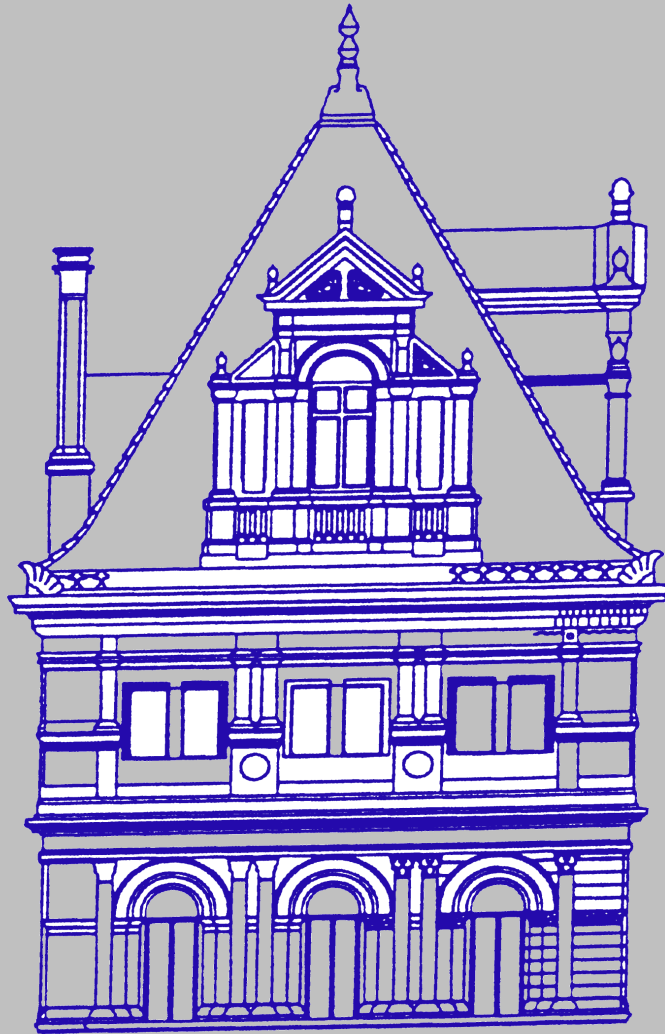


NEW YORK STATE 1999-2000



ENACTED BUDGET REPORT and First Quarterly Update to the Financial Plan

*New York State Division of the Budget
August 20, 1999*

INTRODUCTION

This Enacted Budget Report and First Quarterly Update to the Financial Plan is submitted pursuant to section 23 of the State Finance Law, which requires the Governor to submit revised Financial Plans reflecting action by the Legislature on the Executive Budget for the current fiscal year. The Report includes new forecasts for the national and State economies, as well as detailed estimates for the major categories of receipts and disbursements.

This report also includes the GAAP Basis Financial Plan Update, which the State Finance Law requires to be issued by September 1.

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

OVERVIEW

General Fund spending resulting from the 1999-2000 Enacted Budget grows at slightly less than the rate of inflation, with substantial targeted investments in school aid, public health, and other important programs. The Budget also achieves the Governor's key priority of reserving the 1998-99 surplus of \$1.8 billion to ensure that tax cuts go forward on schedule.

Some highlights of the 1999-2000 Enacted Budget:

- Ⓒ The State's reserves reach \$2.65 billion, their highest level ever, with \$1.8 billion in tax reduction reserves, \$473 million for "rainy day" reserves, \$250 million for debt reduction and \$107 million for litigation risks;
- Ⓒ The Debt Reduction Reserve Fund (DRRF) increases to \$250 million, and the \$50 million deposited in 1998-99 will be used as planned to replace five currently bonded programs with pay-as-you-go funding;
- Ⓒ School aid grows by a record \$914 million (7.8 percent) on a school year basis, the second consecutive increase of over \$800 million for public schools;
- Ⓒ The State's Earned Income Tax Credit is expanded, providing \$125 million in additional tax relief to lower-income, working New Yorkers; and
- Ⓒ The next phase of the School Tax Relief Program (STAR), under which non-senior homeowners become eligible for the program, is fully financed.

The following table summarizes spending for the General Fund, State Funds, and All Funds under the 1999-2000 Enacted Budget.

1999-2000 Spending (dollars in millions)			
Fund	Size of the Budget	Dollar Change from 1998-99	Percent Change from 1998-99
General Fund	37,355	868	2.38%
State Funds	49,830	1,881	3.92%
All Funds	73,288	2,673	3.79%

THE 1999-2000 GENERAL FUND FINANCIAL PLAN

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

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

Economic Outlook

National Economy

Major Economic Indicators			
	1998	1999	2000
Gross Domestic Product (real)	3.9	4.0	2.4
Personal Income	5.0	5.1	4.8
Corporate Profits	-2.3	5.4	-1.7
Consumer Price Index	1.6	2.1	2.5

Note: Numbers above are percent change/calendar year. For the fiscal year, inflation is projected at 2.4%

The national economy accelerated its rate of expansion in 1998 and maintained much of its strength as 1999 began. However, due in part to a near-doubling of oil prices and a sharp rise in interest rates, a moderation of consumer spending growth and a decline in housing starts are likely. This, combined with a continued deterioration in net exports, points to a moderation of economic activity. Concerns over the Y2K issue are expected to slow growth early next year as companies

adjust to frictions caused by potential computer failures. The modest economic growth resulting from these factors is expected to engender a slowdown in the rate of job creation.

The Division of the Budget projects that real Gross Domestic Product will grow at an annual rate of 4.0 percent for 1999, but slow to 2.4 percent in 2000. Inflation, as measured by the Consumer Price Index (CPI), is projected at 2.4 percent on a State fiscal year basis. Increased employment has been a cornerstone of the nation's economic expansion and job growth is expected to remain robust throughout most of 1999. However, the reduced pace of economic activity in 2000 could potentially result in slower employment growth. Annual employment growth of about 2.1 percent in 1999 is expected to be followed by a 1.8 percent rise in 2000. Wage income, which is expected to grow at the rapid rate of 6.3 percent in 1999, is projected to slow to 5.7 percent in 2000, as the rate of increase in the number of hours worked declines from 2.2 percent to 1.7 percent. Personal income growth is also projected to slightly decrease from 5.1 percent in 1999 to 4.8 percent in 2000.

There are uncertainties inherent in any economic forecast. The continuation of good news on inflation combined with strong productivity increases could lead to a repetition of the extremely favorable pattern of economic growth that the nation experienced in 1998. The remarkably buoyant domestic economy with persistent strong consumer demand could result in stronger-than-expected growth for the remainder of 1999 and perhaps much of 2000.

However, such robust growth could ignite inflationary fears as labor markets remain tight and pressures to increase compensation exceed the ability of productivity gains to keep prices down. This may lead to increases in long-term interest rates, which could result in much weaker-than-expected growth by the end of 2000. Wage pressures on final prices may start to surface and productivity advances may start to slow down which, if combined with a sharp stock market correction, could potentially slow or curtail the pace of overall economic growth.

State Economy

Major Economic Indicators			
	1998	1999	2000
Personal Income	5.3	4.6	4.1
Nonagricultural	2.0	1.7	1.3
Unemployment Rate	5.6	5.1	5.0

Note: Income and Employment numbers are percent change/calendar year.

New York's employment growth will continue throughout 1999. Most major sectors recorded employment gains for the first half of 1999, with the business, health and social services sectors accounting for most of the increase. According to the most recent New York State Department of Labor estimate through June, since December 1994, New York's total employment has risen 478,000, with private employment up by 489,000 and government employment down by 11,000. The unemployment rate was 5.2 percent in June, down from a peak of 8.9 percent in July 1992.

Overall, employment growth is expected to slow modestly in 1999, with the growth rate slowly declining as the year progresses. Employment in the first quarter of 2000 is projected to be about 117,000 above the level of a year earlier. The Division of the Budget's forecast of the New York

economy calls for employment growth to continue throughout 2000, as the economy adds over 100,000 jobs on an annual average basis.

Personal income is estimated to rise about 4.6 percent in 1999 and 4.1 percent in 2000. Over the same period, wage growth is projected to be 5.7 percent and 4.7 percent, respectively. Wage rate growth is expected to slow in 1999 and 2000 due to slower growth in bonus payments and weak inflationary pressures.

The forecast for New York is subject to the same uncertainties as the national forecast as well as some specific to New York. For example, New York faces a potential risk that dramatic changes in the financial sector may spread to the broader economy. As is always the case, there is also a possibility of greater than anticipated private-sector restructuring and downsizing.

General Fund Receipts

1998-99	1999-00	Change \$
36,741	39,308	2,567

Total General Fund receipts in 1999-2000 are now projected to be \$39.31 billion, an increase of about \$2.57 billion from the \$36.74 billion recorded in 1998-99. This total includes \$35.93 billion in tax receipts, \$1.36 billion in miscellaneous receipts, and \$2.02 billion in transfers from other funds. The transfer of the \$1.8 billion surplus recorded in 1998-99 to the 1999-2000 fiscal period exaggerates the growth in State receipts from year to year by depressing reported 1998-99 figures and inflating 1999-2000 projections.

The General Fund receipts forecast used in the Enacted Budget represents an increase of \$499 million from the amount presented in the Executive Budget after the 30-day amendments. Of that amount:

- C \$301 million represents additional resources identified since the time of the Executive Budget, net of revenue actions by the Legislature;
- C \$210 million represents additional resources resulting from a combination of administrative and statutory actions included with the Enacted 1999-2000 Budget; and
- C \$48 million in additional 1999-2000 resources resulting from the timing of revenue transactions expected in fiscal year 1998-99; offset by
- C A loss of \$60 million in revenue resources resulting from an adverse administrative tax ruling and actions taken by the Legislature that have an adverse impact on the 1999-2000 Financial Plan.

Personal Income Tax

1998-99	1999-00	Change \$
20,080	22,952	2,872

Net General Fund personal income tax collections are projected to reach \$22.95 billion, well over half of all General Fund receipts and \$2.87 billion above the reported 1998-99 collection total. Much of this growth is associated with the nearly \$1.8 billion net impact of the transfer of the surplus from 1998-99 to the current year as partially offset by the diversion of an additional \$661 million in income tax receipts to the STAR fund. Adjusted for these transactions, the growth in net income tax receipts is roughly \$1.8 billion, an increase of almost 9 percent.

This growth is largely a function of two factors: i) the 8 percent growth in income tax liability projected for 1999; and ii) the impact of the 1998 tax year settlement recorded early in this fiscal year.

The most significant statutory change made this year provides for an increase, phased in over two years, in the earned income tax credit from 20 percent to 25 percent of the Federal credit.

User Taxes and Fees

1998-99	1999-00	Change \$
7,244	7,349	105

Receipts from user taxes and fees are projected to total \$7.35 billion, an increase of \$105 million from reported collections in the prior year. Included in this category are: receipts from the State sales tax, cigarette, tobacco products, and alcoholic beverage taxes and fees; motor fuel taxes and motor vehicle license and registration fees; and a 5 percent levy on auto rentals.

The sales tax component of this category accounts for virtually all of the 1999-2000 growth. Growth in base sales tax yield, after adjusting for tax law and other changes, is projected at 5.6 percent. Modest increases in motor fuel and auto rental tax receipts over 1998-99 levels are also expected. However, receipts from other user taxes and fees are estimated to decline by \$177 million.

The yield of other excise taxes in this category, particularly the cigarette and alcoholic beverage taxes, show long-term declining trends. General Fund declines in 1999-2000 motor vehicle fee receipts, in contrast, reflect statutory fee reductions and an increased amount of collections earmarked to the Dedicated Highway and Bridge Trust Fund.

Significant statutory changes made in this category during the 1999-2000 legislative session include: moving to March 1, 2000 the implementation of the exemption from State sales tax of clothing and footwear priced under \$110; providing week-long sales tax exemptions in September 1999 and January 2000 for clothing and footwear priced under \$500; enactment of a variety of small sales tax exemptions including certain equipment used in providing telecommunications service for sale, property and services used in theatrical productions, computer hardware used to design Internet web sites, and building materials used in farming; a reduction in the beer tax rate; and an expanded exemption from the alcoholic beverage tax for small brewers.

Business Taxes

1998-99	1999- 00	Change \$
4,857	4,627	(230)

Total business tax collections in 1999-2000 are now projected to be \$4.63 billion, \$230 million below results for the prior fiscal year. The category includes receipts from the largely income-based levies on general business corporations, banks and insurance companies, gross receipts taxes on energy and telecommunication service providers and a per-gallon imposition on petroleum business.

The year-over-year decline in projected receipts in this category is largely attributable to statutory changes. These include the first year of a scheduled corporation franchise tax rate reduction, the alternative minimum tax rate reduction, the fixed dollar minimum rate reduction, and the expansion of the investment tax credit to financial service companies. Ongoing tax reductions include the second year of the "Power for Jobs" program, the gross receipts tax rate reduction, and scheduled additional diversion of General Fund petroleum business and utility tax receipts to dedicated transportation funds.

Legislation enacted this year affecting receipts in this category includes: a phased reduction in the net income tax rate applicable to bank and insurance companies from 9 percent to 7.5 percent; reforms to the corporation franchise subsidiary capital tax; a further reduction in the alternative minimum tax rate from 3 percent to 2.5 percent; doubling the economic development zone and zone equivalent area wage tax credits; and providing further reforms to the apportionment of income for the airline industry.

Other Taxes

1998-99	1999- 00	Change \$
1,138	1,001	(137)

Other tax receipts are now projected to total \$1.00 billion, \$137 million below last year's amount. Sources in this category include: the estate and gift tax, the real property gains tax and pari-mutuel taxes.

The primary factors accounting for most of the expected decline include: i) an adverse tax tribunal decision resulting in significant refunds of the now repealed real property gains tax; and ii) pari-mutuel tax cuts enacted with this budget and the effects of the already enacted cuts in the estate and gift taxes.

Significant legislation enacted with the 1999-2000 Budget affecting these sources include both the extension of and an increase in certain temporary tax reductions at the State's race tracks and conformity with new Federal estate tax provisions.

Miscellaneous Receipts

1998-99	1999-00	Change \$
1,505	1,363	(142)

Total miscellaneous receipts are expected to reach \$1.36 billion, down \$142 million from the prior year amount. This reflects the loss of non-recurring receipts received in 1998-99 and the growing effects of the phase-out of the medical provider assessments, now scheduled to be eliminated in January 2000.

Transfers From Other Funds

1998-99	1999-00	Change \$
1,917	2,016	99

Transfers from other funds are expected to total \$2.02 billion, or \$99 million more than total receipts from this category during 1998-99. Total transfers of sales taxes in excess of LGAC debt service requirements are expected to increase by approximately \$93 million, while transfers from all other funds are expected to increase by \$6 million.

General Fund Disbursements

1998-99	1999-00	Change \$
36,487	37,355	868

General Fund disbursements, including transfers to support capital projects, debt service and other funds, are estimated at \$37.36 billion in 1999-00, an increase of \$868 million or 2.38 percent over 1998-99. Inflation in the current fiscal year is forecast at 2.4 percent.

Following the pattern of the last two fiscal years, education programs receive the largest share of new funding under the 1999-2000 Enacted Budget. School aid will grow by \$831 million or 8.58 percent over 1998-99 (on a State fiscal year basis). Spending on special education programs will also increase significantly from the prior year, increasing by \$62 million or 8.44 percent. Outside of education, the largest growth in spending is for State Operations (\$207 million), including \$100 million reserved for possible collective bargaining costs; Debt Service (\$183 million); and mental hygiene programs, including funding for a cost of living increase for care providers (\$114 million). These increases were offset in part by spending reductions elsewhere, primarily in health and social welfare programs (\$241 million) and in General State Charges primarily related to the MMIA transaction (\$222 million).

Projected spending under the 1999-2000 Enacted Budget is \$213 million above the Governor's Executive Budget recommendations. This modest spending change is the net result of spending actions that occurred during negotiations on the Enacted Budget. The increase in General Fund spending is comprised of \$1.1 billion in legislative additions to the Executive Budget (primarily in education), offset by various spending reductions from the amounts projected in the Governor's Executive Budget after 30-day amendments. These resources include reestimates of required

disbursements based on year-to-date results and the identification of certain other resources that offset spending, such as \$250 million from commencing the process of privatizing the Medical Malpractice Insurance Association (MMIA), and about \$100 million in excess fund balances, primarily from NYPHRM.

The remaining increase over Executive Budget projections is attributable to the timing of payments that were originally budgeted for 1998-99, but are now expected to occur in 1999-2000.

Grants to Local Governments

1998-99	1999-00	Change \$
24,694	25,604	910

Grants to Local Governments is the largest category of General Fund disbursements and includes financial assistance to local governments and not-for-profit corporations, as well as entitlement benefits to individuals. The largest areas of spending in this category are for aid to elementary and secondary schools (41 percent) and for the State's share of Medicaid payments to providers (22 percent). Grants to Local Governments are projected at \$25.60 billion in 1999-2000, an increase of \$910 million or 3.68 percent over 1998-99.

Under the Enacted Budget, General Fund spending on school aid is projected at \$10.52 billion in 1999-2000 (on a State fiscal year basis), an increase of \$831 million from the prior year. The Budget provides additional funding for operating aid, building aid, and several other targeted aid programs. It also funds the "tail" of aid payable for the 1998-99 school year that is due in the first quarter of 1999-2000. For all other educational programs, disbursements are projected to grow by \$78 million to \$2.99 billion.

Spending for Medicaid in 1999-2000 is projected to total \$5.54 billion, essentially unchanged from 1998-99. Disbursements for all other health and social welfare programs are projected to total \$3.30 billion, a decrease of \$198 million. Lower welfare spending, driven by State and Federal reforms and a robust economy, accounts for most of this decline, offset in part by higher spending on public health programs for children and the elderly.

The remaining disbursements primarily support community-based mental hygiene programs, local transportation programs, and revenue sharing payments to local governments. Revenue sharing and other general purpose aid to local governments is projected at \$825 million.

State Operations

1998-99	1999-00	Change \$
6,671	6,878	207

State Operations pays for the costs of operating the Executive, Legislative, and Judicial branches of government. Spending in this category is projected to increase by \$207 million or 3.1 percent over the prior year. The growth in State Operations reflects \$100 million in projected spending for new collective bargaining agreements. Funding for this expense will come from the Collective Bargaining Reserve that was proposed in the 1999-2000 Executive Budget. The annualized costs of current collective bargaining agreements, growth in the Legislative and Judiciary budgets, and staffing costs

for the State's Year 2000 compliance programs also contribute to the year-to-year growth in spending. The State's overall workforce is expected to remain stable at around 191,300 employees.

General State Charges

1998-99	1999- 00	Change \$
2,259	2,037	(222)

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

Disbursements for GSCs are estimated at \$2.04 billion, a decrease of \$222 million from the prior year. The change primarily reflects projected growth of \$28 million in a variety of programs offset by the use of proceeds discussed above to offset certain fringe benefit costs in 1999-2000.

Debt Service

1998-99	1999-00	Change \$
9	11	2

This category accounts for debt service on short-term obligations of the State, i.e., the interest costs of the State's commercial paper program. The commercial paper program is expected to have an average of approximately \$287 million outstanding during 1999-2000, similar to past experience, with interest rates of about 4 percent. The majority of the State's debt service is for long-term bonds, and is shown in the Financial Plan as a transfer to the General Debt Service Fund.

Transfers to Other Funds

Transfers in Support of:	1998-99	1999-00	Change \$
Debt Service	2,089	2,272	183
Capital Projects	246	168	(78)
Debt Reduction Reserve	50	0	(50)
All Other Transfers	469	385	(84)

Transfers in support of debt service are General Fund resources used to pay principal, interest, and related expenses on long-term bonds that are not funded from other resources. Long-term debt service transfers are projected at \$2.27 billion in 1999-2000, an increase of \$183 million from 1998-99. The increase reflects debt service costs from prior-year bond sales (net of refunding savings), and certain sales planned to occur during the 1999-2000 fiscal year.

Transfers for capital projects provide General Fund support for projects that are not financed by bond proceeds, dedicated taxes, other revenues, or Federal grants. Transfers in this category are

projected to total \$168 million in 1999-2000. The decline of \$78 million from the prior year is primarily due to the delay of the receipt of certain reimbursements in 1998-99.

Receipts of \$50 million transferred to the Debt Reduction Reserve Fund (DRRF) in 1998-99 will be transferred to the Capital Projects Fund in 1999-2000 to replace financing for five currently bonded capital programs with pay-as-you-go funding. The 1999-2000 Enacted Budget also reserves \$250 million in new resources for DRRF.

All other transfers, which reflect the remaining transfers from the General Fund to other funds, are estimated to total \$385 million in 1999-2000, a decline of \$84 million from 1998-99, primarily because of certain non-recurring transfers that occurred last year.

General Fund Closing Balance

The 1999-2000 Financial Plan projects a closing balance of \$2.85 billion in the General Fund. The balance is comprised of the \$1.82 billion surplus from 1998-99 that the Governor has set aside to finance already-enacted tax cuts, \$473 million in the Tax Stabilization Reserve Fund, \$250 million in the Debt Reduction Reserve Fund, \$107 million in the Contingency Reserve Fund (which guards against litigation risks), and \$200 million in the Community Projects Fund, which finances legislative initiatives. The State expects to close 1999-2000 with its reserves at their highest level ever.

Many complex forces influence the State's economy and finances, which in turn affect the State's Financial Plan. Potential risks to the Financial Plan take many forms, and include Federal disallowances, adverse court decisions, and changes in the State and national economies. The General Fund reserves described above will help ensure that the State is positioned to meet risks that may arise without unnecessary disruption to current programs or any change in scheduled tax reductions.

OUTYEAR GENERAL FUND FINANCIAL PLAN PROJECTIONS

DOB will formally update its projections of receipts and disbursements for future years as part of the Governor's 2000-01 Executive Budget submission. Preliminary analysis indicates that the State will have a 2000-01 budget gap of \$1.9 billion, or about \$300 million above the Executive Budget estimate (after adjusting for the projected costs of collective bargaining). The gap estimates include the projected costs of new collective bargaining agreements, \$500 million in operating efficiencies, as well as the application of roughly \$615 million of the \$1.8 billion tax reduction reserve, as recommended in the Executive Budget.

GOVERNMENTAL FUNDS FINANCIAL PLANS

All Governmental Funds

All Governmental Funds spending is estimated at \$73.29 billion in 1999-2000, an increase of \$2.67 billion or 3.79 percent above the prior year. The spending growth is comprised of changes in the General Fund (\$896 million), Special Revenue Funds (\$1.29 billion), Capital Projects Funds (\$114 million) and Debt Service Funds (\$370 million).

State Funds

State Funds disbursements are projected at \$49.83 billion, up \$1.88 billion or 3.92 percent from 1998-99. The year-to-year growth in State Funds is primarily comprised of an increase of \$676 million in school aid spending (including the impact of lower Lottery funding) and an increase of \$661 million reflecting the continuing phase-in of the School Tax Relief (STAR) program. Other major increases include \$355 million in long-term Debt Service costs and growth in the State share of certain health programs, including Child Health Plus (\$71 million).

Special Revenue Funds

Total disbursements for programs supported by Special Revenue Funds are projected at \$30.94 billion, an increase of \$1.29 billion or 4.35 percent over the prior year. Special Revenue Funds include Federal grants and State special revenue funds.

Federal grants comprise 72 percent of all Special Revenue spending in 1999-2000, comparable to prior years. Disbursements from Federal funds are estimated at \$22.17 billion, up by \$741 million or 3.46 percent. Medicaid is the largest program within Federal funds, accounting for over half of total spending in this category. In 1999-2000, Medicaid spending is projected at \$14.32 billion, an increase of \$711 million over 1998-99. The remaining growth in Federal funds is primarily for the Child Health Plus program, which is estimated at \$117 million in 1999-2000. This growth is offset by decreased spending in certain social services programs resulting from more recent spending reestimates.

State special revenue spending is projected to be \$8.77 billion, an increase of \$550 million or 6.69 percent from last year. The spending growth is primarily due to \$661 million attributable to the next phase of the STAR program and \$250 million in additional spending resulting from the MMIA transaction, offset by a decrease of \$185 million in projected Lottery proceeds due in part to the delay in renewing Quick Draw and a decline of \$112 million in transportation.

Capital Projects Funds

Spending from Capital Projects Funds in 1999-2000 is projected at \$4.18 billion, an increase of \$114 million or 2.81 percent from last year. Transportation, environmental, education and mental hygiene programs are the major sources of year-to-year spending growth in this category.

Debt Service Funds

Spending from Debt Service Funds are estimated at \$3.64 billion in 1999-2000. Transportation purposes, including debt service on bonds issued for State and local highway and bridge programs financed through the New York State Thruway Authority and supported by the Dedicated Highway and Bridge Trust Fund, account for \$124 million of the year-to-year growth. Debt service for education purposes, including State and City University programs financed through the Dormitory Authority, will increase by \$80 million. The remaining growth is for a variety of programs in mental health and corrections, and for general obligation financings.

1999-2000 GAAP-BASIS FINANCIAL PLAN

Statutory reporting requirements provide for updates to the State's projected financial results when presented on a GAAP basis on or before September first of each year. Tables in this report contain such revised projections, based on the cash estimates reflected in this update and actual results for the 1998-99 fiscal year as reported by the State Comptroller.

According to that report, on March 31, 1999, the State increased its accumulated GAAP-basis surplus in the General Fund from \$567 million to \$1.65 billion. This is indicative of the continued improvement in the State's fiscal health over the last four years. At March 31, 1995, the accumulated deficit in the State's General Fund was \$3.3 billion.

In 1999-2000, the General Fund GAAP Financial Plan shows total revenues of \$37.47 billion, total expenditures of \$37.59 billion and net other financing sources of \$27 million. The change in the GAAP operating projections from February to those prepared for this update are consistent with the change in the projected cash basis forecast. The projected accumulated General Fund GAAP-basis surplus at the close of 1999-2000 is \$1.55 billion.

The table below displays actual and projected GAAP operating results for the governmental funds and the accumulated surplus(deficit) in the State's GAAP-defined General Fund. Attached are more detailed financial plan tables that compare, for the current fiscal year, both GAAP-basis General Fund 1998-99 actuals and 1999-2000 projections made in February with those prepared for this update. They also display, on an All Funds basis, expected GAAP results for the current fiscal year.

Comparison of Actual and Projected GAAP Operating Results (dollars in millions)						
<u>Fiscal Year Ended</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>All Governmental Funds</u>	<u>Accum. General Fund Surplus/(Deficit)</u>
March 31, 2000 (proj)	(97)	13	10	84	10	1,548
March 31, 1999	1,078	(117)	209	154	1,324	1,645
March 31, 1998	1,562	49	(43)	232	1,800	567
March 31, 1997	1,933	65	(37)	98	2,059	(995)
March 31, 1996	380	(409)	185	276	432	(2,928)
March 31, 1995	(1,426)	39	(38)	(366)	(1,791)	(3,308)

FIRST QUARTER CASH-BASIS RESULTS

The General Fund ended the first quarter with a balance of \$4.52 billion, roughly \$540 million more than at June 30, 1998, primarily reflecting the higher 1998-99 cash surplus. These results are consistent with Executive Budget projections.

Receipts

Total General Fund receipts (including transfers) for the first quarter of the year reached \$12.3 billion, an increase of \$407 million, or 3.4 percent, for the comparable quarter of the prior year. Virtually all of the increase was accounted for by higher personal income tax receipts as both business and other tax categories recorded year-over-year declines.

Disbursements

General Fund disbursements (including transfers) for the first quarter totaled \$8.70 billion, \$120 million below the first quarter results for 1998-99. The modest reduction in spending is almost entirely related to the timing of payments as a result of the enacted budget delay, and is not expected to affect the 1999-2000 Financial Plan.

General Fund Cash Financial Plan
Comparison of 1998-99 Actuals vs. 1999-2000 Enacted
(millions of dollars)

	<u>1998-99 Actual</u>	<u>1999-2000 Enacted</u>	<u>Change</u>
Opening fund balance	<u>638</u>	<u>892</u>	<u>254</u>
<i>Receipts:</i>			
Taxes			
Personal income tax	20,080	22,952	2,872
User taxes and fees	7,244	7,349	105
Business taxes	4,857	4,627	(230)
Other taxes	1,138	1,001	(137)
Miscellaneous receipts	1,505	1,363	(142)
Transfers from other funds:			
--LGAC	1,555	1,648	93
--All other	362	368	6
Total receipts	<u>36,741</u>	<u>39,308</u>	<u>2,567</u>
<i>Disbursements:</i>			
Grants to local governments	24,694	25,604	910
State operations	6,671	6,878	207
General State charges	2,259	2,037	(222)
Debt service	9	11	2
Transfers to other funds:			
--Debt service	2,089	2,272	183
--Capital projects	246	168	(78)
--Debt reduction reserve	50	0	(50)
--Other purposes	469	385	(84)
Total disbursements	<u>36,487</u>	<u>37,355</u>	<u>868</u>
Change in fund balance	<u>254</u>	<u>1,953</u>	<u>1,699</u>
Closing fund balance	<u>892</u>	<u>2,845</u>	<u>1,953</u>
--Tax Stabilization Reserve Fund	473	473	0
--Contingency Reserve Fund	107	107	0
--Community Projects Fund	312	200	(112)
--Tax Reduction Reserve Fund	0	1,815	1,815
--Debt Reduction Reserve Fund	0	250	250

1999-2000 Enacted Budget Report and First Quarterly Update

**Cash Financial Plan
1999-2000 General Fund
(millions of dollars)**

	<u>30-Day</u>	<u>Change</u>	<u>Enacted</u>
Opening fund balance	<u>799</u>	<u>93</u>	<u>892</u>
<i>Receipts:</i>			
Taxes			
Personal income tax	22,879	73	22,952
User taxes and fees	7,173	176	7,349
Business taxes	4,558	69	4,627
Other taxes	990	11	1,001
Miscellaneous receipts	1,277	86	1,363
Transfers from other funds:			
--LGAC	1,594	54	1,648
--All other	338	30	368
Total receipts	<u>38,809</u>	<u>499</u>	<u>39,308</u>
<i>Disbursements:</i>			
Grants to local governments	24,843	761	25,604
State operations	6,893	(15)	6,878
General State charges	2,318	(281)	2,037
Debt service	11	0	11
Transfers to other funds:			
--Debt service	2,288	(16)	2,272
--Capital projects	189	(21)	168
--Debt reduction reserve	250	(250)	0
--Other purposes	350	35	385
Total disbursements	<u>37,142</u>	<u>213</u>	<u>37,355</u>
Change in fund balance	<u>1,667</u>	<u>286</u>	<u>1,953</u>
Closing fund balance	<u>2,466</u>	<u>379</u>	<u>2,845</u>
--Tax Stabilization Reserve Fund	473	0	473
--Contingency Reserve Fund	100	7	107
--Community Projects Fund	0	200	200
--Tax Reduction Reserve Fund	1,793	22	1,815
--Debt Reduction Reserve Fund	0	250	250
--Collective Bargaining Reserve	100	(100)	0

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**Current State Receipts
General Fund
(millions of dollars)**

	<u>1998-99 Actual</u>	<u>1999-2000 Enacted</u>	<u>Change</u>
Personal income tax	20,080	22,952	2,872
User taxes and fees	7,244	7,349	105
Sales and use tax	5,697	5,969	272
Cigarette and tobacco taxes	667	630	(37)
Motor fuel tax	171	178	7
Motor vehicle fees	444	343	(101)
Alcoholic beverage taxes	183	173	(10)
Hotel/motel tax	0	0	0
Alcoholic beverage control license fees	29	19	(10)
Container tax	19	0	(19)
Auto rental tax	34	37	3
Business taxes	4,857	4,627	(230)
Corporation franchise tax	2,050	1,939	(111)
Corporation and utilities taxes	1,489	1,302	(187)
Insurance taxes	672	656	(16)
Bank tax	544	640	96
Petroleum business taxes	102	90	(12)
Other taxes	1,138	1,001	(137)
Estate and gift taxes	1,071	980	(91)
Real property gains tax	29	(14)	(43)
Pari-mutuel taxes	37	34	(3)
Other taxes	1	1	0
Total taxes	33,319	35,929	2,610
Miscellaneous receipts	1,505	1,363	(142)
Total	<u>34,824</u>	<u>37,292</u>	<u>2,468</u>

Cash Financial Plan
1999-2000 All Governmental Funds
(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>
Opening fund balance	892	672	69	170	1,803
<i>Receipts:</i>					
Taxes	35,929	2,601	1,114	2,273	41,917
Miscellaneous receipts	1,363	5,862	1,777	633	9,635
Federal grants	0	22,124	1,288	0	23,412
Total receipts	<u>37,292</u>	<u>30,587</u>	<u>4,179</u>	<u>2,906</u>	<u>74,964</u>
<i>Disbursements:</i>					
Grants to local governments	25,604	24,209	627	0	50,440
State operations	6,878	6,161	0	14	13,053
General State charges	2,037	566	0	0	2,603
Debt service	11	0	0	3,626	3,637
Capital projects	0	5	3,550	0	3,555
Total disbursements	<u>34,530</u>	<u>30,941</u>	<u>4,177</u>	<u>3,640</u>	<u>73,288</u>
<i>Other financing sources (uses):</i>					
Transfers from other funds	2,016	2,288	195	4,659	9,158
Transfers to other funds	(2,825)	(1,987)	(542)	(3,894)	(9,248)
Bond and note proceeds	0	42	208	0	250
Net other financing sources (uses)	<u>(809)</u>	<u>343</u>	<u>(139)</u>	<u>765</u>	<u>160</u>
Change in fund balance	<u>1,953</u>	<u>(11)</u>	<u>(137)</u>	<u>31</u>	<u>1,836</u>
Closing fund balance	<u>2,845</u>	<u>661</u>	<u>(68)</u>	<u>201</u>	<u>3,639</u>

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Cash Financial Plan
1999-2000 State Funds
(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>
Opening fund balance	892	1,068	211	170	2,341
<i>Receipts:</i>					
Taxes	35,929	2,601	1,114	2,273	41,917
Miscellaneous receipts	1,363	5,761	1,777	633	9,534
Federal grants	0	0	0	0	0
Total receipts	<u>37,292</u>	<u>8,362</u>	<u>2,891</u>	<u>2,906</u>	<u>51,451</u>
<i>Disbursements:</i>					
Grants to local governments	25,604	5,073	480	0	31,157
State operations	6,878	3,259	0	14	10,151
General State charges	2,037	430	0	0	2,467
Debt service	11	0	0	3,626	3,637
Capital projects	0	5	2,413	0	2,418
Total disbursements	<u>34,530</u>	<u>8,767</u>	<u>2,893</u>	<u>3,640</u>	<u>49,830</u>
<i>Other financing sources (uses):</i>					
Transfers from other funds	2,016	504	195	4,659	7,374
Transfers to other funds	(2,825)	(149)	(537)	(3,894)	(7,405)
Bond and note proceeds	0	42	208	0	250
Net other financing sources (uses)	<u>(809)</u>	<u>397</u>	<u>(134)</u>	<u>765</u>	<u>219</u>
Change in fund balance	<u>1,953</u>	<u>(8)</u>	<u>(136)</u>	<u>31</u>	<u>1,840</u>
Closing fund balance	<u>2,845</u>	<u>1,060</u>	<u>75</u>	<u>201</u>	<u>4,181</u>

**Cash Financial Plan
1999-2000 Special Revenue Funds
(millions of dollars)**

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Opening fund balance	<u>1,068</u>	<u>(395)</u>	<u>672</u>
<i>Receipts:</i>			
Taxes	2,601	0	2,601
Miscellaneous receipts	5,761	101	5,862
Federal grants	0	22,124	22,124
Total receipts	<u>8,362</u>	<u>22,225</u>	<u>30,587</u>
<i>Disbursements:</i>			
Grants to local governments	5,073	19,136	24,209
State operations	3,259	2,902	6,161
General State charges	430	136	566
Capital projects	5	0	5
Total disbursements	<u>8,767</u>	<u>22,174</u>	<u>30,941</u>
<i>Other financing sources (uses):</i>			
Transfers from other funds	504	1,784	2,288
Transfers to other funds	(149)	(1,838)	(1,987)
Bond and note proceeds	42	0	42
Net other financing sources (uses)	<u>397</u>	<u>(54)</u>	<u>343</u>
Change in fund balance	<u>(8)</u>	<u>(3)</u>	<u>(11)</u>
Closing fund balance	<u>1,060</u>	<u>(398)</u>	<u>661</u>

1999-2000 Enacted Budget Report and First Quarterly Update

**Cash Financial Plan
1999-2000 Capital Projects Funds
(millions of dollars)**

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Opening fund balance	<u>211</u>	<u>(142)</u>	<u>69</u>
<i>Receipts:</i>			
Taxes	1,114	0	1,114
Miscellaneous receipts	1,777	0	1,777
Federal grants	0	1,288	1,288
Total receipts	<u>2,891</u>	<u>1,288</u>	<u>4,179</u>
<i>Disbursements:</i>			
Grants to local governments	480	147	627
State operations	0	0	0
General State charges	0	0	0
Capital projects	2,413	1,137	3,550
Total disbursements	<u>2,893</u>	<u>1,284</u>	<u>4,177</u>
<i>Other financing sources (uses):</i>			
Transfers from other funds	195	0	195
Transfers to other funds	(537)	(5)	(542)
Bond and note proceeds	208	0	208
Net other financing sources (uses)	<u>(134)</u>	<u>(5)</u>	<u>(139)</u>
Change in fund balance	<u>(136)</u>	<u>(1)</u>	<u>(137)</u>
Closing fund balance	<u>75</u>	<u>(143)</u>	<u>(68)</u>

1999-2000 Enacted Budget Report and First Quarterly Update

**GAAP Financial Plan
General Fund
1998-99 and 1999-2000
(millions of dollars)**

	<u>1998-99 Actual</u>	<u>1999-2000 Enacted</u>	<u>Change</u>
<i>Revenues:</i>			
Taxes			
Personal income tax	20,429	21,558	1,129
User taxes and fees	7,320	7,394	74
Business taxes	4,852	4,666	(186)
Other taxes	1,122	1,056	(66)
Miscellaneous Revenues	<u>2,754</u>	<u>2,793</u>	<u>39</u>
Total revenues	<u><u>36,477</u></u>	<u><u>37,467</u></u>	<u><u>990</u></u>
<i>Expenditures:</i>			
Grants to local governments	24,966	26,785	1,819
State operations	8,410	8,971	561
General State charges	1,769	1,810	41
Debt service	21	25	4
Capital projects	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u><u>35,166</u></u>	<u><u>37,591</u></u>	<u><u>2,425</u></u>
<i>Other financing sources (uses):</i>			
Transfers from other funds	4,374	4,295	(79)
Transfers to other funds	(4,924)	(4,638)	286
Proceeds of general obligation bonds		0	0
Proceeds from financing arrangements/ advance refundings	<u>317</u>	<u>370</u>	<u>53</u>
Net other financing sources (uses)	<u><u>(233)</u></u>	<u><u>27</u></u>	<u><u>260</u></u>
Excess (deficiency) of revenues and and other financing sources over expenditures and other financing uses	<u><u>1,078</u></u>	<u><u>(97)</u></u>	<u><u>(1,175)</u></u>

1999-2000 Enacted Budget Report and First Quarterly Update

**GAAP Financial Plan
General Fund Comparison
1999-2000
(millions of dollars)**

	<u>February</u>	<u>Change</u>	<u>August</u>
<i>Revenues:</i>			
Taxes			
Personal income tax	21,063	495	21,558
User taxes and fees	7,189	205	7,394
Business taxes	4,577	89	4,666
Other taxes	1,029	27	1,056
Miscellaneous Revenues	2,416	377	2,793
Total revenues	<u>36,274</u>	<u>1,193</u>	<u>37,467</u>
<i>Expenditures:</i>			
Grants to local governments	25,440	1,345	26,785
State operations	8,950	21	8,971
General State charges	1,802	8	1,810
Debt service	25	0	25
Capital projects	1	(1)	0
Total expenditures	<u>36,218</u>	<u>1,373</u>	<u>37,591</u>
<i>Other financing sources (uses):</i>			
Transfers from other funds	4,232	63	4,295
Transfers to other funds	(5,029)	391	(4,638)
Proceeds of general obligation bonds	0	0	0
Proceeds from financing arrangements/ advance refundings	334	36	370
Net other financing sources (uses)	<u>(463)</u>	<u>490</u>	<u>27</u>
Excess (deficiency) of revenues and and other financing sources over expenditures and other financing uses	<u>(407)</u>	<u>310</u>	<u>(97)</u>

GAAP Financial Plan
1999-2000 All Governmental Funds
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
<i>Revenues:</i>					
Taxes	34,674	2,599	1,116	2,291	40,680
Federal Grants	0	23,699	1,343	0	25,042
Lottery	0	3,749	0	0	3,749
Patient Fees	0	0	0	396	396
Miscellaneous Revenues	2,793	433	141	65	3,432
Total revenues	<u>37,467</u>	<u>30,480</u>	<u>2,600</u>	<u>2,752</u>	<u>73,299</u>
<i>Expenditures:</i>					
Grants to local governments	26,785	24,344	575	0	51,704
State operations	8,971	3,743	0	14	12,728
General State charges	1,810	188	0	0	1,998
Debt service	25	0	0	3,132	3,157
Capital projects	0	5	3,613	0	3,618
Total expenditures	<u>37,591</u>	<u>28,280</u>	<u>4,188</u>	<u>3,146</u>	<u>73,205</u>
<i>Other financing sources (uses):</i>					
Transfers from other funds	4,295	720	170	4,775	9,960
Transfers to other funds	(4,638)	(2,907)	(584)	(4,297)	(12,426)
Proceeds of general obligation bonds	0	0	208	0	208
Proceeds from financing arrangements/ advance refundings	370	0	1,804	0	2,174
Net other financing sources (uses)	<u>27</u>	<u>(2,187)</u>	<u>1,598</u>	<u>478</u>	<u>(84)</u>
Excess (deficiency) of revenues and and other financing sources over expenditures and other financing uses	<u>(97)</u>	<u>13</u>	<u>10</u>	<u>84</u>	<u>10</u>