	26,006	26,006	0
Housing Finance Agency	0	0	0
Housing and Community Renewal, Division of	223,950	223,490	(460)
Insurance Department	149,329	149,329	0
Olympic Regional Development Authority	7,750	7,750	0
Public Service, Department of	56,800	56,400	(400)
Science, Technology and Academic Research, Office of	73,459	73,459	0
<b>Functional Total</b>	<u>1,295,827</u>	<u>1,198,113</u>	<u>(97,714)</u>
<b>PARKS AND THE ENVIRONMENT</b>			
Adirondack Park Agency	4,758	4,758	0
Environmental Conservation, Department of	919,146	914,059	(5,087)
Environmental Facilities Corporation	12,664	12,664	0
Parks, Recreation and Historic Preservation, Office of	233,217	234,317	1,100
<b>Functional Total</b>	<u>1,169,785</u>	<u>1,165,798</u>	<u>(3,987)</u>
<b>TRANSPORTATION</b>			
Motor Vehicles, Department of	275,918	286,947	11,029
Thruway Authority	4,000	4,000	0
Transportation, Department of	5,732,868	5,510,633	(222,235)
<b>Functional Total</b>	<u>6,012,786</u>	<u>5,801,580</u>	<u>(211,206)</u>
<b>HEALTH AND SOCIAL WELFARE</b>			
Advocate for Persons with Disabilities, Office of	0	0	0
Aging, Office for the	185,594	179,480	(6,114)
Children and Family Services, Office of	3,078,720	3,079,497	777
Health, Department of	36,817,591	36,664,267	(153,324)
<i>Medical Assistance</i>	31,784,754	31,606,554	(178,200)
<i>Medicaid Administration</i>	589,500	589,500	0
<i>All Other</i>	4,443,337	4,468,213	24,876
Human Rights, Division of	15,119	14,790	(329)
Labor, Department of	677,532	668,094	(9,438)
Prevention of Domestic Violence, Office of	2,445	2,445	0

## 2005-06 Mid-Year Financial Plan Update

### CASH DISBURSEMENTS BY FUNCTION 2005-2006 ALL GOVERNMENTAL FUNDS (thousands of dollars)

	First Quarterly Update	Mid-Year Update	Change
<b>HEALTH AND SOCIAL WELFARE (Continued)</b>			
Temporary and Disability Assistance, Office of	4,678,875	4,755,783	76,908
<i>Welfare Assistance</i>	3,312,576	3,383,166	70,590
<i>Welfare Administration</i>	371,550	371,550	0
<i>All Other</i>	994,749	1,001,067	6,318
Welfare Inspector General, Office of	1,184	1,144	(40)
Workers' Compensation Board	144,954	144,954	0
<b>Functional Total</b>	<b>45,602,014</b>	<b>45,510,454</b>	<b>(91,560)</b>
<b>MENTAL HEALTH</b>			
Mental Health, Office of	2,247,077	2,285,428	38,351
Mental Hygiene, Department of	4,800	4,800	0
Mental Retardation and Developmental Disabilities, Office of	2,909,648	2,928,442	18,794
Alcohol and Substance Abuse Services, Office of	486,847	487,639	792
Developmental Disabilities Planning Council	3,679	3,679	0
Quality of Care for the Mentally Disabled, Commission on	13,592	13,592	0
<b>Functional Total</b>	<b>5,665,643</b>	<b>5,723,580</b>	<b>57,937</b>
<b>PUBLIC PROTECTION</b>			
Capital Defenders Office	10,916	4,500	(6,416)
Correction, Commission of	2,510	2,510	0
Correctional Services, Department of	2,244,388	2,287,703	43,315
Crime Victims Board	62,478	62,478	0
Criminal Justice Services, Division of	468,728	463,977	(4,751)
Homeland Security	80,743	99,437	18,694
Investigation, Temporary State Commission of	3,652	3,565	(87)
Judicial Commissions	2,703	2,703	0
Military and Naval Affairs, Division of	131,617	171,429	39,812
Parole, Division of	184,789	183,183	(1,606)
Probation and Correctional Alternatives, Division of	78,832	74,832	(4,000)
Public Security, Office of	0	0	0
State Police, Division of	620,300	621,015	715
<b>Functional Total</b>	<b>3,891,656</b>	<b>3,977,332</b>	<b>85,676</b>
<b>EDUCATION</b>			
Arts, Council on the	44,134	44,669	535
City University of New York	1,454,714	1,462,214	7,500
Education, Department of	24,309,441	24,318,161	8,720
<i>School Aid</i>	18,512,639	18,512,639	0
<i>STAR Property Tax Relief</i>	3,222,000	3,222,000	0
<i>Handicapped</i>	1,579,373	1,596,073	16,700
<i>All Other</i>	995,429	987,449	(7,980)
Higher Education Services Corporation	1,039,688	1,038,474	(1,214)
State University Construction Fund	10,480	10,480	0
State University of New York	4,939,167	5,070,241	131,074
<b>Functional Total</b>	<b>31,797,624</b>	<b>31,944,239</b>	<b>146,615</b>

## 2005-06 Mid-Year Financial Plan Update

### CASH DISBURSEMENTS BY FUNCTION 2005-2006 ALL GOVERNMENTAL FUNDS (thousands of dollars)

	First Quarterly Update	Mid-Year Update	Change
<b>GENERAL GOVERNMENT</b>			
Audit and Control, Department of	247,988	224,405	(23,583)
Budget, Division of the	43,399	50,705	7,306
Civil Service, Department of	25,199	24,599	(600)
Elections, State Board of	37,598	5,229	(32,369)
Employee Relations, Office of	3,768	3,768	0
Executive Chamber	15,580	15,480	(100)
General Services, Office of	247,008	258,956	11,948
Inspector General, Office of	6,017	5,524	(493)
Law, Department of	186,945	182,445	(4,500)
Lieutenant Governor, Office of the	485	485	0
Lottery, Division of	177,264	177,264	0
Racing and Wagering Board, State	17,902	18,388	486
Real Property Services, Office of	51,299	52,007	708
Regulatory Reform, Governor's Office of	3,554	3,554	0
State Labor Relations Board	3,614	3,614	0
State, Department of	239,307	196,172	(43,135)
Tax Appeals, Division of	2,994	2,994	0
Taxation and Finance, Department of	343,784	339,588	(4,196)
Technology, Office for	20,076	20,699	623
TSC Lobbying	1,876	1,876	0
Veterans Affairs, Division of	13,520	12,913	(607)
<b>Functional Total</b>	<u>1,689,177</u>	<u>1,600,665</u>	<u>(88,512)</u>
<b>ALL OTHER CATEGORIES</b>			
Legislature	207,680	207,680	0
Judiciary (excluding fringe benefits)	1,626,166	1,626,166	0
World Trade Center	149,000	149,000	0
Local Government Assistance	1,028,900	1,028,900	0
Long-Term Debt Service	3,828,893	3,808,219	(20,674)
General State Charges/Miscellaneous	5,345,494	5,351,313	5,819
GAAP/Other Adjustments (1)	(2,660,000)	(2,418,658)	241,342
<b>Functional Total</b>	<u>9,526,133</u>	<u>9,752,620</u>	<u>226,487</u>
<b>TOTAL ALL GOVERNMENTAL FUNDS SPENDING</b>	<u>106,650,645</u>	<u>106,674,381</u>	<u>23,736</u>

(1) Includes:

(a) Adjustment to exclude capital projects spending that occurs directly from bond proceeds. Such spending is displayed in the agency totals above, but is eliminated from the aggregate total since the State Comptroller reports such spending only in the GAAP results, not cash results.

(b) Adjustment to reduce projected special revenue and capital projects spending consistent with historical trends and overall forecast model.

## 2005-06 Mid-Year Financial Plan Update

**CASH FLOW**  
**HEALTH CARE REFORM ACT RESOURCES FUND**  
**2005-2006**  
(millions of dollars)

	<b>First Quarter (Actual)</b>	<b>Second Quarter (Actual)</b>	<b>Third Quarter (Projected)</b>	<b>Fourth Quarter (Projected)</b>	<b>Total (Projected)</b>
<b>Opening fund balance (1)</b>	412	735	877	98	412
<b>Receipts:</b>					
Cigarette Taxes (2)	178	180	154	152	664
Miscellaneous Receipts	489	1,445	758	2,694	5,386
<b>Total receipts</b>	<b>667</b>	<b>1,625</b>	<b>912</b>	<b>2,846</b>	<b>6,050</b>
<b>Disbursements:</b>					
Hospital Indigent Care Fund	105	244	271	233	853
Professional Education/Graduate Medical Education	69	117	86	100	372
Elderly Pharmaceutical Insurance Coverage (EPIC)	0	268	136	135	539
Child Health Plus (CHP)	59	94	90	101	344
Family Health Plus (FHP)	0	140	146	153	439
Workforce Recruitment and Retention	11	17	166	222	416
Public Health	20	37	44	41	142
Mental Health	7	28	32	20	87
Roswell Park Cancer Institute	20	19	7	32	78
Physician Excess Medical Malpractice	0	0	0	65	65
Transfer To Medicaid:					
Pharmacy Costs	0	183	309	256	748
Physician Costs	0	27	53	6	86
Health Insurance Demonstration Project	0	17	35	17	69
Supplemental Medical Insurance	0	0	34	34	68
All Other Medicaid	0	221	127	201	549
All Other	53	71	155	189	468
<b>Total disbursements</b>	<b>344</b>	<b>1,483</b>	<b>1,691</b>	<b>1,805</b>	<b>5,323</b>
<b>Change in fund balance</b>	<b>323</b>	<b>142</b>	<b>(779)</b>	<b>1,041</b>	<b>727</b>
<b>Closing fund balance</b>	<b>735</b>	<b>877</b>	<b>98</b>	<b>1,139</b>	<b>1,139</b>

(1) The 2005-06 HCRA opening balance is increased by \$248 million to reflect balances in existing HCRA special revenue funds that were previously reported elsewhere in the State Financial Plan.

(2) Includes a transfer of cigarette tax revenue from NYC, pursuant to statute.

**2005-06 Mid-Year Financial Plan Update**

**WORKFORCE IMPACT SUMMARY REPORT  
GENERAL FUND  
2004-2005 THROUGH 2005-2006**

<b>Major Agencies</b>	<b>2004-05 Actual (03/31/05)</b>	<b>October Update Estimate (03/31/06)</b>
Audit and Control	1,388	1,522
Children and Family Services	3,139	3,166
Correctional Services	30,428	30,238
Education	385	376
Environmental Conservation	1,154	1,197
General Services	1,044	1,066
Health	2,099	2,123
Labor	11	34
Law	1,171	1,179
Mental Health	16,038	16,348
Mental Health Memo (1)	16,038	16,524
Mental Retardation	21,520	21,824
Mental Retardation Memo (1)	21,520	23,024
Motor Vehicles	0	0
Parks, Recreation and Historic Preservation	1,341	1,323
Parole	2,011	2,069
State Police	5,088	5,114
Temporary and Disability Assistance	463	463
Taxation and Finance	4,720	4,377
<b>SUBTOTAL - Major Agencies</b>	<b>92,000</b>	<b>92,419</b>
<b>All Other Agencies (Minor)</b>	<b>4,700</b>	<b>4,789</b>
<b>TOTAL</b>	<b>96,700</b>	<b>97,208</b>
<b>Universities and Off-Budget Agencies</b>		
State University	22,650	23,300
<b>GRAND TOTAL</b>	<b>119,350</b>	<b>120,508</b>

(1) Memo #'s are used to represent each agency's authorized fill, but are not counted in the total lines.

**2005-06 Mid-Year Financial Plan Update**

**WORKFORCE IMPACT SUMMARY REPORT  
GENERAL FUND  
2004-2005 THROUGH 2005-2006**

<b>Minor Agencies</b>	<b>2004-05 Actual (03/31/05)</b>	<b>October Update Estimate (03/31/06)</b>
Adirondack Park	63	59
Advocate for Disabled	9	0
Aging	27	28
Agriculture and Markets	366	411
Alcoholism and Substance Abuse	821	850
Arts Council	41	43
Budget	317	303
Capital Defender	57	8
Civil Service	333	332
Consumer Protection	0	0
Correction Commission	32	35
Quality of Care and Advocacy for Disabled	32	46
Criminal Justice Service	556	539
Crime Victims	61	64
Economic Development	202	206
Elections	38	43
Employee Relations	40	45
Executive Chamber	145	153
Higher Education Service	0	0
Homeland Security	26	42
Housing and Community Renewal	377	373
Hudson River Valley Greenway Communities Council	4	2
Human Rights	179	166
Inspector General	50	50
Judicial Commissions	28	28
Labor Management Committees	52	56
Lieutenant Governor	4	5
Military and Naval Affairs	230	247
Northeastern Queens Nature and Historical	2	2
NYSTAR	29	30
Prevention of Domestic Violence	28	33
Probation and Correctional Alternatives	26	24
Public Employment Relations Board	32	34
Real Property Services	14	0
Regulatory Reform	36	36
State	170	199
Tax Appeals	30	31
Technology	92	110
TSC Investigation	30	31
TSC Lobbying	18	15
Veteran Affairs	93	101
Welfare Inspector General	10	9
<b>SUBTOTAL - Minor Agencies</b>	<b>4,700</b>	<b>4,789</b>



**2005-06 Mid-Year Financial Plan Update**

**WORKFORCE IMPACT SUMMARY REPORT  
ALL FUNDS  
2004-2005 THROUGH 2005-2006**

<b>Major Agencies</b>	<b>2004-05 Actual (03/31/05)</b>	<b>October Update Estimate (03/31/06)</b>
Audit and Control	2,214	2,413
Children and Family Services	3,730	3,810
Correctional Services	31,101	31,472
Education	2,988	3,114
Environmental Conservation	3,261	3,335
General Services	1,634	1,709
Health	5,854	6,166
Labor	4,065	3,953
Law	1,739	1,762
Mental Health	16,100	16,447
Mental Health Memo (1)	16,100	17,047
Mental Retardation	21,537	21,842
Mental Retardation Memo (1)	21,537	23,042
Motor Vehicles	2,694	2,762
Parks, Recreation and Historic Preservation	1,612	1,591
Parole	2,011	2,069
State Police	5,642	5,729
Temporary and Disability Assistance	2,192	2,532
Taxation and Finance	4,757	4,766
Transportation	9,597	9,769
Workers' Compensation Board	1,523	1,525
<b>SUBTOTAL - Major Agencies</b>	<b>124,251</b>	<b>126,766</b>
<b>All Other Agencies (Minor)</b>	<b>11,429</b>	<b>11,988</b>
<b>TOTAL</b>	<b>135,680</b>	<b>138,754</b>
<b>Universities and Off-Budget Agencies</b>		
City University	10,642	11,102
Industrial Exhibit Authority	43	44
Roswell Park Cancer Institute (2)	1,565	1,627
State University Construction Fund	98	102
State Insurance Fund	2,656	2,657
State University	38,247	39,400
Hiring Freeze / Position Control Adjustment	0	(2,186)
<b>GRAND TOTAL</b>	<b>188,931</b>	<b>191,500</b>

(1) Memo #'s are used to represent each agency's authorized fill, but are not counted in the total lines.

(2) Excludes Health Research Institute employees.

## 2005-06 Mid-Year Financial Plan Update

### WORKFORCE IMPACT SUMMARY REPORT ALL FUNDS 2004-2005 THROUGH 2005-2006

Minor Agencies	2004-05 Actual (03/31/05)	October Update Estimate (03/31/06)
Adirondack Park	63	59
Advocate for Disabled	13	0
Aging	119	135
Agriculture and Markets	546	567
Alcoholism and Substance Abuse	916	956
Alcoholic Beverage Control	145	146
Arts Council	49	51
Banking	550	575
Budget	336	361
Capital Defender	57	8
Civil Service	563	562
Consumer Protection	30	31
Correction Commission	32	35
Quality of Care and Advocacy for Disabled	84	105
Criminal Justice Service	686	692
Crime Victims	95	103
Deferred Compensation	4	4
Economic Development	212	215
Elections	38	47
Employee Relations	73	74
Environmental Facilities Corporation	98	92
Executive Chamber	145	153
Financial Control Board	16	17
Higher Education Service	678	700
Homeland Security	60	86
Housing and Community Renewal	915	940
Hudson River Valley Greenway Communities Council	4	2
Human Rights	179	203
Inspector General	60	68
Insurance	903	918
Interest on Lawyer Account	8	9
Judicial Commissions	28	28
Labor Management Committees	52	56
Lieutenant Governor	4	5
Lottery	323	341
Military and Naval Affairs	526	584
Northeastern Queens Nature and Historical	2	2
NYSTAR	29	30
Prevention Domestic Violence	28	33
Probation and Correctional Alternatives	32	28
Public Employment Relations Board	32	34
Public Service	530	545
Racing and Wagering	123	135
Real Property Services	386	401
Regulatory Reform	36	36
State	810	867
Tax Appeals	30	31
Technology	598	704
TSC Investigation	30	31
TSC Lobbying	18	17
Veteran Affairs	104	112
Welfare Inspector General	10	9
Wireless Network	21	45
<b>SUBTOTAL - Minor Agencies</b>	<b>11,429</b>	<b>11,988</b>