



## **New York State**

# **2004-2005 Enacted Budget Report**

**George E. Pataki, Governor**

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**TABLE OF CONTENTS**

<b>INTRODUCTION</b> .....	2
<b>GENERAL FUND SUMMARY</b> .....	3
General Fund Additions to the Executive Budget .....	4
General Fund New Costs to the Executive Budget .....	11
General Fund Available Resources Above the Executive Budget .....	12
General Fund Nonrecurring Resources .....	13
Vetoed .....	13
Fiscal Management Plan .....	14
<b>ALL GOVERNMENTAL FUNDS SUMMARY</b> .....	14
Summary of Receipts Growth .....	14
Summary of Disbursement Growth .....	16
<b>GENERAL FUND OUTYEAR PROJECTIONS</b> .....	22
Sources of Projected General Fund Outyear Gaps .....	23
Outyear Receipts .....	23
Outyear Disbursements .....	24
<b>CASH FLOW</b> .....	25
<b>GAAP FINANCIAL PLANS</b> .....	26
<b>ECONOMIC OUTLOOK</b> .....	26
National Economy .....	26
New York State Economy .....	27
<b>2004-05 GOVERNMENTAL FUNDS FINANCIAL PLANS</b> .....	28
General Fund .....	28
Special Revenue Funds .....	34
Capital Projects Funds .....	37
Debt Service Funds .....	40
<b>HEALTH CARE REFORM ACT FINANCIAL PLAN</b> .....	45
<b>EXPLANATION OF THE FINANCIAL PLAN</b> .....	45
The State's Fund Structure .....	46
<b>INDEX OF FINANCIAL PLAN TABLES</b> .....	47

## **INTRODUCTION**

This Enacted Budget Report for 2004-05 (the "Report") is submitted pursuant to Section 23 of the State Finance Law.

Part 1 of the Report provides an overview of the Enacted Budget. It expands on DOB's August 20, 2004 analysis of the 2004-05 Legislative Budget Agreement to reflect the Financial Plan impact of the Governor's vetoes and other revisions based on further review of the budget bills. Part 1 summarizes:

- (1) The changes to the 2004-05 Executive Budget Financial Plan (legislative additions, new costs, and available resources), including the impact of vetoes;
- (2) Annual growth in receipts and disbursements;
- (3) Current gap projections for 2005-06 and 2006-07;
- (4) Monthly General Fund cash flow projections for 2004-05; and
- (5) The Financial Plan projections prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Part 2 describes the 2004-05 Enacted Budget Financial Plan by Fund Type (i.e., General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds), updates the 2004-05 receipts and disbursements estimates under the Health Care Reform Act (HCRA), and summarizes the revised forecast for the national and State economies that supports the current Financial Plan projections.

Part 3 contains tables that summarize the General Fund, State Funds, and All Governmental Funds Cash-basis Financial Plans, the monthly General Fund cash flow, the General Fund Financial Plan on a GAAP basis, the quarterly HCRA cash flow, and General Fund, State Funds, and All Governmental Funds functional spending by agency or function.

The Executive Budget estimates in this Report were last published in the Division of the Budget's (DOB) report, "2004-05 Executive Budget with 30-Day Changes," issued on February 12, 2004.

This Enacted Budget Report, the review of the 2004-05 Legislative Budget Agreement issued August 20, 2004, and a detailed list of the Governor's 2004-05 budget vetoes 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.

## GENERAL FUND SUMMARY

The 2004-05 Executive Budget recommended actions to close a budget gap of \$5.1 billion. The recommendations included \$2.6 billion in savings from spending restraint (including program restructuring and the use of alternate funding sources), \$972 million in new revenues, and \$1.5 billion in other measures. The Executive Budget projected budget gaps of \$2.9 billion in 2005-06 and \$4.4 billion in 2006-07, a reduction of \$3.8 billion and \$3.5 billion, respectively, from the initial gaps at the start of the 2004-05 budget cycle. The gap estimates assumed all the Executive Budget savings proposals were enacted in their entirety.

The Legislature completed action on the budget for the 2004-05 fiscal year on August 11, 2004. Consistent with prior years, the debt service bill was enacted by March 31, 2004. DOB estimates that, in comparison to the Executive Budget, the Legislative Budget Agreement identified \$1.1 billion in new General Fund resources to fund \$1.5 billion in additions and \$280 million in new costs, leaving an imbalance of roughly \$600 million to \$700 million in 2004-05 and gaps of approximately \$6 billion in 2005-06 and \$8 billion in 2006-07.

The Governor vetoed General Fund spending additions valued at \$235 million in 2004-05, reducing the projected General Fund imbalance in the current year to approximately \$400 million. The vetoes are expected to generate comparable savings in 2005-06 and 2006-07. The Governor also vetoed \$1.6 billion in new bonding for capital spending approved by the Legislature. Under the State Constitution, the Legislature may take action on the Governor's vetoes through December 31, 2004, or enact additional appropriations, subject to gubernatorial veto, at any time during the 2004-05 fiscal year.

<b>General Fund Gaps</b> (millions of dollars)			
	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
<b>2004-05 Executive Budget</b>	<b>0</b>	<b>(2,852)</b>	<b>(4,354)</b>
Net Additions	(1,527)	(2,618)	(2,788)
New Costs	(280)	(650)	(823)
Available Resources	1,138	(230)	11
<b>2004-05 Legislative Budget Agreement</b>	<b>(669)</b>	<b>(6,350)</b>	<b>(7,954)</b>
Vetoes	235	211	259
Fiscal Management Plan	434	450	450
<b>2004-05 Enacted Budget</b>	<b>0</b>	<b>(5,689)</b>	<b>(7,245)</b>

The DOB, in close cooperation with State agencies, expects to develop a Fiscal Management Plan intended to balance the 2004-05 budget and reduce the outyear gaps. The Plan will be described in the Mid-Year Update to the Financial Plan that is expected to be issued by October 30, 2004. DOB expects that the Fiscal Management Plan will produce savings sufficient to balance the 2004-05 fiscal year and reduce the outyear gaps to the range of \$5 billion to \$6 billion in 2005-06 and roughly \$7 billion in 2006-07. It is expected that with a Fiscal Management Plan, the State will not need to borrow from the rainy day reserve of \$794 million to end the fiscal year in balance on a cash basis in the General Fund.

The DOB projects that All Funds spending will total \$101.2 billion in 2004-05, an increase of \$3.9 billion or 4.0 percent above actual 2003-04 results. When 2003-04 spending is adjusted to reflect certain deferrals (described later in this Report), adjusted 2004-05 All Fund spending increases by \$5.8 billion or 6.1 percent over 2003-04 levels.

## 2004-2005 Enacted Budget Report

The following sections provide more detail on the General Fund changes since the Executive Budget, including legislative additions, vetoes, new costs and new resources.

### General Fund Additions to the Executive Budget

DOB projects that the net General Fund additions above the level projected in the Executive Budget total \$1.3 billion in 2004-05, \$2.4 billion in 2005-06, and \$2.5 billion in 2006-07, after reflecting available resources and vetoes. The following table summarizes, by major function, the Legislature's "gross" additions to the Executive Budget, the available resources specifically identified to offset certain spending additions, and the savings generated by the Governor's vetoes.

<b>General Fund Additions -- Change from Executive Budget</b>			
(millions of dollars)			
	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
<b>Gross Additions</b>	<b>1,950</b>	<b>2,680</b>	<b>2,863</b>
Education/STAR	575	725	688
Higher Education	373	448	467
Medicaid/Health	507	954	1,299
Housing/Transportation/Environment	115	86	108
Human Services	107	134	136
Criminal Justice	76	98	98
General Government/Economic Development	27	27	17
Mental Hygiene	10	10	10
Tax/Revenue Restorations	60	98	40
Member Items	100	100	0
<b>"Avails" Identified to Offset Gross Additions</b>	<b>(423)</b>	<b>(62)</b>	<b>(75)</b>
Use 2004-05 VLTs to Finance School Aid Add	(240)	0	0
Bond Projects Financed on PAYGO Basis	(95)	2	4
Adjust Current TAP Roll at 70/30	(60)	0	0
Medicare Discount Cards	(18)	(19)	0
Resources Made Available by TAP Rejection	(10)	(45)	(79)
<b>Total General Fund Additions (before vetoes)</b>	<b>1,527</b>	<b>2,618</b>	<b>2,788</b>
<b>Vetoes</b>	<b>(235)</b>	<b>(211)</b>	<b>(259)</b>
Education/STAR	(28)	(12)	(12)
Higher Education	(30)	(50)	(69)
Medicaid/Health	(5)	(40)	(72)
Housing/Transportation/Environment	(75)	(13)	(13)
Human Services	(48)	(21)	(21)
Criminal Justice	(24)	(49)	(49)
General Government/Economic Development	(16)	(17)	(14)
Mental Hygiene	(9)	(9)	(9)
<b>Total General Fund Additions (after vetoes)</b>	<b>1,292</b>	<b>2,407</b>	<b>2,529</b>

The following information, which was originally published in DOB's review of the 2004-05 Legislative Budget Agreement, provide more detail on the legislative additions to the Executive Budget, including the impact of the Governor's vetoes.

Education/STAR<sup>1</sup>

<b>General Fund Education/STAR Summary (millions of dollars)</b>			
	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
Increase School Aid (State Fiscal Year)	506	673	673
Reject STAR Plus Proposal	20	20	0
All Other Revisions	49	32	15
<b>Gross Additions</b>	<b>575</b>	<b>725</b>	<b>688</b>
Use 2004-05 VLTs to Finance School Aid Add	(240)	0	0
Vetoed	(28)	(12)	(12)
<b>Net Additions</b>	<b>307</b>	<b>713</b>	<b>676</b>

Total gross additions in the legislative budget for education are projected at \$575 million in 2004-05, including \$506 million for school aid. The 2004-05 school year increase is \$751 million. The Legislature did not enact proposed reforms for Building Aid and Flex Aid, and restored most proposed reductions including: Board of Continuing Education Services (BOCES); Teacher Support Aid (TSA); other teacher-related programs; Library Aid; and Public Broadcasting.

In *Campaign for Fiscal Equity (CFE) v. State of New York*, the State Court of Appeals directed the State to implement a remedy by July 30, 2004 that ensures all children in New York City have the opportunity to receive a sound basic education. Although the Governor called the Legislature into special session on July 22, 2004 to enact legislation in response to the CFE decision, the Legislature failed to reach agreement on a remedy. As a result, the Court subsequently appointed a panel of three special masters who will submit a report by November 30, 2004 that summarizes their review and recommendations on the measures the State has taken to bring its school financing system into constitutional compliance with respect to New York City schools.

Projected revenues of \$240 million from VLTs directed by the Legislature to offset the school aid addition in 2004-05, as well as vetoes of \$28 million, result in a net addition of \$307 million. The outyear value of VLTs are reserved for compliance with the CFE court case.

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<sup>1</sup> School Tax Relief.

## Higher Education

<b>General Fund Higher Education Summary (millions of dollars)</b>			
	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
Reject TAP Restructuring Savings	272	302	302
SUNY Operating Aid	35	50	50
CUNY Operating Aid	25	33	33
SUNY/CUNY Community College	28	37	37
All Other Revisions	13	26	45
<b>Gross Additions</b>	<b>373</b>	<b>448</b>	<b>467</b>
Resources Made Available by TAP Rejection	(10)	(45)	(79)
Adjust Current TAP Roll at 70/30	(60)	0	0
Bond Projects Financed on PAYGO Basis	(95)	2	4
Vetoes	(30)	(50)	(69)
<b>Net Additions</b>	<b>178</b>	<b>355</b>	<b>323</b>

The budget included \$373 million in gross additions for higher education, including \$272 million to reflect legislative rejection of the Tuition Assistance Program (TAP) program restructuring initiatives, operating aid increases of \$35 million for the State University of New York (SUNY), and \$25 million for the City University of New York (CUNY), and \$28 million for SUNY and CUNY community colleges.

The Legislature identified resources totaling \$165 million to offset the gross additions in higher education, including \$60 million in costs rolled into 2005-06 to maintain TAP program funding at 70 percent in the current fiscal year, and \$95 million in bond financing for programs originally expected to be funded with pay-as-you-go resources. Together with \$30 million in vetoes, the net additions are estimated to total \$178 million.



## Medicaid/Public Health

<b>General Fund Medicaid/Public Health Summary (millions of dollars)</b>			
	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
Rejects Hospital/Home Care Assessments	198	217	217
Rejects Preferred Drug Program	37	119	119
Partially Rejects Nursing Home Assessment	36	43	258
Partially Rejects Pharmacy Cost Containment	37	52	52
Partially Rejects FHP Cost Containment	28	37	37
Rejects Closing Long-Term Care Loopholes	25	82	82
State Takeover of FHP Costs	25	158	226
Rejects Streamlining of Benefit Packages	32	35	35
Partially Rejects HCRA Cost Containment	22	32	52
Public Health	12	70	93
All Other Medicaid	55	109	128
<b>Gross Additions</b>	<b>507</b>	<b>954</b>	<b>1,299</b>
Medicare Discount Card	(18)	(19)	0
Veto	(5)	(40)	(72)
<b>Net Additions</b>	<b>484</b>	<b>895</b>	<b>1,227</b>

The Legislature did not enact Executive Budget cost containment initiatives to create a Preferred Drug Program and to reform the Family Health Plus (FHP), Early Intervention, and Long Term Care programs. The budget maintained a nursing home assessment of 5 percent in 2004-05 (the Executive Budget proposed 6 percent) and 2005-06, with complete elimination in 2006-07, but denied the 0.7 percent assessment on hospitals and home care providers. Finally, the State will begin paying for 50 percent of the local costs of the FHP beginning in January 2005 growing to 100 percent in January 2006 (the Executive Budget proposed the takeover of Long Term Care costs). Total gross additions are offset by \$18 million in savings for the Elderly Pharmaceutical Insurance Coverage (EPIC) Program related to the Medicare discount card and \$5 million in vetoes, for a net addition of \$484 million.

## Housing/Transportation/Environmental Conservation

<b>General Fund</b>			
<b>Housing/Transportation/Environmental Conservation Summary</b>			
<b>(millions of dollars)</b>			
	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
Housing Capital	57	0	0
Shift EPF Expenses to the General Fund	14	25	25
Decrease DWI/DWAI Annual Surcharge	9	32	54
Reject \$15 Surcharge for Parking Tickets	8	8	8
Restore 5 Percent Cuts in Agriculture Programs	7	7	7
Reject ATV Fee Increase	6	6	6
Add for Neighborhood Preservation Program	5	5	5
Add for Rural Preservation Program	2	2	2
All Other	7	1	1
<b>Gross Additions</b>	<b>115</b>	<b>86</b>	<b>108</b>
Vetoed	(75)	(13)	(13)
<b>Net Additions</b>	<b>40</b>	<b>73</b>	<b>95</b>

The Legislature added a total of \$115 million including \$57 million in capital spending financed with a portion of the \$225 million available State of New York Mortgage Agency (SONYMA) balance (see "Available Resources" later in this Report) and an additional \$14 million transfer from the Environmental Protection Fund (EPF) to fund initiatives in the General Fund. Vetoes reduced the total additions by \$75 million.

## Human Services

<b>General Fund</b>			
<b>Human Services Summary</b>			
<b>(millions of dollars)</b>			
	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
Reject Welfare Reform Proposals	50	104	107
Temp. Assistance for Needy Families	22	0	0
Increase Foster Care Payments to NYC	10	10	10
Reject Detention Block Grant	7	11	11
All Other	18	9	8
<b>Gross Additions</b>	<b>107</b>	<b>134</b>	<b>136</b>
Vetoed	(48)	(21)	(21)
<b>Net Additions</b>	<b>59</b>	<b>113</b>	<b>115</b>

The Legislature rejected most of the Executive's welfare reform proposals, including a reduction in welfare grant levels, a step-down in the level of the Earned Income Disregard and imposition of "full family" sanctions. In addition, the Legislature added \$10 million in General

## 2004-2005 Enacted Budget Report

Fund spending to support the State's share of the total funding increase necessary to bring New York City foster care payments up to the full maximum State aid rate. In 2004-05, gross additions are projected at \$107 million offset by \$48 million in vetoes.

### Criminal Justice

<b>General Fund Criminal Justice Summary (millions of dollars)</b>			
	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Denial of Handgun Fees	31	11	11
Denial of the Work Zone Speed Enforcement	15	33	33
Increase Correction Officer Staffing Ratio	7	27	27
Add Funding for Correctional Facilities	6	11	11
Add Funding for Fulton Work Release Program	6	6	6
Restore Funding for Westchester Policing Program	3	3	3
All Other	8	7	7
<b>Gross Additions</b>	<u>76</u>	<u>98</u>	<u>98</u>
Vetoes	<u>(24)</u>	<u>(49)</u>	<u>(49)</u>
<b>Net Additions</b>	<b>52</b>	<b>49</b>	<b>49</b>

The Legislature added \$76 million by denying proposed Executive fee increases (\$31 million for handgun fees and \$15 million for speed enforcement fines in transportation work zones), rejecting the closure of three correctional facilities, and increasing correction officer staffing ratios. Total gross additions were reduced by \$24 million in vetoes for a net addition of \$52 million.

### General Government/Economic Development

<b>General Fund General Government/Economic Development Summary (millions of dollars)</b>			
	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Various Economic Development Adds	12	13	13
Accelerate PILOT Payments	7	7	0
New Add for Capital Improvements	3	3	0
All Other Revisions	5	4	4
<b>Gross Additions</b>	<u>27</u>	<u>27</u>	<u>17</u>
Vetoes	<u>(16)</u>	<u>(17)</u>	<u>(14)</u>
<b>Net Additions</b>	<b>11</b>	<b>10</b>	<b>3</b>

The Legislature added \$27 million in 2004-05. These additions include \$12 million for economic development, including grants for local tourism and high-technology programs, and \$7 million to accelerate payments otherwise due in future years to the city of Albany under the

**2004-2005 Enacted Budget Report**

Payment in Lieu of Taxes (PILOT) program. These additions were lowered by \$16 million in vetoes.

**Mental Hygiene**

<b>General Fund Mental Hygiene Summary (millions of dollars)</b>			
	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
Restore OMH/OASAS Local Service Cuts	7	7	7
Senate Priority Program Adds	2	2	2
All Other	1	1	1
<b>Gross Additions</b>	<b>10</b>	<b>10</b>	<b>10</b>
Vetoes	(9)	(9)	(9)
<b>Net Additions</b>	<b>1</b>	<b>1</b>	<b>1</b>

The Legislature added \$10 million to partially restore recommended cuts in the Office of Mental Health (OMH) and the Office of Alcoholism and Substance Abuse Services (OASAS) and to fund program adds in all of the Mental Hygiene agencies. The additions were offset by \$9 million in vetoes.

**Tax/Revenue Restorations**

<b>General Fund Tax/Revenue Restorations Summary (millions of dollars)</b>			
	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
<b>Rejected/Modified Revenue Actions</b>	<b>(29)</b>	<b>(21)</b>	<b>43</b>
Eliminate Restrictions of Quick Draw	(43)	(68)	(68)
Direct Wine Shipments	(2)	(3)	(3)
Empire Zones	0	(25)	(25)
Single Sales Factor for Manufacturers	0	8	16
Biotechnology Investment Credit	5	10	10
STAR Inflation Adjustment	11	57	113
<b>New Tax Cuts</b>	<b>(31)</b>	<b>(77)</b>	<b>(83)</b>
Long-Term Care Credit	(18)	(20)	(20)
Film Production Credit	(12)	(25)	(25)
Brownfields Expansion - Income/Corporate	0	(30)	(30)
All Other Sales Tax	(1)	(2)	(2)
New CAPCO Allocation	0	0	(6)
<b>Net Additions</b>	<b>(60)</b>	<b>(98)</b>	<b>(40)</b>

## 2004-2005 Enacted Budget Report

The Legislature did not approve several revenue actions proposed in the Executive Budget. The revenue lost by not enacting these proposals is projected to total \$29 million in 2004-05. In addition, the Legislature added several tax reduction proposals not included in the Executive Budget that are expected to reduce revenues by \$31 million in 2004-05.

### Member Items

The Legislature added a \$200 million lump sum for “member items.” It is expected that this addition will result in costs of \$100 million in 2004-05 and \$100 million in 2005-06.

### General Fund -- New Costs Since the Executive Budget

The 2004-05 Financial Plan reflects several new costs incurred since the Executive Budget was proposed by the Governor. These total \$280 million in 2004-05, \$650 million in 2005-06, and \$823 million in 2006-07.

General Fund New Costs -- Change from Executive Budget (millions of dollars)			
	2004-05	2005-06	2006-07
Collective Bargaining Settlements (Statewide Pattern)	274	473	621
SUNY Capital Costs	21	0	0
Changes to Pension Reform	(15)	177	202
LGAC/STARC Payment to New York City	170	0	0
City Offset for LGAC/STARC	(170)	0	0
<b>Total General Fund New Costs</b>	<b>280</b>	<b>650</b>	<b>823</b>

**Collective Bargaining:** Since the start of the fiscal year, the State has reached labor settlements with many of the major employee unions, including the Civil Service Employees Association, the United University Professions, and the Professional Employee Federation, as well as the State’s Management-Confidential employees. DOB projects that if, as expected, the State settles all the remaining contracts following the pattern set by these unions, it will result in \$274 million in costs in 2004-05, growing to \$473 million in 2005-06 and \$621 million in 2006-07.

**Pensions:** Pension legislation enacted in July 2004 provides current year savings of \$15 million above the Executive proposal, but is projected to cost \$177 million in 2005-06, growing to \$202 million in 2006-07. The legislation authorizes State and local governments to amortize 2004-05 pension costs above 7 percent of salary expenditures over a period of ten years at a market rate to be established by the State Comptroller. The first annual payment is due in 2005-06. In addition, the legislation extends the amortization option to local governments for costs above 9.5 percent in 2005-06 and 10.5 percent in 2006-07. In contrast, the Executive Budget proposed reforms would have produced recurring savings.

**LGAC<sup>2</sup>/STARC<sup>3</sup>:** The Legislature rejected the Executive Budget proposal to provide fiscal relief to New York City in a less costly way than having STARC issue bonds to stretch out existing New York City debt from the 1970s to 2034 at an estimated cost of \$5.1 billion. The Legislature provided an appropriation to make a payment to the City of \$170 million in 2004-05 (that would result, subject to annual appropriations, in \$5.3 billion of payments to the City rather

<sup>2</sup> Local Government Assistance Corporation.

<sup>3</sup> State Tax Asset Receivable Corporation.

than the previous legislative agreement of \$5.1 billion). However, it is expected that the City will provide \$170 million to the State in 2004-05 to ensure that the State's Financial Plan does not incur unplanned costs.

### General Fund -- Available Resources Above the Executive Budget

General Fund available resources above the level projected in the Executive Budget are estimated to total \$1.1 billion in 2004-05 and \$11 million in 2006-07, and to drive additional costs of \$230 million in 2005-06. These available resources are summarized below.

General Fund Available Resources -- Change from Executive Budget (millions of dollars)			
	2004-05	2005-06	2006-07
Revenue Consensus Forecast	325	350	375
Spending Reductions/Reestimates/Other	225	38	39
Housing SONYMA Balances	225	(225)	0
Empire Conversions	200	0	0
Alteration of Clothing Sales Tax Exemption	83	(429)	(451)
2003-04 Surplus Above Executive Budget Projection	47	0	0
Fund Balances	25	0	0
Abandoned Property Resources	20	21	21
Seven Day Sales at Liquor Stores	1	2	2
Internet Affiliate/Procurement	0	13	25
Native American Regulations	(13)	0	0
<b>Total General Fund Available Resources</b>	<b>1,138</b>	<b>(230)</b>	<b>11</b>

**Revenue Consensus:** The current DOB forecast of \$325 million is based on the mid-point of the consensus revenue forecast agreed to with the Legislature in March 2004 (\$150 million to \$500 million). DOB believes that current economic conditions and actual collections experience support this estimate. While the forecast has upside potential given receipt collections through August in certain components of revenue, the recent slowdown in employment growth and consumer spending and large increases in energy prices, combined with recent declines in equity market valuations, represent risks to the current year forecast.

**Spending Reductions/Reestimates/Other:** This category consists of legislative spending cuts in various programs and agencies, and lower projected spending based on actual results through August 2004.

**Housing SONYMA Balances:** The Enacted Budget accelerates into 2004-05 the use of a one-time fund balance of \$225 million from SONYMA originally planned to reduce the 2005-06 budget gap.

**Empire Conversions:** The Financial Plan assumes that the conversion of Empire Blue Cross and Blue Shield to a for-profit corporation will produce \$1.2 billion in receipts in State Fiscal Year 2004-05, \$200 million above the level forecast in the Executive Budget. The Executive Budget proposed language authorizing additional insurance conversions intended to assure the receipt of the assumed Empire conversion proceeds. The Legislative Budget Agreement did not include that language which could jeopardize receipt of these proceeds.

**Alteration of Clothing Sales Tax Exemption:** The Legislature did not enact the Executive proposal to permanently substitute four "sales-tax-free" weeks (for items less than \$500) for the current clothing exemption for items under \$110. Instead, the Legislature passed the reform for

2004-05 only. The outyear cost of the Legislature's action would exceed \$400 million annually if the reform is not extended.

**Native American Regulations:** The Department of Taxation and Finance estimated additional collections of \$60 million in All Funds receipts if the Executive Budget proposal for parity agreements was enacted. That legislation was replaced by the Legislature with an action that implements proposed Tax Department regulations by January 1, 2005. This action is expected to lead to a General Fund loss of \$13 million in 2004-05.

## **General Fund -- Nonrecurring Resources**

The Executive Budget recommended a total of \$1.5 billion in nonrecurring actions which were detailed in the Executive Budget Financial Plan. The Legislature accepted these actions and added roughly \$550 million in additional nonrecurring resources to fund a portion of its additions. The additional nonrecurring resources are comprised of surplus reserves from the Housing Finance Agency (HFA) originally planned to lower the projected 2005-06 gap (\$225 million), additional Empire conversion proceeds (\$200 million), additional bonding of capital spending, sweeps of available fund balances, and 2003-04 surplus amounts above the Executive Budget projection.

<b>2004-05 Nonrecurring Resources</b>	
<b>(millions of dollars)</b>	
<b>Revenues:</b>	<b>1,182</b>
2003-04 Surplus	308
SONYMA Balances	225
Tobacco Securitization	182
LGAC Payment from NYC	170
PASNY	100
Fund Sweeps	97
Reverse Meyers Tax Decision	50
Bond Issuance Charges	50
<b>Spending:</b>	<b>883</b>
Bonding of Capital Spending	378
Empire Conversion	200
Delay Medicaid Cycle	190
Federal Welfare Funds	115
<b>Total Nonrecurring Resources</b>	<b>2,065</b>

## **Veto**

The Governor vetoed 105 separate legislative additions, generating General Fund savings of roughly \$700 million over three years. In addition, the Governor vetoed \$1.6 billion in additional bond-financed capital spending, to avoid roughly \$2.5 billion of long-term debt service costs. The impact of vetoes by program was summarized earlier in this Report.

## **Fiscal Management Plan**

In order to assure budget balance in the current fiscal year and to begin to address the 2005-06 and 2006-07 budget gaps, the Governor has directed DOB to develop a Fiscal Management Plan to reduce State Operations costs, curtail non-essential spending, and identify other cost containment actions to bring the General Fund into balance. This plan will be developed in cooperation with State agency managers and is expected to be detailed by October when DOB issues the Mid-Year Update to the 2004-05 Financial Plan. Elements of the plan are expected to include:

- Continuing statewide austerity measures that limit discretionary spending, ban non-essential travel, and restrict or terminate lower-priority capital spending and other contractual liabilities;
- Updating agency management plans to eliminate, consolidate, and streamline governmental services;
- Maximizing Federal aid; and
- Developing cost containment proposals that can be presented for legislative action later this year.

In addition, DOB will continue to review actual results against plan.

## **ALL GOVERNMENTAL FUNDS SUMMARY**

### **Summary of Receipts Growth**

Total receipts in 2004-05 are projected to be \$42.7 billion in the General Fund, \$63.2 billion in State Funds, and \$100.1 billion in All Governmental Funds, an annual increase of \$328 million (.8 percent), \$1.0 billion (1.6 percent) and \$1.1 billion (1.1 percent) respectively.



**2004-2005 Enacted Budget Report**

<b>Summary of Annual Receipts Growth (millions of dollars)</b>			
	<b>General Fund</b>	<b>State Funds</b>	<b>All Funds</b>
<b>2003-04 Actuals</b>	<b>42,327</b>	<b>62,170</b>	<b>98,989</b>
<b>2004-05 Executive Budget</b>	<b>41,846</b>	<b>63,142</b>	<b>99,521</b>
Available Resources	689	774	774
New Costs/Reestimates	121	(714)	(128)
Vetoed	(1)	(49)	(49)
<b>Net Change from Executive Budget</b>	<b>809</b>	<b>11</b>	<b>597</b>
<b>2004-05 Enacted Budget</b>	<b>42,655</b>	<b>63,153</b>	<b>100,118</b>
<b>Annual Change from 2003-04</b>			
-- <i>Dollar Change</i>	<b>328</b>	<b>983</b>	<b>1,129</b>
-- <i>Percent Change</i>	<b>0.8%</b>	<b>1.6%</b>	<b>1.1%</b>
<b>Annual Change Adjusted for \$1.9B in Tobacco Proceeds Received in 2003-04</b>			
-- <i>Dollar Change</i>	<b>2,228</b>	<b>2,883</b>	<b>3,029</b>
-- <i>Percent Change</i>	<b>5.5%</b>	<b>4.8%</b>	<b>3.1%</b>

*NOTE: Annual growth is affected by the receipt of \$1.9 billion in tobacco bond proceeds in 2003-04. The nonrecurring increase in receipts artificially inflates the 2003-04 revenue base and thus understates the annual change to 2004-05. Accordingly, DOB is reporting the annual revenue change on both an adjusted (excluding the impact of tobacco proceeds) and unadjusted basis.*

Receipts in the 2004-05 Enacted Budget exceed the level recommended in the Governor's Executive Budget by \$809 million in the General Fund, \$11 million in State Funds, and \$597 million in All Funds. The major components of these receipt changes are summarized in the following table, and are explained in more detail later in this Report.

## 2004-2005 Enacted Budget Report

<b>Summary of Receipts Changes</b> (millions of dollars)			
	<b>General Fund</b>	<b>State Funds</b>	<b>All Funds</b>
<b>2004-05 Executive Budget</b>	<b>41,846</b>	<b>63,142</b>	<b>99,521</b>
Revenue Consensus Forecast	325	325	325
Housing SONYMA Balances	225	225	225
City Offset for LGAC/STARC	170	170	170
Alteration of Clothing Sales Tax Exemption	83	83	83
Fund Balances	25	0	0
Abandoned Property Resources	20	20	20
2003-04 Surplus Above Executive Budget Projection	21	21	21
Native American Regulations	(13)	(13)	(13)
Tax/Revenue Restorations	(60)	(60)	(60)
Health Care Provider Assessments	0	(264)	(264)
All Other	13	(496)	90
<b>2004-05 Enacted Budget</b>	<b>42,655</b>	<b>63,153</b>	<b>100,118</b>
<b>Change from Executive Budget</b>	<b>809</b>	<b>11</b>	<b>597</b>

The largest areas of All Governmental Funds receipt growth since the Executive Budget include the revised revenue consensus forecast (\$325 million), the SONYMA balance (\$225 million), and the expected New York City one-time payment to the State as part of the LGAC/STARC transaction (\$170 million). For a more detailed discussion of these changes, see "General Fund Available Resources" and "New Costs" above.

Total State Funds are All Governmental Funds receipts are offset by the Legislature's rejection of certain health care provider assessments (\$264 million) and various reestimates in the Capital Projects and Special Revenue fund types based upon prior-year actual results and year-to-date experience.

### Summary of Disbursement Growth

DOB projects General Fund disbursements will total \$43.0 billion in 2004-05, an increase of \$974 million (2.3 percent) over 2003-04 actual results. State Funds and All Governmental Funds disbursements are projected to reach \$64.3 billion and \$101.2 billion in 2004-05, an increase of \$3.0 billion (4.8 percent) and \$3.9 billion (4.0 percent) over the prior year. When adjusted for \$1.9 billion of payment deferrals which artificially increased 2003-04 spending levels, the annual spending increases are 7.2 percent, 8.2 percent and 6.1 percent, respectively, for the General Fund, State Funds, and All Funds.

The spending estimates in this Report reflect savings from the Governor's vetoes as well as a \$90 million reduction in the level of projected spending for legislative member items in 2004-05, based on actual experience to date.

## 2004-2005 Enacted Budget Report

<b>Summary of Annual Disbursement Growth</b> (millions of dollars)			
	<u>General Fund</u>	<u>State Funds</u>	<u>All Funds</u>
<b>2003-04 Actuals</b>	<b>42,065</b>	<b>61,332</b>	<b>97,326</b>
<b>2004-05 Executive Budget</b>	<b>41,896</b>	<b>63,503</b>	<b>99,811</b>
Net Spending Additions	1,417	1,548	1,928
New Costs/Reestimates	(38)	(472)	(227)
Vetoed	(236)	(286)	(305)
<b>Net Change from Executive Budget</b>	<b>1,143</b>	<b>790</b>	<b>1,396</b>
<b>2004-05 Enacted Budget</b>	<b>43,039</b>	<b>64,293</b>	<b>101,207</b>
<b>Annual Change from 2003-04</b>			
-- <i>Dollar Change</i>	<b>974</b>	<b>2,961</b>	<b>3,881</b>
-- <i>Percent Change</i>	<b>2.3%</b>	<b>4.8%</b>	<b>4.0%</b>
<b>Annual Change Adjusted for \$1.9B in Payment Deferrals Paid in 2003-04</b>			
-- <i>Dollar Change</i>	<b>2,874</b>	<b>4,861</b>	<b>5,781</b>
-- <i>Percent Change</i>	<b>7.2%</b>	<b>8.2%</b>	<b>6.1%</b>

*NOTE: Annual growth is affected by the deferral of \$1.9 billion in payments from 2002-03 to 2003-04. The deferral artificially inflates the 2003-04 spending base and thus understates the annual change to 2004-05. Accordingly, DOB is reporting the annual spending change on both an adjusted (excluding the impact of payment deferrals) and unadjusted basis.*

Estimated disbursements in the 2004-05 Enacted Budget exceed the level recommended in the Governor's Executive Budget by \$1.1 billion in the General Fund, \$790 million in State Funds and \$1.4 billion in All Funds. The major components of these disbursement changes are summarized in the following table, and are explained in more detail below.

<b>Summary of Disbursement Changes</b> (millions of dollars)			
	<u>General Fund</u>	<u>State Funds</u>	<u>All Funds</u>
<b>2004-05 Executive Budget</b>	<b>41,896</b>	<b>63,503</b>	<b>99,811</b>
Medicaid	200	154	583
School Aid/STAR	309	561	671
All Other Education	73	81	171
Higher Education	272	224	224
Collective Bargaining Settlements (Statewide Pattern)	274	359	417
LGAC/STAR Payment to New York City	170	170	170
All Other	(155)	(759)	(840)
<b>2004-05 Enacted Budget</b>	<b>43,039</b>	<b>64,293</b>	<b>101,207</b>
<b>Change from Executive Budget</b>	<b>1,143</b>	<b>790</b>	<b>1,396</b>

The largest areas of All Governmental Funds disbursement changes since the Executive Budget (excluding Federal education reclassification) are in the areas of Medicaid (\$583 million), school aid/STAR (\$671 million), all other education programs (\$171 million), and higher

## 2004-2005 Enacted Budget Report

education (\$224 million). The changes in these major programs, which represent most of the spending additions to the 2004-05 Executive Budget, are described in more detail below.

Collective bargaining settlements and the LGAC/STARC payment to New York City, as described earlier in this Report, are the other significant factors in the growth in spending above the Executive Budget forecast. The increases in spending are partially offset by legislative spending reductions and reestimates in projected spending for capital projects and Federal programs based upon prior-year actual results and year-to-date experience.

### Medicaid

<b>DOH Medicaid - Sources of Changes from Executive Budget</b> (millions of dollars)					
	General Fund	Other State Supported Funds	State Funds	Federal Funds	All Funds
<b>2004-05 Executive Budget</b>	<b>6,325</b>	<b>2,987</b>	<b>9,312</b>	<b>19,406</b>	<b>28,718</b>
Provider Assessments	234	(264)	(30)	0	(30)
Pharmacy Cost Containment	74	0	74	148	222
Additional Support by HCRA	68	28	96	83	179
State Takeover of Local Costs	25	0	25	0	25
All Other Adds	93	0	93	147	240
Additional Resources	(218)	218	0	0	0
All Other Changes	(76)	(28)	(104)	51	(53)
<b>2004-05 Enacted Budget</b>	<b>6,525</b>	<b>2,941</b>	<b>9,466</b>	<b>19,835</b>	<b>29,301</b>
<b>Change from Executive Budget</b>	<b>200</b>	<b>(46)</b>	<b>154</b>	<b>429</b>	<b>583</b>

New York's Medicaid program is financed jointly by the Federal government, the State, and local governments (including New York City). The Federal Government matching rate on eligible Medicaid expenditures is 50 percent, the lowest matching rate possible. Total Medicaid financing (including administrative costs) from all sources is projected to reach \$44.5 billion in 2004-05, consisting of \$22.9 billion in Federal support, \$14.2 billion in State funding, and \$7.1 billion in local government financing. The Financial Plan does not include the local government share of Medicaid funding, but does include the entire Federal share of the program. Total State Medicaid spending of \$14.2 billion consists of Department of Health (DOH) State Funds of \$9.5 billion, as well as \$4.7 in spending by other State agencies and administrative costs.

Compared to the Executive Budget projections for 2004-05, DOH Medicaid spending has increased by \$200 million in the General Fund, \$154 million in State Funds, and \$583 million in All Governmental Funds.

The Legislature did not accept some of the cost savings measures proposed by the Executive, adding spending above 2003-04 levels of \$494 million to the General Fund, \$258 million in State Funds and \$636 million in All Funds. The spending increases are expected to be partially financed in the General Fund by \$200 million in additional Empire conversion proceeds and an estimated \$18 million from the implementation of auto-enrollment into the Medicare Transitional Drug Discount Card Program. The additional spending comprises:

**Provider Assessments:** The Legislature rejected the Executive Budget proposals to restore a 0.7 percent assessment on hospital and home care revenues, and to restore the nursing home reimbursable assessment to 6.0 percent of revenues to finance a portion of State Medicaid spending. Instead, the nursing home assessment will continue at 5.0 percent in 2004-05 and 2005-06 and be completely phased out in 2006-07. As a result, spending is increased

## **2004-2005 Enacted Budget Report**

by \$234 million in the General Fund and reduced by \$264 million in the Provider Assessment Special Revenue Fund, which is supported by the assessment revenues.

**Pharmacy Cost Containment:** Several proposals intended to control the rising costs of prescription drugs and reduce spending growth were restored by the Legislature at an estimated cost of \$74 million to the General Fund and \$148 million to Federal Funds. The proposals included a Preferred Drug Program, requiring prior authorization for certain high-cost drugs; reducing the reimbursement rate to pharmacies; and increasing pharmacy co-payments for Medicaid recipients.

**Additional Support by HCRA:** The denial of cost containment initiatives in various programs supported by HCRA, including the FHP and Child Health Plus (CHP) programs, that would have reduced General Fund and HCRA costs, is projected to add spending of \$68 million to the General Fund, \$28 million in the HCRA Transfer Special Revenue Fund, and \$83 million in Federal Funds.

**State Takeover:** The Legislature did not accept the proposed multi-year State takeover of local government Medicaid costs of long-term care services. Instead it required the State to take over 50 percent of local government FHP costs beginning in January 2005, growing to 100 percent of the local government share in January 2006. As a result, 2004-05 General Fund spending is increased by \$25 million above the Executive Budget plan and provides a total local benefit of \$49 million in 2004-05 growing to \$291 million in 2005-06.

**All Other Adds:** Other rejected Executive cost containment and savings initiatives increase Medicaid costs by \$93 million in the General Fund and \$147 million in Federal Funds. These items include the elimination of various optional services provided to Medicaid recipients, closing long-term care eligibility loopholes, nursing home cost containment initiatives including the elimination of payment "add-ons" for facilities with more than 300 beds and hospital-based facilities, and various other cost containment initiatives.

## School Aid/STAR

School Aid/STAR - Sources of Changes from Executive Budget (millions of dollars)					
	General Fund	Other State Supported Funds	State Funds	Federal Funds	All Funds
<b>2004-05 Executive</b>	<b>12,530</b>	<b>5,018</b>	<b>17,548</b>	<b>0</b>	<b>17,548</b>
School Aid Increase	506	0	506	0	506
VLT Revenues	(240)	240	0	0	0
Quick Draw Restriction	43	(43)	0	0	0
RESCUE	0	35	35	0	35
Reject STAR Plus Proposal	0	20	20	0	20
Federal Education Aid Reclassification	0	0	0	1,175	1,175
Federal Education Aid Reestimate	0	0	0	110	110
<b>2004-05 Enacted Budget</b>	<b>12,839</b>	<b>5,270</b>	<b>18,109</b>	<b>1,285</b>	<b>19,394</b>
<b>Change from Executive Budget</b>	<b>309</b>	<b>252</b>	<b>561</b>	<b>1,285</b>	<b>1,846</b>

In the General Fund, school aid spending increased by \$309 million above the level projected in the Executive Budget. Spending from State Funds grew by \$561 million, primarily reflecting the use of VLT revenues to finance a portion of the 2004-05 school aid increase. In addition to the State Funds increase, All Governmental Funds increased by \$1.3 billion primarily due to the reclassification of certain federally supported education programs (Title 1, teacher quality, and other reading programs) from other education to school aid. These changes are described below:

**School Aid Increase:** The Legislature added \$506 million on a fiscal year basis to the General Fund, producing a 2004-05 school year increase of \$751 million over the prior year.

**VLT Revenue:** The Executive Budget set aside \$240 million in VLT revenues to support SBE requirements. The Enacted Budget redirects the VLT revenues in 2004-05 to partially finance the General Fund school aid increase.

**Quick Draw Restrictions:** The Legislature rejected the Executive Budget proposal to eliminate restrictions on the Quick Draw program. As a result, spending is projected to increase by \$43 million in the General Fund and decline by an equal amount in the Lottery Special Revenue Fund.

**RESCUE:** Due to delayed school district claiming, school district claims for payment under the Rebuilding Schools to Uphold Education (RESCUE) program that were originally budgeted in 2003-04 are now expected to be paid in 2004-05, resulting in an increase of \$35 million above the Executive Budget spending estimates.

**STAR Plus Proposal:** The Legislature rejected an inflationary adjustment to the STAR benefit for residents of school districts that complied with a proposed cap on spending growth (the cap was rejected, as well) adding \$20 million to the Executive Budget estimate.

**Federal Education Aid:** The increase of \$1.3 billion in Federal Aid reflects the reclassifications of certain programs from all other education to school aid, as well as reestimates since the Executive Budget projections in Federal aid of approximately \$110 million based upon prior year results for various grants to local education agencies.

All Other Education Aid

Other Education Aid - Sources of Changes from Executive Budget (millions of dollars)					
	General Fund	Other State Supported Funds	State Funds	Federal Funds	All Funds
<b>2004-05 Executive Budget</b>	1,412	73	1,485	2,820	4,305
Federal Education Aid Reclassification	0	0	0	(1,175)	(1,175)
Federal Education Aid Reestimate	0	0	0	90	90
All Other Revisions	73	8	81	0	81
<b>2004-05 Enacted Budget</b>	1,485	81	1,566	1,735	3,301
<b>Change from Executive Budget</b>	73	8	81	(1,085)	(1,004)

State Funds education aid (other than general support to public schools) is projected to increase by \$81 million over the 2004-05 Executive Budget recommendation. In addition to the State Funds increase, All Governmental Funds decreased by \$1.0 billion primarily due to the reclassification of certain federally supported education programs (Title 1, teacher quality, and other reading programs) from all other education aid to school aid. The major changes include:

**Federal Education Aid:** The decrease of \$1.1 billion in Federal Funds reflects the reclassification of \$1.2 billion offset by an upward reestimate of \$90 million based upon 2003-04 actual results. The higher Federal estimate reflects additional funding from various education grants.

**All Other Revisions:** Includes the restoration of library aid, Bundy aid, as well as reestimates related to the closeout of the 2003-04 fiscal year.

Higher Education

Higher Education - Sources of Changes from Executive Budget (millions of dollars)					
	General Fund	Other State Supported Funds	State Funds	Federal Funds	All Funds
<b>2004-05 Executive Budget</b>	2,673	3,705	6,378	182	6,560
Reject TAP Restructuring Savings	272	0	272	0	272
Current TAP Roll	(60)	0	(60)	0	(60)
SUNY Operating Aid Add	35	0	35	0	35
CUNY Operating Aid Add	25	0	25	0	25
SUNY/CUNY CC Adds	8	0	8	0	8
All Other Revisions	(8)	(48)	(56)	0	(56)
<b>2004-05 Enacted Budget</b>	2,945	3,657	6,602	182	6,784
<b>Change from Executive Budget</b>	272	(48)	224	0	224

Spending is projected to increase from the Executive Budget level by \$224 million, reflecting \$272 million in the General Fund partially offset by a decrease of \$48 million in other State-supported funds. The major components of higher education spending changes include:

**Reject TAP Restructuring:** The Executive Budget proposed reforms in TAP which would defer one-third of each student's award until graduation as an incentive for timely degree completion. The Legislature rejected those reforms, and as a result, spending increased by \$272 million from the Executive Budget projections.

## 2004-2005 Enacted Budget Report

**Current TAP Roll:** \$60 million in additional costs associated with the restoration of the TAP program will occur in 2005-06 to maintain program funding at 70 percent in the current fiscal year.

**SUNY/CUNY Operating Aid Adds:** The Legislature added operating aid of \$35 million for SUNY and \$25 million for CUNY.

**SUNY/CUNY Community College Adds:** The Legislature added \$8 million for SUNY and CUNY community colleges for a \$50 per full-time student base aid increase.

## GENERAL FUND OUTYEAR PROJECTIONS

At the beginning of the 2004-05 budget cycle, the State faced potential General Fund budget gaps of \$6.7 billion in 2005-06 and \$7.8 billion in 2006-07. The recurring savings proposed in the 2004-05 Executive Budget recommendations reduced the gaps to \$2.9 billion and \$4.4 billion, respectively.

Compared to Executive Budget projections, the General Fund budget gaps for the 2005-06 and 2006-07 fiscal years have increased, and now are estimated at roughly \$5 billion to \$6 billion in 2005-06 and roughly \$7 billion in 2006-07. The gaps are roughly \$1 billion below the original baselevel projections.

<b>Projected General Fund Outyear Gaps (millions of dollars)</b>		
	<b>2005-06</b>	<b>2006-07</b>
<b>2004-05 Baselevel Budget</b>	<b>(6,727)</b>	<b>(7,805)</b>
Proposed Executive Budget Actions	3,875	3,451
<b>2004-05 Executive Budget</b>	<b>(2,852)</b>	<b>(4,354)</b>
Net Additions	(2,618)	(2,788)
New Costs	(650)	(823)
Available Resources	(230)	11
<b>2004-05 Legislative Budget Agreement</b>	<b>(6,350)</b>	<b>(7,954)</b>
Veto	211	259
Fiscal Management Plan/Revenue Forecast	450	450
<b>2004-05 Enacted Budget -- Remaining Gaps</b>	<b>(5,689)</b>	<b>(7,245)</b>
<b>2006-07 Gap if 2005-06 Gap is Closed with Recurring Actions</b>		<b>(1,556)</b>

The current budget gap estimates reflect the Legislature's revisions to the budget, new costs, the value of gubernatorial vetoes, and expected savings resulting from a Fiscal Management Plan that will be implemented in 2004-05. If the 2005-06 budget gap were closed entirely with recurring actions, the 2006-07 gap would be reduced to \$1.6 billion.

It should be noted that the current gap 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: end-of-year business tax collections; calendar year economic results; year-end financial sector



bonus income data; the school aid database update in November; and quarterly Medicaid and welfare cycle trend analyses. Historically, these factors have been subject to a high degree of fluctuation across the forecast period, and could produce results above or below the current projections.

## Sources of Projected General Fund Outyear Gaps

The projected gaps are primarily the result of anticipated spending increases that exceed the growth in revenue collections, as well as the loss of nonrecurring resources used to help balance the budget in 2004-05.

<b>Sources of 2005-06 Budget Gap (billions of dollars)</b>	
	<b>2005-06</b>
Revenue Growth	2.2
Loss of Nonrecurring Actions	(2.1)
PIT/Sales Tax Temporary Surcharge Phase-out	(0.6)
Clothing Exemption	(0.4)
All Other Revenue Changes	(0.9)
Medicaid	(1.6)
School Aid	(0.6)
Pension Costs	(0.4)
All Other Spending Growth	(1.3)
<b>2005-06 Projected Budget Gap</b>	<b>(5.7)</b>

The major sources of the 2005-06 budget gap are described in more detail below.

## Outyear Receipts

<b>Sources of Annual Increase/(Decrease) in Projected Receipts (millions of dollars)</b>	
	<b>2005-06</b>
<b>Total Receipts Change</b>	<b>(912)</b>
Revenue Growth	2,230
Loss of Nonrecurring Revenues	(1,182)
PIT/Sales Tax Temporary Surcharge Phase-out	(621)
Clothing Exemption	(429)
Final Use of Tobacco Proceeds	(400)
Revenue Bond Tax Fund	(174)
STAR Fund Transfer	(159)
Additional Tax Cuts	(49)
All Other	(128)

Receipts in 2005-06 are projected to decrease by \$912 million from the current year. Underlying revenue growth of \$2.2 billion (4.8 percent) in 2004-05 revenue growth is offset by decreases attributable to the loss of several one-time revenues (\$308 million from the 2003-04 surplus; \$225 million from SONYMA; \$182 million in tobacco settlement payments; \$170 million from LGAC/STARC; \$100 million from the Port Authority of New York and New Jersey; \$97 million from fund sweeps; \$50 million from the legislation to reverse the effect of the "Meyers"

decision to eliminate delays in collecting tax payments and \$50 million from the continuation of bond issuance changes). In addition, revenues decline due to the phase-out of the personal income tax (PIT) surcharge and a one-quarter percent increase in sales tax (\$621 million), the change in the clothing exemption (\$429 million), the final use of the tobacco securitization proceeds (\$400 million) and transfers for the Revenue Bond Tax Fund (RBTF) for increasing debt service costs and STAR for local property tax relief (\$333 million).

## **Outyear Disbursements**

<b>Sources of Annual Increase/(Decrease) in Projected Disbursements (millions of dollars)</b>	
	<b>2005-06</b>
<b>Total Disbursements Change</b>	<b>4,893</b>
<b>Loss of Nonrecurring Actions</b>	
Bonding of Capital Spending	378
Empire Conversion Proceeds	200
Delay of Medicaid Cycle	190
Use of Federal Welfare Funds	115
<b>Spending Growth</b>	
Medicaid	1,648
School Aid	646
Social Services	381
Higher Education	163
Pension Costs	429
Employee Health Insurance	335
All Other	408

Spending is projected to increase by \$4.8 billion in 2005-06. The growth is primarily attributable to the loss of one-time savings, and growth in Medicaid, school aid, social services, higher education, mental hygiene, and employee benefits. The assumptions behind the current projections are summarized below.

The use of nonrecurring actions in 2004-05 is expected to add roughly \$883 million in costs in 2005-06, as resources to lower spending are no longer available. The major components include bonding of capital spending (\$378 million), the use of additional Empire Conversion proceeds (\$200 million), delayed Medicaid cycle payments (\$190 million), and availability of Federal Welfare Funds (\$115 million).

Growth in Medicaid of \$1.6 billion in 2005-06 is attributable to the increasing cost of providing health care services, as well as the rising number of recipients and corresponding increases in medical service utilization. These trends account for a projected increase of nearly half of the overall growth. This estimate is based on current experience in the State's Medicaid program and the Congressional Budget Office's national projections. In addition to this growth, the expiration of a temporary 2.95 percent Federal share increase will result in \$220 million in higher State share spending in 2005-06. The remaining growth includes \$242 million (\$49 million in 2004-05 growing to \$291 million in 2005-06 and \$468 million in 2006-07) to finance the continued phase-in of the State takeover of local government FHP costs, and various other

changes including the planned repayment of a 2002-03 loan from HCRA and the discontinuation of certain county shares adjustments.

The school aid projections assume growth in expense-based programs and other selected aid categories. On a State fiscal year basis, school aid spending is projected to grow by \$646 million in 2005-06. The school year basis growth is estimated at roughly \$350 million in 2005-06 and \$250 million in 2006-07, however these increases do not reflect additional spending for CFE as the Legislature did not address this issue in the 2004-05 Enacted Budget.

Social services spending is projected to increase by \$381 million in 2005-06 primarily due to projected increases in both the family assistance caseload (4.7 percent) and single adult/childless couples caseload (10 percent), as well as growth in expenditures per person (3 percent).

Spending for higher education programs in 2005-06 (\$163 million) is largely attributable to projected growth in CUNY and SUNY operating costs.

State pension costs are anticipated to grow \$429 million in 2005-06, due to prior year pension fund investment losses that have significantly increased the employer contribution rate to the New York State and Local Retirement Systems and the impact of amortizing a portion of the 2004-05 pension bill. The projections reflect employer costs of roughly 10.5 percent of payroll in 2005-06 and 12.5 percent in 2006-07. Rising employee health care costs of \$335 million in 2005-06 assume 15 percent annual premium increases.

All other spending growth is comprised of inflationary spending increases across numerous local assistance programs, cost of collective bargaining agreements with many of the State's employee unions and the anticipated settlements with the remaining unions (\$199 million in 2005-06) and normal salary step increases and non-personal service increases (roughly \$125 million).

## **CASH FLOW**

In 2004-05, while certain daily cash balances have been low, General Fund month-end balances have been strong. Accordingly, DOB projects positive quarterly balances of \$2.2 billion in September, \$1.3 billion by the end of December, and \$1.1 billion at the end of March (including Fiscal Management Plan savings). The lowest projected month-end cash flow balance is \$1.0 billion in November 2004. Monthly cash flow projections are included in the Financial Plan tables at the end of this report.

The State Comptroller invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments, through the State's Short-Term Investment Pool (STIP), which comprises of joint custody funds (Governmental Funds, Internal Service Funds, Enterprise Funds, and Private Purpose Trust Funds), as well as several sole custody funds.

The Office of the State Comptroller (OSC) is authorized to make temporary loans from the State's STIP to cover temporary cash shortfalls in certain funds and accounts resulting from the timing of receipts and disbursements. The Legislature authorizes the funds and accounts that may receive loans each year. Loans may be granted only for amounts that are "receivable on account" or can be repaid from the current operating receipts of the particular fund (i.e., loans cannot be granted in expectation of future revenue enhancements). The 2004-05 Enacted Budget extends legislation that permits OSC to temporarily loan balances in other funds to the

General Fund within any month that must be repaid by month end. This authorization was utilized in May 2004 to support intra-month cash flow needs; however, as required under the legislation, the General Fund ended May 2004 with a positive cash balance of \$1.2 billion.

## **GAAP FINANCIAL PLANS**

DOB also prepares the General Fund and All Governmental Funds Financial Plans in accordance with GAAP. The GAAP operating results for 2003-04 and the projections for 2004-05 are based on the accounting principles applied by the State Comptroller in the financial statements issued for the 2003-04 State fiscal year, and reflect the impact of Governmental Accounting Standards Board (GASB) Statement 34. GASB 34 has significantly changed the presentation of GAAP financial information for state and local governments. The changes are intended to portray the State's net overall financial condition, including activities that affect State assets and liabilities during the fiscal year. Based on the new GASB 34 presentation, the State had a net positive asset condition on March 31, 2004 of \$39.1 billion, a decrease of \$3.3 billion from the prior year.

In the General Fund, the State ended the 2003-04 fiscal year with an operating surplus of \$3.0 billion. This operating result is attributable primarily to a GAAP benefit received from financing \$1.9 billion of 2002-03 payment deferrals in 2003-04, from \$400 million of tobacco proceeds received in 2003-04 but which were reserved for 2004-05 budget balance, and the 2003-04 General Fund operating surplus of \$308 million. As a result, the 2002-03 accumulated deficit of \$3.3 billion was reduced in 2003-04 to \$281 million.

The General Fund is anticipated to end the 2004-05 fiscal year with an operating deficit of \$1.1 billion on a GAAP basis, which is primarily attributable to the use of the 2003-04 surplus and the remaining tobacco reserves in 2004-05. As a result, the accumulated deficit is projected at \$1.4 billion by the end of the 2004-05 fiscal year.

## **ECONOMIC OUTLOOK**

### **National Economy**

Although growth has slowed from the brisk pace of the second half of 2003 and the first quarter of 2004, the national economy is continuing to expand, due in large part to momentum generated by favorable monetary and fiscal policies. The economy is expected to accelerate to above trend growth during the second half of this year, following growth of only 2.8 percent for the second quarter. The overall strength of the national economy permitted the Federal Reserve Board to embark upon a "measured" course of monetary tightening at the end of June. Nevertheless, interest rates are expected to remain relatively accommodative well into the forecast period. Low interest rates and a strengthening world economy are expected to maintain a favorable environment for both business investment and international trade. DOB has slightly lowered the forecast for real U.S. Growth Domestic Product (GDP) from that presented with the Executive Budget. Real U.S. GDP is currently projected to grow 4.3 percent in 2004, followed by slightly above trend growth of 3.3 percent for 2005.

Corporate profits from current production grew 16.8 percent in 2003, followed by additional growth of 22.9 percent in the first half of 2004 compared with the first half of 2003. However, strong profit growth has combined with heightened uncertainty due to high energy prices and national security concerns to create an unusual degree of volatility in the labor market. Since August 2003, the national economy has regained almost half of the private sector jobs that were

lost during the 2001 recession and its aftermath, with over one million new private sector jobs created during the first five months of this year. However, labor market growth slowed to a trickle in June and July. DOB expects moderate growth of 1.1 percent in employment for 2004, following a decline of 0.3 percent for 2003. The unemployment rate is projected to decline to 5.5 percent in 2004, from 6.0 percent in 2003. Consistent with a strengthening labor market, wages and salaries are expected to grow 5.1 percent for 2004, following growth of 2.6 percent for 2003. Total personal income is expected to grow 5.4 percent for this year, following growth of 3.2 percent for 2003. Current projections for personal income and wages for 2004 represent upward revisions compared to the Executive Budget forecast. However, these revisions to the forecast are largely due to revisions to the underlying data by the Bureau of Economic Analysis for 2003.

A benchmark oil price rose to a new record high in August. Unexpectedly high world demand, attacks upon production facilities in the Middle East, and uncertainty in Russia have all contributed significantly to the rise in prices. These developments have resulted in an upward revision to the DOB forecast for consumer inflation, as represented by growth in the Consumer Price Index (CPI), to 2.7 percent for 2004. Nevertheless, the energy market continues to pose a risk to the DOB forecast for inflation. High energy prices also present a risk to domestic and global economic growth. Lower global growth could result in lower than anticipated exports. In contrast, better than expected economic conditions may encourage firms to invest more and hire more workers than expected, resulting in higher wages and higher consumption spending as well. A lower dollar could lead to higher exports, and therefore, higher output growth than projected.

<b>Major Economic Indicators</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>
Real U.S. GDP	3.0	4.3	3.3
Personal Income	3.2	5.4	5.7
Corporate Profits (with IVA and CCA)	16.8	16.0	6.1
CPI	2.3	2.7	2.4
<i>Note: Numbers above are percent changes, calendar-year basis. DOB estimates are based on National Income and Product Account data through August 2004.</i>			

## **New York State Economy**

The September 11<sup>th</sup> terrorist attack had a more devastating impact on the New York economy than on that of any other state. New York City is still recovering from the severity of the blow. However, there is evidence that the State economy has emerged from recession and that the State's current economic expansion, estimated to have begun in August 2003, will be sustainable. The State economy has added over 72,000 private sector jobs since August of last year. Total State employment is projected to rise 0.5 percent in 2004, following a decline of 0.6 percent in 2003. Wage income is projected to rise 5.6 percent in 2004, following growth of only 1.4 percent in 2003. Employment, wage, and total personal income growth projected for 2004 are much closer to historical averages for New York and reflect the belief that the State economy is solidly on an expansionary path. The unemployment rate is projected to fall from 6.3 percent in 2003 to 6.2 percent for 2004.

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. Higher energy prices and a new round of global instability appear to be having a more negative impact on equity markets than on the economy as a whole. A weaker financial market performance than expected could result in lower bonus payment growth than projected, though this impact would be largely felt during the first quarter of the 2005 calendar year. In contrast, a stronger national economy than expected could result in stronger equity market growth and, in turn, greater demand for financial market services and even stronger income growth in that sector than expected.

<b>Major Economic Indicators</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>
Personal Income	2.6	5.3	4.6
Nonagricultural Employment	(0.6)	0.5	1.2
Unemployment Rate	6.3	6.2	5.9
<i>Note: Numbers above are percent changes for personal income and nonagricultural employment and percents for the unemployment rate, calendar-year basis. Data for 2004 and 2005 are projected by DOB.</i> <i>Source: U.S. Bureau of Economic Analysis, NYS Department of Labor, DOB staff estimates.</i>			

## **2004-05 GOVERNMENTAL FUNDS FINANCIAL PLANS**

The following sections summarize the receipts and disbursement activity within the four major fund types that comprise the All Governmental Fund type: General Fund, Special Revenue Funds (SRFs), Capital Projects Funds (CPFs) and DSFs.

### **General Fund**

The General Fund receives most of the State's tax revenue and accounts for spending on programs that are not supported directly by dedicated fees and revenues.

In 2004-05, the projected General Fund receipts of \$42.7 billion, disbursements of \$43.0 billion (including transfers), and \$434 million in savings from a Fiscal Management Plan. The General Fund is projected to end the 2004-05 fiscal year with a \$1.1 billion fund balance, comprising \$794 million in the Tax Stabilization Reserve Fund, \$312 million in the Community Projects Fund, and \$21 million in the Contingency Reserve Fund for litigation.

## Receipts

General Fund Receipts (millions of dollars)					
	2003-04 Actuals	2004-05 Enacted	Annual \$ Change	Annual % Change	Change from 30-Day
Personal Income Tax	15,774	18,490	2,716	17.2%	(11)
User Taxes and Fees	7,979	8,679	700	8.8%	297
Business Taxes	3,413	3,714	301	8.8%	5
Other Taxes	768	764	(4)	-0.5%	2
Miscellaneous Receipts	5,926	2,438	(3,488)	-58.9%	351
Federal Grants	645	0	(645)	-100.0%	0
Transfers From Other Funds					
Revenue Bond Fund	5,244	5,612	368	7.0%	(10)
LGAC Fund	1,971	2,158	187	9.5%	97
CW/CA Fund	307	246	(61)	-19.9%	0
All Other	300	554	254	84.7%	78
<b>Total Receipts</b>	<b>42,327</b>	<b>42,655</b>	<b>328</b>	<b>0.8%</b>	<b>809</b>

Total General Fund receipts in support of the 2004-05 Financial Plan are projected to be \$42.7 billion, an increase of \$328 million (0.8 percent) from 2003-04. This total includes \$31.6 billion in Taxes, \$2.4 billion in Miscellaneous Receipts, and \$8.6 billion in Transfers from Other Funds. The increase largely reflects the combined impact of an improving economy and net-revenue increases adopted this year and with the 2003-04 budget, offset by the loss of the one-time benefit of tobacco securitization receipts in 2003-04 (\$4.2 billion).

**Personal Income Tax**

General Fund PIT receipts are projected to increase by \$2.7 billion (17.2 percent) from 2003-04. This is due to continued economic improvement in 2004, enactment of a three-year temporary tax increase from 2003 to 2005, and a robust settlement for 2003 tax returns. This amount is slightly offset by a larger deposit into the PIT Refund Reserve Account and a higher deposit into the RBTF.

The preliminary results of the 2003 PIT settlement from April and May, and overall results through August, have required some modifications within the cash components of the income tax, but have no net impact on 2004-05 estimates. More specifically, extension payments filed with 2003 tax returns have been increased by \$425 million, while final payments filed with 2003 tax returns have been reduced by \$110 million and the refund estimate has been increased by \$315 million.

General Fund PIT receipts, including refund reserve transactions, are expected to be reduced by \$11 million from the Executive Budget estimate. This reflects a \$32 million loss in net revenue actions, including an expansion of the long term care credit and a new film production credit, offset by \$21 million in additional resources from the 2003-04 actual results (increasing income tax receipts through the PIT Refund Reserve Account).

### ***User Taxes and Fees***

User taxes and fees include receipts from the State sales tax, cigarette and tobacco products taxes, alcoholic beverage taxes and fees, motor fuel taxes, and motor vehicle license and registration fees. Receipts for user taxes and fees for 2004-05 are projected to total \$8.7 billion, an increase of \$700 million (8.8 percent) from reported 2003-04 collections.

The projected growth in sales tax cash receipts of \$777 million (10.7 percent) is largely attributable to the enactment of a temporary increase in the overall tax rate (to 4.25 percent) and a change in the clothing and footwear exemption. The Enacted Budget postponed the exemption on items of clothing and footwear for one year, until May 31, 2005, and replaced it with two temporary one-week exemptions with the same \$110 thresholds – one beginning in August 2004 and another in January 2005. Growth in the sales tax base, after adjusting for tax law changes and other factors, is projected at 5.5 percent.

The decline in General Fund cigarette tax receipts of \$8 million from the prior year is the result of a continuation of the long-term consumption decline in cigarettes.

User taxes and fees are expected to rise by \$297 million from the Executive Budget estimates. This increase mainly reflects tax actions contained in the Enacted Budget and improvements in cash collections through August.

### ***Business Taxes***

Business taxes include the corporate franchise tax, corporation and utilities taxes, the insurance franchise tax, and the bank franchise tax. Receipts for business taxes for 2004-05 are projected to total \$3.7 billion, an increase of \$301 million (8.8 percent) from 2003-04 collections. This increase is primarily due to the continued economic recovery as reflected in the corporate franchise tax. Business tax receipts for 2004-05 have been revised up by \$5 million from the Executive Budget level, to reflect the Legislature's rejection of an Executive Budget proposal to allow biotechnology companies to transfer net operating losses.

Corporation and utilities taxes, bank tax, and insurance franchise tax receipts remain unchanged from Executive Budget estimates.

### ***Other Taxes***

Other tax receipts are now projected to total \$764 million, which is \$4 million below last year's amount, but \$2 million above the Executive Budget estimate. This category includes the estate and gift tax, real property gains tax, and pari-mutuel taxes. Previously enacted legislation to repeal both the real property gains tax and the gift tax, and to reduce the estate and pari-mutuel taxes, has significantly reduced collection from resources.

### ***Miscellaneous Receipts***

Miscellaneous receipts are expected to reach nearly \$2.4 billion, a decrease of \$3.5 billion from the 2003-04 actuals. After adjusting for the receipt of one-time tobacco securitization moneys (\$4.2 billion) in 2003-04, the annual increase is projected at \$721 million. This increase is primarily due to the acceleration of \$225 million in housing SONYMA balances from 2005-06 into 2004-05, and the receipt of \$182 million from the Tobacco Settlement Fund.



The increase in miscellaneous receipts of \$351 million from the Executive Budget estimate is primarily attributable to the early collection of housing SONYMA balances and the NYC payment of \$170 million for LGAC/STARAC, offset by legislative rejection of several proposed increases in licenses and fees.

### ***Transfers From Other Funds***

Transfers from Other Funds are expected to total \$8.6 billion, an increase of \$748 million from 2003-04. This annual increase is comprised of higher transfers from the RBTF Fund (\$368 million), the LGAC Fund (\$187 million), and all other funds (\$254 million), offset by lower transfers from the Clean Water/Clean Air (CW/CA) Fund (\$61 million). Compared to the Executive Budget estimates, Transfers from Other Funds increased by \$165 million.

PIT receipts in excess of RBTF debt service costs is projected to total \$5.6 billion in 2004-05, an increase of \$368 million from last year and a decrease of \$10 million from the Executive Budget estimate. The annual increase is primarily attributable to higher dedicated PIT receipts (\$475 million), including legislative tax increases, offset by increased debt service requirements (\$107 million).

Transfers from sales tax in excess of LGAC debt service costs are projected to total \$2.2 billion in 2004-05, an increase of \$187 million from the prior year and \$97 million from the Executive Budget estimate. These changes are primarily due to the legislation altering the permanent exemption on items of clothing and footwear for one year.

Real estate taxes in excess of CW/CA debt service costs are projected at \$246 million in 2004-05, a decrease of \$61 million from 2003-04, primarily resulting from a decrease in projected tax receipts (\$49 million). The 2004-05 Enacted Budget estimate is unchanged from the Executive Budget estimate.

All other transfers are projected to total \$554 million in 2004-05, an annual increase of \$254 million. This is due primarily to nonrecurring fund sweeps (\$100 million) and transfers from SUNY and CUNY to reimburse the General Fund for equipment costs (\$184 million). Compared to the Executive Budget estimate, all other transfers increased by \$78 million primarily due to additional transfers from SUNY and CUNY to reimburse General Fund equipment costs.

### **Revenue Actions**

The 2004-05 Enacted Budget contains over \$178 million in All Governmental Funds revenue actions in the 2004-05 State fiscal year, including:

#### ***Revenue Enhancements:***

- Provide a temporary (two-year) increase in the fixed dollar minimum amounts under the corporate franchise tax (\$40 million);
- Create additional abandoned property collections through increased out-of-state audits (\$20 million);
- Postpone the exemption on items of clothing and footwear for one year (\$83 million);

## **2004-2005 Enacted Budget Report**

- Include the gain from the sale of residential cooperative housing as New York source income from non-residents (\$5 million in 2004-05, \$20 million annually thereafter);
- Allow for seven day sales of alcoholic beverages in wine and liquor stores (\$1 million); and
- Change various licenses and fees (\$62 million).

### ***Tax Reductions:***

- Create a new credit to provide an incentive for filmmakers to film on soundstages in New York State(\$12 million in 2004-05, \$25 million annually thereafter);
- Double the existing Long-term care credit by increasing the credit from 10 to 20 percent of premiums(\$18 million);
- Increase the aggregate limit for the low-income housing credit from \$4 million to \$6 million (\$2 million);
- Create a credit or refund for water taxis under the sales tax (\$100,000); and
- Provide a new exemption for maintenance and certain other services performed on private aircraft under the sales tax (\$400,000).

In addition, several revenue actions with outyear implications were included in the 2004-05 Enacted Budget, including:

### ***Revenue Enhancement:***

- Require companies, including affiliates, entering into contracts with the State to comply with various sales and use tax obligations (\$12.5 million in 2005-06 and \$25 million annually thereafter).

### ***Tax Reductions:***

- Expand the Brownfields program (\$30 million annually, beginning in 2005-06); and
- Establish a fourth phase of the CAPCO program (\$6 million annually for ten years beginning in 2006-07).

**Disbursements**

<b>General Fund Disbursements (millions of dollars)</b>					
	<b>2003-04 Actuals</b>	<b>2004-05 Enacted</b>	<b>Annual \$ Change</b>	<b>Annual % Change</b>	<b>Change from 30-Day</b>
Grants to Local Governments	27,420	29,392	1,972	7.2%	921
State Operations	7,056	7,501	445	6.3%	250
General State Charges	3,214	3,671	457	14.2%	19
Transfers to Other Funds					
Debt Service	1,474	1,737	263	17.8%	(11)
Capital Projects	225	196	(29)	-12.9%	9
All Other	776	542	(234)	-30.2%	(45)
2002-03 Payment Deferrals	1,900	0	(1,900)	-100.0%	0
<b>Total Disbursements</b>	<b>42,065</b>	<b>43,039</b>	<b>974</b>	<b>2.3%</b>	<b>1,143</b>

The State projects General Fund disbursements of \$43.0 billion in 2004-05, an increase of \$974 million (2.3 percent) from the current year, and \$1.1 billion from the Executive Budget level. These changes are discussed in more detail below.

**Grants to Local Governments**

Grants to Local Governments include financial aid to local governments and nonprofit organizations, as well as entitlement payments to individuals. Local assistance spending is projected to be \$29.4 billion in 2004-05, an increase of \$2.0 billion (7.2 percent) from the prior year. This spending increase is primarily attributable to higher spending in Medicaid (\$463 million), Higher Education Services Corporation (\$352 million), school aid (\$466 million), special education programs (\$132 million), Office of Children and Family Services (\$61 million) and the community projects fund (\$58 million).

Local assistance spending increased by \$921 million from the Executive Budget level. This increase is primarily due to legislative restorations and adds in school aid (\$309 million), Medicaid (\$200 million), and higher education (\$272 million).

**State Operations**

State Operations accounts for the cost of running the Executive, Legislative, and Judicial branches of government and is projected to total \$7.5 billion in 2004-05, an increase of \$445 million (6.3 percent) from the prior year. Personal service costs (e.g., State employee payroll) comprise 73 percent of State Operations spending. The remaining 27 percent represents non-personal service costs for contracts, rent, supplies, and other operating expenses.

The projected annual increase in State Operations costs includes higher spending of \$225 million (with additional costs of \$49 million in fringe benefits for a total of \$274 million) resulting from the ratification of several State employee union labor contracts, which included provisions for a nonrecurring lump sum payment and salary increases of 2.5 percent. In addition, an extra institutional payroll occurring in 2004-05 increases spending by \$130 million.

Compared to the Executive Budget estimate, projected State Operations spending increased by \$250 million primarily attributable to the impact of the collective bargaining agreements, which was not included in the Executive Budget projections (\$225 million).

The State's Executive agency all funds workforce is projected to total 187,900 by the end of 2004-05, level with the current year.

### **General State Charges**

General State Charges (GSCs) account for the costs of providing fringe benefits to State employees and retirees of the Executive, Legislative and Judicial branches, as well as fixed costs for taxes on public lands and litigation costs.

General Fund spending for GSCs is projected to be \$3.7 billion in 2004-05, an increase of \$457 million (14.2 percent) over the prior year. This annual increase is due mostly to rising costs of employee health benefits (an increase of \$225 million to \$2.1 billion), higher costs related to employer pension contributions (an increase of \$159 million to \$654 million) and \$49 million in fringe benefit increases relating to collective bargaining settlements. Compared to the Executive Budget estimates, GSC spending increased by \$19 million.

### **Transfers to Other Funds**

Transfers to Other Funds are projected to total \$2.5 billion in 2004-05 and includes General Fund transfers to support debt service (\$1.7 billion), capital projects (\$196 million), and other funds (\$542 million).

The net increase in the General Fund transfers for debt service of \$263 million (17.8 percent) from 2003-04 is primarily attributable to higher debt service costs for education (including SUNY and CUNY), corrections, the Metropolitan Transportation Authority (MTA), housing, and the environment, offset by significant savings from refundings and the use of variable rate bonds and interest rate exchange agreements. The \$11 million decrease from the Executive Budget estimate reflects modest reestimates.

The \$29 million (12.9 percent) reduction in capital projects spending financed by the General Fund primarily reflects the use of bond proceeds to finance SUNY capital costs previously supported by the General Fund, as well as minor reestimates to other areas of capital projects spending. Compared with Executive Budget estimates, transfers in support of capital projects have increased by \$9 million.

All other transfers are projected to decline by \$234 million (30.2 percent) in 2004-05 primarily due to a nonrecurring transfer to the HCRA Special Revenue Fund to finance 2003-04 legislative restorations (\$128 million) and the "doubling up" of 2002-03 and 2003-04 State subsidy payments to SUNY hospitals in 2003-04 (\$41 million). Compared with Executive Budget estimates, all other transfers have declined by \$45 million.

### **Special Revenue Funds**

SRFs receive State and Federal revenues dedicated to finance specific activities. SRFs are intended to be self-supporting, with receipts equaling or exceeding disbursements. When statutorily authorized, certain funds and accounts may borrow from the State's STIP to cover

## 2004-2005 Enacted Budget Report

temporary cash shortfalls resulting from the timing of receipts and disbursements (i.e., disbursements occurring prior to receipts being received).

In 2004-05 the Special Revenue Funds Cash Financial Plan projects total receipts of \$51.0 billion, total disbursements of \$51.8 billion, and net other financing sources of \$246 million, resulting in an operating deficit of \$557 million. This operating result primarily reflects the transfer of Federal moneys to the Tobacco Control and Insurance Initiatives Pool in 2004-05, which were received in 2003-04 and reflected in the SRFs opening fund balance (\$289 million), and use of prior-year cash balances to support current-year spending.

### Receipts

Special Revenue Funds Receipts (millions of dollars)					
	2003-04 Actuals	2004-05 Enacted	Annual \$ Change	Annual % Change	Change From 30-Day
Taxes	4,442	4,758	316	7.1%	(26)
Miscellaneous Receipts	10,517	11,256	739	7.0%	(226)
Federal Grants	35,121	34,972	(149)	-0.4%	547
<b>Total Receipts</b>	<b>50,080</b>	<b>50,986</b>	<b>906</b>	<b>1.8%</b>	<b>295</b>

Total SRF receipts are projected to be \$51.0 billion, an increase of \$906 million (1.8 percent) from 2003-04. The annual growth is due to increases in taxes (\$316 million) and miscellaneous receipts (\$739 million), offset by a decrease in Federal grants (\$149 million). Compared to Executive Budget estimates, projected SRF receipts increased by \$295 million primarily attributable to increased Federal grants (\$547 million) offset by decreased miscellaneous receipts (\$226 million) and taxes (\$26 million). These changes are described in more detail below.

### Taxes

Tax receipts in the SRF are projected to be \$4.8 billion, an increase of \$316 million (7.1 percent) from 2003-04, driven primarily by taxes dedicated to support the STAR program (\$199 million) and the Dedicated Mass Transportation Trust Fund (\$116 million). Projected SRF tax receipts declined from the Executive Budget level due to the Legislature's rejection of both a new surcharge on sales tax proposed to support the New York State Wireless Telephone Emergency Service program (\$38 million) offset by the inflationary adjustment to the STAR program (\$20 million).

### Miscellaneous Receipts

Miscellaneous receipts are projected to be \$11.3 billion, an increase of \$739 million (7.0 percent) from 2003-04. The annual growth is primarily due to additional transfers from the "off-budget" HCRA pools, including Empire conversions (\$350 million), higher lottery receipts (\$212 million) and SUNY tuition revenues (\$91 million). Compared to the Executive Budget estimate, projected SRF miscellaneous receipts declined by \$226 million. This decline is primarily attributable to the Legislature's rejection of Executive Budget proposals to restore assessments on hospital, home care and nursing home revenues (\$264 million).

**Federal Grants**

Federal grants are projected to be \$35 billion, a decrease of \$149 million from 2003-04 actuals and an increase of \$547 million from the Executive Budget estimate. Changes to Federal grants generally correspond to changes in federally-reimbursed spending as described later in this report; however, since Federal reimbursement was assumed to be received in the State fiscal year in which spending occurs, additional timing-related variances resulted. Major program areas projected to grow significantly from 2003-04 levels include Medicaid and welfare.

**Disbursements**

<b>Special Revenue Funds Disbursements</b>					
<b>(millions of dollars)</b>					
	<b>2003-04 Actuals</b>	<b>2004-05 Enacted</b>	<b>Annual \$ Change</b>	<b>Annual % Change</b>	<b>Change From 30-Day</b>
Grants to Local Governments	41,368	42,895	1,527	3.7%	464
State Operations	7,866	8,207	341	4.3%	180
General State Charges	601	686	85	14.1%	26
Capital Projects	9	1	(8)	-88.9%	(1)
<b>Total Disbursements</b>	<b>49,844</b>	<b>51,789</b>	<b>1,945</b>	<b>3.9%</b>	<b>669</b>

Total SRF disbursements are projected to be \$51.8 billion, an increase of \$1.9 billion (3.9 percent) from 2003-04. The annual growth is due primarily to increases in Grants to Local Governments (\$1.5 billion) and State Operations (\$341 million). Compared to the Executive Budget estimate, projected SRF disbursements increased by \$669 million, attributable primarily to increased Grants to Local Governments (\$464 million) and State Operations (\$180 million) spending. The disbursements changes are described in more detail below.

**Grants to Local Governments**

Grants to Local Government SRF disbursements are projected to be \$42.9 billion, an increase of \$1.5 billion (3.7 percent) from 2003-04. The annual growth is primarily due to projected growth in Medicaid (\$1.3 billion), school aid (\$307 million), and STAR (\$199 million). Compared to the Executive Budget estimate, Grants to Local Governments disbursements increased by \$464 million. This increase is primarily attributable to several Medicaid proposals rejected by the Legislature, including various cost containment and savings initiatives (\$410 million), and the use of VLT revenues to support school aid increases (\$240 million) offset by the Legislature's elimination of appropriations to implement the Help America Vote Act (\$118 million).

**State Operations**

State Operations SRF disbursements are projected to be \$8.2 billion, an increase of \$341 million (4.3 percent) from 2003-04 and \$180 million from the Executive Budget estimates. These increases are primarily attributable to the impact of the collective bargaining agreements, which was not included in the Executive Budget projections (\$104 million).

**General State Charges**

GSCs SRF disbursements are projected to be \$686 million, an increase of \$85 million (14.1 percent) from 2003-04. Growing employer pension contributions and higher employee health insurance costs account for most of the annual growth in GSCs. Compared to the Executive Budget estimate, GSCs disbursements increased by \$26 million primarily due to the impact of the collective bargaining agreements.

**Other Financing Sources/(Uses)**

Special Revenue Funds Other Financing Sources (Uses)					
(millions of dollars)					
	2003-04 Results	2004-05 Enacted	Annual \$ Change	Annual % Change	Change From 30-Day
Transfers From Other Funds	3,447	3,137	(310)	-9.0%	(33)
Transfers To Other Funds	(2,539)	(2,891)	(352)	13.9%	(72)
<b>Net Other Financing Sources</b>	<b>908</b>	<b>246</b>	<b>(662)</b>	<b>-72.9%</b>	<b>(105)</b>

Transfers from Other Funds are projected to be \$3.1 billion, a decrease of \$310 million (9.0 percent) from 2003-04. The annual decline is primarily due to a nonrecurring General Fund transfer to the HCRA fund in 2003-04 (\$128 million) and a reduction in available patient care revenues (\$101 million). Compared to the Executive Budget estimate, projected Transfers from Other Funds decreased by \$33 million, reflecting modest reestimates.

Transfers to Other Funds are estimated to be \$2.9 billion, an increase of \$352 million (13.9 percent) from 2003-04. The annual growth is due to nonrecurring transfers from SUNY and CUNY to reimburse the General Fund for equipment costs (\$184 million), and various other fund sweeps to the General Fund (\$100 million). Compared to the Executive Budget estimate, projected Transfers to Other Funds increased by \$72 million primarily due to additional transfers from SUNY and CUNY to reimburse the General Fund for equipment costs (\$94 million) offset by a reduction in the expected revenues from the Waste Tire Management and Recycling Program (\$34 million).

**Capital Projects Funds**

The CPF group accounts for spending from the CPF, which is supported by a transfer from the General Fund, and spending from other funds for specific purposes, including transportation, mental health, housing, public protection, education and the environment. Other funds include the Dedicated Highway and Bridge Trust Fund, Mental Hygiene Capital Facilities Improvement Fund, Housing Assistance and Housing Program Funds, the Correctional Facilities Capital Improvement Fund, the SUNY Residence Hall Rehabilitation Fund, the Hazardous Waste Remedial Fund, and EPF. Receipts from dedicated State taxes, miscellaneous receipts (which include proceeds from State-supported bonds issued by certain public authorities) and Federal grants disbursements in the CPF group.

The following tables for CPFs reflect an accounting adjustment for capital projects activity because certain capital spending is not reported by the State Comptroller in actual cash spending results, although it is reflected in the GAAP Financial Statements. The spending is related to programs which are financed in the first instance by bond proceeds, rather than with a short-term loan from STIP or cash from the General Fund. Capital spending for these types of

## 2004-2005 Enacted Budget Report

programs was \$861 million in 2003-04 and is projected to grow to nearly \$1.1 billion in 2004-05. It includes spending for local transportation projects for the Consolidated Highway Improvement Program (CHIPs), education projects for CUNY higher education facilities, SUNY community colleges and dormitory facilities, the Department of Mental Hygiene and a variety of economic development programs. These receipts and disbursements are included in this section in order to present a comprehensive overview of State capital projects spending. The CPFs table also includes a spending adjustment of \$400 million to reflect anticipated underspending in 2004-05 that is expected to occur across all agencies and financing sources based on lower 2003-04 results.

### Receipts

<b>Capital Projects Funds Receipts</b> (millions of dollars)					
	<b>2003-04 Actuals</b>	<b>2004-05 Enacted</b>	<b>Annual \$ Change</b>	<b>Annual % Change</b>	<b>Change From 30-Day</b>
Taxes	1,756	1,795	39	2.2%	(10)
Miscellaneous Receipts	3,029	3,077	48	1.6%	(664)
Federal Grants	1,548	1,864	316	20.4%	24
<b>Total Receipts</b>	<b>6,333</b>	<b>6,736</b>	<b>403</b>	<b>6.4%</b>	<b>(650)</b>
Accounting Adjustment	(861)	(1,090)	(229)	26.6%	220
<b>Financial Plan Receipts</b>	<b>5,472</b>	<b>5,646</b>	<b>174</b>	<b>3.2%</b>	<b>(430)</b>

CPF receipts include tax receipts from highway-related taxes earmarked to the Dedicated Highway and Bridge Trust Fund, and real estate transfer taxes that are designated for the EPF. Miscellaneous receipts include bond proceeds that finance capital projects across all functional areas, as well as other fees, including State park fees, industry-specific environmental fees and receipts from the sale of surplus land.

### **Taxes**

The \$39 million increase in 2004-05 taxes from 2003-04 actuals is attributable to increases in Dedicated Highway and Bridge Trust Fund receipts, as the EPF receives a statutory dedication of \$112 million annually from the real estate transfer tax. The \$10 million reduction in dedicated taxes from the Executive Budget estimate is attributable to reestimated Dedicated Highway and Bridge Trust Fund receipts.

### **Miscellaneous Receipts**

The \$48 million increase in miscellaneous receipts from 2003-04 is primarily attributable to increases in spending for capital programs which are reimbursed or financed directly with bond proceeds, including education and general government (\$245 million), and the environment (\$100 million), offset by a reduction in bond proceeds to reimburse transportation (\$200 million) and economic development spending (74). Compared to the Executive Budget estimate, miscellaneous receipts are projected to decrease by \$664 million and are attributable primarily to increases in bond-financed spending added by the Legislature for CHIPs and increases in bond proceeds to reimburse transportation spending (\$112 million), offset by a reduction in bond proceeds to reimburse the Higher Education Facilities Capital Matching Grants Program that was vetoed (\$30 million) and reestimates in bonded education spending (\$30 million) also



## 2004-2005 Enacted Budget Report

included in this change is a \$400 million reduction to reflect reduced receipts based on actual 2003-04 results.

### Federal Grants

The \$316 million increase in Federal Funds over the prior year reflects increases in Federal support for transportation, and the \$24 million increase in Federal Funds compared to the Executive Budget estimate reflects reestimates to Federal support for transportation.

### Disbursements

<b>Capital Projects Funds Disbursements</b>					
(millions of dollars)					
	2003-04 Actuals	2004-05 Enacted	Annual \$ Change	Annual % Change	Change From 30-Day
Transportation	3,219	3,611	392	12.2%	73
Education	640	768	128	20.0%	(39)
Parks and Environment	568	667	99	17.4%	18
Economic Development and Govnt Oversight	215	475	260	120.9%	(327)
Mental Health	297	298	1	0.3%	0
Public Protection	201	215	14	7.0%	0
Health and Social Welfare	149	128	(21)	-14.1%	0
General Government/Other	108	261	153	141.7%	1
Anticipated Underspending	N/A	(400)	(400)	100.0%	(400)
<b>Total Disbursements</b>	<b>5,397</b>	<b>6,023</b>	<b>626</b>	<b>11.6%</b>	<b>(674)</b>
Accounting Adjustment	(861)	(1,090)	(229)	26.6%	220
<b>Financial Plan Disbursements</b>	<b>4,536</b>	<b>4,933</b>	<b>397</b>	<b>8.8%</b>	<b>(454)</b>

Compared to 2003-04, total CPFs spending is projected to increase \$397 million, or about 9.0 percent, and is primarily attributable to increases in transportation spending for highways and bridges spending (\$392 million); environment spending for the State Superfund Program, the EPF, and the Hudson River Park (\$99 million); spending for a variety of economic development programs, including Centers of Excellence, Empire Opportunity Fund, Gen\*NY\*sis, RESTORE and the New Regional Economic Growth Program (\$260 million); education spending for SUNY, CUNY, RESCUE, and the Capital Transition Grant Program (\$128 million); public protection and mental health spending to support the maintenance and preservation of infrastructure at correctional facilities and institutional and community-based mental health institutions (\$15 million); general government spending to support the construction and renovation of State office buildings and \$110 million in spending for local public safety answering point equipment upgrades for wireless E-911 service (\$110 million); and increased Federal spending for homeland security (\$43 million); offset by a \$21 million decrease in health and social welfare spending, a \$229 million increase in the accounting adjustment primarily attributable to increases in bond-financed spending for economic development programs (\$135 million) and CHIPs (\$56 million). The almost \$1.1 billion accounting adjustment in spending financed with authority bonds reflect capital projects activity for which certain capital spending is not reported by the Office of the State Comptroller in cash financial statements, although it is reflected in the GAAP Financial Statements. These programs are financed directly from bond proceeds, rather than in the first instance by a short-term loan from the STIP or cash from the General Fund.

## 2004-2005 Enacted Budget Report

Compared to the Executive Budget estimate, CPF spending is projected to decrease by \$454 million which is attributable to \$400 million in lower spending based on actual 2003-04 results, increases in spending from legislative adds to the Enacted Budget and reestimates (\$84 million), and a decrease in other spending financed with bond proceeds (\$138 million). The \$84 million increase in spending reflects a \$72 million increase in transportation spending from reestimates (\$43 million) and legislative adds to CHIPs (\$28 million); an \$18 million increase in spending for parks and the environment attributable to legislative adds (\$20 million) offset by reestimates to spending in parks (\$2 million), reestimates to spending for economic development programs and homeland security (\$33 million); offset by a \$38 million decrease in education, attributable to reestimates to spending for RESCUE (\$35 million) and other higher education spending (\$43 million), and by the veto of the Higher Education Facilities Capital Matching Grants Program (\$30 million).

### Other Financing Sources (Uses)

<b>Capital Projects Funds Other Financing Sources (Uses)</b>					
(millions of dollars)					
	2003-04 Results	2004-05 Enacted	Annual \$ Change	Annual % Change	Change From 30-Day
Transfers From Other Funds	254	234	(20)	-7.9%	9
Transfers To Other Funds	(1,028)	(1,124)	(96)	9.3%	(16)
Bond Proceeds	140	193	53	37.9%	62
<b>Net Other Financing Sources (Uses)</b>	<b>(634)</b>	<b>(697)</b>	<b>(63)</b>	<b>9.9%</b>	<b>55</b>

The \$20 million decrease in transfers from other funds from 2003-04 is attributable to a decrease in the transfer from the General Fund to the CPF (\$47 million), which supports pay-as-go capital spending in a variety of agencies, and a decrease in the transfer from the Transportation Safety Account to the Dedicated Highway and Bridge Trust Fund (\$5 million); offset by transfers from the General Fund to the Hazardous Waste Remedial Transfer Fund (\$15 million), from the License Fee Surcharge Account to the Hazardous Waste Remedial Transfer Fund (\$14 million), and from the SUNY Dormitory Income Account to the SUNY Dormitory Rehabilitation Fund (\$4 million).

The \$96 million increase in CPF transfers to other funds primarily reflect increases in the transfer of receipts from the Dedicated Highway and Bridge Trust Fund to reimburse the General DSF for debt service paid on Dedicated Highway and Bridge Trust Fund and CHIPs bonds (\$106 million) and the transfer from the Hazardous Waste Remedial Fund to the General Fund (\$27 million); offset by the transfer from the EPF to the General Fund (\$46 million). The \$53 million increase in bond and note proceeds reflect the receipt of General Obligation CW/CA Bonds to reimburse the CPF for environment spending. The \$62 million increase is due to a reestimate of CW/CA spending.

### Debt Service Funds

All tax-financed State debt service on long-term debt and payments on certain lease-purchase or other contractual obligations are paid from DSF. These account for the accumulation of money for, and the payment of principal and interest on, general long-term debt and certificates of participation. Lease-purchase payments for SUNY, Health and Mental Hygiene facilities under contractual agreements with public authorities are also paid from funds

## 2004-2005 Enacted Budget Report

classified as DSFs. Debt service on highway bonds supported by dedicated highway revenues is also reflected in this fund type. DSF revenue sources include transfers from the General Fund, dedicated taxes and other revenues.

In 2004-05 the DSFs Cash Financial Plan projects total receipts of \$9.4 billion, total disbursements of \$3.9 billion, and net other financing sources (uses) of \$5.5 billion, resulting in an operating deficit of \$19 million.

The DSFs are projected to end the 2004-05 fiscal year with a fund balance of \$155 million. This balance primarily reflects amounts statutorily and contractually required to be set aside for debt service payments in the next fiscal year, including \$89 million in the SUNY Dormitory Income Fund and \$40 million in the Mental Health Services Fund.

### Receipts

Debt Service Funds Receipts (millions of dollars)					
	2003-04 Actuals	2004-05 Enacted	Annual \$ Change	Annual % Change	Change From 30-Day
Taxes	8,122	8,754	632	7.8%	90
Miscellaneous Receipts	810	647	(163)	-20.1%	0
<b>Total Receipts</b>	<b>8,932</b>	<b>9,401</b>	<b>469</b>	<b>5.3%</b>	<b>90</b>

Total DSF receipts are projected to be \$9.4 billion, an increase of \$469 million (5.3 percent) from 2003-04. The annual growth is due to increases in taxes (\$632 million) offset by a decrease in miscellaneous receipts (\$163 million). Compared to the Executive Budget estimates, projected DSF receipts increased by \$89 million, all of which is attributable to increased taxes. These changes are described in more detail below.

### Taxes

The \$632 million (7.8 percent) increase in taxes deposited to the DSF from 2003-04 is attributable primarily to growth in dedicated PIT receipts deposited to the RBTF (\$475 million) and the growth in sales and use taxes deposited to the Local Government Assistance Tax Fund (\$207 million), offset by decreases in real estate transfer taxes deposited to the CW/CA Fund (\$49 million). Compared to the Executive Budget estimate, projected taxes deposited to the DSF increased by \$89 million, reflecting an increase in the growth of dedicated sales and use tax receipts (\$96 million) offset by a modest reduction in dedicated PIT receipts (\$7 million).

### Miscellaneous Receipts

The projected decrease in miscellaneous receipts of \$163 million (20.1 percent) from 2003-04 is primarily attributable to reduced funding of the Debt Reduction Reserve Fund (\$53 million) and reduced miscellaneous receipts from health and mental health patient income (\$109 million) and housing (\$16 million) programs, offset by modest increases in receipts from SUNY dormitory fees (\$15 million). Miscellaneous receipts remain unchanged from the Executive Budget.

**Disbursements**

<b>Debt Service Funds Disbursements</b>					
<b>(millions of dollars)</b>					
	<b>2003-04 Actuals</b>	<b>2004-05 Enacted</b>	<b>Annual \$ Change</b>	<b>Annual % Change</b>	<b>Change From 30-Day</b>
General Debt Service Fund	2,751	3,223	472	17.2%	(6)
LGAC	296	316	20	6.8%	4
Mental Health	165	264	99	60.0%	5
All Other	148	118	(30)	-20.3%	(1)
<b>Total Disbursements</b>	<b>3,360</b>	<b>3,921</b>	<b>561</b>	<b>16.7%</b>	<b>2</b>

Total disbursements from the DSF are projected to increase from \$3.4 billion in 2003-04 to \$3.9 billion in 2004-05. The \$561 million increase (16.7 percent) is due to growth in debt service costs from previous and planned bond sales offset by savings from debt management efforts, including refundings, and the use of variable rate bonds and interest rate exchange agreements. The \$9 million reduction in disbursements from the Executive Budget estimate reflects modest reestimates in projected debt service costs, debt service savings as a result of vetoing the \$350 million Higher Education Facilities Capital Matching Grant Program, offset by an increase in debt service costs for the \$35 million added to CHIPs.

**General Debt Service Fund**

Spending from the General DSF is projected to increase by \$472 million (17.2 percent) from 2003-04 and reflects an increase in the transfer from the General Fund and other funds to support the debt service on bonds for various capital programs including corrections, SUNY and CUNY, MTA transportation, housing, and environmental (\$284 million), spending from the RBTF to support debt service on State PIT Revenue Bonds (\$143 million), and spending for debt service supported by dedicated sources of taxes and fees from the Dedicated Highway and Bridge Trust Fund (\$45 million).

**LGAC**

The Local Government Assistance Tax Fund is projected to receive \$2.5 billion in 2004-05 from the dedicated one-cent statewide sales tax. Debt service costs on LGAC bonds are projected at \$316 million in 2004-05, an increase of \$20 million (6.8 percent) from the prior year. These payments reflect LGAC debt service requirements only, and do not reflect any local aid payments to New York City after these debt service obligations are met, which are reflected in the local assistance portion of the budget.

**Mental Health**

Patient revenues of \$2.6 billion deposited to the Mental Health Services Fund will satisfy debt service obligations of \$264 million in 2004-05. Debt service and related costs for this program are projected to increase by \$99 million (60.0 percent) from 2003-04 actuals. This increase is primarily due to significant savings achieved during the 2003-04 fiscal year from refundings.

**All Other**

All other reflects debt service spending from the Health Income Fund, Housing Debt Fund, SUNY Dormitory Income Fund, and the Debt Reduction Reserve Fund. The \$30 million decrease in spending from 2003-04 is attributable to the spend out of Debt Reduction Reserve Fund moneys in 2003-04 (\$53 million) and modest declines in debt service spending for housing and health (\$9 million), offset by an increase in debt service for SUNY dormitory bonds (\$32 million).

<b>Debt Service Funds Other Financing Sources (Uses)</b>					
<b>(millions of dollars)</b>					
	<b>2003-04 Results</b>	<b>2004-05 Enacted</b>	<b>Annual \$ Change</b>	<b>Annual % Change</b>	<b>Change From 30-Day</b>
Transfers From Other Funds	4,794	5,234	440	9.2%	(2)
Transfers To Other Funds	(10,349)	(10,733)	(384)	3.7%	(103)
<b>Net Other Financing Sources</b>	<b>(5,555)</b>	<b>(5,499)</b>	<b>56</b>	<b>-1.0%</b>	<b>(105)</b>

**Other Financing Sources (Uses)**

The \$440 million (9.2 percent) increase in Transfers from Other Funds from 2003-04 reflects increases in transfers from the General Fund and various other dedicated funds, including the Dedicated Highway and Bridge Trust Fund and the Centralized Services Fund, to the General DSF (\$365 million); transfers from the Federal Health and Human Services Special Revenue Funds to the Mental Health DSF (\$101 million); and a net reduction in all other transfers of \$26 million. Compared to the Executive Budget estimate, Transfers from Other Funds declined by \$2 million.

The \$384 million (3.7 percent) increase in Transfers to Other Funds from 2003-04 primarily reflects the excess beyond the debt service due on State PIT Revenue Bonds from the RBTF (\$368 million) and the Local Government Assistance Tax Fund (\$187 million), offset by decreases in transfers in excess of debt service to SRFs from Mental Health and the Health DSF (\$114 million), to the General Fund from the Clean Water DSF (\$61 million), and modest changes in other transfers (\$3 million). Transfers to Other Funds increased by \$103 million from the Executive Budget estimates due to higher sales tax revenues from the LGAC Fund (\$98 million).

**HEALTH CARE REFORM ACT FINANCIAL PLAN**

In accordance with Chapters 62 and 686 of the Laws of 2003, the following provides the Financial Plan information regarding the HCRA receipts and disbursements for 2004-05. Readers should refer to the Financial Plan of the 2004-05 Executive Budget – Appendix II for more detailed information.

**Overview**

HCRA was established in 1996 to improve the fiscal health of hospitals and ensure that affordable and quality health care coverage was available to all New Yorkers. Subsequent

extensions and modifications of the legislation have initiated new health care programs and provided additional funding for workforce recruitment and training. HCRA legislation expires on June 30, 2005.

The 2004-05 Executive Budget included a series of cost savings actions that were expected to produce a State Financial Plan benefit of more than \$240 million in 2004-05. These proposals included reducing the cost of the EPIC Program, realigning FHP coverage consistent with private insurance policies, maximizing the use of Medicaid dollars in the financing of Graduate Medical Education costs, and eliminating unnecessary insurance pilot programs. With the exception of the Graduate Medical Education initiative, the Legislature rejected the majority of these cost savings actions. HCRA balances were not negatively impacted since the Legislature directed General Fund resources to HCRA to offset the loss of savings from the rejected actions. The Legislature also added an additional \$21 million in HCRA spending in 2004-05.

The Legislature also failed to enact legislation authorizing additional insurance industry conversions resulting in the loss of \$400 million in anticipated receipts in the first quarter of 2005-06. The absence of this legislation may also increase the risk that certain assumed Empire Conversion proceeds may not become available, which could trigger HCRA's General Fund Tobacco Revenue guarantee, as authorized pursuant to Chapters 62 and 686 of the Laws of 2003.

## **HCRA Receipts**

HCRA receipts are primarily collected in the Public Goods Pool and in the Tobacco Control and Insurance Initiatives Pool. Receipts include surcharges and assessments on hospital revenues, a covered lives assessment paid by insurance carriers, a portion of cigarette tax revenues, proceeds from insurance company conversions, Federal revenues received with the renewal of the State's Medicaid managed care waiver, and Federal relief associated with the World Trade Center disaster.

<b>HCRA Receipts 2004-05 (millions of dollars)</b>	
<b>Public Goods Pool:</b>	<b>2,632</b>
Surcharges	1,493
Covered Lives Assessment	703
Hospital Assessment (1 percent)	217
Federal Funds/Other	219
<b>Tobacco Control and Insurance Initiatives Pool:</b>	<b>2,200</b>
Empire Conversion Proceeds	1,217
Cigarette Tax	693
Federal Funds	290
<b>Total Receipts</b>	<b>4,832</b>

Total receipts, estimated at \$4.8 billion in 2004-05, are primarily comprised of surcharges (\$1.5 billion), Empire conversion proceeds (\$1.2 billion), covered lives assessment (\$703 million), cigarette taxes (\$693 million), Federal funds (\$509 million), and hospital assessments of 1 percent (\$217 million). Since the Executive Budget projections, HCRA receipt estimates

have increased by \$398 million, which reflects an additional \$200 million in Empire Conversion proceeds and greater than anticipated HCRA surcharge receipts.

## **HCRA Disbursements**

<b>HCRA Disbursements 2004-05 (millions of dollars)</b>	
Medicaid/Public Health Support	1,067
Hospital Indigent Care	826
EPIC	494
Graduate Medical Education	383
FHP	381
CHP	375
Workforce Recruitment/Retention	329
All Other	617
<b>Total Disbursements</b>	<b>4,472</b>

Total disbursements of nearly \$4.5 billion are projected in 2004-05, an increase of \$107 million since the Executive Budget projections, largely attributed to \$200 million in increased transfers to Medicaid assumed in the Enacted Budget offset by spending revisions in various programs based on prior year results and current year experience.

Roughly three-quarters of HCRA disbursements are appropriated in the State Budget, and are reflected in the financial plan estimates earlier in this Report. . The largest “on-budget” program spending includes transfers to accommodate various Medicaid and public health costs (\$1.1 billion), hospital indigent care (\$826 million), EPIC (\$494 million); FHP (\$381 million); CHP (\$375 million); provider workforce recruitment and retention funds paid through Medicaid rates (\$329 million), and roughly \$100 million of all other program spending primarily for mental health expansion programs. The remaining spending that is not included in the State Budget comprises Graduate Medical Education (\$383 million) and roughly \$500 million for various other program spending (including Roswell subsidy payments, excess medical malpractice, programs serving the uninsured, and anti-tobacco programs).

The cash balance is projected to be \$790 million at the end of 2004-05, declining to approximately \$165 million on June 30, 2005 when the HCRA statute expires.

A detailed quarterly cash flow projection is included in the Financial Plan tables at the end of this report.

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

The State’s Executive Budget 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 (GDP), 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 CPF), 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 State Constitution requires the Governor to submit an Executive Budget that is balanced in the General Fund which 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;

SRFs, which receive Federal grants, certain dedicated taxes, fees and other revenues that are used for a specified purpose;

CPFs, which account for costs incurred in the construction and reconstruction of roads, bridges, prisons, and other infrastructure projects; and

DSFs, 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). Activity in these Financial Plan categories is described in greater detail later in this Overview. Summary charts display the annual change for each category of the Financial Plan, and a narrative explanation of major changes follows each chart. The following tables summarize projected General Fund, State Funds and All Governmental Funds receipts and disbursements for the 2003-04 through 2006-07 fiscal years.



**INDEX OF FINANCIAL PLAN TABLES**

	<b>Page</b>
<b>GENERAL FUND</b>	
Annual Change from 2003-2004 to 2004-2005 .....	49
Update of 2004-2005 (Change from 30-Day Executive Budget) .....	50
Update of 2005-2006 (Change from 30-Day Executive Budget) .....	51
Update of 2006-2007 (Change from 30-Day Executive Budget) .....	52
Personal Income Tax Components from 2003-2004 to 2004-2005 .....	53
Receipts from 2003-2004 to 2004-2005 .....	54
Projections through 2006-2007 .....	55
<b>CASH FLOW — GENERAL FUND</b>	
2004-2005 Quarterly Projections .....	56
2004-2005 Monthly Projections .....	57
<b>STATE FUNDS</b>	
2004-2005 Financial Plan .....	58
Update of 2004-2005 (Changes from 2003-2004 and 30-Day Executive Budget) .....	59
<b>GOVERNMENTAL FUNDS</b>	
2004-2005 Financial Plan .....	60
Receipts from 2003-2004 to 2004-2005 .....	61
Update of 2004-2005 (Changes from 2003-2004 and 30-Day Executive Budget) .....	62
<b>SPECIAL REVENUE FUNDS</b>	
2004-2005 State and Federal Funds .....	63
<b>CAPITAL PROJECTS FUNDS</b>	
2004-2005 State and Federal Funds .....	64
<b>GAAP — GENERAL FUND</b>	
Annual Change from 2003-2004 to 2004-2005 .....	65
Update of 2004-2005 (Change from 30-Day Executive Budget) .....	66
<b>GAAP — GOVERNMENTAL FUNDS</b>	
2004-2005 Financial Plan .....	67
2004-2005 Major Funds Financial Plan .....	68

	<b>Page</b>
<b>HEALTH CARE REFORM ACT</b>	
2004-2005 Quarterly Cash Flow Projections.....	69
<b>FUNCTIONAL SPENDING BY AGENCY</b>	
General Fund Annual Change from 2003-2004 to 2004-2005.....	70
State Funds Annual Change from 2003-2004 to 2004-2005.....	73
Governmental Funds Annual Change from 2003-2004 to 2004-2005 .....	76

## 2004-2005 Enacted Budget Report

**CASH FINANCIAL PLAN  
GENERAL FUND  
2003-2004 and 2004-2005  
(millions of dollars)**

	<b>2003-2004</b>	<b>2004-2005</b>	<b>Change</b>
	<b>Actual</b>	<b>Enacted</b>	
<b>Opening fund balance</b>	<b>815</b>	<b>1,077</b>	<b>262</b>
<b>Receipts:</b>			
Taxes:			
Personal income tax	15,774	18,490	2,716
User taxes and fees	7,979	8,679	700
Business taxes	3,413	3,714	301
Other taxes	768	764	(4)
Miscellaneous receipts	5,926	2,438	(3,488)
Federal Grants	645	0	(645)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	5,244	5,612	368
Sales tax in excess of LGAC debt service	1,971	2,158	187
Real estate taxes in excess of CW/CA debt service	307	246	(61)
All other	300	554	254
<b>Total receipts</b>	<b>42,327</b>	<b>42,655</b>	<b>328</b>
<b>Disbursements:</b>			
Grants to local governments	29,246	29,392	146
State operations	7,093	7,501	408
General State charges	3,247	3,671	424
Transfers to other funds:			
Debt service	1,474	1,737	263
Capital projects	229	196	(33)
Other purposes	776	542	(234)
<b>Total disbursements</b>	<b>42,065</b>	<b>43,039</b>	<b>974</b>
<b>Fiscal Management Plan</b>	<b>0</b>	<b>434</b>	<b>434</b>
<b>Change in fund balance</b>	<b>262</b>	<b>50</b>	<b>(212)</b>
<b>Closing fund balance</b>	<b>1,077</b>	<b>1,127</b>	<b>50</b>
Tax Stabilization Reserve Fund	794	794	0
Contingency Reserve Fund	21	21	0
Community Projects Fund	262	312	50

## 2004-2005 Enacted Budget Report

**CASH FINANCIAL PLAN  
GENERAL FUND  
2004-2005  
(millions of dollars)**

	<b>30-Day</b>	<b>Change</b>	<b>Enacted</b>
<b>Opening fund balance</b>	1,014	63	1,077
<b>Receipts:</b>			
Taxes:			
Personal income tax	18,501	(11)	18,490
User taxes and fees	8,382	297	8,679
Business taxes	3,709	5	3,714
Other taxes	762	2	764
Miscellaneous receipts	2,087	351	2,438
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	5,622	(10)	5,612
Sales tax in excess of LGAC debt service	2,061	97	2,158
Real estate taxes in excess of CW/CA debt service	246	0	246
All other	476	78	554
<b>Total receipts</b>	<b>41,846</b>	<b>809</b>	<b>42,655</b>
<b>Disbursements:</b>			
Grants to local governments	28,471	921	29,392
State operations	7,251	250	7,501
General State charges	3,652	19	3,671
Transfers to other funds:			
Debt service	1,748	(11)	1,737
Capital projects	187	9	196
Other purposes	587	(45)	542
<b>Total disbursements</b>	<b>41,896</b>	<b>1,143</b>	<b>43,039</b>
<b>Fiscal Management Plan</b>	<b>0</b>	<b>434</b>	<b>434</b>
<b>Change in fund balance</b>	<b>(50)</b>	<b>100</b>	<b>50</b>
<b>Closing fund balance</b>	<b>964</b>	<b>163</b>	<b>1,127</b>
Tax Stabilization Reserve Fund	794	0	794
Contingency Reserve Fund	20	1	21
Community Projects Fund	150	162	312

## 2004-2005 Enacted Budget Report

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

	<b>30-Day</b>	<b>Change</b>	<b>Enacted</b>
<b>Receipts:</b>			
Taxes:			
Personal income tax	18,845	(2)	18,843
User taxes and fees	8,004	71	8,075
Business taxes	3,860	(37)	3,823
Other taxes	820	0	820
Miscellaneous receipts	1,989	(289)	1,700
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	5,814	11	5,825
Sales tax in excess of LGAC debt service	2,099	31	2,130
Real estate taxes in excess of CW/CA debt service	249	1	250
All other	319	(42)	277
<b>Total receipts</b>	<b>41,999</b>	<b>(256)</b>	<b>41,743</b>
<b>Disbursements:</b>			
Grants to local governments	30,815	2,247	33,062
State operations	7,442	485	7,927
General State charges	4,109	225	4,334
Transfers to other funds:			
Debt service	1,847	(4)	1,843
Capital projects	201	12	213
Other purposes	587	(34)	553
<b>Total disbursements</b>	<b>45,001</b>	<b>2,931</b>	<b>47,932</b>
<b>Fiscal Management Plan</b>	<b>0</b>	<b>450</b>	<b>450</b>
<b>Deposit to/(use of) Community Projects fund</b>	<b>(150)</b>	<b>100</b>	<b>(50)</b>
<b>Margin</b>	<b>(2,852)</b>	<b>(2,837)</b>	<b>(5,689)</b>

## 2004-2005 Enacted Budget Report

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

	<b>30-Day</b>	<b>Change</b>	<b>Enacted</b>
<b>Receipts:</b>			
Taxes:			
Personal income tax	19,666	55	19,721
User taxes and fees	8,217	87	8,304
Business taxes	3,937	(35)	3,902
Other taxes	878	0	878
Miscellaneous receipts	1,821	(86)	1,735
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	5,979	29	6,008
Sales tax in excess of LGAC debt service	2,166	31	2,197
Real estate taxes in excess of CW/CA debt service	259	0	259
All other	315	(41)	274
<b>Total receipts</b>	<b>43,238</b>	<b>40</b>	<b>43,278</b>
<b>Disbursements:</b>			
Grants to local governments	32,680	2,682	35,362
State operations	7,676	600	8,276
General State charges	4,612	276	4,888
Transfers to other funds:			
Debt service	1,823	(5)	1,818
Capital projects	204	10	214
Other purposes	597	(32)	565
<b>Total disbursements</b>	<b>47,592</b>	<b>3,531</b>	<b>51,123</b>
<b>Fiscal Management Plan</b>	<b>0</b>	<b>450</b>	<b>450</b>
<b>Deposit to/(use of) Community Projects fund</b>	<b>0</b>	<b>(150)</b>	<b>(150)</b>
<b>Margin</b>	<b>(4,354)</b>	<b>(2,891)</b>	<b>(7,245)</b>

## 2004-2005 Enacted Budget Report

**GENERAL FUND  
PERSONAL INCOME TAX COMPONENTS  
2003-2004 AND 2004-2005  
(millions of dollars)**

	<b>2003-2004 Actual</b>	<b>2004-2005 Enacted</b>	<b>Annual Change</b>
Withholdings	21,986	23,059	1,073
Estimated Payments	5,159	6,224	1,065
Final Payments	1,313	1,535	222
Delinquencies	631	660	29
<b>Gross Collections</b>	29,089	31,478	2,389
State/City Offset	(261)	(290)	(29)
Refund Reserve	(597)	701	1,298
Refunds	(4,181) <sup>(1)</sup>	(4,450) <sup>(2)</sup>	(269)
<b>Reported Tax Collections</b>	24,050	27,439	3,389
STAR	(2,819)	(3,018)	(199)
RBTF	(5,457)	(5,931)	(474)
<b>General Fund</b>	15,774	18,490	2,716

Net income tax collections are affected by transactions in the tax refund reserve account. The tax refund reserve account is used to hold moneys designated to pay tax refunds. The Comptroller deposits receipts into this account at the discretion of the Commissioner of Taxation and Finance. The deposit of moneys into the account during a fiscal year has the effect of reducing receipts for the fiscal year, and the withdrawal of moneys from the account has the effect of increasing receipts in the fiscal year of withdrawal. The tax refund reserve account also includes amounts made available as a result of the LGAC financing program to ignore the State's cashflow early in the fiscal year. Beginning in 1998-99, a portion of personal income tax collections is deposited directly in the School Tax Reduction (STAR) fund and used to make payments to reimburse local governments for their revenue decreases due to the STAR program.

*Note 1: Reflects the payment of the balance of refunds on 2002 liability and payment of \$960 million of calendar year 2003 refunds in the last quarter of the State's 2003-04 fiscal year and a year-end balance in the Tax Refund Reserve Account of \$1.2 billion.*

*Note 2: Reflects the payment of the balance of refunds on 2003 liability and the projected payment of \$960 million of calendar year 2004 refunds in the last quarter of the State's 2004-05 fiscal year and a projected balance in the Tax Refund Reserve Account of \$524 million.*

## 2004-2005 Enacted Budget Report

**CURRENT STATE RECEIPTS  
GENERAL FUND  
2003-2004 and 2004-2005  
(millions of dollars)**

	2003-2004 Actual	2004-2005 Enacted	Annual Change
<b>Personal income tax</b>	15,774	18,490	2,716
<b>User taxes and fees:</b>	7,979	8,679	700
Sales and use tax	7,241	8,018	777
Cigarette and tobacco taxes	419	411	(8)
Motor vehicle fees	82	25	(57)
Alcoholic beverages taxes	191	183	(8)
Alcoholic beverage control license fees	46	42	(4)
<b>Business taxes:</b>	3,413	3,714	301
Corporation franchise tax	1,482	1,751	269
Corporation and utilities tax	715	657	(58)
Insurance taxes	930	912	(18)
Bank tax	286	394	108
<b>Other taxes:</b>	768	764	(4)
Estate tax	732	731	(1)
Gift tax	4	2	(2)
Real property gains tax	4	3	(1)
Pari-mutuel taxes	27	28	1
Other taxes	1	0	(1)
<b>Total Taxes</b>	27,934	31,647	3,713
<b>Miscellaneous receipts</b>	5,926	2,438	(3,488)
<b>Federal grants</b>	645	0	(645)
<b>Total</b>	34,505	34,085	(420)



## 2004-2005 Enacted Budget Report

**CASH FINANCIAL PLAN  
GENERAL FUND  
2004-2005 through 2006-2007  
(millions of dollars)**

	<u>2004-2005 Enacted</u>	<u>2005-2006 Projected</u>	<u>2006-2007 Projected</u>
<b>Receipts:</b>			
Taxes:			
Personal income tax	18,490	18,843	19,721
User taxes and fees	8,679	8,075	8,304
Business taxes	3,714	3,823	3,902
Other taxes	764	820	878
Miscellaneous receipts	2,438	1,700	1,735
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	5,612	5,825	6,008
Sales tax in excess of LGAC debt service	2,158	2,130	2,197
Real estate taxes in excess of CW/CA debt service	246	250	259
All other	554	277	274
<b>Total receipts</b>	<u>42,655</u>	<u>41,743</u>	<u>43,278</u>
<b>Disbursements:</b>			
Grants to local governments	29,392	33,062	35,362
State operations	7,501	7,927	8,276
General State charges	3,671	4,334	4,888
Transfers to other funds:			
Debt service	1,737	1,843	1,818
Capital projects	196	213	214
Other purposes	542	553	565
<b>Total disbursements</b>	<u>43,039</u>	<u>47,932</u>	<u>51,123</u>
<b>Fiscal Management Plan</b>	<u>434</u>	<u>450</u>	<u>450</u>
<b>Deposit to/(use of) Community Projects fund</b>	<u>50</u>	<u>(50)</u>	<u>(150)</u>
<b>Margin</b>	<u>0</u>	<u>(5,689)</u>	<u>(7,245)</u>

**2004-2005 Enacted Budget Report**

**CASHFLOW  
GENERAL FUND  
2004-2005  
(millions of dollars)**

	<b>First Quarter (Actual)</b>	<b>Second Quarter (Projected)</b>	<b>Third Quarter (Projected)</b>	<b>Fourth Quarter (Projected)</b>	<b>Total (Projected)</b>
<b>Opening fund balance</b>	1,077	1,865	2,166	1,325	1,077
<b>Receipts:</b>					
Taxes:					
Personal income tax	6,322	4,317	2,393	5,458	18,490
User taxes and fees	2,231	2,219	2,218	2,011	8,679
Business taxes	866	896	817	1,135	3,714
Other taxes	197	170	200	197	764
Tobacco bond proceeds	0	0	0	0	0
Miscellaneous receipts	457	532	837	612	2,438
Federal Grants	0	0	0	0	0
Transfers from other funds	2,054	2,667	1,346	2,503	8,570
<b>Total receipts</b>	<b>12,127</b>	<b>10,801</b>	<b>7,811</b>	<b>11,916</b>	<b>42,655</b>
<b>Disbursements:</b>					
Grants to local governments	7,515	6,185	5,189	10,503	29,392
State operations	2,335	2,136	1,929	1,101	7,501
General State charges	816	1,532	647	676	3,671
Transfers to other funds	673	647	1,047	108	2,475
<b>Total disbursements</b>	<b>11,339</b>	<b>10,500</b>	<b>8,812</b>	<b>12,388</b>	<b>43,039</b>
<b>Fiscal Management Plan</b>	<b>0</b>	<b>0</b>	<b>160</b>	<b>274</b>	<b>434</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>788</b>	<b>301</b>	<b>(841)</b>	<b>(198)</b>	<b>50</b>
<b>Closing fund balance</b>	<b>1,865</b>	<b>2,166</b>	<b>1,325</b>	<b>1,127</b>	<b>1,127</b>

2004-2005 Enacted Budget Report

CASHFLOW  
GENERAL FUND  
2004-2005  
(dollars in millions)

	2005												
	2004 April	May	June	July	August	September	October	November	December	January	February	March	Total
<b>Opening Fund Balance</b>	1,077	3,842	1,227	1,865	1,740	2,462	2,166	1,585	1,004	1,325	4,731	5,437	1,077
<b>Receipts:</b>													
Taxes													
Personal income tax	3,851	526	1,945	1,215	1,338	1,764	554	569	1,270	3,065	1,831	562	18,490
Sales tax	626	576	857	622	600	825	593	586	875	621	505	732	8,018
User taxes and fees	79	41	52	62	53	57	53	52	59	59	47	47	661
Business taxes	148	(9)	727	91	60	745	52	12	753	37	18	1,080	3,714
Other taxes	68	50	79	60	49	61	67	63	72	64	67	66	764
Miscellaneous receipts	70	68	319	245	122	165	176	194	467	172	168	272	2,438
Transfers from other funds													
Revenue Bond Fund	875	158	648	405	379	602	184	71	424	1,021	416	429	5,612
LGAC	181	33	0	0	787	178	180	176	263	194	3	163	2,158
Clean Water/Clean Air	52	26	77	23	66	0	0	4	(2)	0	1	(1)	246
All Other Transfers	4	0	0	6	1	220	1	1	44	1	1	275	554
<b>Total receipts</b>	5,954	1,469	4,704	2,729	3,455	4,617	1,858	1,728	4,225	5,234	3,057	3,625	42,655
<b>Disbursements:</b>													
Grants to local governments	1,621	3,089	2,805	1,669	1,694	2,822	1,454	1,422	2,313	1,182	1,869	7,452	29,392
State operations	837	708	790	795	601	740	513	597	819	528	316	257	7,501
General State charges	423	179	214	268	306	958	256	148	243	268	161	247	3,671
Transfers to other funds													
Debt Service	211	45	220	50	34	326	51	174	353	14	28	231	1,737
Capital Projects	1	46	23	56	31	48	19	30	237	(106)	43	(232)	196
All Other Transfers	96	17	14	16	67	19	146	18	19	22	14	94	542
<b>Total disbursements</b>	3,189	4,084	4,066	2,854	2,733	4,913	2,439	2,389	3,984	1,908	2,431	8,049	43,039
<b>Fiscal Management Plan</b>	0	0	0	0	0	0	0	80	80	80	80	114	434
<b>Excess (deficiency) of receipts over disbursements</b>	2,765	(2,615)	638	(125)	722	(296)	(581)	(581)	321	3,406	706	(4,310)	50
<b>Closing Fund Balance</b>	3,842	1,227	1,865	1,740	2,462	2,166	1,585	1,004	1,325	4,731	5,437	1,127	1,127

Note: April through July cashflow is based on actual experience, August reflects preliminary results and the remaining months are projections.

**2004-2005 Enacted Budget Report**

**CASH FINANCIAL PLAN  
STATE FUNDS  
2004-2005  
(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>1,077</u>	<u>1,703</u>	<u>(336)</u>	<u>174</u>	<u>2,618</u>
<b>Receipts:</b>					
Taxes	31,647	4,758	1,795	8,754	46,954
Miscellaneous receipts	2,438	11,126	1,987	647	16,198
Federal grants	0	1	0	0	1
<b>Total receipts</b>	<u>34,085</u>	<u>15,885</u>	<u>3,782</u>	<u>9,401</u>	<u>63,153</u>
<b>Disbursements:</b>					
Grants to local governments	29,392	11,336	1,002	0	41,730
State operations	7,501	4,919	0	22	12,442
General State charges	3,671	479	0	0	4,150
Debt service	0	0	0	3,899	3,899
Capital projects	0	1	2,071	0	2,072
<b>Total disbursements</b>	<u>40,564</u>	<u>16,735</u>	<u>3,073</u>	<u>3,921</u>	<u>64,293</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	8,570	961	234	5,234	14,999
Transfers to other funds	(2,475)	(406)	(1,115)	(10,733)	(14,729)
Bond and note proceeds	0	0	193	0	193
<b>Net other financing sources (uses)</b>	<u>6,095</u>	<u>555</u>	<u>(688)</u>	<u>(5,499)</u>	<u>463</u>
<b>Fiscal Management Plan</b>	<u>434</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>434</u>
<b>Change in fund balance</b>	<u>50</u>	<u>(295)</u>	<u>21</u>	<u>(19)</u>	<u>(243)</u>
<b>Closing fund balance</b>	<u>1,127</u>	<u>1,408</u>	<u>(315)</u>	<u>155</u>	<u>2,375</u>

## 2004-2005 Enacted Budget Report

**CASH FINANCIAL PLAN  
STATE FUNDS  
2003-2004 and 2004-2005  
(millions of dollars)**

	<u>2003-2004</u> <u>Actuals</u>	<u>2004-2005</u> <u>30-Day</u>	<u>2004-2005</u> <u>Enacted</u>	<u>Enacted</u> <u>vs.</u> <u>Actuals</u>	<u>Enacted</u> <u>vs.</u> <u>30-Day</u>
<b>Opening fund balance</b>	1,645	2,061	2,618	973	557
<b>Receipts:</b>					
Taxes	42,254	46,607	46,954	4,700	347
Miscellaneous receipts	19,271	16,523	16,198	(3,073)	(325)
Federal grants	645	12	1	(644)	(11)
<b>Total receipts</b>	<u>62,170</u>	<u>63,142</u>	<u>63,153</u>	<u>983</u>	<u>11</u>
<b>Disbursements:</b>					
Grants to local governments	39,935	41,416	41,730	1,795	314
State operations	11,599	12,116	12,442	843	326
General State charges	3,671	4,114	4,150	479	36
Debt service	3,351	3,908	3,899	548	(9)
Capital projects	2,776	1,949	2,072	(704)	123
<b>Total disbursements</b>	<u>61,332</u>	<u>63,503</u>	<u>64,293</u>	<u>2,961</u>	<u>790</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	13,787	14,681	14,999	1,212	318
Transfers to other funds	(13,790)	(14,588)	(14,729)	(939)	(141)
Bond and note proceeds	139	131	193	54	62
<b>Net other financing sources (uses)</b>	<u>136</u>	<u>224</u>	<u>463</u>	<u>327</u>	<u>239</u>
<b>Fiscal Management Plan</b>	<u>0</u>	<u>0</u>	<u>434</u>	<u>434</u>	<u>434</u>
<b>Change in fund balance</b>	<u>974</u>	<u>(137)</u>	<u>(243)</u>	<u>(1,217)</u>	<u>(106)</u>
<b>Closing fund balance</b>	<u>2,619</u>	<u>1,924</u>	<u>2,375</u>	<u>(244)</u>	<u>451</u>

## 2004-2005 Enacted Budget Report

**CASH FINANCIAL PLAN  
ALL GOVERNMENTAL FUNDS  
2004-2005  
(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>1,077</u>	<u>2,183</u>	<u>(489)</u>	<u>174</u>	<u>2,945</u>
<b>Receipts:</b>					
Taxes	31,647	4,758	1,795	8,754	46,954
Miscellaneous receipts	2,438	11,256	1,987	647	16,328
Federal grants	0	34,972	1,864	0	36,836
<b>Total receipts</b>	<u>34,085</u>	<u>50,986</u>	<u>5,646</u>	<u>9,401</u>	<u>100,118</u>
<b>Disbursements:</b>					
Grants to local governments	29,392	42,895	1,220	0	73,507
State operations	7,501	8,207	0	22	15,730
General State charges	3,671	686	0	0	4,357
Debt service	0	0	0	3,899	3,899
Capital projects	0	1	3,713	0	3,714
<b>Total disbursements</b>	<u>40,564</u>	<u>51,789</u>	<u>4,933</u>	<u>3,921</u>	<u>101,207</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	8,570	3,137	234	5,234	17,175
Transfers to other funds	(2,475)	(2,891)	(1,124)	(10,733)	(17,223)
Bond and note proceeds	0	0	193	0	193
<b>Net other financing sources (uses)</b>	<u>6,095</u>	<u>246</u>	<u>(697)</u>	<u>(5,499)</u>	<u>145</u>
<b>Fiscal Management Plan</b>	<u>434</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>434</u>
<b>Change in fund balance</b>	<u>50</u>	<u>(557)</u>	<u>16</u>	<u>(19)</u>	<u>(510)</u>
<b>Closing fund balance</b>	<u>1,127</u>	<u>1,626</u>	<u>(473)</u>	<u>155</u>	<u>2,435</u>

## 2004-2005 Enacted Budget Report

**CURRENT STATE RECEIPTS  
ALL GOVERNMENTAL FUNDS  
2003-2004 and 2004-2005  
(millions of dollars)**

	<u>2003-2004 Actual</u>	<u>2004-2005 Enacted</u>	<u>Annual Change</u>
<b>Personal income tax</b>	24,050	27,439	3,389
<b>User taxes and fees</b>	11,919	12,886	967
Sales and use taxes	9,907	10,907	1,000
Cigarette and tobacco taxes	419	411	(8)
Motor fuel tax	516	512	(4)
Motor vehicle fees	654	640	(14)
Highway use tax	147	152	5
Alcoholic beverage taxes	191	183	(8)
Alcoholic beverage control license fees	46	42	(4)
Auto rental tax	39	39	0
<b>Business taxes</b>	5,007	5,403	396
Corporation franchise tax	1,700	1,989	289
Corporation and utilities taxes	882	866	(16)
Insurance taxes	1,031	1,021	(10)
Bank tax	342	465	123
Petroleum business taxes	1,052	1,062	10
<b>Other taxes</b>	1,278	1,226	(52)
Estate tax	732	731	(1)
Gift tax	4	2	(2)
Real property gains tax	4	3	(1)
Real estate transfer tax	510	461	(49)
Pari-mutuel taxes	27	28	1
Other taxes	1	1	0
<b>Total taxes</b>	42,254	46,954	4,700
<b>Miscellaneous receipts</b>	19,412	16,328	(3,084)
<b>Federal grants</b>	37,323	36,836	(487)
<b>Total</b>	<u>98,989</u>	<u>100,118</u>	<u>1,129</u>

## 2004-2005 Enacted Budget Report

**CASH FINANCIAL PLAN  
ALL GOVERNMENTAL FUNDS  
2003-2004 and 2004-2005  
(millions of dollars)**

	<u>2003-2004</u> <u>Actuals</u>	<u>2004-2005</u> <u>30-Day</u>	<u>2004-2005</u> <u>Enacted</u>	<u>Enacted</u> <u>vs.</u> <u>Actuals</u>	<u>Enacted</u> <u>vs.</u> <u>30-Day</u>
<b>Opening fund balance</b>	1,221	2,148	2,945	1,724	797
<b>Receipts:</b>					
Taxes	42,254	46,607	46,954	4,700	347
Miscellaneous receipts	19,412	16,649	16,328	(3,084)	(321)
Federal grants	37,323	36,265	36,836	(487)	571
<b>Total receipts</b>	<u>98,989</u>	<u>99,521</u>	<u>100,118</u>	<u>1,129</u>	<u>597</u>
<b>Disbursements:</b>					
Grants to local governments	71,395	72,729	73,507	2,112	778
State operations	14,968	15,300	15,730	762	430
General State charges	3,848	4,312	4,357	509	45
Debt service	3,351	3,908	3,899	548	(9)
Capital projects	3,764	3,562	3,714	(50)	152
<b>Total disbursements</b>	<u>97,326</u>	<u>99,811</u>	<u>101,207</u>	<u>3,881</u>	<u>1,396</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	16,317	17,036	17,175	858	139
Transfers to other funds	(16,396)	(17,079)	(17,223)	(827)	(144)
Bond and note proceeds	140	131	193	53	62
<b>Net other financing sources (uses)</b>	<u>61</u>	<u>88</u>	<u>145</u>	<u>84</u>	<u>57</u>
<b>Fiscal Management Plan</b>	<u>0</u>	<u>0</u>	<u>434</u>	<u>434</u>	<u>434</u>
<b>Change in fund balance</b>	<u>1,724</u>	<u>(202)</u>	<u>(510)</u>	<u>(2,234)</u>	<u>(308)</u>
<b>Closing fund balance</b>	<u>2,945</u>	<u>1,946</u>	<u>2,435</u>	<u>(510)</u>	<u>489</u>



**2004-2005 Enacted Budget Report**

**CASH FINANCIAL PLAN  
SPECIAL REVENUE FUNDS  
2004-2005  
(millions of dollars)**

	<u>State</u>	<u>Federal</u>	<u>Total</u>
<b>Opening fund balance</b>	<u>1,703</u>	<u>480</u>	<u>2,183</u>
<b>Receipts:</b>			
Taxes	4,758	0	4,758
Miscellaneous receipts	11,126	130	11,256
Federal grants	<u>1</u>	<u>34,971</u>	<u>34,972</u>
<b>Total receipts</b>	<u>15,885</u>	<u>35,101</u>	<u>50,986</u>
<b>Disbursements:</b>			
Grants to local governments	11,336	31,559	42,895
State operations	4,919	3,288	8,207
General State charges	479	207	686
Debt service	0	0	0
Capital projects	<u>1</u>	<u>0</u>	<u>1</u>
<b>Total disbursements</b>	<u>16,735</u>	<u>35,054</u>	<u>51,789</u>
<b>Other financing sources (uses):</b>			
Transfers from other funds	961	2,176	3,137
Transfers to other funds	(406)	(2,485)	(2,891)
Bond and note proceeds	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net other financing sources (uses)</b>	<u>555</u>	<u>(309)</u>	<u>246</u>
<b>Change in fund balance</b>	<u>(295)</u>	<u>(262)</u>	<u>(557)</u>
<b>Closing fund balance</b>	<u>1,408</u>	<u>218</u>	<u>1,626</u>

**2004-2005 Enacted Budget Report**

**CASH FINANCIAL PLAN  
CAPITAL PROJECTS FUNDS  
2004-2005  
(millions of dollars)**

	<u>State</u>	<u>Federal</u>	<u>Total</u>
<b>Opening fund balance</b>	<u>(336)</u>	<u>(153)</u>	<u>(489)</u>
<b>Receipts:</b>			
Taxes	1,795	0	1,795
Miscellaneous receipts	1,987	0	1,987
Federal grants	<u>0</u>	<u>1,864</u>	<u>1,864</u>
<b>Total receipts</b>	<u>3,782</u>	<u>1,864</u>	<u>5,646</u>
<b>Disbursements:</b>			
Grants to local governments	1,002	218	1,220
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	<u>2,071</u>	<u>1,642</u>	<u>3,713</u>
<b>Total disbursements</b>	<u>3,073</u>	<u>1,860</u>	<u>4,933</u>
<b>Other financing sources (uses):</b>			
Transfers from other funds	234	0	234
Transfers to other funds	(1,115)	(9)	(1,124)
Bond and note proceeds	<u>193</u>	<u>0</u>	<u>193</u>
<b>Net other financing sources (uses)</b>	<u>(688)</u>	<u>(9)</u>	<u>(697)</u>
<b>Change in fund balance</b>	<u>21</u>	<u>(5)</u>	<u>16</u>
<b>Closing fund balance</b>	<u>(315)</u>	<u>(158)</u>	<u>(473)</u>

## 2004-2005 Enacted Budget Report

**GAAP FINANCIAL PLAN  
GENERAL FUND  
2003-2004 and 2004-2005  
(millions of dollars)**

	<b>2003-2004 Actuals</b>	<b>2004-2005 Enacted</b>	<b>Change</b>
<b>Revenues:</b>			
Taxes:			
Personal income tax	16,337	17,639	1,302
User taxes and fees	7,869	8,854	985
Business taxes	3,294	4,017	723
Other taxes	691	710	19
Miscellaneous revenues	3,653	4,637	984
Federal grants	645	0	(645)
<b>Total revenues</b>	<b>32,489</b>	<b>35,857</b>	<b>3,368</b>
<b>Expenditures:</b>			
Grants to local governments	30,689	31,697	1,008
State operations	9,629	10,196	567
General State charges	3,068	3,225	157
Debt service	0	25	25
Capital projects	0	0	0
<b>Total expenditures</b>	<b>43,386</b>	<b>45,143</b>	<b>1,757</b>
<b>Other financing sources (uses):</b>			
Transfers from other funds	17,934	11,971	(5,963)
Transfers to other funds	(4,904)	(4,608)	296
Proceeds from financing arrangements/ advance refundings	906	375	(531)
<b>Net other financing sources (uses)</b>	<b>13,936</b>	<b>7,738</b>	<b>(6,198)</b>
<b>Fiscal Management Plan</b>	<b>0</b>	<b>434</b>	<b>434</b>
<b>(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses</b>	<b>3,039</b>	<b>(1,114)</b>	<b>(4,153)</b>
<b>Accumulated Deficit</b>	<b>(281)</b>	<b>(1,395)</b>	

## 2004-2005 Enacted Budget Report

**GAAP FINANCIAL PLAN  
GENERAL FUND  
2004-2005  
(millions of dollars)**

	2004-2005 30-Day	Change	2004-2005 Enacted
<b>Revenues:</b>			
Taxes:			
Personal income tax	17,762	(123)	17,639
User taxes and fees	8,478	376	8,854
Business taxes	3,689	328	4,017
Other taxes	776	(66)	710
Miscellaneous revenues	4,940	(303)	4,637
Federal grants	0	0	0
<b>Total revenues</b>	<b>35,645</b>	<b>212</b>	<b>35,857</b>
<b>Expenditures:</b>			
Grants to local governments	31,115	582	31,697
State operations	9,851	345	10,196
General State charges	2,998	227	3,225
Debt service	25	0	25
Capital projects	0	0	0
<b>Total expenditures</b>	<b>43,989</b>	<b>1,154</b>	<b>45,143</b>
<b>Other financing sources (uses):</b>			
Transfers from other funds	11,901	70	11,971
Transfers to other funds	(4,588)	(20)	(4,608)
Proceeds from financing arrangements/ advance refundings	340	35	375
<b>Net other financing sources (uses)</b>	<b>7,653</b>	<b>85</b>	<b>7,738</b>
<b>Fiscal Management Plan</b>	<b>0</b>	<b>434</b>	<b>434</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>(691)</b>	<b>(423)</b>	<b>(1,114)</b>
<b>Accumulated Deficit</b>	<b>(2,679)</b>	<b>1,284</b>	<b>(1,395)</b>

## 2004-2005 Enacted Budget Report

**GAAP FINANCIAL PLAN  
ALL GOVERNMENTAL FUNDS  
2004-2005  
(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>Revenues:</b>					
Taxes	31,220	4,746	1,798	8,788	46,552
Patient fees	0	0	0	326	326
Miscellaneous revenues	4,637	2,519	256	24	7,436
Federal grants	0	36,740	1,864	0	38,604
<b>Total revenues</b>	<u>35,857</u>	<u>44,005</u>	<u>3,918</u>	<u>9,138</u>	<u>92,918</u>
<b>Expenditures:</b>					
Grants to local governments	31,697	39,249	1,207	0	72,153
State operations	10,196	1,879	0	22	12,097
General State charges	3,225	259	0	0	3,484
Debt service	25	0	0	3,215	3,240
Capital projects	0	1	3,478	0	3,479
<b>Total expenditures</b>	<u>45,143</u>	<u>41,388</u>	<u>4,685</u>	<u>3,237</u>	<u>94,453</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	11,971	1,036	210	5,263	18,480
Transfers to other funds	(4,608)	(4,029)	(1,161)	(11,132)	(20,930)
Proceeds of general obligation bonds		0	193	0	193
Proceeds from financing arrangements/ advance refundings	375	0	1,561	0	1,936
<b>Net other financing sources (uses)</b>	<u>7,738</u>	<u>(2,993)</u>	<u>803</u>	<u>(5,869)</u>	<u>(321)</u>
<b>Fiscal Management Plan</b>	<u>434</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>434</u>
<b>(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses</b>	<u>(1,114)</u>	<u>(376)</u>	<u>36</u>	<u>32</u>	<u>(1,422)</u>

## 2004-2005 Enacted Budget Report

**GAAP FINANCIAL PLAN  
 AII GOVERNMENTAL FUNDS  
 2004-2005  
 (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	17,639	0	8,952	0	26,591
User taxes and fees	8,854	0	4,241	0	13,095
Business taxes	4,017	0	1,688	0	5,705
Other taxes	710	0	451	0	1,161
Federal grants	0	36,740	1,864	0	38,604
Patient fees	0	0	326	0	326
Miscellaneous receipts	4,637	121	2,678	0	7,436
<b>Total revenues</b>	<u>35,857</u>	<u>36,861</u>	<u>20,200</u>	<u>0</u>	<u>92,918</u>
<b>Expenditures:</b>					
Grants to local governments	31,697	32,682	7,774	0	72,153
State operations	10,196	1,172	729	0	12,097
General State charges	3,225	185	74	0	3,484
Debt service	25	0	3,215	0	3,240
Capital projects	0	0	3,479	0	3,479
<b>Total expenditures</b>	<u>45,143</u>	<u>34,039</u>	<u>15,271</u>	<u>0</u>	<u>94,453</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	11,971	0	6,509	(16,721)	1,759
Transfers to other funds	(4,608)	(3,098)	(13,224)	16,721	(4,209)
Proceeds of General obligation bonds	0	0	193	0	193
Proceeds from financing arrangements/ advance refundings	375	0	1,561	0	1,936
<b>Net other financing sources (uses)</b>	<u>7,738</u>	<u>(3,098)</u>	<u>(4,961)</u>	<u>0</u>	<u>(321)</u>
<b>Fiscal Management Plan</b>	<u>434</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>434</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<u>(1,114)</u>	<u>(276)</u>	<u>(32)</u>	<u>0</u>	<u>(1,422)</u>

## 2004-2005 Enacted Budget Report

**CASH FLOW  
HEALTH CARE REFORM ACT  
2004-2005  
(millions of dollars)**

	<u>First Quarter (Actual)</u>	<u>Second Quarter (Projected)</u>	<u>Third Quarter (Projected)</u>	<u>Fourth Quarter (Projected)</u>	<u>Total (Projected)</u>
<b>Opening fund balance</b>	<u>430</u>	<u>702</u>	<u>1,038</u>	<u>786</u>	<u>430</u>
<b>Receipts:</b>					
Public Goods Pool	745	745	588	554	2,632
Tobacco Control and Insurance Initiatives Pool	183	470	571	976	2,200
<b>Total receipts</b>	<u>928</u>	<u>1,215</u>	<u>1,159</u>	<u>1,530</u>	<u>4,832</u>
<b>Disbursements:</b>					
Hospital Indigent Care Fund	238	208	221	159	826
Professional Education/Graduate Medical Education	85	91	116	91	383
Elderly Pharmaceutical Insurance Coverage (EPIC)	150	150	103	91	494
Child Health Plus (CHP)	72	106	130	67	375
Family Health Plus (FHP)	0	94	95	192	381
Workforce Recruitment and Retention	14	48	116	151	329
Public Health	18	30	25	22	95
Mental Health	33	28	25	0	86
Roswell Park Cancer Institute	0	25	25	28	78
Physician Excess Medical Malpractice	0	23	0	32	55
Transfer To Medicaid:					
Pharmacy Costs	0	0	216	309	525
Physician Costs	0	0	43	42	85
Health Insurance Demonstration Project	0	0	28	2	30
Supplemental Medical Insurance	0	0	17	51	68
All Other Medicaid	0	0	108	156	264
All Other	46	76	143	133	398
<b>Total disbursements</b>	<u>656</u>	<u>879</u>	<u>1,411</u>	<u>1,526</u>	<u>4,472</u>
<b>Excess (deficiency) of receipts over disbursements</b>	<u>272</u>	<u>336</u>	<u>(252)</u>	<u>4</u>	<u>360</u>
<b>Closing fund balance</b>	<u>702</u>	<u>1,038</u>	<u>786</u>	<u>790</u>	<u>790</u>

## 2004-2005 Enacted Budget Report

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

	2003-2004 Actual	2004-2005 Enacted	Annual Change
<b>ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT</b>			
Agriculture and Markets, Department of	36,462	44,974	8,512
Alcoholic Beverage Control	0	0	0
Banking Department	0	0	0
Consumer Protection Board	457	367	(90)
Economic Development, Department of	30,273	38,140	7,867
Empire State Development Corporation	0	14,975	14,975
Energy Research and Development Authority	0	0	0
Housing Finance Agency	0	0	0
Housing and Community Renewal, Division of	73,067	66,543	(6,524)
Insurance Department	0	0	0
Olympic Regional Development Authority	7,400	7,350	(50)
Public Service, Department of	0	0	0
Science, Technology and Academic Research, Office of	27,771	57,057	29,286
<b>Functional Total</b>	<b>175,430</b>	<b>229,406</b>	<b>53,976</b>
<b>PARKS AND THE ENVIRONMENT</b>			
Adirondack Park Agency	3,889	4,173	284
Environmental Conservation, Department of	97,757	99,900	2,143
Environmental Facilities Corporation	0	0	0
Parks, Recreation and Historic Preservation, Office of	100,574	106,391	5,817
<b>Functional Total</b>	<b>202,220</b>	<b>210,464</b>	<b>8,244</b>
<b>TRANSPORTATION</b>			
Motor Vehicles, Department of	1,025	1,048	23
Thruway Authority	0	0	0
Transportation, Department of	160,807	113,316	(47,491)
<b>Functional Total</b>	<b>161,832</b>	<b>114,364</b>	<b>(47,468)</b>
<b>HEALTH AND SOCIAL WELFARE</b>			
Advocate for Persons with Disabilities, Office of	828	806	(22)
Aging, Office for the	68,334	65,961	(2,373)
Children and Families, Council on	20	0	(20)
Children and Family Services, Office of	1,293,591	1,313,811	20,220
Health, Department of	6,893,949	7,413,923	519,974
<i>Medical Assistance</i>	6,061,302	6,525,059	463,757
<i>Medicaid Administration</i>	124,311	120,150	(4,161)
<i>All Other</i>	708,336	768,714	60,378
Human Rights, Division of	13,540	13,265	(275)
Labor, Department of	48,119	10,885	(37,234)
Prevention of Domestic Violence, Office of	1,677	1,572	(105)



## 2004-2005 Enacted Budget Report

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

	2003-2004 Actual	2004-2005 Enacted	Annual Change
<b>HEALTH AND SOCIAL WELFARE (Continued)</b>			
Temporary and Disability Assistance, Office of	1,511,467	1,560,183	48,716
<i>Welfare Assistance</i>	1,080,566	1,145,953	65,387
<i>Welfare Administration</i>	339,924	341,133	1,209
<i>All Other</i>	90,977	73,097	(17,880)
Welfare Inspector General, Office of	572	713	141
Workers' Compensation Board	0	0	0
<b>Functional Total</b>	<b>9,832,097</b>	<b>10,381,119</b>	<b>549,022</b>
<b>MENTAL HEALTH</b>			
Mental Health, Office of	1,150,498	1,340,784	190,286
Mental Retardation and Developmental Disabilities, Office of	688,051	788,900	100,849
Alcohol and Substance Abuse Services, Office of	292,632	282,715	(9,917)
Developmental Disabilities Planning Council	0	0	0
Quality of Care for the Mentally Disabled, Commission on	2,800	2,962	162
<b>Functional Total</b>	<b>2,133,981</b>	<b>2,415,361</b>	<b>281,380</b>
<b>PUBLIC PROTECTION</b>			
Capital Defenders Office	12,519	12,519	0
Correction, Commission of	2,472	2,427	(45)
Correctional Services, Department of	1,907,860	1,919,692	11,832
Crime Victims Board	5,476	2,776	(2,700)
Criminal Justice Services, Division of	88,141	93,036	4,895
Investigation, Temporary State Commission of	2,953	3,239	286
Judicial Commissions	2,298	2,542	244
Military and Naval Affairs, Division of	44,191	27,754	(16,437)
Parole, Division of	185,480	174,103	(11,377)
Probation and Correctional Alternatives, Division of	72,518	75,480	2,962
Public Security, Office of	4,717	6,990	2,273
State Police, Division of	341,671	330,086	(11,585)
<b>Functional Total</b>	<b>2,670,296</b>	<b>2,650,644</b>	<b>(19,652)</b>
<b>EDUCATION</b>			
Arts, Council on the	45,255	44,477	(778)
City University of New York	733,906	756,772	22,866
Education, Department of	13,675,911	14,323,740	647,829
<i>School Aid</i>	12,372,856	12,838,932	466,076
<i>STAR Property Tax Relief</i>	0	0	0
<i>Handicapped</i>	726,298	858,359	132,061
<i>All Other</i>	576,757	626,449	49,692
Higher Education Services Corporation	574,983	926,525	351,542
State University Construction Fund	0	0	0
State University of New York	1,228,574	1,262,137	33,563
<b>Functional Total</b>	<b>16,258,629</b>	<b>17,313,651</b>	<b>1,055,022</b>

## 2004-2005 Enacted Budget Report

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

	2003-2004 Actual	2004-2005 Enacted	Annual Change
<b>GENERAL GOVERNMENT</b>			
Audit and Control, Department of	146,318	163,376	17,058
Budget, Division of the	23,011	27,737	4,726
Civil Service, Department of	19,399	20,552	1,153
Elections, State Board of	3,356	3,616	260
Employee Relations, Office of	3,276	3,495	219
Executive Chamber	12,451	14,816	2,365
General Services, Office of	114,351	117,716	3,365
Inspector General, Office of	4,404	4,142	(262)
Law, Department of	110,553	112,311	1,758
Lieutenant Governor, Office of the	358	458	100
Lottery, Division of	0	0	0
Public Employment Relations Board	3,229	3,173	(56)
Racing and Wagering Board, State	0	0	0
Real Property Services, Office of	24,976	25,614	638
Regulatory Reform, Governor's Office of	3,227	3,375	148
State, Department of	19,418	18,643	(775)
Tax Appeals, Division of	2,676	2,718	42
Taxation and Finance, Department of	308,508	301,683	(6,825)
Technology, Office for	32,737	19,897	(12,840)
TSC Lobbying	929	975	46
Veterans Affairs, Division of	10,019	11,185	1,166
<b>Functional Total</b>	<b>843,196</b>	<b>855,482</b>	<b>12,286</b>
<b>ALL OTHER CATEGORIES</b>			
Legislature	200,752	200,679	(73)
Judiciary (excluding fringe benefits)	1,282,759	1,311,000	28,241
Homeland Security	0	4,374	4,374
World Trade Center	0	0	0
Local Government Assistance	823,952	802,661	(21,291)
Long-Term Debt Service	1,473,720	1,736,852	263,132
Capital Projects	224,583	196,492	(28,091)
General State Charges/Miscellaneous	3,882,285	4,615,991	733,706
One-time Payment Deferrals (1)	1,900,000	0	(1,900,000)
<b>Functional Total</b>	<b>9,788,051</b>	<b>8,868,049</b>	<b>(920,002)</b>
<b>TOTAL GENERAL FUND SPENDING</b>	<b>42,065,732</b>	<b>43,038,540</b>	<b>972,808</b>

*Note 1: To provide a comparable annual change by function, spending by function has been adjusted for \$1.9 billion in one-time payment deferrals from 2002-03 to 2003-04. The payment deferrals are shown in aggregate and were detailed most recently in the 2003-04 Year-End Report.*

## 2004-2005 Enacted Budget Report

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

	2003-2004 Actual	2004-2005 Enacted	Annual Change
<b>ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT</b>			
Agriculture and Markets, Department of	55,053	73,527	18,474
Alcoholic Beverage Control	10,501	10,220	(281)
Banking Department	55,390	60,221	4,831
Consumer Protection Board	3,113	2,465	(648)
Economic Development, Department of	39,118	345,218	306,100
Empire State Development Corporation	50	65,975	65,925
Energy Research and Development Authority	29,557	26,123	(3,434)
Housing Finance Agency	0	0	0
Housing and Community Renewal, Division of	181,013	184,685	3,672
Insurance Department	105,913	128,217	22,304
Olympic Regional Development Authority	7,575	7,750	175
Public Service, Department of	46,086	55,860	9,774
Science, Technology and Academic Research, Office of	30,283	74,545	44,262
<b>Functional Total</b>	<b>563,652</b>	<b>1,034,806</b>	<b>471,154</b>
<b>PARKS AND THE ENVIRONMENT</b>			
Adirondack Park Agency	3,889	4,173	284
Environmental Conservation, Department of	628,041	721,509	93,468
Environmental Facilities Corporation	6,788	12,416	5,628
Parks, Recreation and Historic Preservation, Office of	189,367	222,843	33,476
<b>Functional Total</b>	<b>828,085</b>	<b>960,941</b>	<b>132,856</b>
<b>TRANSPORTATION</b>			
Motor Vehicles, Department of	188,994	203,172	14,178
Thruway Authority	2,865	4,000	1,135
Transportation, Department of	3,323,623	3,738,326	414,703
<b>Functional Total</b>	<b>3,515,482</b>	<b>3,945,498</b>	<b>430,016</b>
<b>HEALTH AND SOCIAL WELFARE</b>			
Advocate for Persons with Disabilities, Office of	977	1,018	41
Aging, Office for the	68,338	65,972	(2,366)
Children and Families, Council on	20	0	(20)
Children and Family Services, Office of	1,317,494	1,364,311	46,817
Health, Department of	11,078,963	11,858,658	779,695
<i>Medical Assistance</i>	8,832,973	9,465,959	632,986
<i>Medicaid Administration</i>	124,311	120,150	(4,161)
<i>All Other</i>	2,121,679	2,272,549	150,870
Human Rights, Division of	13,540	13,271	(269)
Labor, Department of	78,575	103,714	25,139
Prevention of Domestic Violence, Office of	1,679	1,602	(77)

## 2004-2005 Enacted Budget Report

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

	2003-2004 Actual	2004-2005 Enacted	Annual Change
<b>HEALTH AND SOCIAL WELFARE (Continued)</b>			
Temporary and Disability Assistance, Office of	1,555,585	1,633,431	77,846
<i>Welfare Assistance</i>	1,080,566	1,145,953	65,387
<i>Welfare Administration</i>	339,924	341,133	1,209
<i>All Other</i>	135,095	146,345	11,250
Welfare Inspector General, Office of	572	713	141
Workers' Compensation Board	126,458	145,407	18,949
<b>Functional Total</b>	<b>14,242,201</b>	<b>15,188,097</b>	<b>945,896</b>
<b>MENTAL HEALTH</b>			
Mental Health, Office of	1,372,378	1,651,852	279,474
Mental Retardation and Developmental Disabilities, Office of	752,626	948,825	196,199
Alcohol and Substance Abuse Services, Office of	312,384	323,301	10,917
Developmental Disabilities Planning Council	0	0	0
Quality of Care for the Mentally Disabled, Commission on	2,800	2,967	167
<b>Functional Total</b>	<b>2,440,188</b>	<b>2,926,945</b>	<b>486,757</b>
<b>PUBLIC PROTECTION</b>			
Capital Defenders Office	12,519	12,519	0
Correction, Commission of	2,472	2,427	(45)
Correctional Services, Department of	2,092,719	2,107,942	15,223
Crime Victims Board	25,877	30,326	4,449
Criminal Justice Services, Division of	93,978	118,569	24,591
Investigation, Temporary State Commission of	3,071	3,426	355
Judicial Commissions	2,298	2,542	244
Military and Naval Affairs, Division of	60,121	47,103	(13,018)
Parole, Division of	185,510	174,203	(11,307)
Probation and Correctional Alternatives, Division of	72,518	75,480	2,962
Public Security, Office of	7,737	11,929	4,192
State Police, Division of	465,322	472,079	6,757
<b>Functional Total</b>	<b>3,024,142</b>	<b>3,058,545</b>	<b>34,403</b>
<b>EDUCATION</b>			
Arts, Council on the	45,355	45,177	(178)
City University of New York	830,448	1,134,572	304,124
Education, Department of	18,454,167	19,674,699	1,220,532
<i>School Aid</i>	14,249,132	15,090,841	841,709
<i>STAR Property Tax Relief</i>	2,819,455	3,018,000	198,545
<i>Handicapped</i>	726,298	858,359	132,061
<i>All Other</i>	659,282	707,499	48,217
Higher Education Services Corporation	644,189	1,004,796	360,607
State University Construction Fund	8,184	9,402	1,218
State University of New York	4,164,148	4,462,504	298,356
<b>Functional Total</b>	<b>24,146,491</b>	<b>26,331,150</b>	<b>2,184,659</b>

## 2004-2005 Enacted Budget Report

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

	<u>2003-2004</u> Actual	<u>2004-2005</u> Enacted	<u>Annual</u> Change
<b>GENERAL GOVERNMENT</b>			
Audit and Control, Department of	148,963	176,815	27,852
Budget, Division of the	28,955	39,786	10,831
Civil Service, Department of	20,120	21,652	1,532
Elections, State Board of	3,356	3,616	260
Employee Relations, Office of	3,298	3,550	252
Executive Chamber	12,458	14,916	2,458
General Services, Office of	195,646	209,363	13,717
Inspector General, Office of	5,194	5,441	247
Law, Department of	131,137	149,725	18,588
Lieutenant Governor, Office of the	358	458	100
Lottery, Division of	159,224	159,651	427
Public Employment Relations Board	3,262	3,472	210
Racing and Wagering Board, State	13,734	14,832	1,098
Real Property Services, Office of	43,472	53,800	10,328
Regulatory Reform, Governor's Office of	3,227	3,375	148
State, Department of	58,716	160,647	101,931
Tax Appeals, Division of	2,676	2,718	42
Taxation and Finance, Department of	343,892	337,749	(6,143)
Technology, Office for	32,737	19,897	(12,840)
TSC Lobbying	1,044	1,325	281
Veterans Affairs, Division of	10,019	11,185	1,166
<b>Functional Total</b>	<u>1,221,488</u>	<u>1,393,973</u>	<u>172,485</u>
<b>ALL OTHER CATEGORIES</b>			
Legislature	202,252	201,629	(623)
Judiciary (excluding fringe benefits)	1,426,526	1,500,313	73,787
Homeland Security	15,676	15,274	(402)
World Trade Center	0	1,375	1,375
Local Government Assistance	823,952	802,661	(21,291)
Long-Term Debt Service	3,351,303	3,898,993	547,690
General State Charges/Miscellaneous	3,630,814	4,123,714	492,900
Capital Accounting Adjustment (1)	0	(1,090,000)	(1,090,000)
One-time Payment Deferrals (2)	1,900,000	0	(1,900,000)
<b>Functional Total</b>	<u>11,350,523</u>	<u>9,453,959</u>	<u>(1,896,564)</u>
<b>TOTAL STATE FUNDS SPENDING</b>	<u>61,332,252</u>	<u>64,293,914</u>	<u>2,961,662</u>

*Note 1: Projected 2004-05 spending by function has been adjusted to include certain off-budget capital projects spending, however it is excluded from total projected spending. This spending is not included in actual cash results by the State Comptroller on a cash basis but is reflected on a GAAP basis.*

*Note 2: To provide a comparable annual change by function, spending by function has been adjusted for \$1.9 billion in one-time payment deferrals from 2002-03 to 2003-04. The payment deferrals are shown in aggregate and were detailed most recently in the 2003-04 Year-End Report.*

## 2004-2005 Enacted Budget Report

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

	<u>2003-2004</u> <u>Actual</u>	<u>2004-2005</u> <u>Enacted</u>	<u>Annual</u> <u>Change</u>
<b>ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT</b>			
Agriculture and Markets, Department of	65,436	88,992	23,556
Alcoholic Beverage Control	10,558	10,220	(338)
Banking Department	55,868	60,221	4,353
Consumer Protection Board	3,113	2,465	(648)
Economic Development, Department of	39,122	345,557	306,435
Empire State Development Corporation	50	65,975	65,925
Energy Research and Development Authority	29,557	26,123	(3,434)
Housing Finance Agency	0	0	0
Housing and Community Renewal, Division of	248,348	219,674	(28,674)
Insurance Department	105,913	128,217	22,304
Olympic Regional Development Authority	7,575	7,750	175
Public Service, Department of	47,080	57,429	10,349
Science, Technology and Academic Research, Office of	35,584	80,170	44,586
<b>Functional Total</b>	<u>648,204</u>	<u>1,092,793</u>	<u>444,589</u>
<b>PARKS AND THE ENVIRONMENT</b>			
Adirondack Park Agency	4,207	4,523	316
Environmental Conservation, Department of	820,901	901,821	80,920
Environmental Facilities Corporation	6,788	12,416	5,628
Parks, Recreation and Historic Preservation, Office of	194,993	228,028	33,035
<b>Functional Total</b>	<u>1,026,889</u>	<u>1,146,788</u>	<u>119,899</u>
<b>TRANSPORTATION</b>			
Motor Vehicles, Department of	203,748	217,695	13,947
Thruway Authority	2,865	4,000	1,135
Transportation, Department of	4,610,012	5,334,101	724,089
<b>Functional Total</b>	<u>4,816,625</u>	<u>5,555,796</u>	<u>739,171</u>
<b>HEALTH AND SOCIAL WELFARE</b>			
Advocate for Persons with Disabilities, Office of	1,213	4,044	2,831
Aging, Office for the	177,333	171,228	(6,105)
Children and Families, Council on	470	0	(470)
Children and Family Services, Office of	3,364,763	3,092,522	(272,241)
Health, Department of	31,480,929	33,478,337	1,997,408
<i>Medical Assistance</i>	27,561,478	29,300,766	1,739,288
<i>Medicaid Administration</i>	578,628	542,400	(36,228)
<i>All Other</i>	3,340,823	3,635,171	294,348
Human Rights, Division of	14,067	14,884	817
Labor, Department of	879,965	766,602	(113,363)
Prevention of Domestic Violence, Office of	2,063	1,602	(461)

## 2004-2005 Enacted Budget Report

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

	<u>2003-2004</u> <u>Actual</u>	<u>2004-2005</u> <u>Enacted</u>	<u>Annual</u> <u>Change</u>
<b>HEALTH AND SOCIAL WELFARE (Continued)</b>			
Temporary and Disability Assistance, Office of	4,177,608	4,455,899	278,291
<i>Welfare Assistance</i>	2,868,220	3,124,959	256,739
<i>Welfare Administration</i>	339,924	341,133	1,209
<i>All Other</i>	969,464	989,807	20,343
Welfare Inspector General, Office of	892	1,083	191
Workers' Compensation Board	130,832	145,860	15,028
<b>Functional Total</b>	<u>40,230,135</u>	<u>42,132,061</u>	<u>1,901,926</u>
<b>MENTAL HEALTH</b>			
Mental Health, Office of	2,048,760	2,172,437	123,677
Mental Retardation and Developmental Disabilities, Office of	2,609,153	2,820,865	211,712
Alcohol and Substance Abuse Services, Office of	471,437	478,649	7,212
Developmental Disabilities Planning Council	3,270	3,730	460
Quality of Care for the Mentally Disabled, Commission on	9,722	11,200	1,478
<b>Functional Total</b>	<u>5,142,342</u>	<u>5,486,881</u>	<u>344,539</u>
<b>PUBLIC PROTECTION</b>			
Capital Defenders Office	12,519	12,519	0
Correction, Commission of	2,503	2,427	(76)
Correctional Services, Department of	2,127,272	2,140,898	13,626
Crime Victims Board	60,392	61,858	1,466
Criminal Justice Services, Division of	305,713	304,234	(1,479)
Investigation, Temporary State Commission of	3,071	3,426	355
Judicial Commissions	2,298	2,542	244
Military and Naval Affairs, Division of (1)	1,630,324	1,840,922	210,598
Parole, Division of	188,005	175,903	(12,102)
Probation and Correctional Alternatives, Division of	76,114	75,480	(634)
Public Security, Office of	7,737	11,929	4,192
State Police, Division of	486,640	489,083	2,443
<b>Functional Total</b>	<u>4,902,588</u>	<u>5,121,221</u>	<u>218,633</u>
<b>EDUCATION</b>			
Arts, Council on the	45,949	45,789	(160)
City University of New York	830,448	1,134,572	304,124
Education, Department of	21,603,046	22,694,716	1,091,670
<i>School Aid</i>	15,414,132	16,375,841	961,709
<i>STAR Property Tax Relief</i>	2,819,455	3,018,000	198,545
<i>Handicapped</i>	1,320,140	1,432,976	112,836
<i>All Other</i>	2,049,319	1,867,899	(181,420)
Higher Education Services Corporation	872,380	1,014,996	142,616
State University Construction Fund	8,184	9,402	1,218
State University of New York	4,337,870	4,634,189	296,319
<b>Functional Total</b>	<u>27,697,877</u>	<u>29,533,664</u>	<u>1,835,787</u>

## 2004-2005 Enacted Budget Report

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

	<u>2003-2004</u> <u>Actual</u>	<u>2004-2005</u> <u>Enacted</u>	<u>Annual</u> <u>Change</u>
<b>GENERAL GOVERNMENT</b>			
Audit and Control, Department of	148,963	176,815	27,852
Budget, Division of the	28,955	39,786	10,831
Civil Service, Department of	20,148	21,652	1,504
Elections, State Board of	3,356	6,616	3,260
Employee Relations, Office of	3,298	3,550	252
Executive Chamber	12,458	14,916	2,458
General Services, Office of	200,234	213,756	13,522
Inspector General, Office of	5,194	5,441	247
Law, Department of	149,095	170,823	21,728
Lieutenant Governor, Office of the	358	458	100
Lottery, Division of	159,224	159,651	427
Public Employment Relations Board	3,262	3,472	210
Racing and Wagering Board, State	13,734	14,832	1,098
Real Property Services, Office of	43,472	53,800	10,328
Regulatory Reform, Governor's Office of	3,227	3,375	148
State, Department of	125,628	234,589	108,961
Tax Appeals, Division of	2,676	2,718	42
Taxation and Finance, Department of	344,957	338,027	(6,930)
Technology, Office for	32,737	19,897	(12,840)
TSC Lobbying	1,044	1,325	281
Veterans Affairs, Division of	10,953	12,517	1,564
<b>Functional Total</b>	<u>1,312,973</u>	<u>1,498,016</u>	<u>185,043</u>
<b>ALL OTHER CATEGORIES</b>			
Legislature	202,252	201,629	(623)
Judiciary (excluding fringe benefits)	1,431,275	1,508,013	76,738
Homeland Security	15,676	141,974	126,298
Local Government Assistance	823,952	802,661	(21,291)
Long-Term Debt Service	3,351,303	3,898,993	547,690
General State Charges/Miscellaneous	3,824,451	4,176,765	352,314
Capital Accounting Adjustment (2)	0	(1,090,000)	(1,090,000)
One-time Payment Deferrals (3)	1,900,000	0	(1,900,000)
<b>Functional Total</b>	<u>11,548,909</u>	<u>9,640,035</u>	<u>(1,908,874)</u>
<b>TOTAL ALL GOVERNMENTAL FUNDS SPENDING</b>	<u>97,326,542</u>	<u>101,207,255</u>	<u>3,880,713</u>

Note 1: Projected 2004-05 includes \$1.7 billion in World Trade Center spending that will be reflected in various agencies at year end.

Note 2: Projected 2004-05 spending by function has been adjusted to include certain off-budget capital projects spending, however it is excluded from total projected spending. This spending is not included in actual cash results by the State Comptroller on a cash basis but is reflected on a GAAP basis.

Note 3: To provide a comparable annual change by function, spending by function has been adjusted for \$1.9 billion in one-time payment deferrals from 2002-03 to 2003-04. The payment deferrals are shown in aggregate and were detailed most recently in the 2003-04 Year-End Report.