

The background of the entire page is a monochromatic, teal-tinted photograph of the Statue of Liberty. The statue stands prominently in the center, holding its torch aloft. Below the statue is its massive, multi-tiered pedestal, which sits atop a low, rectangular stone base. The sky is a pale, uniform teal, and the overall image has a soft, slightly hazy quality.

*New York State*  
*2001-2002*  
*Financial Plan Report*

**September 21, 2001**

**George E. Pataki**  
**Governor**

**Carole E. Stone**  
**Budget Director**

## **INTRODUCTION**

This Financial Plan Report is submitted pursuant to section 23 of the State Finance Law, which requires the Governor to submit revised financial plans and quarterly updates that reflect action by the Legislature on the Executive Budget and subsequent information for the current fiscal year. This report includes new forecasts for the national and State economies, as well as detailed estimates for the major categories of receipts and disbursements, and reflects activity by the Legislature on the budget through September 13, 2001.

## **RECENT EVENTS**

While this report reflects Legislative action on the budget through September 13, 2001, as well as revised economic and spending trends for the 2001-2002 fiscal year, it does not yet reflect the impact on the State's financial plan from the terrorist attacks on the World Trade Center in New York City on September 11, 2001. It is expected that this disaster will temporarily disrupt receipts growth and receipts cash flow. The disaster will also adversely impact State personal service and other costs in the short run. The current budget contains sufficient appropriation authority to expedite the use of Federal resources to cover a significant portion of these costs.

As more information becomes known, the State will provide revised revenue and spending estimates in future financial plan updates. A preliminary assessment suggests the revenue loss will likely exceed \$1 billion given the possible disruption associated with the World Trade Center disaster to business activity and normal tax payment mechanisms during the balance of the fiscal year. Given the size of the State's current reserves, Financial Plan balance for the remainder of the 2001-2002 fiscal year can be assured. It is expected that a more precise estimate of Federal and other resources needed in this and subsequent fiscal years to allow the State and New York City to recover and rebuild will be available in subsequent financial plan updates.

The Federal government enacted an emergency supplemental authorization of \$40 billion, with not less than \$20 billion allocated to disaster recovery activities and assistance in New York, Virginia and Pennsylvania. In addition, the State enacted a total of \$5.5 billion in appropriations, primarily to ensure timely receipt of Federal and other aid for the relief and recovery efforts in New York City. Finally, the State enacted legislation to provide New York City with additional bonding capacity which would allow the City to issue \$2.5 billion in bonds for costs related to the attack on the World Trade Center.

**OVERVIEW**

As noted previously, the projections that follow do not reflect the impact of the attack on the World Trade Center. The 2001-2002 revised Financial Plan provides a status of the State's financial condition, including updated projections based on a revised economic forecast and other results to-date, as well as the net impact of the Legislature's action on the Executive Budget. Since the presentation of the Executive Budget, the following has occurred:

- % approximately \$200 million in lower projected revenues when compared to Executive Budget projections for 2001-2002 based on the State's most recent forecast of national and State economic growth but before the World Trade Center disaster, as described in more detail below;
- % roughly \$275 million in new costs based on updated information to-date, including the loss of the Tennessee Gas Pipeline court case (\$114 million), a higher pension bill from the Comptroller (\$44 million), unanticipated growth in child welfare programs (\$60 million), and various litigation and other costs (\$55 million);
- % about \$790 million of higher costs due to inaction to date on cost-saving measures proposed in the Executive Budget, including building aid reform (\$245 million), Federal financial support for welfare and child welfare programs (\$188 million), Medicaid cost containment (\$138 million), a new multi-State Lottery game (\$125 million), and EPIC prescription drug reforms (\$41 million);
- % \$925 million in additional one-time surplus funds from the 2000-2001 fiscal year; and
- % approximately \$630 million in savings from the elimination by the Legislature of funding for proposed General Fund support for health care services provided through HCRA (\$137 million), non-personal service costs in various State agencies (\$113 million), economic development programs (\$65 million), additional spending cuts for various agencies and programs, and elimination of all new initiatives proposed in the Executive Budget.

The following table summarizes current spending levels for the General Fund and All Governmental Funds under the 2001-2002 Financial Plan Report.

|                        | Size of the<br>Budget | \$ Change<br>from 2000-2001 | % Change<br>from 2000-2001 |
|------------------------|-----------------------|-----------------------------|----------------------------|
| General Fund           | 41,993                | 2,291                       | 5.8%                       |
| All Governmental Funds | 84,050                | 4,297                       | 5.4%                       |

Some highlights of the revised 2001-2002 Financial Plan show:

- % Annual General Fund spending growth of 5.8 percent;
- % The State's reserves are projected to be \$2.6 billion. After the planned use of the \$1.2 billion STAR reserve and \$625 million from the 2000-2001 surplus to cover downwardly revised revenue projections and new unanticipated costs, the remaining reserves include \$1.5 billion in the Fiscal Responsibility Reserve (as proposed by the Governor in the Executive Budget), \$300 million set aside to cover potential economic losses and other costs that may result in the balance of the fiscal year, including those resulting from the attack on the World Trade Center, \$627 million in the permanent "rainy day" reserve, and \$151 million for litigation risks; and
- % A school year school aid increase of \$745 million.

## **THE 2001-2002 GENERAL FUND FINANCIAL PLAN**

### **Background**

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

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

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

## Economic Outlook

The terrorist attacks on the World Trade Center that took place on September 11 are expected to have a substantial adverse impact on the New York City, State, and national economies. Transportation and communications have been disrupted. The financial markets remained closed for an unprecedented four days. The magnitude of the impact which these events will have on financial markets, tourism, and other economic activity remains uncertain. The Federal Reserve Board has acted to calm worldwide markets and possibly forestall a recession by injecting large reserves into the banking system and lowering the federal funds rate by an additional 50 basis points.

While it is difficult to gauge the full magnitude of that impact at this time, the Budget Division recognizes that there are significant risks to the forecast presented below. It is estimated that at least 100,000 jobs will have to be relocated, at least temporarily. As noted previously, a revised forecast will be provided in subsequent financial plan updates.

### National Economy

| Major Economic Indicators     |      |       |      |
|-------------------------------|------|-------|------|
|                               | 2000 | 2001  | 2002 |
| Gross Domestic Product (real) | 4.1  | 1.7   | 2.8  |
| Personal Income               | 7.0  | 4.8   | 4.9  |
| Corporate Profits             | 8.9  | (4.0) | 7.3  |
| Consumer Price Index          | 3.4  | 3.3   | 2.7  |

*Note: Numbers above are percent change/calendar year. The New York State Division of the Budget estimates are based on National Income and Product Account data through June 2001, except for nonagricultural employment and the unemployment rate which are based on U.S. Department of Labor data through early July 2001.*

National economic growth slowed significantly during the second half of 2000 and first half of 2001, with the longest economic expansion on record now in its eleventh year. Real U.S. Gross Domestic Product (GDP) grew by only 0.2 percent during the second quarter of 2001, following growth of 1.9 percent in the last quarter of 2000 and 1.3 percent during the first quarter of 2001. The Division of the Budget expects this reduced pace of growth to continue for the remainder of 2001. Real U.S. GDP is expected to grow by 1.7 percent for all of 2001, following a 4.1 percent increase in 2000.

In an effort to boost the economy, the Federal Reserve Board has cut the federal funds target rate seven times through September 17, by a total of 350 basis points. Lower interest rates are expected to stimulate growth in consumption, housing investment, and business spending.

Personal income is estimated to have grown 7.0 percent in 2000. Growth in wages and salaries, along with increased growth in interest income, are the primary factors which contributed to strong personal income growth for last year. Slower growth in wages and interest income is expected for 2001. Overall, personal income growth of 4.8 percent is expected for this year. Non-agricultural employment grew 2.2 percent in 2000, but growth is expected to slow to 0.6 percent in 2001, given the current economic slowdown. The unemployment rate averaged 4.0 percent during

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2000, but is expected to average 4.6 percent in 2001, consistent with weaker employment and output growth.

There are significant risks to the current forecast. In the light of the events of September 11, output growth could be weaker due to the sudden decline in economic activity in the days immediately following the disaster, particularly in the transportation, communications, and financial sectors. Corporate profits, which have already declined for four consecutive quarters, may be reduced further, resulting in more employee layoffs and less capital investment than expected. Should the stock market decline more than projected, the resulting decline in the value of household wealth, coupled with employee layoffs, could further reduce consumer confidence and consumption growth. Slower global growth than anticipated could cause greater declines in exports, posing additional risk to the national economy. Should all of the risks mentioned above materialize, the national economy could slip into a recession. However, in the intermediate future, efforts to rebuild in the aftermath of the World Trade Center disaster could stimulate sustained growth beyond what is currently anticipated.

### State Economy

| Major Economic Indicators  |      |      |      |
|----------------------------|------|------|------|
|                            | 2000 | 2001 | 2002 |
| Personal Income            | 7.5  | 4.5  | 3.3  |
| Nonagricultural employment | 2.1  | 1.1  | 0.8  |
| Unemployment Rate          | 4.6  | 5.0  | 5.5  |

*Note: Income and Employment numbers are percent change/calendar year. Personal income for year 2000 and estimates for 2001 and 2002 are projected by the Division of the Budget.*

Continued growth is projected for the State's economy for 2001 in employment, wages, and personal income, although growth will moderate significantly from the rates achieved in 2000. Overall employment is expected to grow at a much more modest rate than in 2000, reflecting the slowdown in the national economy. New York personal income is estimated to have grown by 7.5 percent in 2000, fueled in part by a large increase in finance sector bonus payments and strong growth in total employment. State personal income is projected to grow 4.5 percent in 2001. The slowdown in growth is attributable primarily to slower national employment growth and weakness in income payments, particularly bonuses in the financial sector.

The most significant risks to the State economic forecast revolve around the impact of the World Trade Center disaster, which occurred during the nation's first economic slowdown since the recession of the early 1990s. The disaster could trigger weaker financial market activity than currently projected resulting in lower bonus payments and, therefore, lower wages and personal income than indicated by the DOB forecast. Moreover, weaker stock market performance than projected could produce a lower level of capital gains realizations and, hence, reduced taxable personal income. Additionally, weaker State employment growth than currently projected and job relocations associated with the World Trade Center destruction could produce lower wage and personal income levels.

## General Fund Receipts

| 2000-2001 | 2001-2002 | \$ Change |
|-----------|-----------|-----------|
| 39,883    | 43,608    | 3,725     |

Total General Fund receipts in support of the 2001-2002 Financial Plan are projected to be \$43.61 billion, an increase of \$3.73 billion from the \$39.88 billion recorded in 2000-2001. This total includes \$40.01 billion in tax receipts, \$1.50 billion in miscellaneous receipts, and \$2.10 billion in transfers from other funds.

General Fund receipts (net of refund reserve account transactions, which exceeded 30-day estimates by \$1.2 billion) are estimated at \$40.69 billion for 2001-2002. This is \$263 million below estimates released with the 30-day amendments to the Executive Budget. The major changes are described in more detail below.

Personal income tax receipts, net of refund reserve account transactions, are expected to be \$230 million higher than the 30-day amendments to the Executive Budget due to stronger collections in final payments on 2000 tax year liability in April 2001, as offset by lower estimated payments on 2001 tax liability and reduced withholding growth since the beginning of the current fiscal year.

User taxes and fees are expected to fall by \$450 million — \$328 million in the General Fund and \$122 million in Local Government Assistance Corporation (LGAC) transfers — from the 30-day amendments to the Executive Budget. This adjustment reflects disappointing first quarter collection results and revisions in the economic outlook.

Business taxes are expected to decline by \$162 million from the 30-day amendments to the Executive Budget. This is the result of \$222 million in reduced collections from the corporate franchise tax. In addition, corporate and utility taxes are estimated to fall by \$14 million from prior estimates due to the loss of \$114 million resulting from the adverse Court of Appeals decision concerning the section 189 gas import tax (the Tennessee Gas and Pipeline decision). These are offset by increased receipts estimates for the bank and insurance taxes of \$33 million and \$40 million, respectively.

Other taxes are expected to drop by \$14 million from the 30-day amendments to the Executive Budget due to a reduction in estate tax estimates.

The estimate of miscellaneous receipts has been increased by \$70 million from the 30-day amendments to the Executive Budget.

Transfers to the General Fund are expected to decline from the estimates in the 30-day amendments to the Executive Budget due primarily to the impact of the reduction in the sales tax estimate on LGAC transfers.

Receipt estimates for 2001-2002 do not reflect the impact of the World Trade Center disaster. The economic disruption and dislocation caused by this event are expected to have a pronounced negative effect on receipts. The major stock exchanges were closed for a record number of days. Transportation networks were closed and operations remain significantly curtailed. A significant

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portion of New York City office space was destroyed and many businesses have been forced to relocate. Based on a preliminary analysis of the economic consequences of this catastrophe, the reduction in State receipts will likely exceed \$1 billion in the current 2001-2002 fiscal year.

### Personal Income Tax

| 2000-2001 | 2001-2002 | \$ Change |
|-----------|-----------|-----------|
| 23,566    | 28,181    | 4,615     |

The estimate for withholding tax collections has been increased by \$160 million, reflecting the higher base for the last quarter of 2000-2001. This base effect is partially offset by lower withholding collections for the rest of the fiscal year due to a drop in estimated wage growth. The withholding estimate is based on an assumed security industry bonus income decrease of nearly 25 percent for this year's bonus season.

Estimated tax installment payments have been decreased by \$410 million from the Executive Budget projections. This reflects installment payment decreases on 2001 tax liability, compared to last year, for the April and June quarterly payments due to reductions in the projected growth of non-wage income. This estimate is based on an assumed capital gains income decrease of 17 percent.

The estimate for payments with extension requests has been increased by \$370 million, reflecting higher-than-expected collections during the first quarter of 2001-2002 as part of the income tax settlement for the 2000 tax year.

The estimate for payments with final returns has been increased by \$175 million, reflecting higher-than-expected collections during the first quarter of 2001-2002 as part of the income tax settlement for the 2000 tax year.

The estimate for refunds has been increased by \$100 million, reflecting higher-than-expected refunds paid during the first quarter of 2001-2002 and anticipated for the remainder of the fiscal year.

### User Taxes and Fees

| 2000-2001 | 2001-2002 | \$ Change |
|-----------|-----------|-----------|
| 7,404     | 7,094     | (310)     |

The estimate for sales tax (including LGAC receipts) is \$489 million lower than the 30-day amendments to the Executive Budget reflecting lower-than-anticipated collections for the first quarter of 2001-02 and a weakening economy.

The estimate for cigarette and tobacco tax is \$34 million higher than the 30-day amendments to the Executive Budget, reflecting higher-than-anticipated cigarette tax receipts for the five months of 2001-2002.

The estimate for motor vehicle fees is \$200 million, or \$5 million higher than the 30-day amendments to the Executive Budget, reflecting higher-than-expected receipts from registration fees.

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The estimate for alcohol beverage tax is \$176 million, or \$2 million below the 30-day amendments to the Executive Budget.

The estimate for alcohol beverage control license fees is \$31 million, which is unchanged from the 30-day amendments to the Executive Budget.

The estimate for auto rental tax is \$0.5 million higher than the 30-day amendments to the Executive Budget, reflecting a higher-than-anticipated carryover from the final quarter of 2000-2001.

### Business Taxes

| 2000-2001 | 2001-2002 | \$ Change |
|-----------|-----------|-----------|
| 4,328     | 3,979     | (349)     |

Corporation franchise tax (Article 9A) receipts are estimated to be 10 percent, or \$222 million, below the 30-day amendments to the Executive Budget.

A substantial decrease in current year payments by both fiscal and calendar year taxpayers and an increase in refunds contributed to a decline in the Article 9A estimate. Current year liability payments by calendar year filers are down 10 percent and fiscal filer current year liability payments are down 44 percent. This reflects the sharp declines in profit growth experienced during the first half of 2001.

Corporation and utilities tax collections fell \$14 million below the 30-day amendments to the Executive Budget. Our current estimate of \$861 million assumes the loss associated with the Tennessee Pipeline case estimated at \$114 million in 2001-2002.

Insurance franchise tax receipts are estimated to be \$40 million above the 30-day amendments to the Executive Budget.

Bank tax (Article 32) receipts are estimated to be \$33 million above the 30-day amendments to the Executive Budget. The increase in receipts is attributed to a higher-than-expected increase in current year payments by both fiscal and calendar commercial bank taxpayers.

### Other Taxes

| 2000-2001 | 2001-2002 | \$ Change |
|-----------|-----------|-----------|
| 795       | 757       | (38)      |

Other tax receipts are now projected to total \$757 million, \$38 million below last year's amount. Sources in this category include: the estate and gift tax, the real property gains tax and pari-mutuel taxes.

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

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The estimate for estate and gift taxes is reduced from \$736 million to \$722 million due largely to weakness in the stock market.

The estimate for pari-mutuel taxes is reduced from \$31 million to \$29 million due to the reduced collections in the first quarter and expected continued weakness in the racing handle.

The estimate for boxing and racing admissions taxes was marginally reduced from \$0.9 million to \$0.8 million to reflect recent collections history and the fact that no major boxing matches were scheduled for this year.

### Miscellaneous Receipts

| 2000-2001 | 2001-2002 | \$ Change |
|-----------|-----------|-----------|
| 1,553     | 1,499     | (54)      |

Total miscellaneous receipts are expected to reach \$1.50 billion, down \$54 million from 2000-2001. The miscellaneous receipts estimates exceed the Executive Budget projection by \$70 million. This reflects stronger-than-anticipated interest earnings.

### Transfers From Other Funds

| 2000-2001 | 2001-2002 | \$ Change |
|-----------|-----------|-----------|
| 2,237     | 2,098     | (139)     |

Transfers from other funds are expected to total \$2.10 billion, or \$139 million less than total receipts from this category during 2000-2001. Total transfers of sales taxes in excess of LGAC debt service requirements are expected to decrease by \$19 million, while transfers from all other funds are expected to decrease by \$120 million from actual collections in 2000-2001. This represents a drop of \$122 million in transfers from LGAC since the 30-day amendments to the Executive Budget and an increase in other transfers of \$63 million.

### General Fund Disbursements

| 2000-2001 | 2001-2002 | \$ Change |
|-----------|-----------|-----------|
| 39,702    | 41,993    | 2,291     |

General Fund disbursements, including transfers to support capital projects, debt service and other funds, are currently estimated at \$42.0 billion for 2001-2002, an increase of \$2.29 billion or 5.8 percent over 2000-2001.

Spending for education programs accounts for \$1.39 billion of the growth, by far the largest share of the \$2.29 billion increase in annual spending. The school year school aid increase of \$745 million reflects increases proposed with the Executive Budget and the lack of building aid reforms. On a State fiscal year basis, school aid will grow by \$979 million or 8.5 percent over 2000-2001, which incorporates the "tail" of last year's record increase. Spending on other education and higher

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education programs will also increase significantly from the last year, growing by \$410 million, or 10.5 percent primarily for handicapped programs (\$247 million) and SUNY (\$159 million). Outside of education, the largest growth in spending is for Medicaid (\$398 million or 7.0 percent). All other spending grows by \$504 million or 2.7 percent over 2000-2001 levels.

Projected spending in the revised 2001-2002 Financial Plan is \$650 million above the Governor's Executive Budget recommendation. The increase in General Fund spending results from legislative additions of \$785 million, \$159 million in new costs that have developed since budget introduction, and \$291 million in timing-related disbursements that did not occur in 2000-2001 but instead were disbursed in 2001-2002. These higher costs are partially offset by \$585 million of various spending cuts taken by the Legislature, and the elimination of all new initiatives proposed by the Governor in the Executive Budget.

The legislative additions of \$785 million primarily reflect inaction to-date on the Governor's Executive Budget savings proposals. These proposals include building aid reform (\$245 million), the use of TANF Block Grant monies to finance welfare and child welfare spending (\$188 million), Medicaid cost containment (\$138 million), a new multi-State lottery initiative (\$125 million), and EPIC prescription drug cost containment (\$41 million).

The new, previously unplanned costs total \$159 million primarily for pensions (\$44 million), child welfare (\$60 million), health care litigation and other related expenses (\$55 million).

The timing related spending increase of \$291 million reflects spending for programs originally expected to occur by March 31, 2001 but delayed to the 2001-2002 fiscal year. These include various legislative initiatives (\$126 million), preschool special education claims (\$67 million), collective bargaining costs (\$55 million), and litigation costs (\$43 million).

Spending cuts and the elimination of all new initiatives total \$585 million in 2001-2002. These actions include the elimination of proposed General Fund support to health care services provided through the HCRA Special Revenue Fund (\$137 million), non-personal service cuts across various State agencies (\$113 million), and reduced funding for mental hygiene programs (\$74 million), economic development programs (\$65 million), Statewide transit subsidies (\$38 million), and technology initiatives (\$32 million).

### Grants to Local Governments

| 2000-2001 | 2001-2002 | \$ Change |
|-----------|-----------|-----------|
| 26,667    | 28,453    | 1,786     |

Grants to Local Governments (also known as local assistance) include financial aid to local governments and non-profit organizations, as well as entitlement payments to individuals. The largest areas of spending in local assistance are for aid to public schools (44 percent) and for the State's share of Medicaid payments to medical providers (22 percent). Spending for higher education programs (6 percent), mental hygiene programs (5 percent), welfare assistance (4 percent), and children and families services (4 percent) represent the next largest areas of local aid.

Spending in local assistance is estimated at \$28.45 billion in 2001-2002, an increase of \$1.79 billion (6.7 percent) from the 2000-2001 fiscal year. The change in spending is comprised primarily

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of increases for school aid, Medicaid, children and families services, and health programs, offset by decreases in welfare costs and stock transfer incentive aid payments.

General Fund spending for school aid is projected at \$12.50 billion in 2001-2002 (on a State fiscal year basis), an increase of \$979 million (8.5 percent). This reflects the fiscal year cost of the school year increase of \$745 million to fund formula-based and categorical aid programs, as well as the "tail" of aid payable from the 2000-2001 school year. The school aid figures reflect building aid increases without the reforms (\$245 million) proposed by the Governor in the Executive Budget.

Medicaid spending is estimated at \$6.12 billion in 2001-2002, an increase of \$398 million (7.0 percent) from 2000-2001. This reflects underlying spending growth of 6.9 percent and the loss of proposed cost containment measures, partially offset by efforts to ensure appropriate Federal financing. General Fund spending for other health programs is projected at \$631 million, an increase of \$146 million (30.1 percent) from 2000-2001. This increase is primarily due to growth in the EPIC prescription drug program (\$86 million) and costs associated with the West Nile Virus outbreak (\$22 million).

Spending on welfare is projected at \$1.05 billion, a decrease of \$263 million (20.1 percent) from 2000-2001. This decrease is largely attributable to continued welfare caseload declines and increased support provided by Federal funding in such areas as the Earned Income Tax Credit and the Child and Dependent Care Tax Credit. Welfare caseload is projected at about 741,000 recipients, down 37,000 from 2000-2001 levels.

Local assistance spending for Children and Families Services is projected at \$1.08 billion in 2001-2002, up \$224 million (26.2 percent) from 2000-2001. The increase in spending includes the loss of TANF Block Grant monies to support General Fund costs, as well as program growth in child protective services.

Spending for all other local assistance programs will total \$7.07 billion in 2001-2002, a net increase of \$302 million (4.5 percent) from last year. This includes increased State support for children with special educational needs (\$247 million) and tuition assistance (\$57 million), offset by the elimination of stock transfer incentive aid payments (\$114 million).

### State Operations

| 2000-2001 | 2001-2002 | \$ Change |
|-----------|-----------|-----------|
| 7,604     | 7,808     | 204       |

State Operations pays for the costs of operating the Executive, Legislative, and Judicial branches of government. Spending in this category is projected at \$7.81 billion, an increase of \$204 million or 2.7 percent over the prior year. The growth in State Operations is primarily attributable to the annualized costs of labor agreements and related costs with State employee unions (\$238 million).

The State's overall workforce is now projected at 193,500 persons by the end of 2001-2002, down about 1,400 from the end of 2000-2001.

**General State Charges**

| 2000-2001 | 2001-2002 | \$ Change |
|-----------|-----------|-----------|
| 2,567     | 2,659     | 92        |

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

Disbursements for GSCs are estimated at \$2.66 billion, an increase of \$92 million from the prior year. The change mainly reflects higher health insurance rates in calendar year 2001, primarily to cover the increasing cost of providing health insurance benefits for State employees, as well as higher-than-expected costs for pensions and related benefits.

**Debt Service**

| 2000-2001 | 2001-2002 | \$ Change |
|-----------|-----------|-----------|
| 1         | 0         | (1)       |

This category reflects debt service on short-term State obligations, and formerly included interest costs on the State's commercial paper program. In 2001-2002, all of the State's debt service is for long-term bonds, and is shown as a transfer to the General Debt Service Fund.

To reduce costs, the State continues to diversify its debt portfolio to include a prudent level of short-term debt obligations. Since borrowing costs for the commercial paper program and variable rate bonds are comparable and both are effective short-term debt instruments, the use of the commercial paper program was eliminated during 2000-2001 and replaced with additional variable rate general obligation debt. As a result, the State satisfied its remaining commercial paper debt service obligations in 2000-2001.

**Transfers to Other Funds**

| 2000-2001 | 2001-2002 | \$ Change |
|-----------|-----------|-----------|
| 2,862     | 3,073     | 211       |

Transfers in support of debt service are General Fund resources used to pay principal, interest, and related expenses on long-term bonds that are not funded from other resources. Long-term debt service transfers are projected at \$2.29 billion in 2001-2002, an increase of \$74 million from 2000-2001. This increase reflects debt service costs from new capital spending, primarily for education and corrections purposes. In addition, the Legislature's inaction on the proposed revenue bond initiative results in increased debt service costs of about \$21 million.

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Transfers for capital projects provide General Fund support for projects that are not financed by bond proceeds, dedicated taxes, other revenues, or Federal grants. Transfers for capital projects of \$316 million in 2001-2002 are projected to increase \$31 million from the prior year, reflecting continued cash support of the bonded programs converted to cash in the prior years and the Governor's recommended General Fund support for the proposed superfund.

All other transfers, which reflect the remaining transfers from the General Fund to other funds, are estimated to total \$468 million in 2001-2002, an increase of \$106 million. This includes a State subsidy to SUNY (\$69 million) and General Fund support of the court facilities incentive aid program (\$37 million).

### **Reserves/General Fund Closing Balance**

The following summarizes reserves under the 2001-2002 Enacted Budget. After the planned use of \$1.2 billion in the STAR Fund, General Fund reserves are projected to be \$2.6 billion in 2001-2002 and include:

- % \$1.48 billion in the Fiscal Responsibility Reserve;
- % \$627 million in the permanent rainy day fund (the Tax Stabilization Reserve Fund);
- % \$151 million in the litigation reserve (the Contingency Reserve Fund); and
- % \$300 million in reserves for the World Trade Center/Other Costs.

The General Fund closing balance is projected at \$2.71 billion and includes the reserves noted above as well as \$142 million in the Community Projects Fund and \$14 million in the Universal Pre-Kindergarten Fund which are already committed to existing programs.

### **OUTYEAR GENERAL FUND FINANCIAL PLAN PROJECTIONS**

DOB will formally update its projections of receipts and disbursements for future years as part of the Governor's 2002-2003 Executive Budget submission. Preliminary analysis indicates that the State will have budget gaps comparable to the amounts projected in the 2001-2002 Executive Budget.

The outyear gaps reflect roughly 5 percent revenue growth annually, and spending growth consistent with continuation of programs funded in the Enacted Budget. The gaps do not reflect the use of any remaining reserves. Please refer to the detailed outyear projections contained in the Executive Budget for more information. The Governor will submit a balanced budget and Financial Plan for 2002-2003 with the upcoming Executive Budget in January, 2002.

### **GOVERNMENTAL FUNDS FINANCIAL PLANS**

#### **All Governmental Funds**

All Governmental Funds spending is estimated at \$84.05 billion in 2001-2002, an increase of \$4.30 billion or 5.4 percent above the prior year. When spending for the School Tax Relief (STAR) program is excluded, spending growth is 4.6 percent. The spending growth is comprised of changes

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in the General Fund (\$2.08 billion excluding transfers), Federal support for Medicaid spending (\$856 million), and STAR program (\$694 million). All other spending grows by \$666 million or 2.4 percent.

### **State Funds**

State Funds disbursements are projected at \$57.96 billion, up \$3.77 billion from 2000-2001. The year-to-year growth in State Funds is primarily comprised of an increase of \$2.08 billion in the General Fund described earlier, \$694 million for the continuing phase-in of the STAR program, \$146 million for Mass Transportation programs, \$144 million in additional spending under the Health Care Reform Act of 2000, and \$90 million for the Elderly Pharmaceutical Insurance Coverage (EPIC) program. All other spending grows by \$620 million, or 4.6 percent.

### **Special Revenue Funds**

Total disbursements for programs supported by Special Revenue Funds are projected at \$36.29 billion, an increase of \$1.93 billion or 5.6 percent over 2000-2001. Special Revenue Funds include Federal grants and State special revenue funds.

Federal grants comprise 68 percent of all Special Revenue spending in 2001-2002, comparable to prior years. Disbursements from Federal funds are estimated at \$24.65 billion, up by \$540 million or 2.2 percent. Medicaid is the largest program within Federal funds, accounting for over half of total spending in this category. In 2001-2002, Federal support for Medicaid spending is projected at \$14.20 billion, an increase of \$856 million over 2000-2001. This growth is offset by decreases in Children and Families Services resulting from funding eliminated by the Legislature.

State special revenue spending is projected to be \$11.64 billion, an increase of \$1.39 billion or 13.6 percent from last year. The major components of growth include the final phase of the STAR program valued at \$2.6 billion (up \$694 million from 2000-2001), additional spending of \$146 million for Mass Transportation programs, \$144 million in additional spending under the Health Care Reform Act of 2000, and an increase of \$90 million for the EPIC program.

### **Capital Projects Funds**

Spending from Capital Projects Funds in 2001-2002 is projected at \$4.92 billion, an increase of \$458 million or 10.3 percent from last year. The increase is primarily attributable to \$362 million for new capital projects in transportation, housing and economic development.

### **Debt Service Funds**

Spending from Debt Service Funds is estimated at \$3.92 billion in 2001-2002, a decrease of \$175 million, or 4.3 percent, from 2000-2001. This results from the use of \$421 million of Debt Reduction Reserve Fund (DRRF) monies in 2000-2001 to defease high cost debt. The remaining increases are for a variety of purposes, including transportation, education, mental health, corrections, and general obligation financings.

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As proposed by the Governor, \$500 million in deposits to DRRF will be used in the current year to pay off the State's high cost debt and increase pay-as-you-go spending for previously bond financed programs. This is expected to reduce the State's total future debt service costs by roughly \$700 million.

### **GAAP FINANCIAL PLANS**

The State bases its GAAP projections on the cash estimates in this Enacted Budget Report and the actual results for the 2000-2001 fiscal year as reported by the State Comptroller. The State's accumulated GAAP surplus is projected at \$2.90 billion at the end of 2001-2002, a substantial improvement from the \$3.3 billion GAAP deficit as of 1994-1995.

On March 31, 2001, actual results show an increase in the accumulated GAAP-basis surplus in the General Fund from \$3.93 billion to \$4.17 billion. In 2001-2002, the General Fund GAAP Financial Plan shows total revenues of \$40.56 billion, total expenditures of \$41.22 billion and net other financing uses of \$609 million. The change in the GAAP operating projections from February to those prepared for the Enacted Budget primarily reflect the use of the 2000-2001 surplus to fund current year operations.

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

|                                 | <u>2000-2001<br/>Actual</u> | <u>2001-2002<br/>September<br/>Plan</u> | <u>Change</u> |
|---------------------------------|-----------------------------|---|---------------|
| <b>Opening fund balance</b>     | <u>917</u>                  | <u>1,098</u>                            | <u>181</u>    |
| <b>Receipts:</b>                |                             |   |               |
| Taxes                           |                             |   |               |
| Personal income tax             | 23,566                      | 28,181                                  | 4,615         |
| User taxes and fees             | 7,404                       | 7,094                                   | (310)         |
| Business taxes                  | 4,328                       | 3,979                                   | (349)         |
| Other taxes                     | 795                         | 757                                     | (38)          |
| Miscellaneous receipts          | 1,553                       | 1,499                                   | (54)          |
| Transfers from other funds      |                             |   |               |
| LGAC                            | 1,758                       | 1,739                                   | (19)          |
| All other                       | 479                         | 359                                     | (120)         |
| <b>Total receipts</b>           | <u>39,883</u>               | <u>43,608</u>                           | <u>3,725</u>  |
| <b>Disbursements:</b>           |                             |   |               |
| Grants to local governments     | 26,667                      | 28,453                                  | 1,786         |
| State operations                | 7,604                       | 7,808                                   | 204           |
| General State charges           | 2,567                       | 2,659                                   | 92            |
| Debt service                    | 1                           | 0                                       | (1)           |
| Transfers to other funds        |                             |   |               |
| Debt service                    | 2,215                       | 2,289                                   | 74            |
| Capital projects                | 285                         | 316                                     | 31            |
| State university                | 0                           | 69                                      | 69            |
| Other purposes                  | 362                         | 399                                     | 37            |
| <b>Total disbursements</b>      | <u>39,702</u>               | <u>41,993</u>                           | <u>2,291</u>  |
| <b>Change in fund balance</b>   | <u>181</u>                  | <u>1,615</u>                            | <u>1,434</u>  |
| <b>Closing fund balance</b>     | <u>1,098</u>                | <u>2,713</u>                            | <u>1,615</u>  |
| Tax Stabilization Reserve Fund  | 627                         | 627                                     | 0             |
| Contingency Reserve Fund        | 150                         | 151                                     | 1             |
| Community Projects Fund         | 292                         | 142                                     | (150)         |
| Universal Pre-Kindergarten Fund | 29                          | 14                                      | (15)          |
| Fiscal Responsibility Reserve   | 0                           | 1,479                                   | 1,479         |
| Reserve for WTC/Other costs     | 0                           | 300                                     | 300           |

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

|                                 | <b>30-Day</b> | <b>Change</b> | <b>September<br/>Plan</b> |
|---------------------------------|---------------|---------------|---------------------------|
| <b>Opening fund balance</b>     | 1,144         | (46)          | 1,098                     |
| <b>Receipts:</b>                |               |               |                           |
| Taxes                           |               |               |                           |
| Personal income tax             | 26,736        | 1,445         | 28,181                    |
| User taxes and fees             | 7,423         | (329)         | 7,094                     |
| Business taxes                  | 4,141         | (162)         | 3,979                     |
| Other taxes                     | 771           | (14)          | 757                       |
| Miscellaneous receipts          | 1,429         | 70            | 1,499                     |
| Transfers from other funds      |               |               |                           |
| LGAC                            | 1,861         | (122)         | 1,739                     |
| All other                       | 296           | 63            | 359                       |
| <b>Total receipts</b>           | 42,657        | 951           | 43,608                    |
| <b>Disbursements:</b>           |               |               |                           |
| Grants to local governments     | 27,790        | 663           | 28,453                    |
| State operations                | 7,897         | (89)          | 7,808                     |
| General State charges           | 2,589         | 70            | 2,659                     |
| Debt service                    | 0             | 0             | 0                         |
| Transfers to other funds        |               |               |                           |
| Debt service                    | 2,268         | 21            | 2,289                     |
| Capital projects                | 341           | (25)          | 316                       |
| State university                | 69            | 0             | 69                        |
| Other purposes                  | 389           | 10            | 399                       |
| <b>Total disbursements</b>      | 41,343        | 650           | 41,993                    |
| <b>Change in fund balance</b>   | 1,314         | 301           | 1,615                     |
| <b>Closing fund balance</b>     | 2,458         | 255           | 2,713                     |
| Tax Stabilization Reserve Fund  | 627           | 0             | 627                       |
| Contingency Reserve Fund        | 150           | 1             | 151                       |
| Community Projects Fund         | 188           | (46)          | 142                       |
| Universal Pre-Kindergarten Fund | 14            | 0             | 14                        |
| Fiscal Responsibility Reserve   | 1,479         | 0             | 1,479                     |
| Reserve for WTC/Other costs     | 0             | 300           | 300                       |

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**CURRENT STATE RECEIPTS  
GENERAL FUND  
(millions of dollars)**

|  | <b>2000-2001<br/>Actual</b> | <b>2001-2002<br/>September<br/>Plan</b> | <b>Change</b> |
|--|-----------------------------|---|---------------|
| <b>Personal income tax</b>                 | 23,566                      | 28,181                                  | 4,615         |
| <b>User taxes and fees</b>                 | 7,404                       | 7,094                                   | (310)         |
| Sales and use tax                          | 6,272                       | 6,151                                   | (121)         |
| Cigarette and tobacco taxes                | 528                         | 497                                     | (31)          |
| Motor fuel tax                             | 17                          | 0                                       | (17)          |
| Motor vehicle fees                         | 337                         | 200                                     | (137)         |
| Alcoholic beverage taxes                   | 179                         | 176                                     | (3)           |
| Alcoholic beverage control<br>license fees | 31                          | 31                                      | (0)           |
| Auto rental tax                            | 39                          | 39                                      | 0             |
| <b>Business taxes</b>                      | 4,328                       | 3,979                                   | (349)         |
| Corporation franchise tax                  | 2,335                       | 2,000                                   | (335)         |
| Corporation and utilities taxes            | 817                         | 861                                     | 44            |
| Insurance taxes                            | 584                         | 580                                     | (4)           |
| Bank tax                                   | 506                         | 538                                     | 32            |
| Petroleum business taxes                   | 86                          | 0                                       | (86)          |
| <b>Other taxes</b>                         | 795                         | 757                                     | (38)          |
| Estate and gift taxes                      | 759                         | 722                                     | (37)          |
| Real property gains tax                    | 6                           | 5                                       | (1)           |
| Pari-mutuel taxes                          | 29                          | 29                                      | 0             |
| Other taxes                                | 1                           | 1                                       | 0             |
| <b>Total taxes</b>                         | 36,093                      | 40,011                                  | 3,918         |
| <b>Miscellaneous receipts</b>              | 1,553                       | 1,499                                   | (54)          |
| <b>Total</b>                               | 37,646                      | 41,510                                  | 3,864         |

**2001-2002 Financial Plan Report**

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

|   | <b>General<br/>Fund</b> | <b>Special<br/>Revenue<br/>Funds</b> | <b>Capital<br/>Projects<br/>Funds</b> | <b>Debt<br/>Service<br/>Funds</b> | <b>(MEMO)<br/>Total</b> |
|---|-------------------------|--------------------------------------|---------------------------------------|-----------------------------------|-------------------------|
| <b>Opening fund balance</b>               | 1,098                   | 2,199                                | (89)                                  | 422                               | 3,630                   |
| <b>Receipts:</b>                          |                         |                                      |                                       |                                   |                         |
| Taxes                                     | 40,011                  | 2,919                                | 1,549                                 | 2,666                             | 47,145                  |
| Miscellaneous receipts                    | 1,499                   | 6,942                                | 1,768                                 | 614                               | 10,823                  |
| Federal grants                            | 0                       | 24,797                               | 1,451                                 | 0                                 | 26,248                  |
| <b>Total receipts</b>                     | <b>41,510</b>           | <b>34,658</b>                        | <b>4,768</b>                          | <b>3,280</b>                      | <b>84,216</b>           |
| <b>Disbursements:</b>                     |                         |                                      |                                       |                                   |                         |
| Grants to local governments               | 28,453                  | 29,227                               | 967                                   | 0                                 | 58,647                  |
| State operations                          | 7,808                   | 6,599                                | 0                                     | 7                                 | 14,414                  |
| General State charges                     | 2,659                   | 462                                  | 0                                     | 0                                 | 3,121                   |
| Debt service                              | 0                       | 0                                    | 0                                     | 3,913                             | 3,913                   |
| Capital projects                          | 0                       | 6                                    | 3,949                                 | 0                                 | 3,955                   |
| <b>Total disbursements</b>                | <b>38,920</b>           | <b>36,294</b>                        | <b>4,916</b>                          | <b>3,920</b>                      | <b>84,050</b>           |
| <b>Other financing sources (uses):</b>    |                         |                                      |                                       |                                   |                         |
| Transfers from other funds                | 2,098                   | 2,511                                | 595                                   | 4,995                             | 10,199                  |
| Transfers to other funds                  | (3,073)                 | (2,064)                              | (778)                                 | (4,124)                           | (10,039)                |
| Bond and note proceeds                    | 0                       | 0                                    | 237                                   | 0                                 | 237                     |
| Use of Debt Reduction Reserve Fund        | 0                       | 0                                    | 0                                     | (500)                             | (500)                   |
| <b>Net other financing sources (uses)</b> | <b>(975)</b>            | <b>447</b>                           | <b>54</b>                             | <b>371</b>                        | <b>(103)</b>            |
| <b>Change in fund balance</b>             | <b>1,615</b>            | <b>(1,189)</b>                       | <b>(94)</b>                           | <b>(269)</b>                      | <b>63</b>               |
| <b>Closing fund balance</b>               | <b>2,713</b>            | <b>1,010</b>                         | <b>(183)</b>                          | <b>153</b>                        | <b>3,693</b>            |

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

|   | <b>General<br/>Fund</b> | <b>Special<br/>Revenue<br/>Funds</b> | <b>Capital<br/>Projects<br/>Funds</b> | <b>Debt<br/>Service<br/>Funds</b> | <b>(MEMO)<br/>Total</b> |
|---|-------------------------|--------------------------------------|---------------------------------------|-----------------------------------|-------------------------|
| <b>Opening fund balance</b>               | 1,098                   | 2,193                                | 68                                    | 422                               | 3,781                   |
| <b>Receipts:</b>                          |                         |                                      |                                       |                                   |                         |
| Taxes                                     | 40,011                  | 2,919                                | 1,549                                 | 2,666                             | 47,145                  |
| Miscellaneous receipts                    | 1,499                   | 6,806                                | 1,768                                 | 614                               | 10,687                  |
| Federal grants                            | 0                       | 0                                    | 0                                     | 0                                 | 0                       |
| <b>Total receipts</b>                     | <b>41,510</b>           | <b>9,725</b>                         | <b>3,317</b>                          | <b>3,280</b>                      | <b>57,832</b>           |
| <b>Disbursements:</b>                     |                         |                                      |                                       |                                   |                         |
| Grants to local governments               | 28,453                  | 7,584                                | 769                                   | 0                                 | 36,806                  |
| State operations                          | 7,808                   | 3,747                                | 0                                     | 7                                 | 11,562                  |
| General State charges                     | 2,659                   | 307                                  | 0                                     | 0                                 | 2,966                   |
| Debt service                              | 0                       | 0                                    | 0                                     | 3,913                             | 3,913                   |
| Capital projects                          | 0                       | 3                                    | 2,707                                 | 0                                 | 2,710                   |
| <b>Total disbursements</b>                | <b>38,920</b>           | <b>11,641</b>                        | <b>3,476</b>                          | <b>3,920</b>                      | <b>57,957</b>           |
| <b>Other financing sources (uses):</b>    |                         |                                      |                                       |                                   |                         |
| Transfers from other funds                | 2,098                   | 776                                  | 595                                   | 4,995                             | 8,464                   |
| Transfers to other funds                  | (3,073)                 | (121)                                | (767)                                 | (4,124)                           | (8,085)                 |
| Bond and note proceeds                    | 0                       | 0                                    | 237                                   | 0                                 | 237                     |
| Use of Debt Reduction Reserve Fund        | 0                       | 0                                    | 0                                     | (500)                             | (500)                   |
| <b>Net other financing sources (uses)</b> | <b>(975)</b>            | <b>655</b>                           | <b>65</b>                             | <b>371</b>                        | <b>116</b>              |
| <b>Change in fund balance</b>             | <b>1,615</b>            | <b>(1,261)</b>                       | <b>(94)</b>                           | <b>(269)</b>                      | <b>(9)</b>              |
| <b>Closing fund balance</b>               | <b>2,713</b>            | <b>932</b>                           | <b>(26)</b>                           | <b>153</b>                        | <b>3,772</b>            |

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

|   | <b>State</b> | <b>Federal</b> | <b>Total</b> |
|---|--------------|----------------|--------------|
| <b>Opening fund balance</b>               | 2,193        | 6              | 2,199        |
| <b>Receipts:</b>                          |              |                |              |
| Taxes                                     | 2,919        | 0              | 2,919        |
| Miscellaneous receipts                    | 6,806        | 136            | 6,942        |
| Federal grants                            | 0            | 24,797         | 24,797       |
| <b>Total receipts</b>                     | 9,725        | 24,933         | 34,658       |
| <b>Disbursements:</b>                     |              |                |              |
| Grants to local governments               | 7,584        | 21,643         | 29,227       |
| State operations                          | 3,747        | 2,852          | 6,599        |
| General State charges                     | 307          | 155            | 462          |
| Capital projects                          | 3            | 3              | 6            |
| <b>Total disbursements</b>                | 11,641       | 24,653         | 36,294       |
| <b>Other financing sources (uses):</b>    |              |                |              |
| Transfers from other funds                | 776          | 1,735          | 2,511        |
| Transfers to other funds                  | (121)        | (1,943)        | (2,064)      |
| Bond and note proceeds                    | 0            | 0              | 0            |
| <b>Net other financing sources (uses)</b> | 655          | (208)          | 447          |
| <b>Change in fund balance</b>             | (1,261)      | 72             | (1,189)      |
| <b>Closing fund balance</b>               | 932          | 78             | 1,010        |

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

|   | <b>State</b> | <b>Federal</b> | <b>Total</b> |
|---|--------------|----------------|--------------|
| <b>Opening fund balance</b>               | 68           | (157)          | (89)         |
| <b>Receipts:</b>                          |              |                |              |
| Taxes                                     | 1,549        | 0              | 1,549        |
| Miscellaneous receipts                    | 1,768        | 0              | 1,768        |
| Federal grants                            | 0            | 1,451          | 1,451        |
| <b>Total receipts</b>                     | 3,317        | 1,451          | 4,768        |
| <b>Disbursements:</b>                     |              |                |              |
| Grants to local governments               | 769          | 198            | 967          |
| State operations                          | 0            | 0              | 0            |
| General State charges                     | 0            | 0              | 0            |
| Capital projects                          | 2,707        | 1,242          | 3,949        |
| <b>Total disbursements</b>                | 3,476        | 1,440          | 4,916        |
| <b>Other financing sources (uses):</b>    |              |                |              |
| Transfers from other funds                | 595          | 0              | 595          |
| Transfers to other funds                  | (767)        | (11)           | (778)        |
| Bond and note proceeds                    | 237          | 0              | 237          |
| <b>Net other financing sources (uses)</b> | 65           | (11)           | 54           |
| <b>Change in fund balance</b>             | (94)         | 0              | (94)         |
| <b>Closing fund balance</b>               | (26)         | (157)          | (183)        |

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**GAAP FINANCIAL PLAN  
GENERAL FUND  
2000-2001 and 2001-2002  
(millions of dollars)**

|   | <u>2000-2001<br/>Actual</u> | <u>2001-2002<br/>September<br/>Plan</u> | <u>Change</u>  |
|---|-----------------------------|---|----------------|
| <b>Revenues:</b>  |                             |   |                |
| Taxes   |                             |   |                |
| Personal income tax   | 24,294                      | 25,174                                  | 880            |
| User taxes and fees   | 7,342                       | 7,342                                   | 0              |
| Business taxes  | 4,063                       | 4,167                                   | 104            |
| Other taxes   | 729                         | 824                                     | 95             |
| Miscellaneous revenues  | 2,426                       | 3,053                                   | 627            |
| <b>Total revenues</b>   | <u>38,854</u>               | <u>40,560</u>                           | <u>1,706</u>   |
| <b>Expenditures:</b>  |                             |   |                |
| Grants to local governments   | 27,411                      | 29,439                                  | 2,028          |
| State operations  | 9,513                       | 9,564                                   | 51             |
| General State charges   | 1,910                       | 2,191                                   | 281            |
| Debt service  | 16                          | 23                                      | 7              |
| Capital projects  | 0                           | 3                                       | 3              |
| <b>Total expenditures</b>   | <u>38,850</u>               | <u>41,220</u>                           | <u>2,370</u>   |
| <b>Other financing sources (uses):</b>  |                             |   |                |
| Transfers from other funds  | 5,496                       | 4,539                                   | (957)          |
| Transfers to other funds  | (5,691)                     | (5,353)                                 | 338            |
| Proceeds of general obligation bonds  | 0                           | 0                                       | 0              |
| Proceeds from financing arrangements/<br>advance refundings   | 436                         | 205                                     | (231)          |
| <b>Net other financing sources (uses)</b>   | <u>241</u>                  | <u>(609)</u>                            | <u>(850)</u>   |
| <b>Excess (deficiency) of revenues and<br/>and other financing sources over<br/>expenditures and other financing uses</b> |                             |   |                |
|   | <u>245</u>                  | <u>(1,269)</u>                          | <u>(1,514)</u> |
| <b>Accumulated surplus</b>  |                             |   |                |
|   | <u>4,170</u>                | <u>2,901</u>                            |                |

*2001-2002 Financial Plan Report*

**GAAP FINANCIAL PLAN  
2001-2002 GENERAL FUND  
(millions of dollars)**

|   | <b>30-Day</b> | <b>Change</b>  | <b>September<br/>Plan</b> |
|---|---------------|----------------|---------------------------|
| <b>Revenues:</b>  |               |                |                           |
| Taxes   |               |                |                           |
| Personal income tax   | 25,484        | (310)          | 25,174                    |
| User taxes and fees   | 7,435         | (93)           | 7,342                     |
| Business taxes  | 4,156         | 11             | 4,167                     |
| Other taxes   | 780           | 44             | 824                       |
| Miscellaneous Revenues  | 3,027         | 26             | 3,053                     |
| <b>Total revenues</b>   | <b>40,882</b> | <b>(322)</b>   | <b>40,560</b>             |
| <b>Expenditures:</b>  |               |                |                           |
| Grants to local governments   | 28,847        | 592            | 29,439                    |
| State operations  | 9,768         | (204)          | 9,564                     |
| General State charges   | 2,062         | 129            | 2,191                     |
| Debt service  | 23            | 0              | 23                        |
| Capital projects  | 2             | 1              | 3                         |
| <b>Total expenditures</b>   | <b>40,702</b> | <b>518</b>     | <b>41,220</b>             |
| <b>Other financing sources (uses):</b>  |               |                |                           |
| Transfers from other funds  | 4,992         | (453)          | 4,539                     |
| Transfers to other funds  | (5,472)       | 119            | (5,353)                   |
| Proceeds of general obligation bonds  | 0             | 0              | 0                         |
| Proceeds from financing arrangements/<br>advance refundings   | 303           | (98)           | 205                       |
| <b>Net other financing sources (uses)</b>   | <b>(177)</b>  | <b>(432)</b>   | <b>(609)</b>              |
| <b>Excess (deficiency) of revenues and<br/>and other financing sources over<br/>expenditures and other financing uses</b> | <b>3</b>      | <b>(1,272)</b> | <b>(1,269)</b>            |

**2001-2002 Financial Plan Report**

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

|   | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Funds</u> | <u>Capital<br/>Projects<br/>Funds</u> | <u>Debt<br/>Service<br/>Funds</u> | <u>(MEMO)<br/>Total</u> |
|---|-------------------------|--------------------------------------|---------------------------------------|-----------------------------------|-------------------------|
| <b>Revenues:</b>  |                         |                                      |                                       |                                   |                         |
| Taxes   | 37,507                  | 2,923                                | 1,569                                 | 2,673                             | 44,672                  |
| Federal Grants  | 0                       | 25,766                               | 1,445                                 | 0                                 | 27,211                  |
| Lottery   | 0                       | 4,071                                | 0                                     | 0                                 | 4,071                   |
| Patient Fees  | 0                       | 0                                    | 0                                     | 325                               | 325                     |
| Miscellaneous Revenues  | 3,053                   | 871                                  | 98                                    | 46                                | 4,068                   |
| <b>Total revenues</b>   | <u>40,560</u>           | <u>33,631</u>                        | <u>3,112</u>                          | <u>3,044</u>                      | <u>80,347</u>           |
| <b>Expenditures:</b>  |                         |                                      |                                       |                                   |                         |
| Grants to local governments   | 29,439                  | 28,520                               | 890                                   | 0                                 | 58,849                  |
| State operations  | 9,564                   | 4,065                                | 0                                     | 7                                 | 13,636                  |
| General State charges   | 2,191                   | 213                                  | 0                                     | 0                                 | 2,404                   |
| Debt service  | 23                      | 0                                    | 0                                     | 3,433                             | 3,456                   |
| Capital projects  | 3                       | 3                                    | 3,946                                 | 0                                 | 3,952                   |
| <b>Total expenditures</b>   | <u>41,220</u>           | <u>32,801</u>                        | <u>4,836</u>                          | <u>3,440</u>                      | <u>82,297</u>           |
| <b>Other financing sources (uses):</b>  |                         |                                      |                                       |                                   |                         |
| Transfers from other funds  | 4,539                   | 1,038                                | 566                                   | 5,206                             | 11,349                  |
| Transfers to other funds  | (5,353)                 | (3,179)                              | (826)                                 | (4,545)                           | (13,903)                |
| Proceeds of general obligation bonds  | 0                       | 0                                    | 237                                   | 0                                 | 237                     |
| Proceeds from financing arrangements/<br>advance refundings   | 205                     | 0                                    | 1,568                                 | 0                                 | 1,773                   |
| Use of debt reduction reserve fund  | 0                       | 0                                    | 0                                     | (500)                             | (500)                   |
| <b>Net other financing sources (uses)</b>   | <u>(609)</u>            | <u>(2,141)</u>                       | <u>1,545</u>                          | <u>161</u>                        | <u>(1,044)</u>          |
| <b>Excess (deficiency) of revenues and<br/>and other financing sources over<br/>expenditures and other financing uses</b> | <u>(1,269)</u>          | <u>(1,311)</u>                       | <u>(179)</u>                          | <u>(235)</u>                      | <u>(2,994)</u>          |