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2003-04 Year-End Report  
New York State  
Division of the Budget

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# 2003-04 Year-End Report

## Introduction

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While not statutorily required, the Division of the Budget (DOB) has adopted a policy of preparing a report on results for the prior fiscal year based on preliminary year-end data. Consistent with that policy and with “best practices” in governmental financial reporting, this 2003-04 Year-End Report (the “Year-End Report”) compares unaudited year-end results (the “results” or “year-end results”) to projections at two mileposts -- those made at the time the 2003-04 budget was enacted, and the revised estimates for the 2003-04 fiscal year contained in the 2004-05 Executive Budget (as amended) -- as well as summarizes the reasons for the annual changes in receipts and disbursements from 2002-03 to 2003-04. The Year-End Report describes the differences between (i) these planning assumptions for both receipts and disbursements and what actually occurred, (ii) analyzes the reasons for the variances, and (iii) discusses the potential implications of 2003-04 results on the 2004-05 Financial Plan. Readers may obtain additional copies of the Year-End Report by visiting DOB 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.

Readers should note that information in this Year-End Report relating to fiscal year 2003-04 is based on the year-end results reported by the Comptroller on April 15, 2004. The Comptroller is expected to issue the audited financial statements for 2003-04 in July 2004.

## Executive Summary

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The following table compares General Fund and All Governmental Funds (or “All Funds”) spending results to DOB’s Enacted Budget Financial Plan projections issued in May 2003 (the “Enacted Budget Financial Plan” or “initial projections”) and to DOB’s most recent Financial Plan Update in February 2004, submitted with amendments to the 2004-05 Executive Budget (the “30-Day estimates” or “30-Day Financial Plan”).

<i>Dollars in Millions</i>	2003-04			Year-End Above/(Below)	
	Enacted Budget	30-Day Update	Year-End Results	Enacted	30-Day
<b>General Fund *</b>					
Disbursements	42,737	42,071	42,065	(672)	(6)
<b>All Funds</b>					
Disbursements	96,374	98,304	97,327	953	(977)

\* Includes transfers.

In brief, the variances in both General Fund and All Funds spending were due mainly to the impact of Federal aid approved after DOB published the 2003-04 Enacted Budget Financial Plan (in particular the temporary increase in the Federal Medical Assistance Percentage (FMAP)). The balance of this Year-End Report explains the reasons for the receipts and disbursement variances in detail.

After reviewing the year-end results for 2003-04, DOB reports that the 2003-04 General Fund surplus was \$308 million, or \$47 million above the level projected at the time of the 30-Day

Update. The General Fund ended the 2003-04 fiscal year with a balance of \$1.1 billion. The closing balance consists of dedicated balances held in the Tax Stabilization Reserve Fund, the Contingency Reserve Fund, and the Community Projects Fund. The surplus, which is transferred separately from the 2003-04 fiscal year to the 2004-05 fiscal year through the tax refund reserve account, is not part of the closing balance.

## 2003-04 Results At A Glance

DOB now estimates that the State ended the 2003-04 fiscal year on March 31, 2004 with a General Fund operating surplus of \$308 million. Total receipts, including transfers from other funds, were \$42.3 billion. Disbursements, including transfers to other funds, totaled \$42.1 billion.

The General Fund ended the fiscal year with a balance of \$1.1 billion, which included \$794 million in the Tax Stabilization Reserve Fund (after an \$84 million deposit at the close of 2003-04), the Contingency Reserve Fund (\$21 million), and the Community Projects Fund (\$262 million).

On an All Governmental Funds basis, receipts totaled \$99.0 billion in 2003-04, including \$37.3 billion in Federal grants. Spending from All Governmental Funds totaled \$97.3 billion. Total year-end balances were \$2.9 billion, and were held principally in the General Fund and in other State funds, as described later in this Year-End Report.

The table below summarizes the spending revisions to the 2003-04 Financial Plan from DOB's Enacted Budget projections to year-end results.

(\$ in millions)	2003-04 Spending Results			
	Enacted	FMAP*	Other Changes	Year-End Results
<b>General Fund</b>	<b>42,737</b>	(506)	(166)	<b>42,065</b>
<b>All Funds</b>	<b>96,374</b>	484	469	<b>97,327</b>

\* Temporary increase in the Federal Medical Assistance Percentage (FMAP) from 50% to 52.95% effective April 1, 2003 through June 30, 2004.

The State Legislature approved the annual budget for fiscal year 2003-04 on May 15, 2003, successfully overriding gubernatorial vetoes totaling \$3.2 billion. On May 28, 2003, DOB issued its 2003-04 Enacted Budget Financial Plan summarizing the impact of the Legislature's actions and other events on the State's 2003-04 Financial Plan as submitted by the Governor in January 2003. DOB reported that the annual budget approved by the Legislature created a potential imbalance of \$912 million in the General Fund, which DOB planned to correct through a combination of management actions and temporary Federal aid that the President had signed into law after the State Legislature had acted on the budget. At the time, the Legislature did not agree with DOB's Financial Plan estimates. For more information on the differences, please see "Comparison of Year-End Results: DOB vs. Legislative Forecasts" later in this Year-End Report.

As noted in the following table, General Fund results in 2003-04 were \$69 million better than the initial DOB estimates, after excluding the impact of Federal aid.

(\$ in millions)	2003-04 General Fund Operating Results			Year-End
	Enacted	Federal Aid*	All Other Changes	
<b>General Fund (Deficit)/Surplus</b>	<b>(912)</b>	1,151	69	<b>308</b>
*FMAP and revenue sharing grant				

The temporary Federal aid produced \$1.2 billion in General Fund relief during the 2003-04 fiscal year, which eliminated the initial projected \$912 million imbalance. New York's share of the national aid package consisted of a revenue sharing grant worth \$645 million and a temporary 2.95 percent increase in the Federal Medical Assistance Percentage (FMAP) that produced \$506 million in General Fund savings. The grant increased General Fund receipts, while the higher matching rate lowered Medicaid spending in the General Fund, but increased the amount spent from Federal Funds (see "FMAP At A Glance" later in this Year-End Report).

Aside from the extraordinary Federal aid, the net General Fund operating variance was \$69 million, although 2003-04 year-end results for a number of programs varied from the initial projections. In particular, even though the State economy rebounded modestly in 2003-04, the persistent effects of the national recession and a weak recovery continued to put pressure on the State's social services programs to a greater extent than anticipated in the Enacted Budget Financial Plan. The actual number of people receiving Medicaid and welfare benefits during the year exceeded initial projections, driving additional Financial Plan costs. However, the positive impact of Federal aid, modestly higher tax receipts, and spending that came in below projections in other programs, were more than sufficient to offset the growth in social services costs.

The year-end operating surplus of \$308 million in the General Fund was the first recorded since fiscal year 2000-01. The year-end reported surplus in 2003-04 was \$47 million higher than the surplus projected by DOB in the 30-Day Financial Plan. The following table summarizes the major revisions to the General Fund Financial Plan in 2003-04 that affected operating results.

<b>SUMMARY OF 2003-04 GENERAL FUND OPERATING RESULTS</b>		
<b>Enacted Budget to Year-End Results</b>		
	<b>2003-04</b>	<b>Comment</b>
<b>Enacted Budget Projected Imbalance</b>	<u>(912)</u>	DOB projected impact from operations.
Federal Revenue Sharing	645	Unrestricted grant deposited to the General Fund.
Federal MA Match Increase (2.95%)	506	Increase in matching rate lowered General Fund spending on Medicaid.
LGAC Payment to NYC	170	Payment subject to litigation and delayed in 2003-04.
Tax Receipts	129	PIT collections exceeded initial projections.
Legislative Initiatives ("member items")	100	Legislature agreed to delay \$100 million of 2003-04 deposit until 2004-05.
State Operations Savings	111	Savings from hiring controls and management actions.
Timing of Tobacco Proceeds	400	Transaction planned for 2004-05 done earlier to respond to market conditions.
Planned Use of Tobacco Funds in 04-05	(400)	Proceeds still budgeted for 2004-05 and transferred from 2003-04 results.
Medicaid	(192)	Utilization and medical inflation exceeded initial projections.
Welfare	(82)	Average caseload and expenditure levels exceeded initial projections.
Corrections	(41)	Operating costs exceeded projections.
Tuition Assistance Program	(31)	Recipients exceeded projections.
Deposit to Rainy Day Reserve	(84)	Eighth annual deposit in nine years brings balance to \$794 million.
All Other Changes	<u>(11)</u>	
<b>DOB Preliminary Reported Surplus</b>	<u><b>308</b></u>	

<b>VARIANCE IN GENERAL FUND OPERATING RESULTS</b>	
<b>30-Day Estimate to Year-End Results</b>	
	<b>2003-04</b>
<b>30-Day Projected Operating Surplus</b>	<u><b>261</b></u>
Corrections	(41)
Medicaid	(34)
Transfers below Plan	(30)
Receipts	96
Judiciary Underspending	28
Other State Operations Underspending	23
All Other Changes	<u>5</u>
<b>DOB Preliminary Reported Surplus</b>	<u><b>308</b></u>

## **Impact of 2003-04 Results on the 2004-05 Financial Plan**

At this time, DOB expects that 2003-04 operating results will have only a modest impact on the 2004-05 Financial Plan. The 2004-05 Financial Plan already used \$261 million of the anticipated \$308 million surplus to help balance the 2004-05 Financial Plan. Spending of \$362 million for legislative member items budgeted in 2003-04 but now expected to be spent in later fiscal years also has no effect on overall 2004-05 Financial Plan balance, since the resources to finance the spending have already been, or are planned to be, set aside in the Community Projects Fund. DOB expects other timing-related spending in 2004-05 to have no net impact on budget balance.

During the final quarter of 2003-04, the State announced that it had reached tentative collective bargaining agreements with several of the State's employee unions. On April 27, 2004, the State's largest union, the Civil Service Employee Association (CSEA), ratified the first of these agreements. DOB projects that, if all of the State's employee unions approved comparable agreements, it would result in General Fund costs of roughly \$350 million in 2004-05 growing to \$1.4 billion by the end of the contract period in 2006-07. The current Financial Plan has no dedicated reserves for the costs of new labor agreements, but additional 2004-05 revenues of between \$150 million and \$500 million above Executive Budget projections identified in the consensus revenue agreement reached by the Legislature and the Governor in March 2004 could help to cover these costs.

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## REVIEW OF 2003-04 ECONOMIC AND REVENUE RESULTS

### Economic Outlook

Overall, the economy improved at a pace consistent with what was projected at the time of the Enacted Budget. DOB economic projections for the Enacted Budget Report released in May 2003 were essentially unchanged from those contained in the 2003-04 Executive Budget. The DOB forecast of 2003 economic activity was modestly optimistic in terms of U.S. and New York employment and personal income growth.

### National Economic Forecast

When the 2003-04 Executive Budget was submitted in January 2003, it appeared that the U.S. economy was following a relatively weak recovery path. In retrospect, the overall performance of the national economy turned out to be quite close to the Executive Budget forecast, particularly in light of the significant uncertainty that characterized the economy during the forecast period. The war with Iraq was looming, the U.S. business cycle trough had not yet been announced; and the impact of a fiscal stimulus package then under discussion was not yet clear. As indicated in the table below, DOB was forecasting growth in real U.S. GDP of 2.4 percent compared to actual growth of 3.1 percent. In contrast, growth in personal income was overestimated. DOB overestimated employment levels, forecasting an unemployment rate of 5.8 percent compared to an actual rate of 6.0 percent. Inflation, as measured by growth in the Consumer Price Index, was only 0.1 percentage point lower than projected, while long-term interest rates, as measured by the 10-year Treasury note, was only 0.3 percentage points lower.

FORECAST PERFORMANCE—US ECONOMY 2003		
	2003-04 Executive Budget	Actual
Real GDP	2.4	3.1
Personal Income	4.7	3.3
Unemployment Rate	5.8	6.0
CPI	2.4	2.3
Federal Funds Rate	1.4	1.1
10-Year T Bill	4.3	4.0

*Source: Economy.com; DOB staff estimates, January 2003.*

### New York State Economic Forecast

In January 2003, DOB was projecting that New York's emergence from recession was imminent. The State's downturn had been much sharper than that of the nation overall due to the September 11th attacks and the impact of corporate governance scandals and related events on equity markets. At the beginning of 2003, the State labor market appeared to be improving. For example, the size of the State's employment loss for the fourth quarter of 2002 was estimated at about 44,000 from the same quarter of the prior year, compared with a 136,000 decline reported for the first quarter of the year. However, the employment growth anticipated by DOB failed to materialize, in part due to the geopolitical uncertainties. As shown in the table below, the State's unemployment rate was 6.3 percent for 2003, 0.4 percentage points higher than projected. Personal

income was also lower than forecast, despite higher than expected inflation. Overall, the performance of the New York economy was in line with expectations.

<b>FORECAST PERFORMANCE—NEW YORK ECONOMY 2003</b>		
	<b>2003-04 Executive Budget</b>	<b>Actual/Estimate</b>
Personal Income*	3.1	2.8
Unemployment Rate	5.9	6.3
New York CPI	2.2	2.8
* Based on three quarters of actual ES 202 wage data, one quarter forecast for wages, and four quarters of actuals for the remaining components. Source: Economy.com; NYS Department of Labor; DOB staff estimates, January 2003 and April 2004.		

### Annual Comparison of Receipts (2002-03 vs. 2003-04)

<b>Receipts: Year over Year Comparison</b>								
<b>(millions of dollars)</b>								
	<b>All Governmental Funds</b>				<b>General Fund</b>			
	<b>Actual 2002-03</b>	<b>Results 2003-04</b>	<b>Change</b>	<b>Percent Change</b>	<b>Actual 2002-03</b>	<b>Results 2003-04</b>	<b>Change</b>	<b>Percent Change</b>
Personal Income Tax (PIT)	23,698	24,050	352	1.5%	16,791	15,774	(1,017)	-6.1%
PIT (Excluding Refund Reserve)	22,648	24,647	1,999	8.8%	15,741	16,371	630	4.0%
User Taxes and Fees	10,804	11,919	1,115	10.3%	7,063	7,979	916	13.0%
Business Taxes	4,983	5,007	24	0.5%	3,380	3,413	33	1.0%
Other Taxes	1,191	1,278	87	7.3%	743	768	25	3.4%
<b>Total Taxes</b>	<b>40,676</b>	<b>42,254</b>	<b>1,578</b>	<b>3.9%</b>	<b>27,977</b>	<b>27,934</b>	<b>(43)</b>	<b>-0.2%</b>
<b>Total Taxes (Excl. Refund Reserve)</b>	<b>39,626</b>	<b>42,851</b>	<b>3,225</b>	<b>8.1%</b>	<b>26,927</b>	<b>28,531</b>	<b>1,604</b>	<b>6.0%</b>
<b>Misc Receipts</b>	<b>14,148</b>	<b>19,416</b>	<b>5,268</b>	<b>37.2%</b>	<b>2,091</b>	<b>5,926</b>	<b>3,835</b>	<b>183.4%</b>
<b>Federal Grants</b>	<b>33,250</b>	<b>37,314</b>	<b>4,064</b>	<b>12.2%</b>	<b>N/A</b>	<b>645</b>	<b>645</b>	<b>N/A</b>
<b>Transfers</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>7,328</b>	<b>7,822</b>	<b>494</b>	<b>6.7%</b>
<b>TOTAL</b>	<b>88,074</b>	<b>98,984</b>	<b>10,910</b>	<b>12.4%</b>	<b>37,396</b>	<b>42,327</b>	<b>4,931</b>	<b>13.2%</b>

Total receipts increased by 12.4 percent in 2003-04, an increase of \$10.9 billion over the prior year. The increase was primarily due to three factors:

Proceeds from the securitization of tobacco proceeds (\$4.2 billion);

Increased Federal aid (\$4.1 billion); and

Tax increases included in the 2003-04 Enacted Budget (\$2.3 billion).

Without these actions, growth in annual collections would have remained below historical averages. Excluding the impact of both the tax increases included in the 2003-04 Enacted Budget and the deposit to the refund reserve account, All Governmental funds tax collections grew by only

\$942 million or 2.4 percent over 2002-03. The following table summarizes the impact of the 2003-04 revenue package on total receipts.

<b>Estimated Impact of Enacted Budget Revenue Package 2003-04</b>		
<b>(millions of dollars)</b>		
	<b>2003-04 Enacted</b>	<b>2003-04 Revised*</b>
Temporary PIT Increase	1,400	1,115
Sales Tax 0.25 Percent	451	445
Clothing Exemption	449	441
Video Lottery Terminals (Tracks Only)	0	13
Insurance Premiums Tax	158	158
Recapture of Bonus Depreciation	58	58
Intangible Holding Companies	0	0
Native Americans: Cigarettes and Gas Tax	0	0
LLC's Filing Fees and Single Member	26	26
Non-Resident Partner Withholding	15	15
Non-Resident Sales of Real Property	0	7
City Portion of Excise Tax	7	7
Reduced Refund for Late Refunds	5	5
Use Tax Line on PIT Return	0	2
SUV Decoupling	1	1
Racing (Simulcasting)	2	2
Six Day Liquor Sales	0	1
Streamlined Sales Tax	0	0
<b>GRAND TOTAL</b>	<b>2,572</b>	<b>2,296</b>
* Based on 30-Day Estimates and actual data through the end of 2003-04.		

## Comparison of 2003-04 Estimates to Year-End Results

In summary, with results for 2003-04 now complete, the estimates for tax receipts contained in both the Enacted Budget and the 30-Day Update differed from year-end results by only a small margin. However, the level of miscellaneous receipts deposited to other funds varied modestly from published estimates.

2003-04 Receipts Estimate Comparison – 30-Day vs. Year-End Results								
(millions of dollars)								
	All Governmental Funds				General Fund			
	30-Day Update	Results 2003-04	Variance	Percent Change	30-Day Update	Results 2003-04	Variance	Percent Change
Personal Income Tax (PIT)	24,028	24,050	22	0.1%	15,750	15,774	24	0.2%
PIT (Excluding Refund Reserve)	24,605	24,647	42	0.2%	16,327	16,371	44	0.3%
User Taxes and Fees	11,871	11,919	48	0.4%	7,939	7,979	40	0.5%
Business Taxes	4,953	5,007	54	1.1%	3,365	3,413	48	1.4%
Other Taxes	1,275	1,278	3	0.2%	784	768	(16)	-2.0%
<b>Total Taxes</b>	<b>42,127</b>	<b>42,254</b>	<b>127</b>	<b>0.3%</b>	<b>27,838</b>	<b>27,934</b>	<b>96</b>	<b>0.3%</b>
<b>Total Taxes (Excluding Refund Reserve)</b>	<b>42,704</b>	<b>42,851</b>	<b>148</b>	<b>0.3%</b>	<b>28,414</b>	<b>28,531</b>	<b>116</b>	<b>0.4%</b>
Miscellaneous Receipts	19,750	19,416	(334)	-1.7%	5,970	5,926	(44)	-0.7%
Federal Grants	37,187	37,314	127	0.3%	645	645	0	N/A
Transfers From Other Funds	N/A	N/A	N/A	N/A	7,818	7,822	5	0.1%
<b>TOTAL</b>	<b>99,064</b>	<b>98,984</b>	<b>(80)</b>	<b>-0.1%</b>	<b>42,270</b>	<b>42,327</b>	<b>57</b>	<b>0.1%</b>

Receipts Estimate Comparison – Enacted Budget 2003-04								
(millions of dollars)								
	All Governmental Funds				General Fund			
	2003-04 Enacted*	2003-04 Results	Variance	Percent Change	2003-04 Enacted Budget*	2003-04 Results	Variance	Percent Change
Personal Income Tax (PIT)	24,460	24,050	(410)	-1.7%	16,285	15,774	(511)	-3.1%
PIT (Excluding Refund Reserve)	24,301	24,647	346	1.4%	16,126	16,371	245	1.5%
User Taxes and Fees	11,984	11,919	(65)	-0.5%	8,007	7,979	(28)	-0.3%
Business Taxes	5,052	5,007	(45)	-0.9%	3,498	3,413	(85)	-2.4%
Other Taxes	1,176	1,278	102	8.7%	771	768	(3)	-0.4%
<b>Total Taxes</b>	<b>42,672</b>	<b>42,254</b>	<b>(418)</b>	<b>-1.0%</b>	<b>28,561</b>	<b>27,934</b>	<b>(627)</b>	<b>-2.2%</b>
<b>Total Taxes (Excluding Refund Reserve)</b>	<b>42,513</b>	<b>42,851</b>	<b>339</b>	<b>0.8%</b>	<b>28,402</b>	<b>28,531</b>	<b>129</b>	<b>0.5%</b>
Miscellaneous Receipts	19,605	19,416	(189)	-1.0%	5,569	5,926	357	6.4%
Federal Grants	33,444	37,314	3,870	11.6%	0	645	645	N/A
Transfers From Other Funds	N/A	N/A	N/A	N/A	7,610	7,822	212	2.8%
<b>TOTAL</b>	<b>95,721</b>	<b>98,984</b>	<b>3,263</b>	<b>3.4%</b>	<b>41,740</b>	<b>42,327</b>	<b>587</b>	<b>1.4%</b>

\* Enacted Budget estimates of 2003-04 fiscal year receipts.

All Governmental Funds tax receipts for 2003-04 were \$42.3 billion, \$127 million, or 0.3 percent, above the 30-Day estimate. The variance is the result of higher-than-expected collections from the personal income tax (\$22 million), user taxes and fees (\$48 million), business taxes (\$54 million), and other taxes (\$3 million). Compared to the Enacted estimate, results were \$418 million, or 1.0 percent, lower than expected. The variance is a result of additional deposits into the tax refund reserve account of \$756 million, primarily resulting from the acceleration of tobacco securitization proceeds from 2004-05 to 2003-04, offset by higher than expected tax receipts of \$339 million.

After adjusting for the impact of changes in the refund reserve deposit, All Governmental Funds tax receipts were \$148 million, or 0.3 percent, higher than the 30-Day estimates and \$339 million, or 0.8 percent, higher than the 2003-04 Enacted Budget projections.

All Governmental Funds receipts, including miscellaneous receipts from all sources and Federal grants, were \$80 million, or 0.1 percent, below the 30-Day estimate. The variance is primarily the result of lower-than-expected collections from miscellaneous receipts partially offset by higher-than-expected receipts from taxes and Federal grants.

General Fund tax collections totaled \$27.9 billion in 2003-04. The year-end results were \$96 million, or 0.3 percent, above the 30-Day estimate. The variance is a result of higher-than-expected collections from personal income tax (\$24 million), user taxes and fees (\$40 million) and business taxes (\$48 million) partially offset by lower collections in other taxes (16 million). Year-end results were \$627 million, or 2.2 percent, lower than the Enacted estimate. The variance was primarily the result of additional deposits into the tax refund reserve account offset by higher-than-expected tax collections. Excluding the impact of the refund reserve, total General Fund tax collections were \$129 million, or 0.5 percent higher than the Enacted Budget estimate.

Total General Fund receipts, including miscellaneous receipts and transfers from other funds, reached \$42.33 billion in 2003-04. Year-end receipts were \$57 million, or 0.1 percent, above the 30-Day estimate. The variance resulted from higher-than-expected tax collections partially offset by lower-than-expected miscellaneous receipts collections (\$44 million). In comparison to the Enacted Budget estimates, total General Fund receipts exceeded the forecast by \$587 million, or 1.4 percent. The variance reflects the receipt of the \$645 million Federal revenue sharing grant described earlier, the acceleration of \$400 million in tobacco securitization proceeds, and a net increase in tax, transfer and miscellaneous receipts collections (\$298 million) partially offset by additional deposits into the tax refund reserve account (\$756 million).

### *Personal Income Tax*

Total All Funds personal income tax net receipts in 2003-04 were \$24.1 billion. The year-end results were \$22 million, or 0.2 percent, above the 30-Day estimate. The variance is primarily the result of higher-than-expected current returns and delinquencies collections partially offset by lower-than-expected withholding collections and higher-than-expected refunds. In addition, the end-of-the-year deposit into the refund reserve account was \$20 million more than anticipated in the 30-Day estimates, further reducing net receipts. After adjustment for the impact of the acceleration of the \$400 million in tobacco proceeds from 2004-05 into 2003-04, year-end results were \$10 million, or 0.0 percent, less than anticipated in the Enacted Budget estimate. The variance primarily reflects a large addition from estimated tax collections that were nearly \$400 million higher than expected in May and smaller additions from final payments collections and lower refunds. Offsetting these additions were reductions in receipts from lower-than-anticipated withholding and delinquencies collections and a larger year-end refund reserve account deposit.

Total General Fund personal income tax net receipts in 2003-04 were \$15.8 billion. The year-end results were \$24 million, or 0.1 percent, above the 30-Day estimate. In addition to the changes reflected in All Funds net receipts, the deposit into the RBTF was \$14 million more than anticipated and the deposit into the School Tax Relief (STAR) Fund was \$16 million less than anticipated. After adjustment for the impact of the acceleration of the \$400 million in tobacco proceeds from 2004-05 to 2003-04, General Fund year-end-results were \$111 million, or 0.7 percent, less than anticipated in the Enacted Budget estimate. In addition to the changes reflected in All Funds net receipts, the deposits into the RBTF and the STAR Fund were \$82 million and \$19 million more, respectively, than anticipated in May.

### *Consumption and Use Taxes*

In 2003-04, All Funds receipts were \$11.9 billion. This is \$48 million, or 0.4 percent, above the 30-Day estimate. Year-end sales and use tax receipts were \$30 million above the 30-Day estimate while the other taxes in the category accounted for the remaining \$18 million difference. Receipts were \$65 million, or 0.5 percent, below the 2003-04 Enacted Budget estimate. Sales and use tax receipts were \$49 million below the Enacted Budget estimate while the other taxes in the category accounted for the remaining \$16 million shortfall.

In 2003-04, General Fund receipts were \$8 billion. This is \$40 million, or 0.5 percent, above the 30-Day estimate. Sales and use tax receipts were \$21 million above the 30-Day estimate while the other taxes in the category accounted for the remaining \$19 million difference. Receipts were \$27 million, or 0.3 percent, below the 2003-04 Enacted Budget estimate. Sales and use tax receipts were \$44 million below the Enacted Budget estimate.

### *Business Taxes*

All Funds business tax receipts totaled \$5.0 billion, up \$54 million, or 1.1 percent, over 30-Day estimates. This reflects higher-than-expected corporate franchise tax payments on liability and higher-than-expected petroleum business tax collections due to increased consumption of residual fuel by electric generating facilities. All Funds receipts were down \$45 million, or 0.9 percent, over Enacted Budget projections. This reflects a decline in Metropolitan Transportation Authority (MTA) receipts for utilities and banks due to the decrease in General Fund revenues, partially offset by an increase in petroleum business taxes receipts.

General Fund business tax receipts totaled \$3.4 billion, up by \$48 million, or 1.4 percent, over 30-Day estimates. The increase reflects stronger-than-expected corporate franchise tax payments on liability and the accelerated transfer of insurance premiums taxes, offset by weak bank receipts and lower-than-expected collections in the utilities taxes. General Fund receipts were down by \$85 million, or 2.4 percent, compared with the Enacted Budget. Utilities and bank receipts were down by \$230 million, partially offset by corporate franchise tax receipts and insurance taxes, which were up by \$144 million.

### *Other Taxes*

All Funds other tax receipts for fiscal year 2003-04 were \$1.3 billion. This is \$3 million, or 0.2 percent, more than the 30-Day estimate. This change reflects a minor drop in estate tax receipts; offset by higher-than-expected receipts in the real estate transfer tax of \$19 million. Other tax receipts for fiscal year 2003-04 were \$102 million, or 8.7 percent, more than the Enacted Budget estimate. This is mostly due to a difference of \$106 million in the real estate transfer tax.

General Fund other tax receipts for fiscal year 2003-04 were \$768 million. This is \$16 million, or 2.0 percent, below the 30-Day estimate. The estate tax currently represents 95 percent of the other tax category. The minor drop in estate tax receipts reflect the lower-than-expected gains in the equity market, recent tax law changes, and the impact of variations in a small number of large estates. Other tax receipts for fiscal year 2003-04 were \$3 million, or 0.4 percent, below the Enacted Budget estimate. The estate tax receipts were \$2 million, or 0.3 percent, below the Enacted Budget estimate. The drop in estate receipts from the estimate may have resulted from lower-than-expected gains in the equity market. The pari-mutuel tax receipts were \$4 million, or 13.3 percent, below the Enacted Budget estimate. Negative press from legal problems with NYRA and the recent no smoking laws may have, in part, caused the decline of the pari-mutuel tax receipts.

### *Miscellaneous Receipts*

General Fund collections for miscellaneous receipts were \$5.9 billion in 2003-04, which were \$44 million, or 0.7 percent, below the 30-Day estimate. The variance is primarily the result of a reclassification by the State Comptroller in March 2004 of motor vehicle receipts received during 2003-04. The difference from the Enacted Budget estimate is \$357 million, or 6.4 percent, resulting from acceleration of \$400 million in tobacco securitization proceeds partially offset by the reclassification of motor vehicle receipts.

All Governmental Funds miscellaneous receipts for 2003-04 totaled \$19.4 billion, a decrease of \$189 million from the Enacted Budget estimate. The General Fund increase of \$357 million above initial estimates was offset by a \$546 million decrease in other funds. The decrease includes delays in capital projects spending, particularly in transportation (\$171 million) and SUNY (\$101 million) resulting from spending controls and inclement weather, and the timing of project approval and spending associated with the Strategic Investment Plan (\$108 million). In addition, the Comptroller did not report certain capital receipts related to programs that are financed in the first instance with bond proceeds (\$325 million), but such receipts had been included in DOB's estimates. Higher spending related to the Health Care Reform Act (HCRA) pools and Indigent Care Fund partially offset the decreases in capital spending.

### *Federal Grants*

Federal grants for 2003-04 totaled \$37.3 billion, a net increase of \$127 million from the 30-Day Financial Plan and \$3.9 billion from the Enacted Budget estimate, respectively. Changes to Federal Grants generally correspond to changes in federally-reimbursed spending as described later in this Year-End Report; however, since Federal reimbursement was assumed to be received in the State fiscal year in which spending occurs additional timing related variances resulted.

General Fund Federal Grants for 2003-04 totaled \$645 million. The Enacted Budget did not anticipate this extraordinary aid.

### *Transfers to the General Fund*

Transfers to the General Fund totaled \$7.8 billion in 2003-04, an increase of \$5 million from the 30-Day estimate. Year-end receipts available to the General Fund in excess of debt service needs were higher than projected, but were offset partially by a transfer from the dedicated highway fund that did not occur (\$29 million) and a lower-than-expected transfer from the Waste Tire Management and Recycling Program (\$13 million).

In comparison to the Enacted Budget, year-end transfers to the General Fund were \$212 million above initial estimates. Again, receipts in excess of debt service needs contributed to the positive variance, reflecting both stronger collections in personal income taxes (\$119 million), sales taxes (\$118 million), and real estate transfer taxes (\$105 million), as well as lower debt service costs on general obligation bonds.

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## REVIEW OF 2003-04 SPENDING RESULTS

This section compares year-end Financial Plan spending results against both the Enacted Budget Financial Plan projections and the revised projections in the 30-Day Financial Plan. It also analyzes trends in annual spending. A full explanation of the variances “from plan” for the State’s major program and activities appears later in this Year-End Report in the section entitled “2003-04 Spending Results by Major Function.”

### 2003-04 Year-End Results: Variance from Enacted Estimates

The following table summarizes the most significant spending variances from Enacted Budget Financial Plan to year-end results for 2003-04.

**2003-04 SPENDING -- ENACTED BUDGET TO YEAR-END RESULTS**  
**MAJOR SOURCES OF VARIANCE**  
(millions of dollars)

	General Fund	Other State Funds	State Funds	Federal Funds	All Govt'l Funds
<b>2003-04 Enacted Estimate</b>	<b>42,737</b>	<b>20,250</b>	<b>62,987</b>	<b>33,387</b>	<b>96,374</b>
<b>Major Functions/Activities</b>					
Medicaid	(208)	189	(19)	802	783
School Aid (excluding Federal aid)	62	(35)	27	0	27
Welfare	(26)	0	(26)	(93)	(119)
Children and Families	38	(34)	4	325	329
Mental Hygiene	(79)	(56)	(135)	101	(34)
Higher Education	156	(73)	83	(67)	16
Debt Service	(109)	73	(36)	0	(36)
General State Charges	14	10	24	10	34
<b>OTHER SOURCES OF VARIANCE</b>					
All Other K-12 Education	(64)	4	(60)	929	869
World Trade Center "Pass-Through"	10	0	10	593	603
Transportation Capital Spending	(1)	(275)	(276)	53	(223)
Capital Spending Reclassification	0	(325)	(325)	0	(325)
Member Items Spending	(362)	0	(362)	0	(362)
All Other	(103)	(461)	(564)	(45)	(609)
<b>2003-04 YEAR-END RESULTS</b>	<b>42,065</b>	<b>19,267</b>	<b>61,332</b>	<b>35,995</b>	<b>97,327</b>
<b>\$ Change</b>	<b>(672)</b>	<b>(983)</b>	<b>(1,655)</b>	<b>2,608</b>	<b>953</b>
<b>% Change</b>	<b>-1.57%</b>	<b>-4.85%</b>	<b>-2.63%</b>	<b>7.81%</b>	<b>0.99%</b>

In brief, the most important reasons for the variances from initial projections to year-end results include:

- **Medicaid:** An increase in FMAP lowered General Fund costs, but increased Federal Funds spending; service utilization and enrollment exceeded initial projections; and the Federal government did not approve, by the end of the 2003-04 fiscal year, a number of transactions that were budgeted in the Financial Plan.

- **School Aid:** Modest reestimates in reimbursable spending and elimination of the use of planned resources from the Temporary Assistance for Needy Families block grant (TANF).
- **Welfare:** The number of people receiving public assistance and average expenditure levels exceeded initial projections, which the State financed by redirecting TANF funds originally budgeted to offset costs for the Tuition Assistance Program (TAP) and universal Pre-Kindergarten education programs in school aid.
- **Children and Family Services:** Federal TANF and other Federal Funds supported local claiming growth in child care, foster care, and adoption services.
- **Mental Hygiene:** Patient care revenues, which are used in part to reduce State Operations costs in the General Fund, exceeded projections (due mainly to the refunding of mental hygiene facility bonding which lowered debt service costs), thereby reducing General Fund costs and increasing Federal Funds spending; and spending for other State-supported programs increased more slowly than expected.
- **Higher Education:** The General Fund financed more of the TAP than initially planned because TANF resources budgeted for this purpose were ultimately needed to pay for higher welfare costs; in other State-supported funds, spending for capital projects at the State and City universities occurred more slowly than expected.
- **Debt Service:** Savings from refundings and other debt management activities exceeded initial projections.
- **General State Charges:** The State paid the entire 2003-04 pension bill instead of deferring the payment and incurring interest costs; this higher spending was mostly offset by modest savings in other areas.
- **Federal Education Aid:** Federal support for education programs substantially exceeded expectations, particularly in programs for disadvantaged students (Title I), special education, school lunch and breakfast, and teacher quality. The higher level of Federal support is due in part to actual increases in available aid and from changes in claiming patterns by school districts.
- **World Trade Center Relief:** The level of ongoing Federal reimbursement to New York City in 2003-04 that flowed through the State Financial Plan occurred more quickly than anticipated (DOB does not expect the total amount expected from the Federal government for this purpose to increase).
- **Transportation:** The impact of inclement weather and a delay in the start of the 2003 construction season slowed spending in capital projects.
- **Capital Projects:** Spending originally included by DOB in the Enacted Budget Financial Plan was not accounted for by the State Comptroller in actual cash results but will be reflected in GAAP results, consistent with the accounting treatment of such activities; and year-end capital spending was generally below projections.
- **Community Projects Fund:** Spending on “member items,” which consist of thousands of small grants statewide, was substantially below initial projections.

## 2003-04 Year-End Results: Variance from 30-Day Estimates

The following table summarizes the most significant spending variances from the 30-Day Financial Plan to year-end results for 2003-04.

**2003-04 SPENDING -- 30-DAY TO YEAR-END RESULTS**  
**MAJOR SOURCES OF VARIANCE**  
(millions of dollars)

	General Fund	Other State Funds	State Funds	Federal Funds	All Govt'l Funds
<b>30-Day Estimate (2003-04)</b>	<b>42,071</b>	<b>20,052</b>	<b>62,123</b>	<b>36,181</b>	<b>98,304</b>
<b>Major Functions/Activities</b>					
Medicaid	109	84	193	(612)	(419)
School Aid (Excluding Federal aid)	12	(35)	(23)	0	(23)
Welfare	55	0	55	(286)	(231)
Children and Families	33	(13)	20	183	203
Mental Hygiene	7	(46)	(39)	43	4
Higher Education	46	(245)	(199)	(1)	(200)
Debt Service	6	(8)	(2)	0	(2)
General State Charges	(11)	6	(5)	4	(1)
<b>OTHER SOURCES OF VARIANCE</b>					
All Other K-12 Education	(79)	1	(78)	402	324
Labor	12	(15)	(3)	133	130
Department of Corrections	41	(4)	37	4	41
Judiciary	(28)	(17)	(45)	(3)	(48)
Member Items Spending	(63)	0	(63)	0	(63)
Encon	0	(93)	(93)	13	(80)
Transportation	(1)	(94)	(95)	(111)	(206)
All Other	(145)	(306)	(451)	45	(406)
<b>2003-04 YEAR-END RESULTS</b>	<b>42,065</b>	<b>19,267</b>	<b>61,332</b>	<b>35,995</b>	<b>97,327</b>
<b>\$ Change</b>	<b>(6)</b>	<b>(785)</b>	<b>(791)</b>	<b>(186)</b>	<b>(977)</b>
<b>% Change</b>	<b>-0.01%</b>	<b>-3.91%</b>	<b>-1.27%</b>	<b>-0.51%</b>	<b>-0.99%</b>

The major variances of year-end results from 30-Day estimates were principally related to the timing of Federal aid and delays in spending for capital projects (especially transportation). In Medicaid, the Federal government did not approve several transactions that DOB had expected to occur prior to the end of the 2003-04 fiscal year, which had the effect of substantially lowering spending from Federal Funds. In welfare, transaction delays also affected Federal spending.

Year-end capital projects spending also came in well below the levels projected in the 30-Day Financial Plan. The impact of inclement weather and a greater than expected impact from a delay in the start of the 2003 construction season slowed project start-ups and resulted in capital spending below projections in various agencies including SUNY, environmental conservation, transportation and the RESCUE program for schools. A more detailed discussion appears later in this Year-End Report.

**FMAP AT A GLANCE**

<b>Temporary Federal Medical Assistance Percentage (FMAP) Increase</b>	
<i>(\$ in millions)</i>	<b>Financial Plan Impact</b>
<b>General Fund Savings</b>	<b>(506)</b>
DOH Medicaid (net)	<u>(415)</u>
<i>Gross Medicaid</i>	<i>(588)</i>
<i>Savings to HCRA</i>	<i>173</i>
Mental Hygiene	(81)
School Based Services	(10)
<b>Federal Funds Spending Increase</b>	<b><u>990</u></b>
State Benefit	679
Local Benefit	311
<b>Net All Funds Spending Increase</b>	<b>484</b>

In May 2003, the Federal government authorized a temporary 15-month increase (retroactive to April 1, 2003) of 2.95 percent to the Federal Medical Assistance Percentage (FMAP) for Medicaid costs (from 50 percent to 52.95 percent). This increase financed an estimated \$990 million of the State and local shares of Medicaid costs with Federal Funds in 2003-04, resulting in State savings of \$679 million and \$311 million in savings passed on to counties and New York City. In 2004-05, the Federal matching rate is projected to finance approximately \$400 million of State and local costs with Federal Funds. The higher rate is scheduled to expire on June 30, 2004.

The total projected State benefit of \$679 million is comprised of lower Medicaid spending for the Department of Health (DOH) (\$588 million), mental hygiene agencies (\$81 million), and school based services (\$10 million). A portion of the State benefit (\$173 million) was transferred to the Health Care Reform Act (HCRA) pools, which finances a share of the State's Medicaid costs. The remaining savings totaling \$311 million was also transferred to counties and New York City to provide local fiscal relief. Since the 2003-04 Enacted Budget, All Funds spending increased by a net \$484 million as a result of this transaction.

## Annual Growth in Spending from 2002-03 to 2003-04

The following table summarizes the annual growth in spending in the General Fund, State Funds, and All Governmental Funds.

**ANNUAL SPENDING GROWTH -- 2002-03 ACTUAL TO 2003-04 YEAR-END RESULTS**  
**MAJOR SOURCES OF CHANGE**  
(millions of dollars)

	General Fund	Other State Funds	State Funds	Federal Funds	All Govt'l Funds
<b>2002-03 Actual</b>	<b>37,613</b>	<b>18,138</b>	<b>55,751</b>	<b>33,304</b>	<b>89,055</b>
<b>Major Functions/Activities</b>					
Medicaid	109	310	419	1,827	2,246
School Aid (excluding Federal aid)	93	(21)	72	0	72
Welfare	585	0	585	(519)	66
OCFS	107	2	109	(40)	69
Mental Hygiene	(237)	22	(215)	359	144
Higher Education	(69)	294	225	(156)	69
Debt Service	(22)	335	313	0	313
General State Charges	480	60	540	(7)	533
<b>OTHER SOURCES OF CHANGE</b>					
All Other K-12 Education	(81)	1	(80)	750	670
World Trade Center "Pass-Through"	(24)	(1)	(25)	430	405
Public Health	8	204	212	(2)	210
STAR	0	155	155	0	155
Motor Vehicles	(106)	97	(9)	0	(9)
ESDC	(98)	(14)	(112)	0	(112)
Transportation	(4)	(136)	(140)	(167)	(307)
All Other	(89)	(179)	(268)	216	(52)
<b>Net Impact of FY 2003 Deferrals</b>	<b>3,800</b>	<b>0</b>	<b>3,800</b>	<b>0</b>	<b>3,800</b>
<b>2003-04 YEAR-END RESULTS</b>	<b>42,065</b>	<b>19,267</b>	<b>61,332</b>	<b>35,995</b>	<b>97,327</b>
<b>Annual \$ Change</b>	<b>4,452</b>	<b>1,129</b>	<b>5,581</b>	<b>2,691</b>	<b>8,272</b>
<b>Annual % Change</b>	<b>11.84%</b>	<b>6.22%</b>	<b>10.01%</b>	<b>8.08%</b>	<b>9.29%</b>

On an All Funds basis, spending grew by nearly \$8.3 billion over 2002-03. The annual impact of payment deferrals, which had the effect of lowering 2002-03 spending by \$1.9 billion and increasing 2003-04 spending by the same amount, accounted for \$3.8 billion (46 percent) of the annual increase (see below). Aside from the payment deferrals, Medicaid spending, driven mainly by caseload, utilization, and inflationary pressures, increased by nearly \$2.3 billion, followed by growth in Federal education aid, State pension costs, and pass-through aid related to World Trade Center recovery efforts. A detailed discussion of the annual changes for the State's major programs and activities appears later in this Year-End Report.

## 2002-03 Payment Deferrals

As noted in the prior table, the annual growth in General Fund, State Funds, and All Funds spending is affected by the deferral of \$1.9 billion in payments that were scheduled in 2002-03 but made in 2003-04 in response to a delay in the sale of the State's tobacco settlement revenues. The table below summarizes the payment deferrals by program. All the payments deferred in 2002-03 were paid early in 2003-04, after the State received the tobacco securitization proceeds. To avoid distorting program growth trends, the program spending totals described in "2003-04 Spending Results by Major Function" later in this Year-End Report are adjusted to exclude the impact of the deferrals.

<b>2002-03 GENERAL FUND PAYMENT DEFERRALS</b>	
<b>(millions of dollars)</b>	
School Aid	1,312
CUNY Senior Colleges	219
Medicaid - Mentally Disabled Payments	82
Welfare - Administration	38
Empire State Development Corporation	32
Education - All Other	30
Education - Preschool Special Education	24
HESC	10
Division of Military and Naval Affairs	10
Welfare	8
All Other Local Assistance	61
<b>Total Local Assistance</b>	<b>1,826</b>
State Police	26
World Trade Center	9
All Other State Operations	2
<b>Total State Operations</b>	<b>37</b>
<b>General State Charges</b>	<b>33</b>
<b>Capital Projects</b>	<b>4</b>
<b>Total 2002-03 Payment Deferrals</b>	<b>1,900</b>

## 2003-04 Spending Results by Major Function

This section provides a comprehensive explanation of the Financial Plan activity within key functional areas across all governmental fund types. The focus in this section is on variances from the 2003-04 Enacted Budget to year-end results and on the sources of annual spending change from 2002-03 to 2003-04. The program discussions exclude the impact of the 2002-03 payment deferrals.

### Medicaid

<b>Medicaid Spending Overview</b>							
<i>(\$ in millions)</i>	<b>2002-03</b>		<b>2003-04</b>		<b>Year-End Above/(Below)</b>		
	<b>Actual</b>	<b>Enacted</b>	<b>30-Day</b>	<b>Year-End</b>	<b>2002-03</b>	<b>Enacted</b>	<b>30-Day</b>
<b>General Fund</b>	<b>5,952</b>	<b>6,269</b>	<b>5,952</b>	<b>6,061</b>	<b>109</b>	<b>(208)</b>	<b>109</b>
<i>Other State Support</i>	<i>2,462</i>	<i>2,583</i>	<i>2,688</i>	<i>2,772</i>	<b>310</b>	<b>189</b>	<b>84</b>
<b>State Funds</b>	<b>8,414</b>	<b>8,852</b>	<b>8,640</b>	<b>8,833</b>	<b>419</b>	<b>(19)</b>	<b>193</b>
<i>Federal Funds</i>	<i>16,901</i>	<i>17,926</i>	<i>19,340</i>	<i>18,728</i>	<b>1,827</b>	<b>802</b>	<b>(612)</b>
<b>All Funds</b>	<b>25,315</b>	<b>26,778</b>	<b>27,980</b>	<b>27,561</b>	<b>2,246</b>	<b>783</b>	<b>(419)</b>

The New York State Medicaid program provides health care coverage for low-income individuals, long-term care for the elderly, and services for disabled individuals, primarily through payments to health care providers.

New York's Medicaid program is jointly financed by the Federal government, the State, and counties (including New York City). It currently serves 3.5 million people (excluding the Family Health Plus Program and mental hygiene programs). In 2003-04, the Medicaid program (including administrative costs) spent an estimated \$42.1 billion from all sources consisting of \$22.5 billion in Federal support, \$13.0 billion in State funding, and \$6.6 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.

State spending for Medicaid is principally budgeted through the Department of Health (DOH). This section deals exclusively with budgeted DOH Medicaid spending (excluding administrative costs), which in 2003-04 accounted for \$27.6 billion of the \$42.1 billion in total Medicaid spending. However, it should be noted that a significant amount of Medicaid spending also appears in the Office of Mental Health (OMH), the Office of Mental Retardation and Developmental Disabilities (OMRDD), Office of Alcohol and Substance Abuse Services (OASAS) and the State Education Department (SED). In 2003-04, Medicaid spending by other State agencies, administrative costs, and other State resources account for the remaining estimated \$3.7 billion in Federal and \$4.2 billion in State support.

<b>Review of Significant Medicaid Variances -- Enacted to Year-End Results</b>				
<i>(\$ in millions)</i>	<b>General Fund</b>	<b>Other State Support</b>	<b>Federal Funds</b>	<b>All Govt'l Funds</b>
<b>2003-04 Enacted Budget</b>	<b>6,269</b>	<b>2,583</b>	<b>17,926</b>	<b>26,778</b>
Federal Matching Rate (FMAP)	(415)		909	494
Inflationary/Utilization/Other	192		276	468
CHCCDP			250	250
HCRA	(128)	134	160	166
Indigent Care	(27)	65	33	71
Federal-Local Delays/Reestimates	170	(10)	(826)	(666)
<b>2003-04 Year-End Results</b>	<b>6,061</b>	<b>2,772</b>	<b>18,728</b>	<b>27,561</b>
<i>Dollar Change: Enacted to Actual</i>	<i>(208)</i>	<i>189</i>	<i>802</i>	<i>783</i>

Since the Enacted Budget in May 2003, DOH Medicaid spending has been revised upward by \$783 million on an all governmental funds basis primarily to reflect the growth in caseload and the resulting increase in utilization of services and increases in the amount of Federal Funds received – primarily associated with enhanced FMAP. These changes result in higher spending of \$802 million in Federal Funds and \$189 million in other State supported funds, offset by a decrease of \$208 million in General Fund spending, and are described in more detail below.

**FMAP:** The temporary 2.95 percent increase in FMAP for Medicaid costs caused the largest variance in Federal Medicaid spending from the Enacted Budget. The additional Federal aid increased DOH Federal Medicaid spending by \$909 million (plus another \$81 million in Federal Funds budgeted in mental hygiene agencies not reflected here) and decreased General Fund costs by \$415 million.

**Inflation/Utilization Growth:** Similar to the trends experienced nationwide, Medicaid costs in 2003-04 exceeded the Enacted Budget projections. Higher caseload and the resulting increased costs of providing services to these individuals produced additional costs of roughly \$192 million for the State and \$276 million for the Federal government.

**Community Health Care Conversion Demonstration Project (CHCCDP):** An additional \$250 million in Federal CHCCDP funds authorized by the Federal government were used to support programs financed by HCRA.

**HCRA Transfer Fund:** Spending from the HCRA transfer fund increased other State-supported funds by \$134 million from the Enacted Budget. This increase is comprised of higher costs for the Family Health Plus (FHP) program (\$80 million), the health insurance demonstration project (\$24 million), and increased bad debt and charity care payments to clinics (\$30 million). The additional Federal spending (\$160 million) is attributable to higher than projected FHP program costs, which is jointly financed by the Federal, State, and local governments.

In addition, General Fund Medicaid spending decreased by \$128 million from the Enacted Budget to reflect the reclassification of a nonrecurring General Fund payment to the HCRA Transfer Fund to finance 2003-04 legislative restorations.

**Indigent Care Fund:** Additional funds totaling \$65 million were used to fund higher General Fund Medicaid costs (\$27 million) and payments to providers for the cost of providing care to the uninsured (\$38 million).

**Federal-Local Delays/Reestimates:** Federal delays in approval of several pending State Plan Amendments have resulted in lower than anticipated Federal spending of roughly \$354 million. These delays primarily include approval of increased disproportionate share payments to public hospitals and Federal reimbursement for prisoners eligible for Medicaid coverage, bad debt and charity care payments to clinics, and a reclassification of home care claims to Medicare under a demonstration program with the Federal government. The other changes since the Enacted Budget consist of lower than anticipated receipts pursuant to the 5.0 percent reimbursable assessment on nursing home revenues (\$10 million), and a downward revision since the Enacted Budget in Federal spending (\$472 million).

In addition, a local shares adjustment budgeted for 2003-04 did not occur on schedule, resulting in a \$170 million Financial Plan impact. The transaction is expected to occur in 2004-05.

<b>Sources of Medicaid Annual Spending Change</b>				
<b>2002-03 to 2003-04</b>				
<i>(\$ in millions)</i>	<b>General Fund</b>	<b>Other State Support</b>	<b>Federal Funds</b>	<b>All Govt'l Funds</b>
<b>2002-03 Actual Results</b>	<b>5,952</b>	<b>2,462</b>	<b>16,901</b>	<b>25,315</b>
Inflationary/Utilization/Other	473		738	1,211
HCRA	(114)	523	269	678
Federal Matching Rate (FMAP)	(415)		909	494
CHCCDP			250	250
NH IGT Phase-out	125		(157)	(32)
Indigent Care	10	(60)		(50)
Cost Containment	(123)		(182)	(305)
Tobacco Transfer Fund	91	(91)		0
Provider Assessment Funding	62	(62)		0
<b>2003-04 Year-End Results</b>	<b>6,061</b>	<b>2,772</b>	<b>18,728</b>	<b>27,561</b>
<i>Dollar Change: Actual to Actual</i>	<i>109</i>	<i>310</i>	<i>1,827</i>	<i>2,246</i>

DOH Medicaid spending totaled \$27.6 billion in 2003-04, an increase of \$2.3 billion over the 2002-03 fiscal year, on an All Governmental Funds basis. The increase is comprised of \$1.8 billion in Federal Funds, \$310 million in other State supported funds, and \$109 million in the General Fund. This increase, as described in more detail below, primarily reflects growth in the number of people eligible for and receiving Medicaid benefits (i.e., caseload), rising utilization, inflation in the costs of providing services, and additional Federal spending related to a temporary increase of 2.95 percent in the Federal matching rate for Medicaid spending and the Federal Community Health Care Conversion Demonstration Project (CHCCDP).

**Inflation/Utilization Growth:** Annual costs in 2003-04 increased approximately 8.0 percent over the prior year and primarily reflect growth in utilization, and inflationary cost increases. The rise in Medicaid caseload contributes to growth in utilization of services including managed care premiums, prescription drugs, nursing homes and community based mental health services. In 2003-04, additional estimated costs of roughly \$301 million are the result of changes in utilization of Medicaid services driven primarily by changes in caseload (excluding FHP) which grew by 3 percent from 3.4 million in 2002-03 to an estimated 3.5 million in 2003-04. In addition, inflationary increases in the cost of prescription drugs and provider reimbursement rates represent an estimated \$172 million in higher spending.

**HCRA Transfer Fund:** The HCRA Transfer Fund is supported by transfers from the “off-budget” Tobacco Control and Insurance Initiatives (TCII) Pool and the Health Care Initiatives (HCI) Pool, which are funded by taxes, assessments and surcharges on hospital revenues and third-party payers. Total transfers received in 2003-04 exceeded the prior year by \$523 million and were comprised of \$394 million in additional transfers from the “off-budget” pools and \$128 million from a one-time General Fund transfer to finance legislative restorations. General Fund Medicaid costs, primarily for prescription drugs, were offset with \$114 million of the additional funds in the HCRA Transfer Fund. The remaining \$281 million financed higher costs of other programs supported by HCRA.

The most significant growth in other programs includes \$135 million for the FHP program and \$83 million in additional funding for the workforce recruitment and retention program. The FHP program offers access to health coverage to certain low-income adults who do not receive employer sponsored coverage and are ineligible for other public health programs due to income levels. FHP enrollment increased from approximately 100,000 in 2002-03 to an estimated 305,000 in 2003-04.

**FMAP:** The temporary 2.95 percent increase in FMAP for Medicaid costs results in lower General Fund costs (\$415 million) and higher spending from Federal Funds (\$909 million). Total projected DOH General Fund savings from FMAP are \$588 million in 2003-04 (another estimated \$91 million is used to offset Mental Hygiene and school based Medicaid services). The additional FMAP support lowered Medicaid costs for the State and local governments by nearly \$1 billion in 2003-04 and provided \$173 million in resources to HCRA in 2003-04. The temporary FMAP increase is scheduled to expire in June 2004.

**Community Health Care Conversion Demonstration Project (CHCCDP):** In 2003, the Federal government authorized an additional \$350 million in CHCCDP funds for New York. As of March 31, 2004, the State had received \$250 million and transferred it to the HCRA pool.

**Nursing Home Intergovernmental Transfer (IGT) Phase Out:** The final phase-out of nursing home intergovernmental transfers, as required by the Federal government, increased General Fund costs by \$125 million in 2003-04 and reduced Federal Funds spending by \$157 million (the remaining \$32 million in additional costs accrue to local governments).

**Indigent Care Fund:** The Indigent Care Fund receives transfers from the Health Care Initiatives Pool, Bad Debt and Charity Care Pools, and the Tobacco Control and Insurance Initiatives Pool, which are financed with taxes, assessments and surcharges on hospital revenues and third-party payers. These transfers are used to make Medicaid payments to providers for the cost of providing care to the uninsured. Total disbursements from the Indigent Care Fund decreased by \$60 million in 2003-04, primarily due to the 2002-03 distribution of prior-year NYPHRM balances. The General Fund offset decreased by \$10 million related to these payments.

**Cost Containment:** Cost containment actions in Medicaid produced savings that reduced the State share of Medicaid costs by \$123 million and the Federal share by \$182 million. These State-share savings actions, included in the 2003-04 Enacted Budget, primarily consist of maximization of Medicare billing (\$27 million), timely recovery of overpayments and audit recoveries (\$22 million), limits on dental rate increases (\$12 million), pharmacy reimbursement reductions and recoveries (\$18 million), hospital and home care efficiencies (\$17 million), and various other program and payment restructuring efficiencies (\$27 million).

**Tobacco Transfer:** The Tobacco Transfer Fund was created in 2000-01 to receive a portion of the initial payments received by the Tobacco Settlement Fund pursuant to the Master Settlement Agreement between tobacco companies and the states. These funds have been used to reimburse medical care providers for services rendered to Medicaid eligible patients. The final payment of \$91 million occurred in 2002-03.

**Provider Assessment Fund:** This fund is financed by a 5.0 percent reimbursable assessment on nursing home revenues and is used to finance a portion of State Medicaid costs. The 2003-04 Enacted Budget included legislation to phase out this assessment over a multi-year period. The annual decline of \$62 million in other State funding, used to offset increases in General Fund Medicaid costs, reflects the initial phase-out from 6.0 percent in 2002-03 to 5.0 percent in 2003-04.

## School Aid

School Aid Spending Overview							
	2002-03		2003-04		Year-End Above/(Below)		
	Actual	Enacted	30-Day	Year-End	2002-03	Enacted	30-Day
<b>General Fund</b>	<b>12,280</b>	<b>12,311</b>	<b>12,361</b>	<b>12,373</b>	<b>93</b>	<b>62</b>	<b>12</b>
<i>Other State Support</i>	<i>1,897</i>	<i>1,911</i>	<i>1,911</i>	<i>1,876</i>	<b>(21)</b>	<b>(35)</b>	<b>(35)</b>
<b>State Funds</b>	<b>14,177</b>	<b>14,222</b>	<b>14,272</b>	<b>14,249</b>	<b>72</b>	<b>27</b>	<b>(23)</b>
<i>Federal Funds</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<b>0</b>	<b>0</b>	<b>0</b>
<b>All Funds</b>	<b>14,177</b>	<b>14,222</b>	<b>14,272</b>	<b>14,249</b>	<b>72</b>	<b>27</b>	<b>(23)</b>

The annual increase in General Fund spending of \$93 million, or less than one percent, reflects spending restraint and targeted reforms in a variety of programs within school aid. The savings from the modest school year decrease enacted in State fiscal year 2003-04 almost entirely offset the previous year "tail" increase. The resulting General Fund increase of \$93 million is largely a combination of the loss of both a one-time Federal TANF offset, and the one-time availability of bond financing for capital outlay transition grants.

Compared to the Enacted Budget Financial Plan estimate, year-end disbursements were \$27 million above projections on an All Governmental Funds basis. The \$27 million increase reflects an increase in the General Fund of \$62 million, partially offset by a decrease in other State funds of \$35 million as described below.

Summary of Significant School Aid Variances -- Enacted to Year-End Results			
<i>(\$ in millions)</i>	General Fund	Other State Support	All Govt'l Funds
<b>2003-04 Enacted Budget</b>	<b>12,311</b>	<b>1,911</b>	<b>14,222</b>
TANF Offset	50	0	50
Delay in Capital Projects	0	(35)	(35)
All Other	12	0	12
<b>2003-04 Year-End Results</b>	<b>12,373</b>	<b>1,876</b>	<b>14,249</b>
<i>Dollar Change: Enacted to Actual</i>	<i>62</i>	<i>(35)</i>	<i>27</i>

Following the Enacted Budget projections, spending was revised upward by \$50 million when Federal TANF funds, used to offset General Fund spending, were no longer available. The TANF funds, originally programmed to offset General Fund costs for the Universal Pre-Kindergarten program, were redirected to fund welfare costs. The net impact of transfers to and from other programs increased General Fund spending by an additional \$12 million. Delays until 2004-05 in capital projects disbursements, due to slower than expected claiming by school districts for construction projects related to the RESCUE program, reduced spending by \$35 million. Readers should note that Federal funding of school-age education programs is accounted for separately and is not included in the totals.

## Higher Education

Higher Education Spending Overview							
(\$ in millions)	2002-03	2003-04			Year-End Above/(Below)		
	Actual	Enacted	30-Day	Year-End	2002-03	Enacted	30-Day
<b>General Fund</b>	<b>2,606</b>	<b>2,381</b>	<b>2,491</b>	<b>2,537</b>	<b>(69)</b>	<b>156</b>	<b>46</b>
<i>Other State Support</i>	<i>2,808</i>	<i>3,175</i>	<i>3,347</i>	<i>3,102</i>	<b>294</b>	<b>(73)</b>	<b>(245)</b>
<b>State Funds</b>	<b>5,414</b>	<b>5,556</b>	<b>5,838</b>	<b>5,639</b>	<b>225</b>	<b>83</b>	<b>(199)</b>
<i>Federal Funds</i>	<i>558</i>	<i>469</i>	<i>403</i>	<i>402</i>	<b>(156)</b>	<b>(67)</b>	<b>(1)</b>
<b>All Funds</b>	<b>5,972</b>	<b>6,025</b>	<b>6,241</b>	<b>6,041</b>	<b>69</b>	<b>16</b>	<b>(200)</b>

Higher education includes operational and administrative costs for State University of New York (SUNY), City University of New York (CUNY), and the Higher Education Services Corporation (HESC), which is responsible for administering the Tuition Assistance Program (TAP) grant awards to income eligible students.

Compared to the Enacted Budget Financial Plan estimate, disbursements were \$16 million above projections on an All Funds basis. The \$16 million increase reflects an increase in the General Fund of \$156 million, partially offset by a decrease in other State funds of \$73 million and a decrease in Federal Funds of \$67 million as described below.

Summary of Significant Higher Education Variances -- Enacted to Year-End Results				
(\$ in millions)	General Fund	Other State Support	Federal Funds	All Govt'l Funds
<b>2003-04 Enacted Budget</b>	<b>2,381</b>	<b>3,175</b>	<b>469</b>	<b>6,025</b>
TANF Offset	95	0	(95)	0
TAP	31	0	0	31
Capital Project Delays	0	(81)	0	(81)
All Other	30	8	28	66
<b>2003-04 Year-End Results</b>	<b>2,537</b>	<b>3,102</b>	<b>402</b>	<b>6,041</b>
<i>Dollar Change: Enacted to Actual</i>	<i>156</i>	<i>(73)</i>	<i>(67)</i>	<i>16</i>

The upward revision to General Fund spending of \$156 million was largely attributable to a reduction of Federal TANF available to offset TAP (\$95 million), increased TAP spending (\$31 million), partially offset by lower SUNY debt service (\$18 million). The TANF funds, originally programmed to offset HESC spending for the TAP program, were redirected to fund higher welfare costs. In addition to the loss of TANF funds, HESC local assistance spending was higher than estimated as a result of larger than projected growth in the number of TAP recipients and average award levels.

The downward revision to other State support of \$73 million largely reflects a slowdown in capital projects disbursements for SUNY (\$75 million) and CUNY (\$6 million). The SUNY capital projects, originally budgeted for 2003-04, are delayed until 2004-05 due to the timing of contract awards.

The downward revision to Federal Funds of \$67 million is due to the reduction of the TANF offset (\$95 million), partially offset by increased spending in other Federal programs (\$28 million).

<b>Sources of Annual Higher Education Spending Change</b>				
<i>(\$ in millions)</i>	<b>General Fund</b>	<b>Other State Support</b>	<b>Federal Funds</b>	<b>All Gov't'l Funds</b>
<b>2002-03 Actual Results</b>	<b>2,606</b>	<b>2,808</b>	<b>558</b>	<b>5,972</b>
HESC Nonrecurring TANF Funds	159	0	(159)	0
HESC/TAP Costs	140	0	0	140
CUNY Collective Bargaining Payment	(70)	0	0	(70)
SUNY/CUNY Tuition Increase	(292)	177	0	(115)
SUNY Hospital Expansion	0	71	0	71
All Other	(6)	46	3	43
<b>2003-04 Year-End Results</b>	<b>2,537</b>	<b>3,102</b>	<b>402</b>	<b>6,041</b>
<i>Dollar Change: Actual to Actual</i>	<i>(69)</i>	<i>294</i>	<i>(156)</i>	<i>69</i>

**HESC Nonrecurring TANF Funds:** TANF funding used to finance the TAP program decreased by \$159 million from 2002-03 to 2003-04, resulting in an increase in General Fund spending and a decrease in Federal spending by this amount.

**HESC/TAP Costs:** Spending for the TAP program increased by \$140 million as a result of growth in the number of TAP recipients, growth in average award levels and the impact of tuition increases at SUNY and CUNY.

**CUNY Collective Bargaining Payment:** A one-time retroactive collective bargaining payment made in State fiscal year 2002-03 decreased spending in 2003-04 by \$70 million.

**SUNY/CUNY Tuition Increases:** Increases in tuition at CUNY senior colleges and SUNY state-operated colleges reduced General Fund spending by \$292 million and increased spending in other State funds by \$177 million.

**SUNY Hospital Expansion:** The three SUNY hospitals continue to implement profit-generating strategic initiatives to improve their financial condition.

## Mental Hygiene

Mental Hygiene Spending Overview							
(\$ in millions)	2002-03	2003-04			Year-End Above/(Below)		
	Actual	Enacted	30-Day	Year-End	2002-03	Enacted	30-Day
<b>General Fund</b>	<b>2,368</b>	<b>2,210</b>	<b>2,124</b>	<b>2,131</b>	<b>(237)</b>	<b>(79)</b>	<b>7</b>
<i>Other State Support</i>	<i>284</i>	<i>362</i>	<i>352</i>	<i>306</i>	<b>22</b>	<b>(56)</b>	<b>(46)</b>
<b>State Funds</b>	<b>2,652</b>	<b>2,572</b>	<b>2,476</b>	<b>2,437</b>	<b>(215)</b>	<b>(135)</b>	<b>(39)</b>
<i>Federal Funds</i>	<i>2,333</i>	<i>2,591</i>	<i>2,649</i>	<i>2,692</i>	<b>359</b>	<b>101</b>	<b>43</b>
<b>All Funds</b>	<b>4,985</b>	<b>5,163</b>	<b>5,125</b>	<b>5,129</b>	<b>144</b>	<b>(34)</b>	<b>4</b>

The Office of Mental Hygiene (OMH), Office of Mental Retardation and Development Disabilities (OMRDD) and the Office of Alcohol and Substance Abuse Services (OASAS) collectively provide a wide array of services to special needs populations. Services are administered to individuals with mental illnesses, developmental disabilities and/or chemical dependencies through institutional and community-based settings. Many of these services are partially financed with Medicaid funds.

Summary of Significant Mental Hygiene Variances -- Enacted to Year-End Results				
(\$ in millions)	General Fund	Other State Support	Federal Funds	All Govt'l Funds
<b>2003-04 Enacted Budget</b>	<b>2,210</b>	<b>362</b>	<b>2,591</b>	<b>5,163</b>
Reduced Reimbursement to Counties	(20)	0	0	(20)
Increased Federal Support	0	0	42	42
Increases in Patient Care Revenues	(59)	0	59	0
Spending Delays	0	(56)	0	(56)
<b>2003-04 Year-End Results</b>	<b>2,131</b>	<b>306</b>	<b>2,692</b>	<b>5,129</b>
<i>Dollar Change: Enacted to Actual</i>	<i>(79)</i>	<i>(56)</i>	<i>101</i>	<i>(34)</i>

General Fund underspending of \$79 million during 2003-04 is the result of (1) changes made in the 2003-04 Enacted Budget that produced savings in OMRDD by reducing reimbursement to counties for the local share of Medicaid (\$20 million), and (2) an increase in the amount of available patient care revenues (as a result of nonrecurring debt management actions) used to offset State Operations costs in the General Fund (\$59 million).

Underspending of \$56 million in other State-supported funds is primarily attributable to unforeseen delays in OASAS capital construction projects associated with the preservation of community-based facilities (\$17 million) and spending delays in other State special revenue funds (\$39 million).

Increased Federal Funds spending of \$101 million primarily reflects the availability of the additional patient care revenues noted above (\$59 million) and increased Federal grant support (\$42 million).

<b>Sources of Annual Mental Hygiene Spending Change</b>				
<b>2002-03 to 2003-04</b>				
<i>(\$ in millions)</i>	<b>General Fund</b>	<b>Other State Support</b>	<b>Federal Funds</b>	<b>All Govt'l Funds</b>
<b>2002-03 Actual Results</b>	<b>2,368</b>	<b>284</b>	<b>2,333</b>	<b>4,985</b>
Local Program Enhancements	128	0	0	128
Increased Federal Support	0	0	20	20
Increases in Patient Care Revenues	(339)	0	339	0
OMH Capital Program Spending	0	22	0	22
State Operations Efficiencies	(24)	0	0	(24)
All Other	(2)	0	0	(2)
<b>2003-04 Year-End Results</b>	<b>2,131</b>	<b>306</b>	<b>2,692</b>	<b>5,129</b>
<i>Dollar Change: Actual to Actual</i>	<i>(237)</i>	<i>22</i>	<i>359</i>	<i>144</i>

The net annual General Fund spending reduction of \$237 million is attributable to an increase in available patient care revenues used to support State Operations costs in the General Fund (\$339 million) and State Operations efficiencies (\$24 million). About half of the increased patient revenues result from nonrecurring debt management actions (\$78 million) and the temporary 15-month increase in the Federal Medicaid matching rate (\$80 million). Offsetting these general Fund decreases are increases for local program enhancements including the OMRDD New York State - Creating Alternatives in Residential Environments and Services (NYS-CARES) program and OMH community-based housing initiatives (\$128 million).

Higher spending of \$22 million in other State-supported funds is primarily attributable to growth in the OMH capital program necessary to preserve and maintain State institutions and support the development of new community-based beds.

The Federal Funds increase of \$359 million reflects the annual growth in available patient care revenues (\$339 million) and increased Federal grant awards (\$20 million).

## Welfare

<b>Welfare Spending Overview</b>							
<i>(\$ in millions)</i>	<b>2002-03</b>		<b>2003-04</b>		<b>Year-End Above/(Below)</b>		
	<b>Actual</b>	<b>Enacted</b>	<b>30-Day</b>	<b>Year-End</b>	<b>2002-03</b>	<b>Enacted</b>	<b>30-Day</b>
<b>General Fund</b>	<b>835</b>	<b>1,446</b>	<b>1,365</b>	<b>1,420</b>	<b>585</b>	<b>(26)</b>	<b>55</b>
<b>State Funds</b>	<b>835</b>	<b>1,446</b>	<b>1,365</b>	<b>1,420</b>	<b>585</b>	<b>(26)</b>	<b>55</b>
<i>Federal Funds</i>	<i>2,307</i>	<i>1,881</i>	<i>2,074</i>	<i>1,788</i>	<i>(519)</i>	<i>(93)</i>	<i>(286)</i>
<b>All Funds</b>	<b>3,142</b>	<b>3,327</b>	<b>3,439</b>	<b>3,208</b>	<b>66</b>	<b>(119)</b>	<b>(231)</b>

Welfare programs provide a wide range of benefits to poor families including cash assistance grants, child welfare services, tax credits for eligible low-income workers, and services that assist welfare recipients in securing and retaining employment. Funding is also provided for local

administration of welfare programs. Federal assistance consists of funds provided through the TANF block grant.

<b>Summary of Significant Welfare Variances -- Enacted to Year-End Results</b>			
<i>(\$ in millions)</i>	<b>General Fund</b>	<b>Federal Funds</b>	<b>All Gov't'l Funds</b>
<b>2003-04 Enacted Budget</b>	<b>1,446</b>	<b>1,881</b>	<b>3,327</b>
Caseload/Expenditure Growth	82	0	82
TANF Reprogramming	(145)	0	(145)
TANF Spending	0	(93)	(93)
Local Administration	21	0	21
All Other	16	0	16
<b>2003-04 Year-End</b>	<b>1,420</b>	<b>1,788</b>	<b>3,208</b>
<i>Dollar Change: Enacted to Actual</i>	<i>(26)</i>	<i>(93)</i>	<i>(119)</i>

**Caseload/Expenditures:** The Enacted Budget Financial Plan projected welfare caseloads to average 612,161 in fiscal year 2003-04, compared to the Legislature's estimate of 592,238. Noting continued caseload and expenditure increases in the First Quarter and the Mid-Year Updates, DOB increased the caseload projection to 618,281. The actual caseload in 2003-04 was 617,169, which was 24,931 recipients higher than estimated by the Legislature and 5,008 higher than the Enacted Budget projections.

**TANF Reprogramming:** Federal TANF funds originally programmed to offset General Fund expenses for the Universal Pre-Kindergarten program and TAP program were instead used to pay for higher than expected welfare expenditures caused by caseload and other changes. As a result, General Fund spending for school aid and TAP increased, as described earlier.

**TANF Spending:** 2003-04 Federal spending came in lower than projected due to a delay in receipt of claims for the costs of benefit administration and programmatic initiatives and timing of overpayment refunds.

**Local Administration:** Increased reimbursement for local administration costs (\$23 million) was partially offset by a decrease in contract spending (\$2 million).

<b>Sources of Annual Welfare Spending Change</b>			
<b>2002-03 to 2003-04</b>			
<i>(\$ in millions)</i>	<b>General Fund</b>	<b>Federal Funds</b>	<b>All Govt'l Funds</b>
<b>2002-03 Actual Results</b>	<b>835</b>	<b>2,307</b>	<b>3,142</b>
Caseload/Expenditure Growth	68	0	68
Loss of Offsets/TANF	520	(520)	0
All Other	(3)	1	(2)
<b>2003-04 Year-End Results</b>	<b>1,420</b>	<b>1,788</b>	<b>3,208</b>
<i>Dollar Change: Actual to Actual</i>	<i>585</i>	<i>(519)</i>	<i>66</i>

**Caseload/Expenditure Growth:** Additional General Fund costs from caseload and expenditure growth reflected an increase in (1) the number of families that were no longer eligible for Federal assistance because they have exceeded the five-year time limit and were instead funded by the State and localities, and (2) the single adult/childless couples caseload.

**Loss of Offsets/TANF:** 2003-04 General Fund spending increased because Federal TANF reserve funds used to offset 2002-03 welfare spending in the General Fund were no longer available.

## Children and Families

<b>OCFS Spending Overview</b>							
<i>(\$ in millions)</i>	<b>2002-03</b>		<b>2003-04</b>		<b>Year-End Above/(Below)</b>		
	<b>Actual</b>	<b>Enacted</b>	<b>30-Day</b>	<b>Year-End</b>	<b>2002-03</b>	<b>Enacted</b>	<b>30-Day</b>
<b>General Fund</b>	<b>1,187</b>	<b>1,256</b>	<b>1,261</b>	<b>1,294</b>	<b>107</b>	<b>38</b>	<b>33</b>
<i>Other State Support</i>	<i>21</i>	<i>57</i>	<i>36</i>	<i>23</i>	<i>2</i>	<i>(34)</i>	<i>(13)</i>
<b>State Funds</b>	<b>1,208</b>	<b>1,313</b>	<b>1,297</b>	<b>1,317</b>	<b>109</b>	<b>4</b>	<b>20</b>
<i>Federal Funds</i>	<i>2,088</i>	<i>1,723</i>	<i>1,865</i>	<i>2,048</i>	<i>(40)</i>	<i>325</i>	<i>183</i>
<b>All Funds</b>	<b>3,296</b>	<b>3,036</b>	<b>3,162</b>	<b>3,365</b>	<b>69</b>	<b>329</b>	<b>203</b>

The Office of Children and Family Services (OCFS) oversees the provision of child welfare and juvenile justice services, which include foster care, adoption, child protective services, child care, delinquency prevention and detention.

<b>Review of Significant OCFS Variances -- Enacted to Year-End Results</b>				
<i>(\$ in millions)</i>	<b>General Fund</b>	<b>Other State Support</b>	<b>Federal Funds</b>	<b>All Govt'l Funds</b>
<b>2003-04 Enacted Budget</b>	<b>1,256</b>	<b>57</b>	<b>1,723</b>	<b>3,036</b>
Caseload/Expenditure Growth	7	0	0	7
Capital Projects Spending	0	(23)	0	(23)
Spending/Revenue Delays	31	(9)	(28)	(6)
Increased Federal Support	0	0	330	330
All Other	0	(2)	23	21
<b>2003-04 Year-End Results</b>	<b>1,294</b>	<b>23</b>	<b>2,048</b>	<b>3,365</b>
<i>Dollar Change: Enacted to Actual</i>	38	(34)	325	329

**Caseload/Expenditure Growth:** Local assistance programs experienced spending growth primarily due to increased claiming. Committees on special education (\$4 million), adult protection/domestic violence (\$1 million), and delinquency prevention programs (\$3 million) all experienced growth above initial projections.

**Capital Projects Spending:** Lower than projected youth facility capital projects spending of \$23 million resulted from slower than anticipated advancement of projects through the design and competitive bidding phases to the construction phase.

**Spending/Revenue Delays:** Timing delays related to Federal revenue caused General Fund spending to increase by \$31 million. In other State-supported funds, timing delays related to computer systems development and other activities resulted in lower spending (\$9 million).

**Increased Federal Support:** Additional child care expenditures attributable to increased child care claims from the local districts and the associated Federal reimbursement (\$188 million) contributed to the overall Federal spending increase. Also, Federal reimbursement for Foster Care and Adoption services increased primarily due to higher than anticipated claims (\$142 million).

<b>Sources of OCFS Annual Spending Change 2002-03 to 2003-04</b>				
<i>(\$ in millions)</i>	<b>General Fund</b>	<b>Other State Support</b>	<b>Federal Funds</b>	<b>All Govt'l Funds</b>
<b>2002-03 Actual Results</b>	<b>1,187</b>	<b>21</b>	<b>2,088</b>	<b>3,296</b>
Caseload/Expenditure Growth	97	0	0	97
Title XX	0	0	(156)	(156)
Program Growth	0	0	150	150
Spending/Revenue Delays	32	0	(32)	0
All Other	(22)	2	(2)	(22)
<b>2003-04 Year-End Results</b>	<b>1,294</b>	<b>23</b>	<b>2,048</b>	<b>3,365</b>
<i>Dollar Change: Actual to Actual</i>	<i>107</i>	<i>2</i>	<i>(40)</i>	<i>69</i>

**Caseload/Expenditure Growth:** General Fund spending grew for several child welfare programs, including open-ended child welfare services, adoption subsidies, committees on special education, and adult protective/domestic violence (\$72 million). In addition, significant growth also occurred in detention and delinquency prevention services (\$25 million).

**Title XX:** Spending from the Federal Title XX Social Services Block Grant decreased by \$156 million from 2002-03 levels due in part to a one-time spending increase in 2002-03 resulting from a prior-year timing delay and slower local claiming for Title XX services in 2003-04. These are expected to be fully claimed and expended in 2004-05.

**Program Growth:** Program growth includes higher Federal spending primarily in child care programs, supported mostly by TANF funds and Title IV-E programs such as adoption and foster care.

**Revenue Delay:** Timing delays related to Federal revenue resulted in a \$32 million annual General Fund State Operations increase.

**All Other:** The General Fund spending reduction of \$22 million reflects State Operations actions primarily associated with youth facility reform and the use of Federal funding to support the CONNECTIONS computer system.

## Debt Service

<b>Debt Service Spending Overview</b>							
	<b>2002-03</b>		<b>2003-04</b>		<b>Year-End Above/(Below)</b>		
	<b>Actual</b>	<b>Enacted</b>	<b>30-Day</b>	<b>Year-End</b>	<b>2002-03</b>	<b>Enacted</b>	<b>30-Day</b>
<b>General Fund</b>	<b>1,496</b>	<b>1,583</b>	<b>1,468</b>	<b>1,474</b>	<b>(22)</b>	<b>(109)</b>	<b>6</b>
<i>Other State Support</i>	<i>1,542</i>	<i>1,804</i>	<i>1,885</i>	<i>1,877</i>	<b>335</b>	<b>73</b>	<b>(8)</b>
<b>All Funds</b>	<b>3,038</b>	<b>3,387</b>	<b>3,353</b>	<b>3,351</b>	<b>313</b>	<b>(36)</b>	<b>(2)</b>

Compared to the Enacted Budget Financial Plan estimate, total disbursements for debt service were \$36 million below projections on an All Governmental Funds basis. General Fund costs declined by \$109 million, while debt service spending in other State funds increased by \$73 million as described below.

<b>Summary of Significant Debt Service Variances -- Enacted to Year-End Results</b>			
	<b>General Fund</b>	<b>Other State Support</b>	<b>All Govt'l Funds</b>
<b>2003-04 Enacted Budget</b>	<b>1,583</b>	<b>1,804</b>	<b>3,387</b>
Refundings and Other Changes:			
CUNY	(163)	0	(163)
SUNY Educational Facilities	(65)	0	(65)
Corrections	(49)	0	(49)
Housing	(18)	0	(18)
General Obligation Bonds	(18)	0	(18)
SUNY Dormitory Bonds	0	(18)	(18)
Assumed Savings (Debt Service Offset)	200	0	200
Refunding Savings Below Plan			
Transportation - CHIPs	0	91	91
Local Govt Assistance Corp (LGAC)	0	40	40
Mental Health	0	7	7
Lower Debt Service Costs (RBTF)	0	(34)	(34)
All Other	4	(13)	(9)
<b>2003-04 Year-End Results</b>	<b>1,474</b>	<b>1,877</b>	<b>3,351</b>
<i>Dollar Change: Enacted to Actual</i>	<i>(109)</i>	<i>73</i>	<i>(36)</i>

General Fund debt service payments in 2003-04 were \$1.5 billion, or \$109 million less than the Enacted Budget estimate, mostly attributable to refunding savings. Refunding savings, revisions to debt service spending based on year-end results, and reduced variable rate costs produced savings of \$309 million, which compares to assumed savings of \$200 million in the Enacted Budget. Offsetting these General Fund savings, however, were higher debt service costs for the Mental Health, Transportation and Local Government Assistance Corporation (LGAC) programs, where assumed refunding savings were not realized at anticipated levels, lowering related General Fund transfers.

All Governmental Funds debt service spending for fiscal year 2003-04 was \$3.4 billion, a modest \$36 million less than projected in the Enacted Budget. The variance is attributable to lower debt service costs in the General Fund (\$109 million), Personal Income Tax Revenue Bond Program (\$34 million), SUNY Dormitories (\$18 million) and other program areas (\$13 million), offset by higher debt service costs for transportation (\$91 million), LGAC (\$40 million) and mental health (\$7 million).

<b>Sources of Annual Debt Service Spending Change</b>			
	<b>General Fund</b>	<b>Other State Support</b>	<b>Other State Support</b>
<b>2002-03 Actual Results</b>	<b>1,496</b>	<b>1,542</b>	<b>3,038</b>
Refundings:			
CUNY	(55)	0	(55)
General Obligation Bonds	(67)	0	(67)
Transportation - CHIPs	(23)	0	(23)
MTA Debt Restructuring	121	0	121
PIT Revenue Bond Program	0	220	220
Transportation - Dedicated Highway	0	104	104
All Other	2	11	13
<b>2003-04 Year-End Results</b>	<b>1,474</b>	<b>1,877</b>	<b>3,351</b>
<i>Dollar Change: Actual to Actual</i>	<i>(22)</i>	<i>335</i>	<i>313</i>

The annual decrease in the General Fund is attributable to refunding savings, offset by loss of one-time refunding savings for the MTA. A historically low interest rate environment throughout 2003-04 enabled the State to refund bonds in several large program areas that resulted in reduced debt service costs for CUNY (\$55 million), CHIPs (\$23 million) and General Obligation bonds (\$67 million). Offsetting those savings are \$121 million in costs related to the MTA debt restructuring, where one-time resources used to reduce debt service costs in 2002-03 were no longer available in 2003-04.

Other State support increased by \$335 million due to planned growth in the Personal Income Tax (PIT) Revenue Bond Program (\$220 million) and the Dedicated Highway and Bridge Program (\$104 million). The PIT Revenue Bond Program represents the State's primary financing vehicle for capital spending that was previously financed through State-appropriation backed debt.

## General State Charges

<b>General State Charges Spending Overview</b>							
<i>(\$ in millions)</i>	<b>2002-03</b>		<b>2003-04</b>		<b>Year-End Above/(Below)</b>		
	<b>Actual</b>	<b>Enacted</b>	<b>30-Day</b>	<b>Year-End</b>	<b>2002-03</b>	<b>Enacted</b>	<b>30-Day</b>
<b>General Fund</b>	<b>2,733</b>	<b>3,199</b>	<b>3,224</b>	<b>3,213</b>	<b>480</b>	<b>14</b>	<b>(11)</b>
<i>Other State Support</i>	<i>359</i>	<i>409</i>	<i>413</i>	<i>419</i>	<i>60</i>	<i>10</i>	<i>6</i>
<b>State Funds</b>	<b>3,092</b>	<b>3,608</b>	<b>3,637</b>	<b>3,632</b>	<b>540</b>	<b>24</b>	<b>(5)</b>
<i>Federal Funds</i>	<i>183</i>	<i>166</i>	<i>172</i>	<i>176</i>	<i>(7)</i>	<i>10</i>	<i>4</i>
<b>All Funds</b>	<b>3,275</b>	<b>3,774</b>	<b>3,809</b>	<b>3,808</b>	<b>533</b>	<b>34</b>	<b>(1)</b>

General State Charges (GSCs) account for the costs of fringe benefits to State employees and retirees of the Executive, Legislative and Judicial branches, as well as for taxes on public lands and litigation. Fringe benefit payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, social security, health insurance, workers'

compensation and unemployment insurance. Fixed costs include 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.

All Governmental Funds spending for GSCs totaled \$3.8 billion in 2003-04, a \$533 million increase over the prior fiscal year. The General Fund supports approximately 85 percent of GSCs spending. Roughly \$3.6 billion or 95 percent of GSCs spending is State supported and the remaining 5 percent is federally funded. Escalating employer pension contributions and higher employee health insurance costs account for most of the growth in GSCs spending. Other significant areas of annual growth in GSCs include payments for workers compensation and higher taxes on public lands. These changes are discussed in more detail below.

<b>Summary of Significant General State Charges Variances -- Enacted to Year-End Results</b>	
<i>(\$ in millions)</i>	<b>All Govt'l Funds</b>
<b>2003-04 Enacted Budget</b>	<b>3,774</b>
Pension	92
Health Insurance	2
All Other	(60)
<b>2003-04 Year-End Results</b>	<b>3,808</b>
<i>Dollar Change: Enacted to Actual</i>	<i>34</i>

All Governmental Funds spending results for GSCs were \$34 million above Enacted Budget projections. This variance is primarily attributable to the State's decision to pay its entire 2003 pension bill (\$89 million) instead of deferring the payment until 2005-06 with interest costs of roughly \$11 million, as well as higher SUNY contributions to the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA/CREF) on behalf of SUNY employees (\$3 million). The 2003-04 Enacted Budget projections assumed the deferral of a portion of the 2003 pension bill at an interest rate of 8 percent, as permitted by statute. Health insurance costs increased \$2 million above original projections.

These increases are partially offset by lower spending across several categories of fringe benefits and fixed costs. The most significant revisions include lower social security costs due to the continuation of a statewide hiring freeze and retirement incentives (\$35 million) and lower litigation costs associated with defending lawsuits against the State and its public officers (\$14 million).

<b>Sources of General State Charges Spending Change 2002-03 to 2003-04</b>	
<i>(\$ in millions)</i>	<b>All Gov't Funds</b>
<b>2002-03 Actual Results</b>	<b>3,275</b>
Pensions	351
Health Insurance	140
All Other	42
<b>2003-04 Year-End Results</b>	<b>3,808</b>
<i>Dollar Change: Actual to Actual</i>	<i>533</i>

**Pension Costs:** State contributions to the New York State and Local Retirement Systems on behalf of employees for fiscal year 2003-04 increased by \$339 million (232 percent) over the prior year to total \$486 million. The rapid growth in State support is primarily associated with pension fund investment losses, as well as minor costs from the expansion of retiree benefits. The employer pension contribution rate increased to 4.5 percent of payroll in 2003-04 from one percent in 2002-03. In addition, SUNY contributions to TIAA/CREF on behalf of SUNY employees increased by \$12 million.

**Health Insurance:** The cost of providing health insurance to State employees and retirees totaled \$1.8 billion in 2003-04. Growth in premium costs to cover the rising expense and utilization of employee health care, including escalating prescription drug costs, produced an annual increase of \$140 million.

**All Other:** The remaining annual GSC spending increase is partly comprised of payments to the State Insurance Fund for the cost of providing benefits to employees under workers compensation from the prior fiscal year (\$43 million), higher taxes on public lands and payments pursuant to section 19 of the Public Lands Law (\$17 million) and various other annual spending decreases in fringe benefits and fixed costs.

## All Other Spending

Other significant changes from the Enacted Budget to year-end results included significantly lower than expected spending for member items and underspending for capital projects. On an annual basis, growth in public health programs, especially Child Health Plus and EPIC, increases for STAR, Federal education aid, and growth in World Trade Center “pass-through” aid accounted for much of the annual spending growth (see above in this Year-End Report).

## State Workforce

The year-end Executive Branch workforce count of 187,900 Full-Time Equivalent positions for March 31, 2004 is consistent with the level assumed in the 2004-05 Executive Budget. The 2004-05 Executive Budget anticipated no change in the size of the workforce, keeping it at the lowest level in 20 years.

In January 1995, the workforce count was 211,200 full-time positions. Since that time, the workforce has been reduced by 12 percent, or about 23,300 positions.

## **Fund Balances**

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The General Fund ended the 2003-04 fiscal year with a balance of \$1.1 billion. The balance is comprised of the Tax Stabilization Reserve Fund (the State's "rainy day" reserve -- \$794 million), the Contingency Reserve Fund (\$21 million) and the Community Projects Fund (\$262 million).

At the close of 2003-04, the All Governmental Funds Cash Financial Plan had positive fund balances of \$2.9 billion, comprised of \$ 1.1 billion in the General Fund, \$2.2 billion in the Special Revenue Funds and \$175 million in the Debt Service Funds, offset by a negative fund balance of \$495 million in the Capital Projects Fund.

The fund balance in the Special Revenue Funds partly reflects the timing of receipts and disbursements (e.g. dedicated monies received for a specified purpose prior to disbursement). The largest fund balance is dedicated to finance the operations and activities of SUNY campuses and central administration (\$442 million). The remaining fund balances are held in numerous funds/accounts that support a variety of programs including industry regulation, public health, and public safety. The negative balance in the Capital Projects Fund results from outstanding loans from the Short-Term Investment Pool (STIP) used to finance capital projects costs prior to the receipt of bond proceeds.

## **Temporary Loans and Short-Term Investments**

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The Comptroller invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments through STIP, which is comprised of joint custody funds (Governmental Funds, Internal Service Funds, Enterprise Funds and Private Purpose Trust Funds), as well as several sole custody funds including the Tobacco Settlement Fund. The interest earnings accrued are allocated and deposited to the credit of those funds with positive balances that contribute to the overall invested STIP pool.

The Comptroller is authorized to make temporary loans from 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, based on legislation submitted with the Executive Budget. Loans may be granted only for amounts that the Director of the Budget certifies are "receivable on account" or can be repaid from the current operating receipts of the fund (i.e., loans cannot be granted in expectation of future revenue enhancements).

The State Comptroller repays loans from the first cash receipts into the borrowing fund or account. Fund balances outside the General Fund are presented on a net basis, i.e., they are reduced by the amount of outstanding temporary loans from STIP. The primary sources of this outstanding loan balance include timing-related delays in the receipt from Federal Funds and the sale of bonds used to finance capital projects, a delinquent SUNY hospital loan, and unreimbursed costs related to the Office for Technology Internal Service funds.

The total outstanding loan balance at March 31, 2004 was \$1.3 billion, a decrease of \$410 million from the outstanding loan balance of \$1.7 billion at March 31, 2003. The decrease in the outstanding loan balance is primarily attributable to the receipt of planned bond proceeds that reimburse capital projects spending.

The 2003-04 Enacted Budget included legislation that permitted the Comptroller to temporarily loan balances in other funds to the General Fund within any month. The State relied on

this authorization in 2003-04 to support intra-month cash flow needs. This authorization has been extended through March 31, 2005 pursuant to Chapter 19 of the laws of 2004.

## Reserves and Risks

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As of the close of 2003-04, balances in the State's principal reserves to guard against unbudgeted risks totaled \$815 million. The reserves include \$794 million in the Tax Stabilization Reserve Fund and \$21 million in the Contingency Reserve Fund for litigation. To permanently improve the State's reserve levels, the Governor has proposed legislation to increase both the maximum size of the State's rainy day fund from 2 percent to 5 percent of General Fund spending, and the maximum annual deposits from two-tenths of one percent to five-tenths of one percent of spending. Absent this legislation, the Fund will reach its statutory maximum balance of 2 percent or \$840 million with the next annual deposit.

Aside from the \$21 million in the Contingency Reserve Fund, the current Financial Plan does not set aside specific reserves to cover potential costs that could materialize as a result of adverse rulings in pending litigation, the cost of collective bargaining agreements with State employee unions, Federal disallowances, or other Federal actions that could adversely affect the State's projections of receipts and disbursements.

In addition, the consensus revenue process mandated by State law produced an agreement between the Governor and the Legislature on increased revenues in the range of \$150 million to \$500 million.

### *Litigation*

In June 2003, the State Court of Appeals ruled that the State's financing system for New York City public schools is unconstitutional and directed the State to submit a remedy to the Court by July 30, 2004. Several entities, including the plaintiffs, have made recommendations on the funding requirements necessary to satisfy the court order. Most recently, the Commission on Educational Reform issued a report that identified a "resource gap" of between \$2.5 and \$5.6 billion to provide all students the opportunity for a sound basic education (SBE). The Commission has recommended that the additional funding to address the resource gap be phased in over a multi-year period and be financed by State, local, and Federal Funds. The Commission also recommended other reforms to comply with the Court's order. The 2004-05 Executive Budget, which has yet to be acted on by the Legislature, reserves all video lottery terminal (VLT) revenues for SBE funding. On a fiscal year basis, the VLT revenues are projected to increase from \$240 million in 2004-05 to \$950 million in 2005-06 to \$1.3 billion in 2006-07, and ultimately to over \$2 billion annually. The 2004-05 Executive Budget also proposes an additional \$100 million increase in General Fund support to New York City on a school year basis for this purpose.

Other litigation includes ongoing claims by several Indian Nations alleging wrongful possession of lands by the State and several counties, as well as claims involving the adequacy of shelter allowances for families on public assistance. The State has implemented a court-ordered increase in the shelter allowance schedule for public assistance families that became effective on November 1, 2003. Plaintiffs brought a motion to have the court determine the adequacy of the increased shelter schedule, for which a hearing is scheduled for May 2004. For a complete summary of significant litigation affecting the State, please refer to the State's current Annual Information Statement, as updated and supplemented.

### *Collective Bargaining*

The State is negotiating new labor contracts with nine State employee unions. The CSEA ratified a new labor contract on April 27, 2004 and the United University Professions (UUP) membership is scheduled to vote on an agreement shortly. The tentative agreement reached with the CSEA and UUP includes an \$800 nonrecurring lump sum payment and salary increases of 2.5 percent in 2004-05, 2.75 percent in 2005-06, 3 percent in 2006-07, and a base salary increase of \$800 effective March 31, 2007 for CSEA and July 1, 2007 for UUP. If similar agreements are reached with the remaining unions, the General Fund cost would be approximately \$1.4 billion over the life of the agreement (the All Governmental Funds cost is \$2.2 billion).

### *Federal Issues*

The Federal government is currently auditing Medicaid claims submitted since 1993 under the School Supportive Health Services Program. At this point, these audits have not been finalized, and, as a result, the liability of the State and school districts for any disallowances cannot be determined. Federal regulations include an appeals process that could postpone repayment of any disallowances. The current Financial Plan assumes the Federal government will fully reimburse these costs.

In addition, through March 2004, a portion of Federal Medicaid payments related to School Supportive Health Services have been deferred by the Federal Centers for Medicare and Medicaid Services pending finalization of audits. Since the State has continued to reimburse local school districts for these costs, these Federal deferrals, if not resolved, could negatively impact the Financial Plan. Alternatively, if the State suspends reimbursement, local governments could be adversely affected.

In December 2003, the State received partial Federal approval of the Medicaid State Plan Amendment necessary to make disproportionate share hospital (DSH) payments over two years to public hospitals throughout the State, including the New York City Health and Hospital Corporation (HHC), SUNY and other State and county operated hospitals. Although full payment for SUNY and State-operated hospitals was secured with the initial approval, the State continues to seek Federal approval of the balance of anticipated payments totaling roughly \$1.3 billion for HHC and other county hospitals. Failure of the Federal government to approve these remaining payments in a timely manner will exacerbate the current adverse impact of these delays on the State's health care financing system.

## **Comparison of Year-End Results: DOB vs. Legislative Forecasts**

At the time of the 2003-04 Enacted Budget, DOB and the Legislature had considerably different estimates regarding the impact of legislative changes to the 2003-04 Executive Budget. The differences primarily focused on (1) the level of total spending that would occur in 2003-04, (2) whether the 2003-04 budget was balanced, and (3) the impact of the legislative budget changes on the size of the outyear budget gaps. The differences were so stark that the 2003-04 budget was enacted only after the Legislature overrode \$3.2 billion of gubernatorial vetoes. The following provides a recap of the original estimates compared to year-end results on these key points.

### *Size of the 2003-04 All Governmental Funds Spending Budget*

<b>(\$ in billions)</b>	<b>Enacted DOB</b>	<b>Enacted Legislative</b>	<b>Year-End</b>
Total Spending	96.4	93.0	97.4

DOB's projection at the time of the Enacted Budget was that spending would total \$96.4 billion. In contrast, the Legislature reported spending would total roughly \$93 billion. Year-end results reported by the Comptroller show that spending totaled \$97.4 billion, nearly \$1 billion more than the original DOB estimates, and roughly \$4.4 billion above the original legislative estimates. The variance from the original DOB estimates are summarized in this Year-End Report, and primarily reflect the impact of Federal aid that became available after the budget was enacted. The Legislature did not report its spending projections at a comparable level of detail, making it impossible to identify the programs for which legislative spending estimates were too low. Based on legislative summary reports, the bulk of the higher spending above the original legislative estimates was in local assistance payments (\$4.8 billion).

### *2003-04 General Fund Budget Balance*

<b>(\$ in millions)</b>	<b>DOB (Excl Fed)</b>	<b>Legislative (Excl Fed)</b>	<b>Year-End Results</b>	<b>Actual (with Federal aid)</b>
Surplus (Deficit)	(912)	1,000	(844)	308

DOB's projection at the time of the Enacted Budget was that the legislative changes to the Executive Budget would drive a budget imbalance of roughly \$900 million, but that additional Federal aid of \$1.15 billion approved after budget enactment would allow the State to end the fiscal year in balance. While the Legislature did not publish a precise estimate of operating results, public reports indicated that the Legislature believed the Enacted Budget would result in roughly a \$1 billion surplus (excluding the additional Federal aid) that would help to lower the 2004-05 budget gap. Based on 2003-04 results, the 2003-04 available surplus is \$308 million, after the benefit of the \$1.15 billion in extra Federal aid. Without the extra Federal aid the 2003-04 budget shortfall would have been roughly \$844 million (see the table on General Fund operating results earlier in this Year-End Report). As noted above, \$261 million of the State's surplus amount of \$308 million is already planned to support operations in 2004-05.

### *Projected Outyear Budget Gaps*

<b>2004-05 Projected Budget Gap</b>			
	<b>DOB</b>	<b>Legislative</b>	<b>DOB Latest Estimate</b>
2004-05 Gap	\$5 to \$6 billion	\$2.3 billion	\$5 billion

DOB projected that legislative changes to the 2003-04 Executive Budget would increase the size of the outyear budget gaps to a range of \$5 billion to \$6 billion in 2004-05, and to \$6 billion to \$8 billion in 2005-06. The Legislature did not provide its outyear gap estimates in any published reports. However, in legislative debate prior to passage of the 2003-04 budget, the Assembly Majority indicated that it projected a 2004-05 outyear budget gap of \$2.3 billion. Based on the latest 2004-05 budget projections prior to Executive Budget recommendations to balance the budget, and after reflecting agreement on additional revenues from the consensus revenue process of \$150 million to \$500 million and new collective bargaining costs from pending labor agreements, the 2004-05 budget gap is roughly \$5 billion and the 2005-06 gap is roughly \$6.7 billion. The Governor's 2004-05 Executive Budget recommendations would completely balance the 2004-05 budget, and reduce the 2005-06 budget gap to roughly \$2.9 billion.

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

	<u>Enacted</u>	<u>30-Day</u>	<u>Year-End</u>	<u>Year-End vs. Enacted</u>	<u>Year-End vs. 30-Day</u>
<b>Opening fund balance</b>	815	815	815	0	0
<b>Receipts:</b>					
Taxes:					
Personal income tax	16,285	15,750	15,774	(511)	24
User taxes and fees	8,007	7,939	7,979	(28)	40
Business taxes	3,498	3,365	3,413	(85)	48
Other taxes	771	784	768	(3)	(16)
Miscellaneous receipts	5,569	5,970	5,926	357	(44)
Federal Grants	0	645	645	645	0
Transfers from other funds:					
PIT in excess of Revenue Bond debt service	5,125	5,228	5,244	119	16
Sales tax in excess of LGAC debt service	1,853	1,957	1,971	118	14
Real estate taxes in excess of CW/CA debt service	202	288	307	105	19
All other	430	344	300	(130)	(44)
<b>Total receipts</b>	<u>41,740</u>	<u>42,270</u>	<u>42,326</u>	<u>586</u>	<u>56</u>
<b>Disbursements:</b>					
Grants to local governments	29,835	29,322	29,246	(589)	(76)
State operations	7,205	7,055	7,093	(112)	38
General State charges	3,232	3,257	3,247	15	(10)
Transfers to other funds:					
Debt service	1,583	1,468	1,474	(109)	6
Capital projects	255	227	243	(12)	16
Other purposes	627	742	762	135	20
<b>Total disbursements</b>	<u>42,737</u>	<u>42,071</u>	<u>42,065</u>	<u>(672)</u>	<u>(6)</u>
<b>Fiscal Management Plan/Federal Aid</b>	<u>912</u>	<u>See Note</u>	<u>See Note</u>	<u>N/A</u>	<u>N/A</u>
<b>Change in fund balance</b>	<u>(85)</u>	<u>199</u>	<u>262</u>	<u>347</u>	<u>63</u>
<b>Closing fund balance</b>	<u>730</u>	<u>1,014</u>	<u>1,077</u>	<u>347</u>	<u>63</u>
Tax Stabilization Reserve Fund	710	794	794	84	0
Contingency Reserve Fund	20	20	21	1	1
Community Projects Fund	0	200	262	262	62

NOTE: \$1.15 billion in Federal aid is reflected in miscellaneous receipts (\$645M) and lower spending (\$506M).

**CASH FINANCIAL PLAN  
GENERAL FUND  
2002-2003 and 2003-2004  
(millions of dollars)**

	<u>2002-2003</u>	<u>2003-2004</u>	<u>Annual Change</u>
<b>Opening fund balance</b>	<u>1,032</u>	<u>815</u>	<u>(217)</u>
<b>Receipts:</b>			
Taxes:			
Personal income tax	16,791	15,774	(1,017)
User taxes and fees	7,063	7,979	916
Business taxes	3,380	3,413	33
Other taxes	743	768	25
Miscellaneous receipts	2,091	5,926	3,835
Federal Grants	0	645	645
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	4,215	5,244	1,029
Sales tax in excess of LGAC debt service	1,919	1,971	52
Real estate taxes in excess of CW/CA debt service	263	307	44
All other transfers	931	300	(631)
<b>Total receipts</b>	<u>37,396</u>	<u>42,327</u>	<u>4,931</u>
<b>Disbursements:</b>			
Grants to local governments	24,887	29,246	4,359
State operations	7,678	7,093	(585)
General State charges	2,699	3,247	548
Transfers to other funds:			
Debt service	1,496	1,474	(22)
Capital projects	166	243	77
Other purposes	687	762	75
<b>Total disbursements</b>	<u>37,613</u>	<u>42,065</u>	<u>4,452</u>
<b>Change in fund balance</b>	<u>(217)</u>	<u>262</u>	<u>479</u>
<b>Closing fund balance</b>	<u>815</u>	<u>1,077</u>	<u>262</u>
Tax Stabilization Reserve Fund	710	794	84
Contingency Reserve Fund	20	21	1
Community Projects Fund	85	262	177

**CURRENT STATE RECEIPTS**  
**GENERAL FUND**  
**2002-2003 and 2003-2004**  
**(millions of dollars)**

	<u>2002-2003</u>	<u>2003-2004</u>	<u>Annual Change</u>
<b>Personal income tax</b>	16,791	15,774	(1,017)
<b>User taxes and fees</b>	7,063	7,979	916
Sales and use tax	6,328	7,241	913
Cigarette and tobacco taxes	446	419	(27)
Motor vehicle fees	67	82	15
Alcoholic beverages taxes	180	191	11
Alcoholic beverage control license fees	42	46	4
<b>Business taxes</b>	3,380	3,413	33
Corporation franchise tax	1,407	1,482	75
Corporation and utilities tax	860	715	(145)
Insurance taxes	704	930	226
Bank tax	409	286	(123)
<b>Other taxes</b>	743	768	25
Estate tax	701	732	31
Gift tax	7	4	(3)
Real property gains tax	5	4	(1)
Pari-mutuel taxes	29	27	(2)
Other taxes	1	1	(0)
<b>Total taxes</b>	<u>27,977</u>	<u>27,934</u>	<u>(43)</u>
<b>Miscellaneous receipts</b>	<u>2,091</u>	<u>5,926</u>	<u>3,835</u>
<b>Federal Grants</b>	<u>0</u>	<u>645</u>	<u>645</u>
<b>Total</b>	<u><u>30,068</u></u>	<u><u>34,505</u></u>	<u><u>4,437</u></u>

**GENERAL FUND**  
**PERSONAL INCOME TAX COMPONENTS**  
**2002-2003 and 2003-2004**  
**(millions of dollars)**

	<u>2002-2003</u>	<u>2003-2004</u>	<u>Annual Change</u>
Withholdings	19,959	21,986	2,027
Estimated Payments	4,855	5,159	304
Final Payments	1,334	1,313	(21)
Delinquencies	<u>796</u>	<u>631</u>	<u>(165)</u>
<b>Gross Collections</b>	26,944	29,089	2,145
State/City Offset	(288)	(261)	27
Refund Reserve	1,050	(597)	(1,647)
Refunds	<u>(4,008) (1)</u>	<u>(4,181) (2)</u>	<u>(173)</u>
<b>Reported Tax Collections</b>	23,698	24,050	352
STAR	(2,664)	(2,820)	(156)
RBTF	<u>(4,243)</u>	<u>(5,457)</u>	<u>(1,214)</u>
<b>General Fund</b>	<u><u>16,791</u></u>	<u><u>15,774</u></u>	<u><u>(1,018)</u></u>

Net personal 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. 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 2001 liability and payment of \$960 million of calendar year 2002 refunds in the last quarter of the State's 2002-03 fiscal year and a balance in the Tax Refund Reserve Account of \$627 million.*

*Note 2: 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 balance in the Tax Refund Reserve Account of \$1.2 billion.*

**CASH FINANCIAL PLAN  
STATE FUNDS  
2003-2004  
(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>	815	1,230	(558)	158	1,645
<b>Receipts:</b>					
Taxes	27,934	4,442	1,756	8,122	42,254
Miscellaneous receipts	5,926	10,372	2,162	811	19,271
Federal grants	645	0	0	0	645
<b>Total receipts</b>	<u>34,505</u>	<u>14,814</u>	<u>3,918</u>	<u>8,933</u>	<u>62,170</u>
<b>Disbursements:</b>					
Grants to local governments	29,246	10,399	290	0	39,935
State operations	7,093	4,497	0	9	11,599
General State charges	3,247	424	0	0	3,671
Debt service	0	0	0	3,351	3,351
Capital projects	0	3	2,773	0	2,776
<b>Total disbursements</b>	<u>39,586</u>	<u>15,323</u>	<u>3,063</u>	<u>3,360</u>	<u>61,332</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	7,822	994	177	4,794	13,787
Transfers to other funds	(2,479)	(12)	(949)	(10,350)	(13,790)
Bond and note proceeds	0	0	139	0	139
<b>Net other financing sources (uses)</b>	<u>5,343</u>	<u>982</u>	<u>(633)</u>	<u>(5,556)</u>	<u>136</u>
<b>Change in fund balance</b>	<u>262</u>	<u>473</u>	<u>222</u>	<u>17</u>	<u>974</u>
<b>Closing fund balance</b>	<u>1,077</u>	<u>1,703</u>	<u>(336)</u>	<u>175</u>	<u>2,619</u>

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

	<u>Enacted</u>	<u>30-Day</u>	<u>Year-End</u>	<u>Year-End vs. Enacted</u>	<u>Year-End vs. 30-Day</u>
<b>Opening fund balance</b>	1,307	1,645	1,645	338	0
<b>Receipts:</b>					
Taxes	42,672	42,127	42,253	(419)	126
Miscellaneous receipts	19,383	19,621	19,271	(112)	(350)
Federal grants	0	657	645	645	(12)
<b>Total receipts</b>	<u>62,055</u>	<u>62,405</u>	<u>62,169</u>	<u>114</u>	<u>(236)</u>
<b>Disbursements:</b>					
Grants to local governments	41,121	41,136	39,935	(1,186)	(1,201)
State operations	11,774	11,747	11,599	(175)	(148)
General State charges	3,642	3,670	3,671	29	1
Debt service	3,387	3,353	3,351	(36)	(2)
Capital projects	3,063	2,217	2,776	(287)	559
<b>Total disbursements</b>	<u>62,987</u>	<u>62,123</u>	<u>61,332</u>	<u>(1,655)</u>	<u>(791)</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	13,656	13,899	13,787	131	(112)
Transfers to other funds	(13,857)	(14,013)	(13,790)	67	223
Bond and note proceeds	248	248	139	(109)	(109)
<b>Net other financing sources (uses)</b>	<u>47</u>	<u>134</u>	<u>136</u>	<u>89</u>	<u>2</u>
<b>Fiscal Management Plan/Federal Aid</b>	<u>912</u>	<u>0</u>	<u>0</u>	<u>(912)</u>	<u>0</u>
<b>Change in fund balance</b>	<u>27</u>	<u>416</u>	<u>973</u>	<u>946</u>	<u>557</u>
<b>Closing fund balance</b>	<u>1,334</u>	<u>2,061</u>	<u>2,618</u>	<u>1,284</u>	<u>557</u>

**CASH FINANCIAL PLAN  
STATE FUNDS  
2002-2003 and 2003-2004  
(millions of dollars)**

	<u>2002-2003</u>	<u>2003-2004</u>	<u>Annual Change</u>
<b>Opening fund balance</b>	<u>2,138</u>	<u>1,645</u>	<u>(493)</u>
<b>Receipts:</b>			
Taxes	40,676	42,254	1,578
Miscellaneous receipts	14,002	19,271	5,269
Federal grants	0	645	645
<b>Total receipts</b>	<u>54,678</u>	<u>62,170</u>	<u>7,492</u>
<b>Disbursements:</b>			
Grants to local governments	35,322	39,935	4,613
State operations	11,754	11,599	(155)
General State charges	3,055	3,671	616
Debt service	3,038	3,351	313
Capital projects	2,582	2,776	194
<b>Total disbursements</b>	<u>55,751</u>	<u>61,332</u>	<u>5,581</u>
<b>Other financing sources (uses):</b>			
Transfers from other funds	13,025	13,787	762
Transfers to other funds	(12,744)	(13,790)	(1,046)
Bond and note proceeds	245	139	(106)
<b>Net other financing sources (uses)</b>	<u>526</u>	<u>136</u>	<u>(390)</u>
<b>Change in fund balance</b>	<u>(547)</u>	<u>974</u>	<u>1,521</u>
<b>Closing fund balance</b>	<u>1,591</u>	<u>2,619</u>	<u>1,028</u>

The Special Revenue Funds opening fund balance has been increased by \$54 million to reflect the reclassification of the Expendable and Non-expendable Trust Funds from the Fiduciary fund type to the Special Revenue fund type pursuant to GASB 34.

**CASH FINANCIAL PLAN  
ALL GOVERNMENTAL FUNDS  
2003-2004  
(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>	815	1,039	(790)	158	1,222
<b>Receipts:</b>					
Taxes	27,934	4,442	1,756	8,122	42,254
Miscellaneous receipts	5,926	10,517	2,162	811	19,416
Federal grants	645	35,121	1,548	0	37,314
<b>Total receipts</b>	<u>34,505</u>	<u>50,080</u>	<u>5,466</u>	<u>8,933</u>	<u>98,984</u>
<b>Disbursements:</b>					
Grants to local governments	29,246	41,368	781	0	71,395
State operations	7,093	7,866	0	9	14,968
General State charges	3,247	601	0	0	3,848
Debt service	0	0	0	3,351	3,351
Capital projects	0	9	3,755	0	3,764
<b>Total disbursements</b>	<u>39,586</u>	<u>49,844</u>	<u>4,536</u>	<u>3,360</u>	<u>97,326</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	7,822	3,447	177	4,794	16,240
Transfers to other funds	(2,479)	(2,539)	(951)	(10,350)	(16,319)
Bond and note proceeds	0	0	139	0	139
<b>Net other financing sources (uses)</b>	<u>5,343</u>	<u>908</u>	<u>(635)</u>	<u>(5,556)</u>	<u>60</u>
<b>Change in fund balance</b>	<u>262</u>	<u>1,144</u>	<u>295</u>	<u>17</u>	<u>1,718</u>
<b>Closing fund balance</b>	<u>1,077</u>	<u>2,183</u>	<u>(495)</u>	<u>175</u>	<u>2,940</u>

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

	<u>Enacted</u>	<u>30-Day</u>	<u>Year-End</u>	<u>Year-End vs. Enacted</u>	<u>Year-End vs. 30-Day</u>
<b>Opening fund balance</b>	<u>1,168</u>	<u>1,222</u>	<u>1,222</u>	<u>54</u>	<u>0</u>
<b>Receipts:</b>					
Taxes	42,672	42,127	42,253	(419)	126
Miscellaneous receipts	19,605	19,750	19,416	(189)	(334)
Federal grants	33,444	37,187	37,314	3,870	127
<b>Total receipts</b>	<u>95,721</u>	<u>99,064</u>	<u>98,983</u>	<u>3,262</u>	<u>(81)</u>
<b>Disbursements:</b>					
Grants to local governments	69,824	72,441	71,396	1,572	(1,045)
State operations	15,003	15,053	14,968	(35)	(85)
General State charges	3,808	3,842	3,847	39	5
Debt service	3,387	3,353	3,351	(36)	(2)
Capital projects	4,352	3,615	3,765	(587)	150
<b>Total disbursements</b>	<u>96,374</u>	<u>98,304</u>	<u>97,327</u>	<u>953</u>	<u>(977)</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	16,076	16,376	16,240	164	(136)
Transfers to other funds	(16,352)	(16,458)	(16,319)	33	139
Bond and note proceeds	248	248	139	(109)	(109)
<b>Net other financing sources (uses)</b>	<u>(28)</u>	<u>166</u>	<u>60</u>	<u>88</u>	<u>(106)</u>
<b>Fiscal Management Plan/Federal Aid</b>	<u>912</u>	<u>0</u>	<u>0</u>	<u>(912)</u>	<u>0</u>
<b>Change in fund balance</b>	<u>231</u>	<u>926</u>	<u>1,717</u>	<u>1,486</u>	<u>791</u>
<b>Closing fund balance</b>	<u>1,399</u>	<u>2,148</u>	<u>2,939</u>	<u>1,540</u>	<u>791</u>

**CASH FINANCIAL PLAN  
ALL GOVERNMENTAL FUNDS  
2002-2003 and 2003-2004  
(millions of dollars)**

	<u>2002-2003</u>	<u>2003-2004</u>	<u>Annual Change</u>
<b>Opening fund balance</b>	<u>1,980</u>	<u>1,222</u>	<u>(758)</u>
<b>Receipts:</b>			
Taxes	40,676	42,254	1,578
Miscellaneous receipts	14,148	19,416	5,268
Federal grants	33,250	37,314	4,064
<b>Total receipts</b>	<u>88,074</u>	<u>98,984</u>	<u>10,910</u>
<b>Disbursements:</b>			
Grants to local governments	63,991	71,395	7,404
State operations	14,987	14,968	(19)
General State charges	3,241	3,848	607
Debt service	3,038	3,351	313
Capital projects	3,799	3,764	(35)
<b>Total disbursements</b>	<u>89,056</u>	<u>97,326</u>	<u>8,270</u>
<b>Other financing sources (uses):</b>			
Transfers from other funds	14,930	16,240	1,310
Transfers to other funds	(15,005)	(16,319)	(1,314)
Bond and note proceeds	245	139	(106)
<b>Net other financing sources (uses)</b>	<u>170</u>	<u>60</u>	<u>(110)</u>
<b>Change in fund balance</b>	<u>(812)</u>	<u>1,718</u>	<u>2,530</u>
<b>Closing fund balance</b>	<u>1,168</u>	<u>2,940</u>	<u>1,772</u>

The Special Revenue Funds opening fund balance has been increased by \$54 million to reflect the reclassification of the Expendable and Non-expendable Trust Funds from the Fiduciary fund type to the Special Revenue fund type pursuant to GASB 34.

**CASH FINANCIAL PLAN  
SPECIAL REVENUE FUNDS  
2003-2004  
(millions of dollars)**

	<u>State</u>	<u>Federal</u>	<u>Total</u>
<b>Opening fund balance</b>	<u>1,230</u>	<u>(191)</u>	<u>1,039</u>
<b>Receipts:</b>			
Taxes	4,442	0	4,442
Miscellaneous receipts	10,372	145	10,517
Federal grants	0	35,121	35,121
<b>Total receipts</b>	<u>14,814</u>	<u>35,266</u>	<u>50,080</u>
<b>Disbursements:</b>			
Grants to local governments	10,399	30,969	41,368
State operations	4,497	3,369	7,866
General State charges	424	177	601
Debt service	0	0	0
Capital projects	3	6	9
<b>Total disbursements</b>	<u>15,323</u>	<u>34,521</u>	<u>49,844</u>
<b>Other financing sources (uses):</b>			
Transfers from other funds	994	2,453	3,447
Transfers to other funds	(12)	(2,527)	(2,539)
Bond and note proceeds	0	0	0
<b>Net other financing sources (uses)</b>	<u>982</u>	<u>(74)</u>	<u>908</u>
<b>Change in fund balance</b>	<u>473</u>	<u>671</u>	<u>1,144</u>
<b>Closing fund balance</b>	<u>1,703</u>	<u>480</u>	<u>2,183</u>

**CASH FINANCIAL PLAN  
CAPITAL PROJECTS FUNDS  
2003-2004  
(millions of dollars)**

	<u>State</u>	<u>Federal</u>	<u>Total</u>
<b>Opening fund balance</b>	<u>(558)</u>	<u>(232)</u>	<u>(790)</u>
<b>Receipts:</b>			
Taxes	1,756	0	1,756
Miscellaneous receipts	2,162	0	2,162
Federal grants	0	1,548	1,548
<b>Total receipts</b>	<u>3,918</u>	<u>1,548</u>	<u>5,466</u>
<b>Disbursements:</b>			
Grants to local governments	290	491	781
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	2,773	982	3,755
<b>Total disbursements</b>	<u>3,063</u>	<u>1,473</u>	<u>4,536</u>
<b>Other financing sources (uses):</b>			
Transfers from other funds	177	0	177
Transfers to other funds	(949)	(2)	(951)
Bond and note proceeds	139	0	139
<b>Net other financing sources (uses)</b>	<u>(633)</u>	<u>(2)</u>	<u>(635)</u>
<b>Change in fund balance</b>	<u>222</u>	<u>73</u>	<u>295</u>
<b>Closing fund balance</b>	<u>(336)</u>	<u>(159)</u>	<u>(495)</u>

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

	<u>2002-2003</u>	<u>2003-2004</u>	<u>Annual Change</u>
<b>ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT</b>			
Agriculture and Markets, Department of	42,004	36,462	(5,542)
Alcoholic Beverage Control	0	0	0
Banking Department	0	0	0
Consumer Protection Board	441	457	16
Economic Development, Department of	17,262	30,273	13,011
Empire State Development Corporation	91,141	0	(91,141)
Energy Research and Development Authority	0	0	0
Housing Finance Agency	665	0	(665)
Housing and Community Renewal, Division of	81,922	73,067	(8,855)
Insurance Department	0	0	0
Olympic Regional Development Authority	7,471	7,400	(71)
Public Service, Department of	0	0	0
Science, Technology and Academic Research, Office of	33,226	27,771	(5,455)
<b>Functional Total</b>	<u>274,132</u>	<u>175,430</u>	<u>(98,702)</u>
<b>PARKS AND THE ENVIRONMENT</b>			
Adirondack Park Agency	4,266	3,889	(377)
Environmental Conservation, Department of	108,110	97,757	(10,353)
Environmental Facilities Corporation	0	0	0
Parks, Recreation and Historic Preservation, Office of	112,074	100,574	(11,500)
<b>Functional Total</b>	<u>224,450</u>	<u>202,220</u>	<u>(22,230)</u>
<b>TRANSPORTATION</b>			
Motor Vehicles, Department of	106,542	1,025	(105,517)
Thruway Authority	0	0	0
Transportation, Department of	165,080	160,807	(4,273)
<b>Functional Total</b>	<u>271,622</u>	<u>161,832</u>	<u>(109,790)</u>
<b>HEALTH AND SOCIAL WELFARE</b>			
Advocate for Persons with Disabilities, Office of	882	828	(54)
Aging, Office for the	67,206	68,334	1,128
Children and Families, Council on	982	20	(962)
Children and Family Services, Office of	1,186,702	1,293,591	106,889
Health, Department of	6,764,517	6,893,949	129,432
<i>Medical Assistance</i>	5,951,713	6,061,302	109,589
<i>Medicaid Administration</i>	112,279	124,311	12,032
<i>All Other</i>	700,525	708,336	7,811
Human Rights, Division of	13,082	13,540	458
Labor, Department of	35,886	48,119	12,233
Prevention of Domestic Violence, Office of	2,611	1,677	(934)

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

	<u>2002-2003</u>	<u>2003-2004</u>	<u>Annual Change</u>
<b>HEALTH AND SOCIAL WELFARE (Continued)</b>			
Temporary and Disability Assistance, Office of	916,300	1,511,467	595,167
<i>Welfare Assistance</i>	496,245	1,080,566	584,321
<i>Welfare Administration</i>	338,626	339,924	1,298
<i>All Other</i>	81,429	90,977	9,548
Welfare Inspector General, Office of	624	572	(52)
Workers' Compensation Board	0	0	0
<b>Functional Total</b>	<u>8,988,792</u>	<u>9,832,097</u>	<u>843,305</u>
<b>MENTAL HEALTH</b>			
Mental Health, Office of	1,300,853	1,150,498	(150,355)
Mental Retardation and Developmental Disabilities, Office of	766,750	688,051	(78,699)
Alcohol and Substance Abuse Services, Office of	300,604	292,632	(7,972)
Developmental Disabilities Planning Council	0	0	0
Quality of Care for the Mentally Disabled, Commission on	3,058	2,800	(258)
<b>Functional Total</b>	<u>2,371,265</u>	<u>2,133,981</u>	<u>(237,284)</u>
<b>PUBLIC PROTECTION</b>			
Capital Defenders Office	12,039	12,519	480
Correction, Commission of	2,539	2,472	(67)
Correctional Services, Department of	1,808,057	1,907,860	99,803
Crime Victims Board	25,949	5,476	(20,473)
Criminal Justice Services, Division of	96,765	88,141	(8,624)
Investigation, Temporary State Commission of	2,901	2,953	52
Judicial Commissions	2,274	2,298	24
Military and Naval Affairs, Division of	56,944	44,191	(12,753)
Parole, Division of	183,713	185,480	1,767
Probation and Correctional Alternatives, Division of	85,071	72,518	(12,553)
Public Security, Office of	3,763	4,717	954
State Police, Division of	371,043	341,671	(29,372)
<b>Functional Total</b>	<u>2,651,058</u>	<u>2,670,296</u>	<u>19,238</u>
<b>EDUCATION</b>			
Arts, Council on the	51,178	45,255	(5,923)
City University of New York	856,729	733,906	(122,823)
Education, Department of	13,663,868	13,675,911	12,043
<i>School Aid</i>	12,279,888	12,372,856	92,968
<i>STAR Property Tax Relief</i>	0	0	0
<i>Handicapped</i>	741,058	726,298	(14,760)
<i>All Other</i>	642,922	576,757	(66,165)
Higher Education Services Corporation	319,340	574,983	255,643
State University Construction Fund	0	0	0
State University of New York	1,429,875	1,228,574	(201,301)
<b>Functional Total</b>	<u>16,320,990</u>	<u>16,258,629</u>	<u>(62,361)</u>

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

	<u>2002-2003</u>	<u>2003-2004</u>	<u>Annual Change</u>
<b>GENERAL GOVERNMENT</b>			
Audit and Control, Department of	151,673	146,318	(5,355)
Budget, Division of the	26,204	23,011	(3,193)
Civil Service, Department of	28,937	19,399	(9,538)
Elections, State Board of	3,506	3,356	(150)
Employee Relations, Office of	4,038	3,276	(762)
Executive Chamber	16,036	12,451	(3,585)
General Services, Office of	122,205	114,351	(7,854)
Inspector General, Office of	4,059	4,404	345
Law, Department of	118,551	110,553	(7,998)
Lieutenant Governor, Office of the	452	358	(94)
Lottery, Division of	0	0	0
Public Employment Relations Board	3,650	3,229	(421)
Racing and Wagering Board, State	9,559	0	(9,559)
Real Property Services, Office of	35,474	24,976	(10,498)
Regulatory Reform, Governor's Office of	3,347	3,227	(120)
State, Department of	16,833	19,418	2,585
Tax Appeals, Division of	3,018	2,676	(342)
Taxation and Finance, Department of	318,577	308,508	(10,069)
Technology, Office for	47,207	32,737	(14,470)
TSC Lobbying	1,009	929	(80)
Veterans Affairs, Division of	9,814	10,019	205
<b>Functional Total</b>	<u>924,149</u>	<u>843,196</u>	<u>(80,953)</u>
<b>ALL OTHER CATEGORIES</b>			
Legislature	216,679	200,752	(15,927)
Judiciary (excluding fringe benefits)	1,308,192	1,282,759	(25,433)
Homeland Security	2,356	0	(2,356)
World Trade Center	8,752	0	(8,752)
Local Government Assistance	834,162	823,952	(10,210)
Long-Term Debt Service	1,495,878	1,473,720	(22,158)
Capital Projects	181,785	239,583	57,798
General State Charges/Miscellaneous	3,438,826	3,867,282	428,456
One-time Payment Deferrals	(1,900,000)	1,900,000	3,800,000
<b>Functional Total</b>	<u>5,586,630</u>	<u>9,788,048</u>	<u>4,201,418</u>
<b>TOTAL GENERAL FUND SPENDING*</b>	<u><u>37,613,088</u></u>	<u><u>42,065,729</u></u>	<u><u>4,452,641</u></u>

\* Spending by function has been adjusted for \$1.9 billion in one-time payment deferrals, to provide comparable functional totals; the payment deferrals are shown in aggregate (see above).

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

	<u>2002-2003</u>	<u>2003-2004</u>	<u>Annual Change</u>
<b>ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT</b>			
Agriculture and Markets, Department of	65,986	55,053	(10,933)
Alcoholic Beverage Control	10,686	10,501	(185)
Banking Department	58,262	55,390	(2,872)
Consumer Protection Board	3,447	3,113	(334)
Economic Development, Department of	85,851	39,118	(46,733)
Empire State Development Corporation	105,391	50	(105,341)
Energy Research and Development Authority	26,549	29,557	3,008
Housing Finance Agency	665	0	(665)
Housing and Community Renewal, Division of	206,593	181,013	(25,580)
Insurance Department	100,255	105,913	5,658
Olympic Regional Development Authority	7,627	7,575	(52)
Public Service, Department of	53,893	46,086	(7,807)
Science, Technology and Academic Research, Office of	45,026	30,283	(14,743)
<b>Functional Total</b>	<u>770,231</u>	<u>563,652</u>	<u>(206,579)</u>
<b>PARKS AND THE ENVIRONMENT</b>			
Adirondack Park Agency	4,266	3,889	(377)
Environmental Conservation, Department of	540,846	628,041	87,195
Environmental Facilities Corporation	10,424	6,788	(3,636)
Parks, Recreation and Historic Preservation, Office of	189,634	189,367	(267)
<b>Functional Total</b>	<u>745,170</u>	<u>828,085</u>	<u>82,915</u>
<b>TRANSPORTATION</b>			
Motor Vehicles, Department of	198,023	188,994	(9,029)
Thruway Authority	2,269	2,865	596
Transportation, Department of	3,463,834	3,323,623	(140,211)
<b>Functional Total</b>	<u>3,664,126</u>	<u>3,515,482</u>	<u>(148,644)</u>
<b>HEALTH AND SOCIAL WELFARE</b>			
Advocate for Persons with Disabilities, Office of	937	977	40
Aging, Office for the	67,211	68,338	1,127
Children and Families, Council on	982	20	(962)
Children and Family Services, Office of	1,208,141	1,317,494	109,353
Health, Department of	10,548,850	11,078,963	530,113
<i>Medical Assistance</i>	8,413,692	8,832,973	419,281
<i>Medicaid Administration</i>	112,279	124,311	12,032
<i>All Other</i>	2,022,879	2,121,679	98,800
Human Rights, Division of	13,082	13,540	458
Labor, Department of	55,447	78,575	23,128
Prevention of Domestic Violence, Office of	2,617	1,679	(938)

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

	<u>2002-2003</u>	<u>2003-2004</u>	<u>Annual Change</u>
<b>HEALTH AND SOCIAL WELFARE (Continued)</b>			
Temporary and Disability Assistance, Office of	974,555	1,555,585	581,030
<i>Welfare Assistance</i>	496,245	1,080,566	584,321
<i>Welfare Administration</i>	338,626	339,924	1,298
<i>All Other</i>	139,684	135,095	(4,589)
Welfare Inspector General, Office of	624	572	(52)
Workers' Compensation Board	130,678	126,458	(4,220)
<b>Functional Total</b>	<u>13,003,124</u>	<u>14,242,201</u>	<u>1,239,077</u>
<b>MENTAL HEALTH</b>			
Mental Health, Office of	1,497,182	1,372,378	(124,804)
Mental Retardation and Developmental Disabilities, Office of	830,723	752,626	(78,097)
Alcohol and Substance Abuse Services, Office of	324,204	312,384	(11,820)
Developmental Disabilities Planning Council	0	0	0
Quality of Care for the Mentally Disabled, Commission on	3,061	2,800	(261)
<b>Functional Total</b>	<u>2,655,170</u>	<u>2,440,188</u>	<u>(214,982)</u>
<b>PUBLIC PROTECTION</b>			
Capital Defenders Office	12,039	12,519	480
Correction, Commission of	2,539	2,472	(67)
Correctional Services, Department of	2,002,698	2,092,719	90,021
Crime Victims Board	52,894	25,877	(27,017)
Criminal Justice Services, Division of	101,101	93,978	(7,123)
Investigation, Temporary State Commission of	3,068	3,071	3
Judicial Commissions	2,274	2,298	24
Military and Naval Affairs, Division of	71,492	60,121	(11,371)
Parole, Division of	183,723	185,510	1,787
Probation and Correctional Alternatives, Division of	85,071	72,518	(12,553)
Public Security, Office of	3,763	7,737	3,974
State Police, Division of	454,306	465,322	11,016
<b>Functional Total</b>	<u>2,974,968</u>	<u>3,024,142</u>	<u>49,174</u>
<b>EDUCATION</b>			
Arts, Council on the	51,278	45,355	(5,923)
City University of New York	931,810	830,448	(101,362)
Education, Department of	18,305,982	18,454,167	148,185
<i>School Aid</i>	14,176,588	14,249,132	72,544
<i>STAR Property Tax Relief</i>	2,664,102	2,819,455	155,353
<i>Handicapped</i>	741,058	726,298	(14,760)
<i>All Other</i>	724,234	659,282	(64,952)
Higher Education Services Corporation	398,345	644,189	245,844
State University Construction Fund	8,818	8,184	(634)
State University of New York	4,083,997	4,164,148	80,151
<b>Functional Total</b>	<u>23,780,230</u>	<u>24,146,491</u>	<u>366,261</u>

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

	<u>2002-2003</u>	<u>2003-2004</u>	<u>Annual Change</u>
<b>GENERAL GOVERNMENT</b>			
Audit and Control, Department of	155,011	148,963	(6,048)
Budget, Division of the	31,385	28,955	(2,430)
Civil Service, Department of	30,167	20,120	(10,047)
Elections, State Board of	3,506	3,356	(150)
Employee Relations, Office of	4,082	3,298	(784)
Executive Chamber	16,103	12,458	(3,645)
General Services, Office of	184,783	195,646	10,863
Inspector General, Office of	5,115	5,194	79
Law, Department of	140,300	131,137	(9,163)
Lieutenant Governor, Office of the	452	358	(94)
Lottery, Division of	161,657	159,224	(2,433)
Public Employment Relations Board	3,697	3,262	(435)
Racing and Wagering Board, State	13,959	13,734	(225)
Real Property Services, Office of	46,150	43,472	(2,678)
Regulatory Reform, Governor's Office of	3,347	3,227	(120)
State, Department of	51,107	58,716	7,609
Tax Appeals, Division of	3,018	2,676	(342)
Taxation and Finance, Department of	347,577	343,892	(3,685)
Technology, Office for	47,207	32,737	(14,470)
TSC Lobbying	1,168	1,044	(124)
Veterans Affairs, Division of	9,814	10,019	205
<b>Functional Total</b>	<u>1,259,605</u>	<u>1,221,488</u>	<u>(38,117)</u>
<b>ALL OTHER CATEGORIES</b>			
Legislature	218,729	202,252	(16,477)
Judiciary (excluding fringe benefits)	1,453,830	1,426,526	(27,304)
Homeland Security	7,159	15,676	8,517
World Trade Center	8,752	0	(8,752)
Local Government Assistance	834,162	823,952	(10,210)
Long-Term Debt Service	3,038,389	3,351,303	312,914
General State Charges/Miscellaneous	3,237,413	3,630,814	393,401
One-time Payment Deferrals	(1,900,000)	1,900,000	3,800,000
<b>Functional Total</b>	<u>6,898,434</u>	<u>11,350,523</u>	<u>4,452,089</u>
<b>TOTAL STATE FUNDS SPENDING*</b>	<u>55,751,058</u>	<u>61,332,252</u>	<u>5,581,194</u>

\* Spending by function has been adjusted for \$1.9 billion in one-time payment deferrals, to provide comparable functional totals; the payment deferrals are shown in aggregate (see above).

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

	<u>2002-2003</u>	<u>2003-2004</u>	<u>Annual Change</u>
<b>ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT</b>			
Agriculture and Markets, Department of	84,779	65,436	(19,343)
Alcoholic Beverage Control	10,746	10,558	(188)
Banking Department	58,262	55,868	(2,394)
Consumer Protection Board	3,447	3,113	(334)
Economic Development, Department of	105,379	39,122	(66,257)
Empire State Development Corporation	105,391	50	(105,341)
Energy Research and Development Authority	26,549	29,557	3,008
Housing Finance Agency	665	0	(665)
Housing and Community Renewal, Division of	267,593	248,348	(19,245)
Insurance Department	100,255	105,913	5,658
Olympic Regional Development Authority	7,627	7,575	(52)
Public Service, Department of	54,873	47,080	(7,793)
Science, Technology and Academic Research, Office of	50,457	35,584	(14,873)
<b>Functional Total</b>	<u>876,023</u>	<u>648,204</u>	<u>(227,819)</u>
<b>PARKS AND THE ENVIRONMENT</b>			
Adirondack Park Agency	4,483	4,207	(276)
Environmental Conservation, Department of	746,588	820,901	74,313
Environmental Facilities Corporation	10,424	6,788	(3,636)
Parks, Recreation and Historic Preservation, Office of	196,501	194,993	(1,508)
<b>Functional Total</b>	<u>957,996</u>	<u>1,026,889</u>	<u>68,893</u>
<b>TRANSPORTATION</b>			
Motor Vehicles, Department of	212,705	203,748	(8,957)
Thruway Authority	2,269	2,865	596
Transportation, Department of	4,917,214	4,610,012	(307,202)
<b>Functional Total</b>	<u>5,132,188</u>	<u>4,816,625</u>	<u>(315,563)</u>
<b>HEALTH AND SOCIAL WELFARE</b>			
Advocate for Persons with Disabilities, Office of	1,216	1,213	(3)
Aging, Office for the	161,756	177,333	15,577
Children and Families, Council on	1,310	470	(840)
Children and Family Services, Office of	3,296,287	3,364,763	68,476
Health, Department of	29,053,657	31,480,929	2,427,272
<i>Medical Assistance</i>	25,315,479	27,561,478	2,245,999
<i>Medicaid Administration</i>	507,681	578,628	70,947
<i>All Other</i>	3,230,497	3,340,823	110,326
Human Rights, Division of	14,357	14,067	(290)
Labor, Department of	932,859	879,965	(52,894)
Prevention of Domestic Violence, Office of	2,792	2,063	(729)

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

	<u>2002-2003</u>	<u>2003-2004</u>	<u>Annual Change</u>
<b>HEALTH AND SOCIAL WELFARE (Continued)</b>			
Temporary and Disability Assistance, Office of	4,004,561	4,177,608	173,047
<i>Welfare Assistance</i>	2,803,488	2,868,220	64,732
<i>Welfare Administration</i>	338,626	339,924	1,298
<i>All Other</i>	862,447	969,464	107,017
Welfare Inspector General, Office of	1,021	892	(129)
Workers' Compensation Board	131,622	130,832	(790)
<b>Functional Total</b>	<u>37,601,438</u>	<u>40,230,135</u>	<u>2,628,697</u>
<b>MENTAL HEALTH</b>			
Mental Health, Office of	2,032,510	2,048,760	16,250
Mental Retardation and Developmental Disabilities, Office of	2,485,275	2,609,153	123,878
Alcohol and Substance Abuse Services, Office of	466,975	471,437	4,462
Developmental Disabilities Planning Council	3,449	3,270	(179)
Quality of Care for the Mentally Disabled, Commission on	9,541	9,722	181
<b>Functional Total</b>	<u>4,997,750</u>	<u>5,142,342</u>	<u>144,592</u>
<b>PUBLIC PROTECTION</b>			
Capital Defenders Office	12,039	12,519	480
Correction, Commission of	2,544	2,503	(41)
Correctional Services, Department of	2,097,934	2,127,272	29,338
Crime Victims Board	86,723	60,392	(26,331)
Criminal Justice Services, Division of	151,737	305,713	153,976
Investigation, Temporary State Commission of	3,074	3,071	(3)
Judicial Commissions	2,274	2,298	24
Military and Naval Affairs, Division of	1,184,039	1,630,324	446,285
Parole, Division of	189,443	188,005	(1,438)
Probation and Correctional Alternatives, Division of	88,528	76,114	(12,414)
Public Security, Office of	3,763	7,737	3,974
State Police, Division of	476,226	486,640	10,414
<b>Functional Total</b>	<u>4,298,324</u>	<u>4,902,588</u>	<u>604,264</u>
<b>EDUCATION</b>			
Arts, Council on the	52,033	45,949	(6,084)
City University of New York	931,810	830,448	(101,362)
Education, Department of	20,705,371	21,603,046	897,675
<i>School Aid</i>	14,176,588	14,249,132	72,544
<i>STAR Property Tax Relief</i>	2,664,102	2,819,455	155,353
<i>Handicapped</i>	1,202,923	1,320,140	117,217
<i>All Other</i>	2,661,758	3,214,319	552,561
Higher Education Services Corporation	790,297	872,380	82,083
State University Construction Fund	8,825	8,184	(641)
State University of New York	4,249,668	4,337,870	88,202
<b>Functional Total</b>	<u>26,738,004</u>	<u>27,697,877</u>	<u>959,873</u>

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

	<u>2002-2003</u>	<u>2003-2004</u>	<u>Annual Change</u>
<b>GENERAL GOVERNMENT</b>			
Audit and Control, Department of	155,011	148,963	(6,048)
Budget, Division of the	31,385	28,955	(2,430)
Civil Service, Department of	30,181	20,148	(10,033)
Elections, State Board of	3,506	3,356	(150)
Employee Relations, Office of	4,098	3,298	(800)
Executive Chamber	16,103	12,458	(3,645)
General Services, Office of	189,071	200,234	11,163
Inspector General, Office of	5,115	5,194	79
Law, Department of	162,610	149,095	(13,515)
Lieutenant Governor, Office of the	452	358	(94)
Lottery, Division of	161,657	159,224	(2,433)
Public Employment Relations Board	3,697	3,262	(435)
Racing and Wagering Board, State	13,959	13,734	(225)
Real Property Services, Office of	46,150	43,472	(2,678)
Regulatory Reform, Governor's Office of	3,347	3,227	(120)
State, Department of	108,961	125,628	16,667
Tax Appeals, Division of	3,018	2,676	(342)
Taxation and Finance, Department of	349,333	344,957	(4,376)
Technology, Office for	47,207	32,737	(14,470)
TSC Lobbying	1,168	1,044	(124)
Veterans Affairs, Division of	10,775	10,953	178
<b>Functional Total</b>	<u>1,346,804</u>	<u>1,312,973</u>	<u>(33,831)</u>
<b>ALL OTHER CATEGORIES</b>			
Legislature	218,729	202,252	(16,477)
Judiciary (excluding fringe benefits)	1,458,462	1,431,275	(27,187)
Homeland Security	7,159	15,676	8,517
World Trade Center	8,752	0	(8,752)
Local Government Assistance	834,162	823,952	(10,210)
Long-Term Debt Service	3,038,389	3,351,303	312,914
General State Charges/Miscellaneous	3,441,406	3,824,549	383,143
One-time Payment Deferrals	(1,900,000)	1,900,000	3,800,000
<b>Functional Total</b>	<u>7,107,059</u>	<u>11,549,007</u>	<u>4,441,948</u>
<b>TOTAL ALL GOVERNMENTAL FUNDS SPENDING*</b>	<u>89,055,586</u>	<u>97,326,640</u>	<u>8,271,054</u>

\* Spending by function has been adjusted for \$1.9 billion in one-time payment deferrals, to provide comparable functional totals; the payment deferrals are shown in aggregate (see above).