EXECUTIVE BUDGET
APPENDIX II

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PART I

FINANCIAL PLAN OVERVIEW

FINANCIAL PLAN OVERVIEW

The Financial Plan Overview summarizes the Governor's Executive Budget for 2000-01. The State Constitution and State Finance Law prescribe the content and format of budgetary information to be supplied by the Governor at the time of submission of the Executive Budget. This section of the Budget fulfills the requirements of section 22 of the State Finance Law, providing summary financial plans and explanations of projected receipts and disbursements for the State's major governmental funds.

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SUMMARY

Under Governor Pataki, the State's fiscal performance has improved significantly. Spending is under control, with average growth in the General Fund held below inflation over the last six years. Reserves are at their highest level ever, with funds earmarked to pay for enacted tax cuts, lower State debt, and guard against the potential impact of a slowing economy. At the end of 1999-2000, the State will have recorded its fifth consecutive surplus, the result of prudent fiscal practices that have complemented a strong economic recovery. In November 1999, Standard and Poor's testified to the soundness of the Governor's fiscal policies by upgrading New York's credit rating for the second time in two years.

The Governor's Executive Budget for 2000-01 embodies the same sound fiscal principles that characterized his previous budgets. This Budget continues to restrain spending while targeting critical investments, implements existing tax cuts on time, bolsters reserves and expands the important debt reform initiatives begun in the 1998-99 Budget.

2000-01 Spending ($ millions)				
	Size of the Budget	**Dollar Change from 1999-2000**	**% Change from 1999-2000**	**Annual % Change Excluding STAR**
General Fund	37,917	846	2.3	2.3
State Funds	52,441	2,546	5.1	3.5
All Funds	76,805	3,983	5.5	4.3

EXPLANATION OF THE FINANCIAL PLAN

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

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

This Overview summarizes the revised Financial Plan projections of receipts and disbursements for the current year and reviews the recommended Financial Plan for 2000-01. It then provides an explanation of the State's estimates for the 2001-02 and 2002-03 fiscal years.

THE STATE'S FUND STRUCTURE

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

The State Constitution requires the Governor to submit an Executive Budget that is balanced in the General Fund — the Fund that receives the majority of State taxes. State Funds include the General Fund and funds specified for dedicated purposes, with the exception of Federal Funds. All Funds include State Funds and Federal Funds.

All Governmental Funds — the All Funds budget — is comprised of four major fund types, and provides the most comprehensive view of the financial operations of the State. It includes:

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

Within each of these fund types, revenues and spending are classified by major categories of the Financial Plan (e.g., taxes, miscellaneous receipts, grants to local governments, State operations). Activity in these Financial Plan categories is described in greater detail later in this section. Summary charts display the annual change for each category of the Financial Plan, and a narrative explanation of major changes follows each chart. The tables at the end of the Overview summarize projected General Fund, State Funds and All Governmental Funds receipts and disbursements for the 1999-2000 through 2002-03 fiscal years.

THE 1999-2000 GENERAL FUND FINANCIAL PLAN UPDATE

The State expects to close the 1999-2000 fiscal year with an available cash surplus of $625 million in the General Fund, an increase of $600 million over the surplus estimate in the Mid-Year Update. The surplus consists of $374 million in net higher projected receipts and $251 million in net lower estimated disbursements. The State revised both its receipts and disbursements based on a review of actual operating results through December 1999, as well as an analysis of underlying economic and programmatic trends it believes may affect the Financial Plan for the balance of the year.

The State plans to use the entire $625 million surplus to increase reserve funds. At the close of the current fiscal year, the State will deposit $75 million from the surplus into the State's Tax Stabilization Reserve (its "rainy day" fund) — the fifth consecutive annual deposit. In the 2000-01 Executive Budget, the Governor is proposing to use the remaining $550 million from the surplus to fully finance the 2001-02 and 2002-03 costs of his new tax cut package ($300 million) and increase the Debt Reduction Reserve Fund ($250 million).

REVISIONS TO THE 1999-2000 RECEIPTS ESTIMATES

Underlying estimates of General Fund receipts including transfers have been revised upward by $441 million from the projections contained in the Mid-Year Update, primarily in the personal income tax, the sales tax and miscellaneous receipts, as described later in this Overview. This increase reflects $82 million in higher receipts and spending from an accounting adjustment which reclassified certain Medicaid transactions to the General Fund. As a result, the net increase in revenues contributing to the surplus since October is $359 million, which, when combined with $15 million in savings in the Mid-Year Update, produces current-year extra receipts of $374 million.

To make funds available for use in 2000-01, $2.96 billion in refund transactions are being reserved in 1999-2000 for payment in 2000-01. This action has the effect of decreasing reported receipts in 1999-2000, while increasing available receipts in 2000-01, as these refunds will no longer be a charge against current revenues in 2000-01.

REVISIONS TO THE 1999-2000 DISBURSEMENTS ESTIMATES

The State projects total General Fund disbursements of $37.07 billion in 1999-2000, a decline of $274 million from the October estimate. Of this amount, $33 million is related to the timing of spending and accounting adjustments and therefore does not contribute to the surplus. The $33 million consists of lower timing-related spending of $65 million from the Community Projects Fund and $50 million from the Collective Bargaining Reserve, offset by the Medicaid reclassification of $82 million described above. Accordingly, lower disbursements since October contribute $241 million to the 1999-2000 surplus, which, when combined with the $10 million in savings recognized in the Mid-Year Update, produce total savings of $251 million for the current year.

Compared to the Mid-Year Update, the State has lowered its estimate of disbursements for State Operations by $222 million, local assistance by $8 million, debt service by $5 million, and transfers to other funds by $89 million. Higher projected spending for General State Charges ($50 million) partially offsets these reductions.

State Operations spending is now projected to total $6.63 billion in 1999-2000, $222 million below the October estimate. In the revised Financial Plan, $50 million of an original $100 million for new collective bargaining costs is set aside in a reserve to cover the cost of labor agreements in 1999-2000, and the balance is used in the current year to pay for the recently approved labor contract with United University Professionals (UUP) and other labor costs. The remaining revisions to the State Operations estimate are comprised of savings from agency efficiencies and timing-related changes that do not affect the surplus.

Projected local assistance disbursements declined by a net total of $8 million from October and are now expected to total $25.61 billion for the year. As with State Operations, several actions contributed to the revised local assistance forecast. Disbursements increase as a result of the Comptroller's reclassification of $82 million in Medicaid disbursements into the General Fund, higher projected spending of $31 million for certain public health programs, and a net increase of $20 million resulting from a number of other program reestimates. These increases are more than offset by lower projected disbursements for legislative initiatives ($65 million), welfare ($47 million), and mental hygiene programs ($29 million).

Spending for General State Charges increased by $50 million compared to the October estimate and is projected to reach $2.09 billion in 1999-2000. Most of this increase is for labor agreements funded from the salary reserve. The settlement of litigation arising from the 1971 Attica Prison riot for $12 million also contributes to the higher estimate.

Transfers for debt, capital and other purposes are now projected at $2.74 billion, a decline of $89 million from the Mid-Year estimate. Lower costs for debt service ($42 million), reestimates in capital projects ($25 million), and the elimination of planned payments for the Lottery Aid Guarantee ($27 million) account for the downward revision.

1999-2000 CLOSING BALANCE IN THE GENERAL FUND

The State projects a closing balance of $3.59 billion in the General Fund. The balance is comprised of $1.82 billion in the Tax Reduction Reserve, of which $615 million will be used in 2000-01 and $1.2 billion in 2001-02 to pay for already-enacted tax cuts; $548 million in the Tax Stabilization Reserve (the "rainy day" fund) after a $75 million deposit in 1999-2000; $265 million in the Community Projects Fund, which pays for Legislative initiatives; $250 million in the Debt Reduction Reserve Fund; $107 million in the Contingency Reserve Fund (which guards against litigation risks), and $50 million in reserves for collective bargaining. The Governor is recommending that the remaining balance of $550 million be set aside in 2000-01 to finance the 2001-02 and 2002-03 costs of the new tax cuts proposed in the Executive Budget ($300 million), and for debt reduction ($250 million).

THE 2000-01 GENERAL FUND FINANCIAL PLAN

ECONOMIC AND RECEIPTS OUTLOOK

When projecting receipts, the Division of the Budget first forecasts the economic outlook for both the nation and New York. After meeting with a group of fiscal and economic experts from different regions of the State and different industry segments, a detailed economic forecast is prepared for both the national and State economies. This economic forecast is used to derive estimates of receipts by using the historical relationship between economic performance and tax collections. For example, if the economic forecast calls for growth in wages, withholdings would also be expected to increase consistent with the structural relationship between wages and withholding tax collections.

DOB also adjusts for changes in the State's tax laws in the receipts projections. The 2000-01 Executive Budget reflects a continuation of phased tax actions in a variety of taxes, as well as recommendations for additional tax cuts that total $2.3 billion for 2000-01. For a more detailed discussion of the economy and sources of State revenue, see the "Explanation of Receipts Estimates" section later in this document.

U.S. Economy

The Division of the Budget expects growth in national output (GDP) to slow and inflation to rise through the end of 2000. Real GDP is expected to grow at an annual rate of 3.5 percent in 2000 down from 4.0 percent in 1999. The CPI is expected to rise modestly in 2000 to 2.4 percent, in part because of higher energy prices, and partly due to the end of a two-year decline in the prices of non-oil imports. Consumption will remain the mainstay of growth, as employment, wages and income continue to rise. Short-term interest rates are expected to rise, employment growth will continue at a slower rate and the unemployment rate will average 4 percent for the year. In summary, the expectation is for continued economic growth in 2000 at the national level with a growth rate for output only modestly below that for 1999.

State Economy

Paralleling the national trend, a moderate slowdown in New York economic growth is expected for 2000. Annual growth in total and private-sector employment in 2000 is projected to be marginally slower than for 1999. Led by business services, the service sector will continue to be the major contributor to employment growth in 2000, although growth in this sector will be weaker than in 1999. The employment gain in the financial sector is expected to be minimal. The State's export-oriented manufacturing sector is expected to stabilize, with less shrinkage than in 1999, partly due to the renewed economic growth of New York's major trading partners in Europe and Asia. Both wage and personal income growth will be slightly stronger than in 1999.

General Fund Receipts

General Fund receipts in 2000-01 will reflect the next stage of the School Tax Reduction (STAR) program as well as the continuing impact of earlier tax reduction accomplishments. In addition, this year's Budget reflects several tax reduction proposals that have only a modest impact on 2000-01 receipts but will reduce receipts by $700 million when fully phased in.

The Executive Budget reflects the Governor's ongoing commitment to provide fiscally prudent tax reductions designed to stimulate economic development and expansion. This year's program is designed to promote continued economic growth statewide with a special emphasis on the upstate economy. The proposals are structured to provide fiscal stimulus as prior year phased tax reductions are completed, thereby avoiding any additional pressures on revenue growth. Additionally, the 2000-01 Financial Plan provides a $300 million reserve to fully absorb the 2001-02 and 2002-03 cost of the Governor's tax reduction plan. The proposals include:

— Eliminating all remaining gross receipts taxes on energy.
— Implementing a significant new program specifically engineered to stimulate economic development in upstate New York. Program elements include:
  - *Creation of High Technology Enterprise Zones* which will provide significant tax benefits to high-technology companies such as: the full rebate of gross receipts taxes on energy; the creation of a Research and Development credit to offset the cost of R&D investment; the provision of a refundable credit for interest payments associated with investments in the zones; and the expansion of the Qualified Emerging Technology Credit (QETC) for businesses in the zones.
  - *Expanding the Power for Jobs Program* by adding 200 megawatts of additional low-cost power for use in upstate New York.
  - *Creating an Upstate Urban Jobs Credit* by providing a tax credit of up to $1,000 per newly created job.
— Providing small business job creation incentives including a small business corporate tax rate reduction and eliminating the S-corporation entity level tax.
— Establishing a new tax credit to provide incentives to clean up environmentally damaged sites.
— Instituting a Rail Access Tax Program to reduce property taxes on heavily assessed railroad property.

— Providing a series of additional tax reduction proposals designed to stimulate continued economic expansion and eliminate unnecessary and duplicative tax burdens.

General Fund Receipts ($ millions)			
SFY:	1999-2000	2000-01	Annual Change
Total Tax Receipts	33,798	35,122	1,324
All Other Receipts	3,551	3,348	(203)
Total Receipts	37,349	38,470	1,121

Since the Mid-Year Update, the forecast of 1999-2000 tax receipts has been increased by $269 million, offset by reserves for $2.96 billion in refund transactions in 2000-01, which has the effect of reducing reported receipts for 1999-2000. A portion of the deposits to the refund reserve account will be used to provide the resources necessary to ensure completion of the existing tax reduction program. On balance, tax receipts are reduced $2.15 billion from the Mid-Year Update.

Reflecting these transactions, total receipts to be deposited in the General Fund in 1999-2000 are projected to be $37.35 billion, $1.97 billion less than projected at the time of the Mid-Year Update.

Total General Fund receipts for 2000-01 are now projected at $38.47 billion, an increase of $1.12 billion from the revised 1999-2000 estimate. The increase is due, in part, to the refund reserve transaction described above. Continued economic growth will also serve to increase receipts in the upcoming year. These increases in receipts are partially offset by the scheduled implementation of the next phase of the Governor's multi-year tax reduction program.

Miscellaneous receipts and transfers from other funds are expected to fall in 2000-01, reflecting the continued impact of the phase-out of assessments on medical providers and a reduction in amounts available for transfer to the General Fund, especially from the Clean Water/Clean Air Fund.

Personal Income Tax ($ millions)			
SFY:	1999-2000	2000-01	Annual Change
Personal Income Tax	20,783	23,060	2,277

Personal income tax collections for the current year are now expected to be $20.78 billion, a decrease of $2.21 billion from the estimate at the time of the Mid-Year Update. As discussed above, this reflects the Financial Plan transaction to create reserves for the payment of 1999 tax refunds in fiscal year 2000-01.

Personal income tax collections for 2000-01 are projected to reach $23.06 billion, an increase of $2.28 billion (11.0 percent) over 1999-2000. This increase is due in part to the refund reserve transaction described above which serves to increase 2000-01 personal income tax receipts. Collections also benefit from the 8.7 percent estimated increase in 1999 liability and the projected 8.1 percent liability increase for 2000. The large increase in income tax liability in recent years has been supported by the continued surge in taxable income attributable to the rapid growth in equity markets and significant growth in the wages associated with Wall Street bonuses. Stock market growth and the large income gains that have resulted from that growth are expected to moderate in 2000.

Growth in 2000-01 receipts is offset by deposits into the School Tax Relief Fund which provides the revenue resources to finance the STAR tax reduction program. The incremental value of this deposit in 2000-01 is $2.02 billion which includes an additional $1.2 billion deposit in the School Tax Relief Fund as a reserve against the 2001-02 cost of the STAR program. In addition, $250 million of 2000-01 personal income tax receipts will be deposited in the Debt Reduction Reserve Fund.

User Taxes and Fees ($ millions)			
SFY:	**1999-2000**	**2000-01**	**Annual Change**
User Taxes and Fees	7,430	7,055	(375)

User tax and fee receipts in 1999-2000 are now projected at $7.43 billion, $81 million above the Mid-Year forecast and $186 million or 2.6 percent above 1998-99 collections. For 2000-01, collections in this category of taxes will decrease by $375 million to $7.05 billion. The decline in this category reflects the incremental impact of approximately $510 million in already enacted tax reductions, and the additional earmarking of motor fuel tax receipts to the Dedicated Highway and Bridge Trust Fund and the Dedicated Mass Transportation Trust Fund. Adjusted for these changes, the underlying growth of receipts in this category is projected at 4 percent.

The largest source of receipts in this category is the sales and use tax which accounts for nearly 84 percent of projected receipts. Sales tax receipts are responsive to economic trends such as growth in income, prices, employment, and consumer confidence. Strength in the economy in 1999 produced significant growth in the continuing base of the sales and use tax for 1999-2000. The most significant statutory change in the sales tax for 2000-01 is the elimination of the sales tax on clothing and footwear costing less than $110, beginning on March 1, 2000, which will reduce receipts by $597 million, including LGAC transfers.

This category also includes: cigarette, tobacco and alcoholic beverage taxes and fees, motor fuel taxes, and the container and auto rental levies. The majority of the receipts from these sources are attributable to flat-rate volume-based levies that respond little, if at all, to short-term economic developments (other than price changes impacting consumption) and are marked, in the main, by declining consumption trends. The most significant change in these sources is the impact on General Fund receipts resulting from the excise tax increase on cigarettes contained in the recently enacted Health Care Reform Act of 2000 (HCRA 2000), and the increased earmarking to the dedicated transportation funds mentioned above.

Business Taxes ($ millions)			
SFY:	**1999-2000**	**2000-01**	**Annual Change**
Business Taxes	4,575	4,241	(334)

Total business taxes are now projected at $4.58 billion in 1999-2000, a decrease of $22 million from the projections in the Mid-Year Update and $283 million below 1998-99 receipts. In 2000-01, receipts from this category are expected to total $4.24 billion — $334 million below 1999-2000 estimated results.

The decline in corporation and utility tax receipts is the result of already-enacted energy and telecommunications tax rate reductions and the use of tax credits flowing from the Power for Jobs program. Additional tax reductions submitted with the 2000-01 Executive Budget include a plan to reduce energy taxes and expand the Power for Jobs program. These changes, combined with the final phase of the gross receipts tax reduction, lower receipts in 2000-01 by approximately $626 million from 1999-2000.

There is an estimated 5 percent reduction in corporate franchise tax receipts from results in 1999-2000. Underlying liability for this revenue source is sensitive to changes in the net taxable income of companies subject to the tax. This often results in large adjustments to prior liability payments as in 1999-2000. In 2000-01, receipts are projected to increase by $239 million, due primarily to the impact of legislation submitted with this Budget to move energy companies from Article 9 gross receipts taxes to the corporate franchise tax.

Other taxes in this category include special franchise taxes on insurance companies and banks, and a cents-per-gallon levy on various kinds of petroleum products imposed on petroleum businesses.

Receipts from the bank franchise tax are projected to increase by $26 million over 1998-99 results, reflecting higher liability payments and an increase in audit collections. In 2000-01, receipts are projected to be $590 million — $20 million above estimates for 1999-2000. This increase is the result of a relatively stable liability base and a reduction in prior-year negative adjustments.

Net collections from insurance taxes are expected to reach $616 million in 1999-2000, a decrease of $56 million from the prior year. This reflects the net impact of law changes, and a sharp slowdown in the liability position of certain insurers. Premium growth is expected to improve modestly in 2000. As a result, collections are expected to increase by almost $36 million in 2000-01.

Declining General Fund estimates for the petroleum business tax of $9 million in 1999-2000 and almost $3 million in 2000-01 reflect changes in the percentage of this tax going to the General Fund.

Other Taxes
($ millions)

SFY:	1999-2000	2000-01	Annual Change
Other Taxes	1,010	766	(244)

This category includes receipts from estate and gift levies on transfers of wealth, pari-mutuel taxes on wagering at race tracks and off-track betting facilities and other minor sources. Historically, the category also included the yield of the real property gains tax (repealed in 1996) and receipts from the real property transfer tax which, over the last three years, have been earmarked to support various environmental programs.

The General Fund yield from other taxes for 1999-2000 is currently estimated at $1.01 billion, which is $9 million above the estimate in the Mid-Year Update. The major factors affecting this category include: the repeal of the real property gains tax and the impact of estate and gift tax reductions.

In 2000-01 receipts from other taxes are estimated to fall to $766 million. The largest factor in the decline is the estimated effect of already-enacted legislation reducing the estate tax on February 1, 2000 and repealing the gift tax on January 1, 2000.

Miscellaneous Receipts **($ millions)**			
SFY:	**1999-2000**	**2000-01**	**Annual Change**
Miscellaneous Receipts	1,474	1,339	(135)

Miscellaneous receipts include license revenues, fee and fine income, investment income, abandoned property proceeds, a portion of medical provider assessments and various nonrecurring receipts.

Revisions to estimates for the current year have raised the miscellaneous receipts estimate to $1.47 billion, a net increase of $111 million from the Mid-Year Update. The primary changes are a $36 million increase in investment income and an accounting reclassification which produced a one-time deposit of $82 million in HCRA receipts.

Receipts in this category are projected to decline in 2000-01, largely as a result of the net loss of $36 million in statutory reductions to medical provider assessments, and the one-time receipt in 1999-2000 of $45 million in fines attributable to prior years.

Transfers From Other Funds **($ millions)**			
SFY:	**1999-2000**	**2000-01**	**Annual Change**
Sales Tax in Excess of LGAC Debt Service	1,684	1,647	(37)
All Other Transfers	393	362	(31)
Total Transfers from Other Funds	2,077	2,009	(68)

Transfers from other funds to the General Fund consist primarily of tax revenues in excess of debt service requirements. Proceeds from one percent of the State's 4 percent sales tax in excess of amounts used to support the debt service payments of the Local Government Assistance Corporation account for 82 percent of the 2000-01 receipts in this category. Other transfers periodically include non-recurring transactions, which result in significant annual volatility for this category. This transfer category also reflects excess real estate transfer tax receipts not required for debt service on the Clean Water/Clean Air bonds authorized by the voters. Other transfers in 2000-01 reflect a decline in expected receipts from the real estate transfer tax.

DISBURSEMENTS OUTLOOK

Disbursements Outlook ($ millions)			
SFY:	1999-2000	2000-01	Annual Change
Disbursements Outlook	37,071	37,917	846

The State projects General Fund disbursements of $37.92 billion in 2000-01, an increase of $846 million (2.3 percent) over the current year. The growth in spending is spread throughout the Financial Plan, with the largest increase for State Operations ($431 million), followed by Grants to Local Governments ($198 million), General State Charges ($149 million), and Transfers to Other Funds ($69 million).

The Budget also reflects approximately $300 million in resources from the Health Care Reform Act of 2000 (HCRA 2000) that will help finance several health and mental hygiene programs, including prescription drug assistance for the elderly, supplemental Medicare insurance, and other public health services. The budget also dedicates $92 million in proceeds from the tobacco settlement to support rising Medicaid costs. The resources and spending for these purposes appear in the Special Revenue Funds section of the Financial Plan described later in this Overview.

Grants to Local Governments ($ millions)			
SFY:	1999-2000	2000-01	Annual Change
Grants to Local Governments	25,612	25,810	198

Grants to Local Governments (also known as local assistance) include financial aid to local governments and non-profit organizations, as well as entitlement payments for individuals. The largest areas of spending in local assistance are for aid to public schools (42 percent) and for the State's share of Medicaid payments to medical providers (22 percent). Spending for higher education programs (6 percent), mental hygiene programs (6 percent), welfare assistance (5 percent), and children and families services (3 percent) represent the next largest areas of local aid.

Spending in local assistance is estimated at $25.81 billion in 2000-01, an increase of $198 million (0.8 percent) from the current year. The change in spending is comprised primarily of increases for school aid, health and mental health programs, offset in part by the financing of certain health programs with dedicated funds supported by resources from HCRA 2000. Reestimates of current spending needs, new cost containment, and spending from the Community Projects Fund originally planned for 1999-2000 account for most of the remaining change.

General Fund spending for school aid is projected at $10.86 billion in 2000-01 (on a State fiscal year basis) an increase of $250 million (2.4 percent). On a school-year basis, school aid will grow by $355 million and fund operating, building, transportation, and other aid programs, as well as the "tail" of aid payable for the 1999-2000 school year. The Budget also recommends new funding for teacher certification and high-need districts, as well as programmatic restructuring in BOCES aid, teacher support aid and other formulas.

Medicaid spending is estimated at $5.68 billion in 2000-01, an increase of $65 million (1.2 percent) from 1999-2000. Spending growth in Medicaid is projected at 5.5 percent, but is reduced by the HCRA 2000 actions noted above, including continuation of cost containment actions from prior fiscal years, and efforts to maximize Federal offsets that moderate spending growth. The projections also include the use of $92 million from the tobacco settlement to help finance the increase in Medicaid costs.

Spending on welfare is projected at $1.27 billion, the same as in 1999-2000. Since 1994-95, State spending on welfare has fallen by one-third, driven by the State's strong economic performance over the past four years, welfare changes initiated at the State and Federal level, and aggressive fraud prevention measures. Although the number of people on welfare is expected to decline from 1999-2000 levels, General Fund support is expected to remain level primarily to satisfy Federal maintenance-of-effort requirements.

Local assistance spending for Children and Families Services is projected at $789 million in 2000-01, down $66 million (7.7 percent) from 1999-2000. The decline in General Fund spending masks higher programmatic spending on child care and child welfare services that is occurring with increased Federal funds, allowing the State to expand services in this area.

Mental hygiene programs are expected to grow by $66 million to almost $1.50 billion in 2000-01, with additional funding for the Community Reinvestment Program ($20 million), Kendra's Law ($29 million), and the new community services programs initiated in 1999-2000. General Fund growth in mental hygiene is moderated by increases in Federal aid ($65 million) and the availability of HCRA 2000 funds.

Spending for all other local assistance programs will total $5.71 billion in 2000-01. Increased funding for programs for children with special educational needs ($16 million), county administration of welfare and Medicaid programs ($23 million), support for the City University of New York ($50 million), and a timing adjustment for disbursements from the Community Projects Fund ($140 million) are partially offset with decreases resulting from utilization of HCRA 2000 revenues to fund various health programs. The projections include spending of $24 million for the CHIPs program (down $35 million from last year), $82 million for the Empire State Development Corporation (down $22 million), and the creation of a Criminal Justice Block Grant that consolidates several programs for the purpose of increasing flexibility for local governments.

State Operations ($ millions)			
SFY:	**1999-2000**	**2000-01**	**Annual Change**
State Operations	6,630	7,061	431

State Operations accounts for the cost of running the Executive, Legislative, and Judicial branches of government. Spending in this category is projected to increase by $431 million, or 6.5 percent above 1999-2000. Personal service costs are projected at $5.1 billion, an increase of $301 million; non-personal service costs are projected at $1.95 billion, an increase of $130 million.

Higher spending for State Operations is attributable in part to a reduction in one-time receipts from the State University that offset General Fund spending in 1999-2000 ($61 million), and a decrease in Federal grant awards for the Department of Justice ($80 million), a portion of which is timing-related.

Other sources of growth in State Operations include the costs of the labor contract between the United University Professionals (UUP) and the State University ($50 million), the development of computerized systems in the Department of Health and the Department of Family Assistance ($45 million), increases in the Judiciary budget ($38 million), and higher costs in the Department of Justice in 2000-01, including the full cost of staffing two State prisons (one recently opened and one soon to be on-line — $32 million). The State's overall workforce is projected at 195,900 persons by the end of 2000-01, up about 1,500 from the end of 1999-2000.

General State Charges ($ millions)			
SFY:	1999-2000	2000-01	Annual Change
General State Charges	2,087	2,236	149

General State Charges (GSCs) account for the costs of providing fringe benefits to State employees and retirees of the Executive, Legislative and Judicial branches. These 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. GSCs also cover State payments-in-lieu-of-taxes to local governments for certain State-owned lands, and the costs of defending lawsuits against the State and its public officers.

Total spending in General State Charges is projected to grow by $149 million (7.1 percent). The State expects higher health insurance rates in calendar year 2000 ($115 million), primarily to cover the increasing cost of providing prescription drug benefits for State employees.

Debt Service ($ millions)			
SFY:	1999-2000	2000-01	Annual Change
Debt Service	6	5	(1)

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

To reduce costs, the State has effectively diversified its debt portfolio to include a prudent level of short-term obligations, which includes the commercial paper program and the issuance of variable rate general obligation bonds. Since the costs of borrowing for both the commercial paper program and variable rate bonds are comparable, and both instruments preserve the effective use of short-term instruments, the commercial paper program will be replaced with the issuance of additional variable rate general obligation debt. Thus, only $45 million in commercial paper will be outstanding during 2000-01, with projected interest rates of about 4 percent. The 2000-01 estimate also includes an arbitrage rebate liability due the Federal Government of approximately $3 million.

Transfers To Other Funds ($ millions)			
SFY:	1999-2000	2000-01	Annual Change
Transfers In Support of Debt Service	2,230	2,275	45
Transfers in Support of Capital Projects	143	238	95
All Other Transfers	363	292	(71)

Transfers in support of debt service are projected to grow approximately 2 percent in 2000-01 as a result of the Governor's efforts to reduce debt and control costs. These efforts include additional deposits to the Debt Reduction Reserve Fund (DRRF) and other debt management strategies that expand the use of short-term instruments to reduce financing costs and broaden the market base for State-supported debt.

Transfers in support of capital projects in 2000-01 are projected at $238 million, a $95 million increase over the 1999-2000 estimate of $143 million. The increase is primarily due to an accounting adjustment related to DRRF that artificially lowers transfers by $50 million in 1999-2000, and because reimbursements for SUNY advance capital spending return to a more traditional level in 2000-01 after $44 million of delayed reimbursements for 1998-99 spending was received in 1999-2000.

All other transfers decline in 2000-01 primarily as a result of the State's subsidy for the Roswell Park Cancer Institute ($90 million) being financed under HCRA 2000.

NON-RECURRING RESOURCES

The 2000-01 Financial Plan utilizes only $32 million in new non-recurring resources to finance operations, continuing efforts to minimize the use of one-time resources to finance recurring spending. The largest one-time resource consists of receipts from a one-time assessment amnesty program for medical providers ($20 million). The remaining amounts represent various fund sweeps and transfers to the General Fund that occur each year.

2000-01 CLOSING BALANCE IN THE GENERAL FUND

The State projects a closing balance of $1.47 billion in the General Fund at the end of 2000-01. This balance is comprised of a $300 million reserve set aside from the 1999-2000 surplus to finance the costs of the Governor's proposed tax reduction package in 2001-02 and 2002-03, $475 million in cumulative reserves for collective bargaining ($425 million from 2000-01 plus $50 million from 1999-2000), $548 million in the Tax Stabilization Reserve Fund, and $150 million in the Contingency Reserve Fund after a proposed $43 million deposit in 2000-01. In addition to the $1.47 billion reserves in the General Fund, $1.2 billion is maintained in the STAR Special Revenue Fund and $250 million in the Debt Reduction Reserve Fund (DRRF) as a Capital Projects Fund.

The decline in the closing fund balance compared to 1999-2000 results from the planned use in 2000-01 of $615 million for tax reductions and $265 million for existing legislative initiatives financed from the Community Projects Fund. In addition, $1.2 billion will be deposited to the STAR Special Revenue Fund to be utilized for State-funded local tax reductions and $250 million will be deposited to the State's Debt Reduction Reserve Fund (as a Capital Projects Fund) in order to defease high-cost debt and increase pay-as-you-go financing of capital projects.

TOBACCO SETTLEMENT PROCEEDS AND USES

From 1999-2000 through 2002-03, the State expects to receive $1.54 billion under the nationwide settlement with cigarette manufacturers. Counties, including New York City, will receive additional settlement payments of $1.47 billion over the same period.

The State plans to use $1.29 billion in tobacco money over the next three years to finance programs under HCRA 2000 ($1.014 billion) and projected new costs in Medicaid ($274 million). The remaining $250 million in one-time tobacco payments from 1999-2000 will be deposited to the Debt Reduction Reserve Fund (DRRF) and used to lower State debt.

The table below summarizes the projected payments and uses by fiscal year.

New York State Tobacco Settlement Funds
($ in millions)

	2000-01*	2001-02	2002-03	Total Thru 2002-03
Total Tobacco Settlement Funds	668	396	474	1,538
Proposed Uses				
Finance Health Care Reform**	326	305	383	1,014
Fund New Medicaid Needs	92	91	91	274
Deposit to Debt Reduction Reserve	250	0	0	250

* Includes $302 million in initial payments received in 1999-2000.
** Includes $50 million required now for cash flow and HCRA uses in 2003-04.

GENERAL FUND FINANCIAL PLAN OUTYEAR PROJECTIONS

The State projects budget gaps of $1.23 billion in 2001-02 and $2.64 billion in 2002-03. These gaps assume that the Legislature will enact the 2001-02 Executive Budget and accompanying legislation in its entirety, and that reserves proposed by the Governor for current and proposed tax reductions are used to offset these costs in the outyears.

PROJECTED BUDGET GAPS FOR SFYs 2001-02 AND 2002-03
($ in millions)

	2001-02	2002-03
Receipts	39,452	39,928
Disbursements	(40,265)	(42,063)
Reserve for Collective Bargaining	(505)	(715)
Use of 2000-01 Tax Reduction Reserve	92	208
Remaining Gap	**(1,226)**	**(2,642)**
2001-02 Gap if 2000-01 Gap is Closed With Recurring Actions		***(1,416)***

The State plans to use the $1.2 billion STAR tax reduction reserve to offset the cost of that program in 2001-02. The Financial Plan also assumes that a new $300 million tax reduction reserve will be created to pay for the costs of the Governor's proposed 2000-01 tax reduction program, with $92 million applied in 2001-02 and the remaining $208 million in 2002-03.

These projections also assume that the Debt Reduction Reserve Fund is used to produce recurring debt service savings for the State from retirement of high-cost debt and increased pay-as-you-go spending for capital projects. Finally, the gap projections contain reserves for a possible collective bargaining agreement, and do not assume any annual spending efficiencies in order to reduce the size of the gaps.

If the projected budget gap for 2001-02 is closed with recurring actions, the 2002-03 budget gap would be reduced to $1.42 billion.

OUTYEAR RECEIPTS

General Fund Receipts ($ millions)		
SFY:	**2001-02**	**2002-03**
General Fund Receipts	39,452	39,928

General Fund receipts increase to an estimated $39.45 billion in 2001-02 reflecting a projection of continued economic growth, the incremental impact of already enacted tax reductions, the impact of prior refund reserve transactions and the continued earmarking of receipts for dedicated highway purposes. Receipts are projected to grow modestly to $39.93 billion in 2002-03, again reflecting the impact of enacted tax cuts on normal receipts growth, as well as the incremental impact of new tax reductions recommended with the Budget.

The economic assumptions underlying the 2001-02 and 2002-03 receipts estimates are detailed in the Economic Backdrop section of this Appendix. Overall, both the national and New York economies are expected to continue to expand, but at modestly lower rates through 2003. There is no forecast of recession over the out-year projection horizon.

Personal Income Tax ($ millions)		
SFY:	**2001-02**	**2002-03**
Personal Income Tax	24,064	24,348

Personal income tax receipts are projected to increase to $24.06 billion in 2001-02. The increase from 2000-01 reflects the positive impact of refund reserve transactions on 2000-01 receipts, use of the $1.2 billion in STAR reserves deposited in 2000-01, and a modest reduction in the growth in underlying liability. In addition, receipts are reduced by the incremental value of the STAR tax reduction plan and the required deposit of personal income tax receipts into the School Tax Relief Fund.

Personal income tax receipts for 2002-03 are projected to increase to $24.35 billion. The modest increase results from continued normal growth in liability offset by increasing deposits to the School Tax Relief Fund.

In general, income tax growth for 2001-02 and 2002-03 is governed by projections of growth in taxable personal income and its major components in particular, wages, interest and dividend earnings, realized capital gains, and business income.

Wages are estimated to continue to grow at a relatively rapid rate by historical standards over the 2001-02 and 2002-03 period reflecting continued above average employment growth over the projection period. Wage growth does moderate from the atypical large wage gains of 1998 and 1999 as bonus growth (an important component of wages) is expected to slow to the 7 to 10 percent range over the 2001 to 2003 period.

Growth in realized capital gains is projected to gradually slow from the rapid increases experienced over the past several years. This rapid growth has been fueled by the significant run-up in the value of equities since 1995. Additionally, changes in the Federal tax treatment of capital gains income in 1997 have made the realization of gains more attractive in recent years. The 2001-02 and 2002-03 projections assume a slow-down in the sharp run up in equity markets and a gradual reduction in gains realized in response to the 1997 Federal law change as the original unlocking effect of lower tax rates on long-held assets subsides.

The 2001-02 and 2002-03 projections assume increases in the other major components of income consistent with continued growth in the overall economy. In particular, interest dividend and business income are expected to grow at rates very close to the average growth in these components over the 1995 to 1999 period.

It should be noted that growth in income tax receipts in recent years has been heavily influenced by special factors including the rapid growth in the stock market noted above. The out-year projections presented here call for a moderation in the special factors that have produced the rapid receipts growth of recent years. However, there is no forecast of a reduction in any of the major income components influencing outyear income tax results.

As the Economic Backdrop section of this Appendix makes clear, there is significant uncertainty associated with the forecast of the out-year income components. In many cases, a reasonable range of uncertainty around the predicted income components would include significant reductions. As a result, the projections for 2001-02 and 2002-03 are relatively conservative given the substantial uncertainty in predicting income tax receipts.

User Taxes and Fees
($ millions)

SFY:	2001-02	2002-03
User Taxes and Fees	7,277	7,420

Receipts from the User Taxes and Fees category are estimated to total $7.28 billion in 2001-02, an increase of $222 million from 2000-01. This increase is due almost exclusively to growth in the sales tax and motor vehicle fees as partly offset by increased earmarking of motor fuel taxes and motor vehicle fees to the dedicated transportation funds.

The User Taxes and Fees category is expected to grow to $7.42 billion in 2002-03. Continuing economic growth is projected over the next several years in the factors which influence sales tax collections. These factors include estimates of continued above-average growth in employment and modest increases in personal income. These assumptions result in underlying growth in the sales tax base in the 5 percent range.

The overall growth in this category results from the growth in the sales tax offset by the continued increase in the earmarking of motor fuel taxes and motor vehicle fees to the dedicated transportation funds.

Business Taxes ($ millions)		
SFY:	**2001-02**	**2002-03**
Business Taxes	3,976	3,863

Business Tax receipts are estimated to decline to $3.98 billion in 2001-02 as the impact of recently enacted tax reductions becomes more pronounced. Receipts are projected to fall to $3.86 billion in 2002-03, reflecting the ongoing effect of already enacted and proposed business tax reductions becoming effective.

Other Taxes ($ millions)		
SFY:	**2001-02**	**2002-03**
Other Taxes	800	851

Other taxes are projected to increase to $800 million in 2001-02 as the impact of estate tax reform and the elimination of the gift tax is fully recognized in 2000-01 receipts. This increase is fully attributable to the estate tax which will account for 96 percent of the General Fund receipts in this category in 2002-03. Other tax receipts increase to an estimated $851 million in 2002-03.

Miscellaneous Receipts ($ millions)		
SFY:	**2001-02**	**2002-03**
Miscellaneous Receipts	1,262	1,228

Miscellaneous Receipts are estimated to total $1.26 billion in 2001-02, a decline of $77 million from the prior year. Receipts in this category are projected to reach $1.23 billion in 2002-03.

Transfers From Other Funds ($ millions)		
SFY:	**2001-02**	**2002-03**
Transfers From Other Funds	2,073	2,218

Transfers from other funds are estimated to grow to $2.07 billion in 2001-02 and to $2.22 billion in 2002-03, as revenues associated with transfers that support LGAC and other debt programs continue to grow in concert with the overall economy.

OUTYEAR DISBURSEMENTS

General Fund Disbursements ($ millions)		
SFY:	**2001-02**	**2002-03**
General Fund Disbursements	40,265	42,063

The State currently projects spending to grow by $2.35 billion (6.2 percent) in 2001-02 and $1.80 billion (4.5 percent) in 2002-03. General Fund spending increases at a higher rate in 2001-02 than in 2002-03 primarily because of the loss or assumed decline in certain funding sources (including Federal funds) that offset General Fund spending, as described below.

The annual increase is driven primarily by growth in local assistance spending of roughly $1.5 billion annually, as well as increases in General State Charges and State Operations costs as described in more detail below.

Grants to Local Governments ($ millions)		
SFY:	**2001-02**	**2002-03**
Local Assistance	27,296	28,739

Local assistance spending accounts for most of the projected growth in General Fund spending in the outyears, increasing by $1.49 billion (5.8 percent) in 2001-02 and $1.44 billion (5.3 percent) in 2002-03.

School aid, the largest category of General Fund spending, is projected to grow by $945 million in 2001-02 and $802 million in 2002-03. The estimated growth in school aid on a school-year basis ($867 million in 2001-02 and $789 million in 2002-03) reflects the reforms proposed in the 2000-01 Executive Budget. These increases are primarily attributable to continuing building aid growth after the proposed reforms (over $300 million increases in both 2001-02 and 2002-03); textbook and computer aids ($120 million growth in 2001-02); transportation and special education ($165 million growth annually); and operating aid growth ($170 million in 2001-02; $200 million in 2002-03). Spending for pre-school handicapped programs is expected to grow at roughly 7 percent annually in each of the two projection years.

Medicaid, the next largest General Fund program, is expected to grow by $557 million in 2001-02 and another $426 million in 2002-03. Spending growth in Medicaid is projected at 7.5 percent annually, consistent with the estimates of the Congressional Budget Office. Medicaid growth is slowed by savings from HCRA 2000 that limit provider inflationary increases to the Consumer Price Index ($11 million in 2000-01 growing to $38 million and then to nearly $100 million), and the use of $91 million annually from tobacco settlement funds to partially finance new Medicaid costs.

The continued strength in the State economy and the success of welfare reforms are expected to help keep State spending for welfare programs essentially flat throughout the projection period. State support for Children and Family Services programs is expected to increase significantly in 2001-02 as additional investments in child care, coupled with the projected loss of Federal funds currently used to offset General Fund spending, combine to increase spending by $83 million (10.6 percent) in that year. Mental hygiene programs also grow faster than inflation as a result of the expansion of programs for the mentally ill.

Most other programs in local assistance are expected to grow at or below inflation. Revenue sharing programs are assumed to be held flat over the projection period.

State Operations ($ millions)		
SFY:	**2001-02**	**2002-03**
State Operations	7,417	7,602

State Operations spending is expected to increase by 5.0 percent, or $356 million, in 2001-02 and another 2.5 percent, or $185 million, in 2002-03. These estimates do not include spending for new collective bargaining agreements (other than for the State University system, as discussed below). These costs are carried as a separate reserve in the Financial Plan during these years.

Most of the growth in State Operations reflects the loss of Federal money used to offset General Fund spending in the mental hygiene agencies ($126 million in 2001-02; $31 million in 2002-03), inflationary increases for non-personal service costs of roughly $70 million annually, and funding for the new SUNY collective bargaining agreements concluded with United University Professionals (UUP). Also contributing to growth over the outyears is continued investment in technology for health and social services agencies ($18 million), normal salary increases ($50 million annually), and cost increases in the Department of Justice, including continued prison expansion ($23 million).

General State Charges ($ millions)		
SFY:	**2001-02**	**2002-03**
General State Charges	2,633	2,775

General State Charges are projected to increase by $397 million in 2001-02 and $142 million in 2002-03. The significant growth in 2001-02 is primarily due to the loss of $250 million in offset funding that provided General Fund savings in 1999-2000 and 2000-01. Health insurance costs that grow at roughly 8 percent ($105 million annually) and modest increases in other benefits and fixed costs account for the balance of the annual increase.

Transfers To Other Funds ($ millions)		
SFY:	**2001-02**	**2002-03**
Debt Service	2,288	2,313
Capital Projects	294	282
All Other	337	352

Transfers to other funds increase by a combined $142 million across the projection period. Debt service transfers are nearly flat over the projection period due to the assumed use of $750 million in debt reduction reserves deposited to DRRF. Capital projects transfers also remain relatively flat with the exception of the proposed transfer of $69 million to the remedial program transfer fund to finance the clean-up of hazardous waste and substance sites. Other transfers show growth in the outyears primarily due to the assumed decline in HCRA 2000 offset funding for the State's subsidy to the Roswell Park Cancer Institute.

GOVERNMENTAL FUNDS FINANCIAL PLANS

ALL GOVERNMENTAL FUNDS

The All Governmental Funds Financial Plan combines activity in the four governmental fund types: the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds. In 2000-01, spending from All Governmental Funds is estimated at $76.81 billion, an increase of $3.98 billion or 5.5 percent from 1999-2000.

Spending from All Governmental Funds includes $2.01 billion in payments under the School Tax Relief (STAR) program, which lowers school property tax bills for homeowners and reduces the New York City resident personal income tax. The STAR growth will drive $815 million of the $3.98 billion increase in All Funds spending from 1999-2000. Growth in the General Fund ($777 million excluding transfers) and Federal grants ($1.44 billion) accounts for most of the remaining increase in All Funds spending.

STATE FUNDS

State Funds represent the portion of New York State's budget supported exclusively by State revenues: taxes, fees, fines, and other revenues imposed and collected by the State. Federal grants are not included as part of State Funds. Funds which are not part of the All Governmental Funds group — Fiduciary, Internal Service, and Enterprise funds — are also excluded. Projected 2000-01 disbursements from State Funds (including STAR as noted above) is $52.44 billion, an increase of $2.55 billion or 5.1 percent from 1999-2000.

SPECIAL REVENUE FUNDS

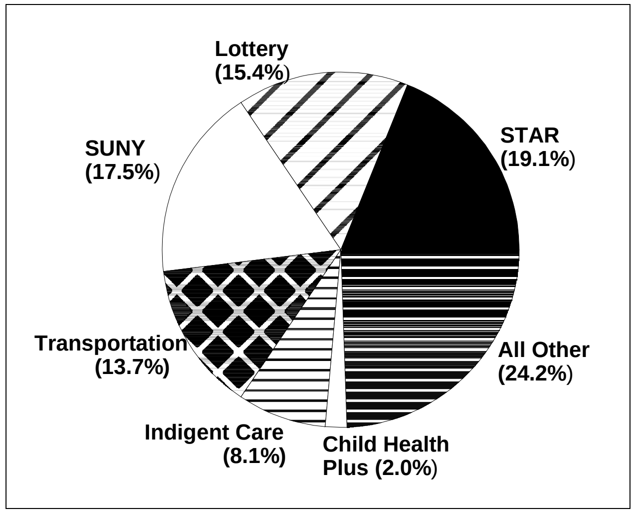
The Special Revenue Funds (SRFs) group consists of numerous funds that receive dedicated sources of revenues which are spent for specified purposes. Special Revenue Funds spending is projected at $33.55 billion in 2000-01. This includes $10.54 billion from SRFs supported by State revenues, and $23.01 billion from funds supported by Federal grants, primarily for social welfare programs.

State Special Revenue Funds

State SRFs are mechanisms to ensure that dedicated revenues are used solely for their intended purposes. Entire agencies, such as the Banking and Insurance departments, as well as individual programs, such as operating aid to local mass transit systems, work on the SRF principle. In addition to ensuring that those who use a State service finance its costs, the SRF mechanism promotes fiscal accountability by requiring that the fund or account be self-supporting.

Disbursements from State SRFs are projected at $10.54 billion, an increase of $1.42 billion or 15.6 percent from 1999-2000. The School Tax Relief (STAR) program, which increases by $815 million from 1999-2000, accounts for most of the year-to-year growth. Major components of State SRFs are discussed in more detail below.

State Special Revenue Spending 2000-01



— **STAR**: This dedicated fund receives personal income tax receipts dedicated to support the $2.01 billion STAR program. This multi-year program will provide $2.32 billion in local property tax relief and $470 million in lower personal income taxes for New York City residents when fully implemented in 2001-02. Spending from the STAR SRF is estimated at $2.01 billion in 2000-01, an increase of $815 million from 1999-2000. The phase-in of benefits for non-senior homeowners, increased participation by seniors and further New York City income tax relief account for the higher spending.

— **Lottery**: The Lottery Fund receives the net proceeds of lottery ticket sales used to support education aid and fund administrative costs. The 2000-01 Executive Budget projects the receipt of $1.63 billion in lottery proceeds, which, after payment of administrative expenses, permits the distribution of $1.50 billion for education purposes. Lottery proceeds increased $127 million from 1999-2000, primarily from a new lottery game similar to Powerball.

— **State University of New York**: The State University's income reported in the State SRFs is received from tuition, third-party payers, room rents, and user fees. Revenues of the University support the costs of operating hospitals, dormitories and regular campus services. The University's spending from receipts in State SRFs is projected to total $1.85 billion in 2000-01, a decrease of $87 million from the current year. This decrease is primarily attributable to the one-time use in 1999-2000 of SUNY tuition stabilization revenues.

— **Transportation**: This category includes the Mass Transportation Operating Assistance (MTOA) Fund and the Dedicated Mass Transportation Trust Fund, which receive taxes earmarked for mass transportation programs throughout the State. Total disbursements from these two funds in 2000-01 are projected at $1.45 billion, $20 million more than in 1999-2000.

— **Indigent Care**: The Indigent Care Fund receives moneys from a bad debt and charity care pool funded by various third-party payers. Total disbursements are estimated at $858 million in 2000-01, an increase of $178 million or 26 percent over 1999-2000 due to increased indigent care payments to hospitals pursuant to HCRA 2000.

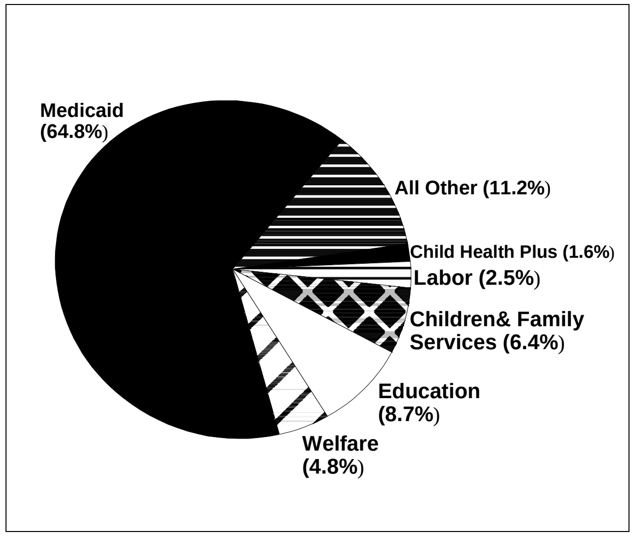
— **Child Health Plus**: The Child Health Plus program matches Federal funds to subsidize health insurance coverage for children of low-income families and is funded by revenues authorized in HCRA 2000. The 2000-01 Financial Plan includes $207 million for this program, an increase of $53 million from 1999-2000.

— **Nursing Home Assessments**: The Nursing Home Assessment account receives moneys from nursing homes that is used to offset the costs of the State's Medicaid program. Effective January 1, 2000, all medical provider assessments, including those previously deposited into this account, are eliminated.

— **All Other**: The remaining spending in State SRFs includes fees, licenses, and assessments collected by State agencies to support the costs of providing specific services. Spending for these SRFs is projected at $2.55 billion for 2000-01, an increase of $494 million, and is financed in part by HCRA 2000.

Federal Special Revenue Funds

Federal Special Revenue Spending 2000-01



Federal SRFs account for grants and assistance received from the Federal government. The State must follow specific guidelines regarding the use of these grants. In addition, the State is subject to the Federal Cash Management Improvement Act, which shortens the time permissible between the State's drawdown of moneys from the Federal government and its disbursement by the State to recipients. In most cases, the State finances programs in the first instance, and then receives reimbursement from the Federal government.

Total disbursements for programs supported by Federal grants account for approximately three-quarters of all spending in the Special Revenue fund type. Federal SRF disbursements are estimated at $23.01 billion in 2000-01, an increase of $1.39 billion or 6.4 percent from 1999-2000. The higher spending is primarily due to increases in Medicaid ($791 million), Education ($123 million), Children and Families ($269 million), Child Health Plus ($103 million), and Labor ($40 million). Major components of Federal SRFs are discussed in more detail below.

The single largest program in Federal SRFs is Medicaid, which comprises 65 percent of Federal aid spending. Disbursements represent payments made to State-operated facilities as well as other health care providers, and reimbursements to local governments for administrative costs and other minor programs. The Budget projects $14.91 billion in total Federal Medicaid reimbursements, an increase of $791 million from 1999-2000. This increase is primarily due to growth in entitlement spending which is offset by the restoration of lost Medicaid cost containment from the first quarter of 1999-2000.

The State receives Federal welfare funding through the Temporary Assistance for Needy Families (TANF) block grant. The amount of the block grant is calculated based on 1995 expenditures, when the State had a much higher welfare caseload. Thus, the State receives a higher level of funding than would otherwise be required to support the current welfare program. The difference between the block grant and current spending requirements allows the State and localities to expand program services, and provides State and local fiscal relief. In 2000-01, this funding will total over $1.4 billion, which will be combined with a prior-year balance of over $200 million to increase support for child welfare services, child care, and other welfare-reform initiatives, as well as fund reserves for future needs.

Federal welfare spending is projected at $1.10 billion in 2000-01, a decrease of $12 million from 1999-2000. This decrease is due to declining caseloads. This allows an additional distribution from the TANF block grant for expanded services in Children and Family Services and Labor, and permits additional funds to be set aside for future contingencies.

Education spending is projected at $2.0 billion in 2000-01, an increase of $123 million from 1999-2000. This increase is primarily due to new funding for the class size reduction program and higher funding for the school-age and preschool special education programs.

Children and Family Services are projected at $1.46 billion in 2000-01 and represent an increase of $269 million from the prior year. Most of this increase is to support the continued growth for child care services financed by available TANF block grant funds and the timing of payments in 1999-2000.

Labor spending is estimated at $565 million in 2000-01, an increase of $40 million from the prior year. This increase is primarily due to continued implementation of welfare-to-work programs.

Federal support for the Child Health Plus program began in 1999-2000. This funding, in conjunction with State money, facilitates access to comprehensive health care coverage for virtually every eligible child in New York through age 18. Spending is projected at $377 million in 2000-01 and represents an increase of $103 million from 1999-2000.

All other Federal spending is projected at $2.59 billion for 2000-01, an increase of $81 million over the prior year.

CAPITAL PROJECTS FUNDS

The Capital Projects funds group includes the Capital Projects Fund which is supported on a net basis with tax receipts from the General Fund. Other funds in this fund type exist for specific capital purposes and are financed by sources other than the General Fund. Many of these funds are supported by dedicated State taxes or receipts, such as highway-related taxes in the Dedicated Highway and Bridge Trust Fund, the real estate transfer tax and environmental fees in the Environmental Protection Fund, and park fees in the State Parks Infrastructure Fund. Other funds may receive only bond reimbursements, such as those which support capital programs for correctional services, which will now be under the new Department of Justice, and housing.

In conjunction with the Governor's Debt Reform proposal, the five-year Capital Plan reduces State debt levels by continuing to finance strategic investments in vital capital projects with a larger portion of State and Federal pay-as-you-go resources. As a result, the portion of capital spending financed with debt will decline from 46 percent in 2000-01 to 40 percent by 2004-05 — the last year of the Capital Plan.

Proposed capital spending for 2000-01 will continue to focus on high priority capital projects that maintain the Governor's commitment to transportation, environment, higher education and housing. These targeted investments will improve the State's vast infrastructure, promote economic development and protect the health and safety of all New Yorkers. Financing for these important projects over the five-year Plan reflects a prudent balance between pay-as-you-go spending and debt financing.

Capital Projects Funds spending in 2000-01 is projected at $4.3 billion, or $156 million higher than the revised projection for 1999-2000. The largest increases are in the areas of the environment ($125 million) and education ($134 million), offset by lower costs for public protection and an accounting change that lowers mental hygiene spending.

Highlights of the 2000-01 capital spending plan include:

— Transportation spending of $2.6 billion accounts for 60 percent of total capital spending in 2000-01, the first year of the new five-year transportation plan which will provide more than $14 billion for Department of Transportation programs. This spending level will continue to support State highways and bridges, rail, industrial access and aviation programs and will produce continued economic development through the efficient delivery of raw materials, consumer goods, and people.
— The new five-year transportation plan provides support for local transportation programs (Consolidated Highway Improvement Program, or CHIPS, and the Marchiselli Program) with funding of $258 million in 2000-01.
— Environment spending of $721 million includes $175 million in Clean Water/Clean Air Act spending, $116 million in spending from the Environmental Protection Fund and $28 million in spending for the Hudson River Park project. Projected capital spending for the environment will account for 17 percent of total spending in 2000-01 and will increase by $125 million or almost 21 percent.
— Education spending of over $400 million includes the continuation of the multi-year Capital Investment Plan for SUNY and CUNY and spending to support school construction and renovations. Spending for education and higher education will increase 50 percent ($134 million) in 2000-01 and will account for 9 percent of total spending.
— Public protection spending of over $260 million includes capital expansion plans that will meet population demands resulting from truth-in-sentencing legislation, including Jenna's Law, and maintenance of the State's correctional facilities.
— Spending for the Department Mental Hygiene agencies of $133 million will support essential health and safety, rehabilitation and maintenance projects to preserve both State and community-based facilities operated and licensed by the Department's agencies. An accounting change lowers reported spending because projects are now funded directly from bond proceeds held by the Dormitory Authority rather than directly from the State's accounting system. This change will not impact State support for mental hygiene projects.
— Initiatives are also continued for construction and rehabilitation of State office buildings and spending for downtown revitalization.

Financing Resources

Spending for capital projects is financed with cash or bond proceeds. Cash resources include pay-as-you-go State resources and Federal grants. Bond resources include proceeds from the sale of bonds, including voter-approved general obligation bonds or public authority bonds. The percentage of capital spending which is financed by both voter-approved general obligation bonds and authority bonds financed over the five-year Plan declines from 46 percent in 2000-01 to 40 percent in 2004-05.

Total cash resources are comprised of State pay-as-you-go and Federal grants, which will finance 54 percent of the Plan in 2000-01, increasing to 60 percent in 2004-05. State pay-as-you-go spending will support 23 percent of spending in 2000-01 — increasing to approximately 25 percent by the end of the five-year Capital Plan. Federal grants, which primarily support spending for transportation and the environment, will finance over 31 percent of spending in 2000-01 — increasing to approximately 35 percent by the end of the five-year Capital Plan.

General obligation bond spending primarily supports spending for Clean Water/Clean Air Bond Act projects and the largest share of authority bond spending will support the new five-year transportation plan.

DEBT SERVICE FUNDS

Debt Service Funds are the conduits through which the State pays debt service on State general obligation bonds, and meets its lease-purchase and contractual obligation commitments on bonds issued by State authorities and municipalities. Interest on State notes is paid directly from the General Fund. Debt service funds receive moneys either from a dedicated revenue stream, such as sales tax receipts, or as a transfer from the General Fund or other funds.

Debt Service Funds projections for 1999-2000 and 2000-01 reflect the Governor's commitment to reduce both the costs and levels of State debt with a third consecutive deposit to the Debt Reduction Reserve Fund (DRRF) and a Constitutional and statutory Debt Reform proposal that includes capping new debt service costs to 5 percent of All Funds Receipts.

The Debt Reduction Reserve Fund (DRRF) will contain $250 million at the end of 1999-2000. This Budget recommends a third consecutive deposit to DRRF of $500 million in 2000-01 — increasing the balance at the beginning of 2000-01 to $750 million. The additional deposit of $500 million reflects $250 million of one-time moneys from the State's tobacco settlement funds and $250 million from the 1999-2000 surplus. Two-thirds, or $500 million of the balance, will be used in 2000-01 to pay off the State's high cost debt or increase pay-as-you-go spending for previously bond-financed programs. The balance, or $250 million, will recapitalize DRRF, ensuring that State debt is reduced further in 2001-02. Beginning in 2000-01, DRRF will be reclassified as a Capital Projects Fund.

Over the five-year Capital Program and Financing Plan, DRRF will reduce State debt by $750 million. Debt service costs will be reduced by $35 million in 2000-01, $60 million in 2001-02, and by $70 million annually thereafter, saving taxpayers $1.5 billion in debt service costs.

Estimated debt service disbursements from the Debt Service Funds type for 2000-01 will increase to $3.8 billion, or $241 million more than the prior year. Of this increase, $131 million is attributable to transportation bonding for State and local highway and bridge programs financed by the Dedicated Highway and Bridge Trust Fund, $39 million is for SUNY and CUNY higher education purposes, and $22 million is for Mental Hygiene programs financed through the Mental Health Services Fund.

Overall financing costs will continue to be minimized through a number of other debt management strategies. Debt financings continue to reflect the elimination of capitalized interest and the use of shorter bond maturities. Market conditions permitting, the State will continue to expand the use of short-term debt instruments, including variable rate demand obligations and extending the authorization to issue interest rate swaps under a limited, experimental program.

The General Debt Service Fund pays debt service on general obligation bonds, as well as payments for lease-purchase and contractual obligation bonds. Transfers from the General Fund are the primary source of funds for these payments, and are only made in the amount necessary to meet net disbursements. In 2000-01, the transfer from the General Fund is projected at $2.28 billion. Additional transfers of $208 million from the Dedicated Highway and Bridge Trust Fund, $49.5 million from the Clean Water/Clean

Air Fund, and $1.5 million from the State Parks Infrastructure Fund are projected to bring 2000-01 total disbursements from the General Debt Service Fund to $2.53 billion. Those additional transfers pay the debt service on bonds issued for CHIPs, environmental projects under the Clean Water /Clean Air Bond Act, and State parks purposes, respectively. The retirement of outstanding general obligation bonds contributes to a $29 million reduction in those debt service costs. Prior year financings for CUNY, SUNY, prisons, housing, CHIPs and other programs will increase 2000-01 lease-purchase and contractual obligation payments by $136 million.

The Local Government Assistance Tax Fund is projected to receive $1.98 billion in receipts from the dedicated one cent statewide sales tax. Debt service and associated costs on the completed $4.7 billion LGAC program are projected at $333 million, and reflect actions in 1999-2000 which will replace a portion of LGAC's Capital Reserve Fund with a surety policy and use those released reserves to pay down existing LGAC debt. Sales tax receipts in excess of LGAC's debt service requirements, $1.65 billion, will be transferred to the General Fund.

The Mental Health Services Fund has $2.20 billion of patient revenues which are deposited and transferred to satisfy debt service obligations of $344 million. The remaining balance is transferred to special revenue funds to support State Operations costs for the various mental hygiene agencies. The Health Income Fund also receives patient revenue deposits and transfers from certain Health Department facilities, including the Roswell Park Cancer Institute (whose operations were transferred to a public corporation pursuant to 1997 legislation). Revenues of the Corporation continue to support the debt service on bonds for Roswell facilities through their maturity, and the balance is periodically transferred to the Roswell Corporation. As a result, the State's Financial Plan only reflects the portion of the Corporation's receipts that are needed for debt service. Health Income Fund moneys of $121 million are expected to support debt service obligations of $34 million in 2000-01, with the remainder being transferred to support the Health Department's State Operations costs.

The Clean Water/Clean Air Fund, which was created in 1997-98 to implement the Clean Water/Clean Air Bond Act, is expected to receive $201 million from the real estate transfer tax. The Fund will transfer $50 million to the General Debt Service Fund to pay the debt service on Clean Water/Clean Air general obligation bonds and the remaining $151 million to the General Fund. Other Debt Service Funds are used for debt service on housing, SUNY dormitory, and State highway projects.

GAAP-BASIS FINANCIAL PLANS

The General Fund and All Governmental Funds Financial Plans are also prepared in accordance with Generally Accepted Accounting Principles (GAAP). Additional schedules are provided which detail the differences between the General Fund Financial Plan prepared on a cash basis versus that prepared in accordance with GAAP. The GAAP projections for both years are based on the accounting principles applied by the State Comptroller in the financial statements issued for the 1998-99 State fiscal year, and do not reflect any pending proposals of the Governmental Accounting Standards Board.

Comparisons of Actual and Projected GAAP Operating Results
(millions of dollars)*

Fiscal Year Ended:	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accumulated General Fund Surplus/(Deficit)
March 31, 2001	($632)	$1,185	$36	$161	$750	$1,479
March 31, 2000	465	48	54	167	734	2,111
March 31, 1999	1,078	(117)	209	154	156	1,646
March 31, 1998	1,562	49	(43)	232	1,800	567
March 31, 1997	1,933	65	(37)	98	2,059	(995)
March 31, 1996	380	(409)	185	276	432	(2,928)
March 31, 1995	(1,426)	39	(38)	(366)	(1,791)	(3,308)

* Deficits noted in parentheses.

The GAAP projections indicate that the State will have four consecutive years of a General Fund GAAP accumulated surplus, completely eliminating the GAAP deficit of $3.3 billion as of March 31, 1995. In 1999-2000, the General Fund GAAP Financial Plan shows total revenues of $37.69 billion, total expenditures of $37.49 billion, and net other financing sources of $264 million. In 2000-01, projections reflect total revenues of $37.32 billion, total expenditures of $37.94 billion and net other financing uses of $14 million. At the end of 2000-01, the accumulated General Fund GAAP surplus is projected to be $1.48 billion.

CASH FLOW

As a result of cash flow reforms made in the 1990s, the State cannot normally issue short-term debt to meet its cash flow needs throughout the year. The General Fund cash flow for 2000-01 is projected to have balances no lower than $3.7 billion in all months. Healthy balances early in the year are largely the result of reserves that have been increased over the past few years. In June, the projected balance in the General Fund is $4.13 billion. Balances at the close of the second and third quarters of the fiscal year are projected to be $5.15 billion and $4.67 billion, respectively.

INDEX OF FINANCIAL PLAN TABLES

Cash Financial Plan - Before Movement of Reserves
General Fund
1999-2000
(millions of dollars)

	October	Change	January
Opening fund balance	892		892
Receipts:			
Taxes			
Personal income tax	22,997	201	23,198
User taxes and fees	7,349	81	7,430
Business taxes	4,597	(22)	4,575
Other taxes	1,001	9	1,010
Miscellaneous receipts	1,363	111	1,474
Transfers from other funds			
-- LGAC	1,648	36	1,684
-- All other	368	25	393
Total receipts	39,323	441	39,764
Disbursements:			
Grants to local governments	25,620	(8)	25,612
State operations	6,852	(222)	6,630
General State charges	2,037	50	2,087
Debt service	11	(5)	6
Transfers to other funds			
-- Debt service	2,272	(42)	2,230
-- Capital projects	168	(25)	143
-- Other purposes	385	(22)	363
Total disbursements	37,345	(274)	37,071
Change in fund balance	1,978	715	2,693
Closing fund balance	2,870	715	3,585
-- Tax Stabilization Reserve Fund	473	75	548
-- Contingency Reserve Fund	132	(25)	107
-- Community Projects Fund	200	65	265
-- Debt Reduction Reserve Fund	250	0	250
-- 1999-2000 Enacted Tax Reduction Reserve	1,815	0	1,815
-- 1999-2000 Surplus	0	550	550
-- 1999-2000 Salary Reserve	0	50	50

Cash Financial Plan - Before Movement of Reserves
General Fund
1999-2000 and 2000-2001
(millions of dollars)

	1999-2000 Estimate	2000-2001 Recommended	Change
Opening fund balance	892	3,335	
Receipts:			
Taxes			
Personal income tax	23,198	20,645	(2,553)
User taxes and fees	7,430	7,055	(375)
Business taxes	4,575	4,241	(334)
Other taxes	1,010	766	(244)
Miscellaneous receipts	1,474	1,339	(135)
Transfers from other funds			
-- LGAC	1,684	1,647	(37)
-- All other	393	362	(31)
Total receipts	39,764	36,055	(3,709)
Disbursements:			
Grants to local governments	25,612	25,810	198
State operations	6,630	7,061	431
General State charges	2,087	2,236	149
Debt service	6	5	(1)
Transfers to other funds			
-- Debt service	2,230	2,275	45
-- Capital projects	143	238	95
-- Other purposes	363	292	(71)
Total disbursements	37,071	37,917	846
Change in fund balance	2,693	(1,862)	
Closing fund balance	3,585	1,473	
-- Tax Stabilization Reserve Fund	548	548	
-- Contingency Reserve Fund	107	150	
-- Community Projects Fund	265	0	
-- Debt Reduction Reserve Fund	250	0	
-- 1999-2000 Enacted Tax Reduction Reserve	1,815	0	
-- 2000-2001 New Tax Reduction Reserve	0	300	
-- 1999-2000 Surplus	550	0	
-- 1999-2000 Salary Reserve	50	50	
-- 2000-2001 Salary Reserve	0	425	

Note 1: The 1999-2000 surplus of $550 million is being used to capitalize the Debt Reduction Reserve Fund ($250 million) in 2000-2001 and to create a New Tax Reduction Reserve ($300 million) to cover the 2001-2002 and 2002-2003 values of the proposed new tax cuts.

Note 2: The 2000-2001 opening fund balance is $250 million lower than the 1999-2000 closing fund balance due to the reclassification of the Debt Reduction Reserve Fund (DRRF) from the General Fund to the Capital Projects Funds in 2000-2001.

Note 3: The 2000-2001 closing fund balance of $1.473 billion in the General Fund does not include projected closing balances of $1.2 billion in the STAR Special Revenue Fund and $250 million in DRRF in the Capital Projects Funds.

Personal Income Tax Receipts
General Fund
1999-2000 and 2000-2001
(millions of dollars)

	1999-2000 Estimate	2000-2001 Recommended
Net Total PIT Receipts (Gross Receipts - Refunds)	22,633	24,126
STAR Deposit	(1,195)	(2,010)
Additional STAR Deposit	0	(1,200)
DRRF Deposit	0	(250)
1998-1999 Refund Reserve:	2,306	
LGAC	521	
Net Credit Reserves	7	
1998-1999 Surplus (net of timing)	1,778	
1999-2000 Refund Reserve:	(2,961)	2,961
LGAC	(521)	521
Net Credit Reserves	(25)	25
1999-2000 Enacted Tax Reduction Reserve	(1,815)	1,815
1999-2000 Salary Reserve	(50)	50
Remaining 1999-2000 Surplus	(550)	550
2000-2001 Refund Reserve:		(567)
LGAC		(521)
Net Credit Reserves		(46)
Published PIT Receipts (after Refund Reserve Transaction)	**20,783**	**23,060**
Reserves	2,415	(2,415)
1999-2000 Enacted Tax Reduction Reserve	1,815	(1,815)
1999-2000 Salary Reserve	50	(50)
Remaining 1999-2000 Surplus	550	(550)
Published PIT Receipts (before movement of 1999-2000 reserves)	**23,198**	**20,645**

Cash Financial Plan — After PIT Refund Reserve Transaction
General Fund
1999-2000 and 2000-2001
(millions of dollars)

	1999-2000 Estimate	2000-2001 Recommended	Change
Opening fund balance	892	920	
Receipts:			
Taxes			
Personal income tax	20,783	23,060	2,277
User taxes and fees	7,430	7,055	(375)
Business taxes	4,575	4,241	(334)
Other taxes	1,010	766	(244)
Miscellaneous receipts	1,474	1,339	(135)
Transfers from other funds			
-- LGAC	1,684	1,647	(37)
-- All other	393	362	(31)
Total receipts	37,349	38,470	1,121
Disbursements:			
Grants to local governments	25,612	25,810	198
State operations	6,630	7,061	431
General State charges	2,087	2,236	149
Debt service	6	5	(1)
Transfers to other funds			
-- Debt service	2,230	2,275	45
-- Capital projects	143	238	95
-- Other purposes	363	292	(71)
Total disbursements	37,071	37,917	846
Change in fund balance	278	553	
Closing fund balance	1,170	1,473	
-- Tax Stabilization Reserve Fund	548	548	
-- Contingency Reserve Fund	107	150	
-- Community Projects Fund	265	0	
-- Debt Reduction Reserve Fund	250	0	
-- 2000-2001 New Tax Reduction Reserve	0	300	
-- 1999-2000 Salary Reserve	0	50	
-- 2000-2001 Salary Reserve	0	425	

Note 1: The 2000-2001 opening fund balance is $250 million lower than the 1999-2000 closing fund balance due to the reclassification of the Debt Reduction Reserve Fund from the General Fund to the Capital Projects Funds in 2000-2001.

Cash Financial Plan
General Fund
2000-2001 through 2002-2003
(millions of dollars)

	2000-2001 Recommended	2001-2002 Projected	2002-2003 Projected
Receipts:			
Taxes			
Personal income tax	23,060	24,064	24,348
User taxes and fees	7,055	7,277	7,420
Business taxes	4,241	3,976	3,863
Other taxes	766	800	851
Miscellaneous receipts	1,339	1,262	1,228
Transfers from other funds			
-- LGAC	1,647	1,756	1,864
-- All other	362	317	354
Total receipts	38,470	39,452	39,928
Disbursements:			
Grants to local governments	25,810	27,296	28,739
State operations	7,061	7,417	7,602
General State charges	2,236	2,633	2,775
Debt service	5	0	0
Transfers to other funds			
-- Debt service	2,275	2,288	2,313
-- Capital projects	238	294	282
-- Other purposes	292	337	352
Total disbursements	37,917	40,265	42,063
(Deposit to)/use of Contingency Reserve Fund	(43)	0	0
(Deposit to)/use of Community Projects Fund	265	0	0
(Deposit to)/use of New Tax Reduction Reserve	(300)	92	208
(Deposit to)/use of 1999-2000 Salary Reserve	(50)	0	0
(Deposit to)/use of Salary Reserve	(425)	(505)	(715)
Margin	0	(1,226)	(2,642)

Cash Financial Plan
All Governmental Funds
1998-1999
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	638	616	72	164	1,490
Receipts:					
Taxes	33,319	1,934	1,123	2,204	38,580
Miscellaneous receipts	1,505	5,813	1,567	630	9,515
Federal grants	0	21,422	1,219	0	22,641
Total receipts	34,824	29,169	3,909	2,834	70,736
Disbursements:					
Grants to local governments	24,694	23,447	544	0	48,685
State operations	6,671	5,920	0	4	12,595
General State charges	2,259	276	0	0	2,535
Debt service	9	0	0	3,266	3,275
Capital projects	0	6	3,518	0	3,524
Total disbursements	33,633	29,649	4,062	3,270	70,614
Other financing sources (uses):					
Transfers from other funds	1,917	2,444	274	4,370	9,005
Transfers to other funds	(2,854)	(1,908)	(423)	(3,878)	(9,063)
Bond and note proceeds	0	0	249	0	249
Net other financing sources (uses)	(937)	536	100	492	191
Change in fund balance	254	56	(53)	56	313
Closing fund balance	892	672	19	220	1,803

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	892	672	69	170	1,803
Receipts:					
Taxes	33,798	2,572	1,151	2,336	39,857
Miscellaneous receipts	1,474	5,942	1,866	606	9,888
Federal grants	0	21,556	1,319	0	22,875
Total receipts	35,272	30,070	4,336	2,942	72,620
Disbursements:					
Grants to local governments	25,612	23,864	600	0	50,076
State operations	6,630	6,311	0	14	12,955
General State charges	2,087	555	0	0	2,642
Debt service	6	0	0	3,561	3,567
Capital projects	0	6	3,576	0	3,582
Total disbursements	34,335	30,736	4,176	3,575	72,822
Other financing sources (uses):					
Transfers from other funds	2,077	2,291	185	4,564	9,117
Transfers to other funds	(2,736)	(1,959)	(532)	(3,931)	(9,158)
Bond and note proceeds	0	29	250	0	279
Net other financing sources (uses)	(659)	361	(97)	633	238
Change in fund balance	278	(305)	63	0	36
Closing fund balance	1,170	367	132	170	1,839

Cash Financial Plan
All Governmental Funds
2000-2001
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	920	367	382	170	1,839
Receipts:					
Taxes	36,572	3,437	1,240	2,297	43,546
Miscellaneous receipts	1,339	6,905	2,063	575	10,882
Federal grants	0	23,010	1,377	0	24,387
(Deposit to)/use of reserves	(1,450)	1,200	250	0	0
Total receipts	36,461	34,552	4,930	2,872	78,815
Disbursements:					
Grants to local governments	25,810	26,765	871	0	53,446
State operations	7,061	6,226	0	7	13,294
General State charges	2,236	557	0	0	2,793
Debt service	5	0	0	3,802	3,807
Capital projects	0	4	3,461	0	3,465
Total disbursements	35,112	33,552	4,332	3,809	76,805
Other financing sources (uses):					
Transfers from other funds	2,009	2,284	263	4,898	9,454
Transfers to other funds	(2,805)	(2,103)	(664)	(3,972)	(9,544)
Bond and note proceeds	0	0	286	0	286
Use of Debt Reduction Reserve Fund	0	0	(500)	0	(500)
Net other financing sources (uses)	(796)	181	(615)	926	(304)
Change in fund balance	553	1,181	(17)	(11)	1,706
Closing fund balance	1,473	1,548	365	159	3,545

Note 1: The opening fund balances of the General Fund and the Capital Projects Funds are changed by $250 million to reflect the reclassification of the Debt Reduction Reserve Fund from the General Fund to the Capital Projects Funds.

Note 2: The $1.45 billion reduction in General Fund receipts is being used to made an additional deposit of $1.2 billion to the School Tax Property Relief Fund to be used in 2001-2002 and to deposit $250 million to the Debt Reduction Reserve Fund.

Cash Financial Plan
All Governmental Funds
2001-2002
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	1,548	365	159	2,072
Receipts:					
Taxes	36,117	3,075	1,370	2,412	42,974
Miscellaneous receipts	1,262	7,060	1,904	555	10,781
Federal grants	0	23,736	1,352	0	25,088
Total receipts	37,379	33,871	4,626	2,967	78,843
Disbursements:					
Grants to local governments	27,296	28,825	768	0	56,889
State operations	7,417	6,166	0	7	13,590
General State charges	2,633	311	0	0	2,944
Debt service	0	0	0	3,953	3,953
Capital projects	0	5	3,724	0	3,729
Total disbursements	37,346	35,307	4,492	3,960	81,105
Other financing sources (uses):					
Transfers from other funds	2,073	2,196	319	4,940	9,528
Transfers to other funds	(2,919)	(1,957)	(783)	(3,965)	(9,624)
Bond and note proceeds	0	0	303	0	303
Use of Debt Reduction Reserve Fund	0	0	(250)	0	(250)
Net other financing sources (uses)	(846)	239	(411)	975	(43)
(Deposit to)/use of New Tax Reduction Reserve Fund	92	0	0	0	92
(Deposit to)/use of Salary Reserve	(505)	0	0	0	(505)
Change in fund balance	(1,226)	(1,197)	(277)	(18)	(2,305)
Closing fund balance	(1,226)	351	88	141	(233)

Cash Financial Plan
All Governmental Funds
2002-2003
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	351	88	141	580
Receipts:					
Taxes	36,482	4,443	1,474	2,527	44,926
Miscellaneous receipts	1,228	7,242	1,834	551	10,855
Federal grants	0	24,811	1,369	0	26,180
Total receipts	37,710	36,496	4,677	3,078	81,961
Disbursements:					
Grants to local governments	28,739	30,149	737	0	59,625
State operations	7,602	6,242	0	7	13,851
General State charges	2,775	319	0	0	3,094
Debt service	0	0	0	4,073	4,073
Capital projects	0	5	3,629	0	3,634
Total disbursements	39,116	36,715	4,366	4,080	84,277
Other financing sources (uses):					
Transfers from other funds	2,218	2,175	283	5,076	9,752
Transfers to other funds	(2,947)	(1,940)	(903)	(4,063)	(9,853)
Bond and note proceeds	0	0	299	0	299
Net other financing sources (uses)	(729)	235	(321)	1,013	198
(Deposit to)/use of New Tax Reduction Reserve Fund	208	0	0	0	208
(Deposit to)/use of Salary Reserve	(715)	0	0	0	(715)
Change in fund balance	(2,642)	16	(10)	11	(2,625)
Closing fund balance	(2,642)	367	78	152	(2,045)

Cash Financial Plan
State Funds
1998-1999
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	638	1,039	195	164	2,036
Receipts:					
Taxes	33,319	1,934	1,123	2,204	38,580
Miscellaneous receipts	1,505	5,710	1,566	630	9,411
Federal grants	0	2	0	0	2
Total receipts	34,824	7,646	2,689	2,834	47,993
Disbursements:					
Grants to local governments	24,694	4,757	429	0	29,880
State operations	6,671	3,283	0	4	9,958
General State charges	2,259	170	0	0	2,429
Debt service	9	0	0	3,266	3,275
Capital projects	0	6	2,400	0	2,406
Total disbursements	33,633	8,216	2,829	3,270	47,948
Other financing sources (uses):					
Transfers from other funds	1,917	704	274	4,370	7,265
Transfers to other funds	(2,854)	(106)	(417)	(3,878)	(7,255)
Bond and note proceeds	0	0	249	0	249
Net other financing sources (uses)	(937)	598	106	492	259
Change in fund balance	254	28	(34)	56	304
Closing fund balance	892	1,067	161	220	2,340

Cash Financial Plan
State Funds
1999-2000
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	892	1,067	211	170	2,340
Receipts:					
Taxes	33,798	2,572	1,151	2,336	39,857
Miscellaneous receipts	1,474	5,839	1,866	606	9,785
Federal grants	0	0	0	0	0
Total receipts	35,272	8,411	3,017	2,942	49,642
Disbursements:					
Grants to local governments	25,612	5,171	474	0	31,257
State operations	6,630	3,509	0	14	10,153
General State charges	2,087	435	0	0	2,522
Debt service	6	0	0	3,561	3,567
Capital projects	0	6	2,390	0	2,396
Total disbursements	34,335	9,121	2,864	3,575	49,895
Other financing sources (uses):					
Transfers from other funds	2,077	501	185	4,564	7,327
Transfers to other funds	(2,736)	(153)	(525)	(3,931)	(7,345)
Bond and note proceeds	0	29	250	0	279
Net other financing sources (uses)	(659)	377	(90)	633	261
Change in fund balance	278	(333)	63	0	8
Closing fund balance	1,170	734	274	170	2,348

Cash Financial Plan
State Funds
2000-2001
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	920	734	524	170	2,348
Receipts:					
Taxes	36,572	3,437	1,240	2,297	43,546
Miscellaneous receipts	1,339	6,802	2,063	575	10,779
Federal grants	0	0	0	0	0
(Deposit to)use of reserves	(1,450)	1,200	250	0	0
Total receipts	36,461	11,439	3,553	2,872	54,325
Disbursements:					
Grants to local governments	25,810	6,737	674	0	33,221
State operations	7,061	3,374	0	7	10,442
General State charges	2,236	429	0	0	2,665
Debt service	5	0	0	3,802	3,807
Capital projects	0	4	2,302	0	2,306
Total disbursements	35,112	10,544	2,976	3,809	52,441
Other financing sources (uses):					
Transfers from other funds	2,009	454	263	4,898	7,624
Transfers to other funds	(2,805)	(141)	(657)	(3,972)	(7,575)
Bond and note proceeds	0	0	286	0	286
Use of Debt Reduction Reserve Fund	0	0	(500)	0	(500)
Net other financing sources (uses)	(796)	313	(608)	926	(165)
Change in fund balance	553	1,208	(31)	(11)	1,719
Closing fund balance	1,473	1,942	493	159	4,067

Note 1: The opening fund balances of the General Fund and the Capital Projects Funds are changed by $250 million to reflect the reclassification of the Debt Reduction Reserve Fund from the General Fund to the Capital Projects Funds.

Note 2: The $1.45 billion reduction in General Fund receipts is being used to made an additional deposit of $1.2 billion to the School Tax Property Relief Fund to be used in 2001-2002 and to deposit $250 million to the Debt Reduction Reserve Fund.

Cash Financial Plan
State Funds
2001-2002
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	1,942	493	159	2,594
Receipts:					
Taxes	36,117	3,075	1,370	2,412	42,974
Miscellaneous receipts	1,262	6,957	1,904	555	10,678
Federal grants	0	0	0	0	0
Total receipts	37,379	10,032	3,274	2,967	53,652
Disbursements:					
Grants to local governments	27,296	7,989	569	0	35,854
State operations	7,417	3,425	0	7	10,849
General State charges	2,633	181	0	0	2,814
Debt service	0	0	0	3,953	3,953
Capital projects	0	5	2,579	0	2,584
Total disbursements	37,346	11,600	3,148	3,960	56,054
Other financing sources (uses):					
Transfers from other funds	2,073	469	319	4,940	7,801
Transfers to other funds	(2,919)	(93)	(775)	(3,965)	(7,752)
Bond and note proceeds	0	0	303	0	303
Use of Debt Reduction Reserve Fund	0	0	(250)	0	(250)
Net other financing sources (uses)	(846)	376	(403)	975	102
(Deposit to) use of New Tax Reduction Reserve Fund	92	0	0	0	92
(Deposit to) use of Salary Reserve	(505)	0	0	0	(505)
Change in fund balance	(1,226)	(1,192)	(277)	(18)	(2,713)
Closing fund balance	(1,226)	750	216	141	(119)

Cash Financial Plan
State Funds
2002-2003
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	750	216	141	1,107
Receipts:					
Taxes	36,482	4,443	1,474	2,527	44,926
Miscellaneous receipts	1,228	7,137	1,834	551	10,750
Federal grants	0	0	0	0	0
Total receipts	37,710	11,580	3,308	3,078	55,676
Disbursements:					
Grants to local governments	28,739	8,239	539	0	37,517
State operations	7,602	3,508	0	7	11,117
General State charges	2,775	185	0	0	2,960
Debt service	0	0	0	4,073	4,073
Capital projects	0	5	2,466	0	2,471
Total disbursements	39,116	11,937	3,005	4,080	58,138
Other financing sources (uses):					
Transfers from other funds	2,218	473	283	5,076	8,050
Transfers to other funds	(2,947)	(76)	(895)	(4,063)	(7,981)
Bond and note proceeds	0	0	299	0	299
Net other financing sources (uses)	(729)	397	(313)	1,013	368
(Deposit to) use of New Tax Reduction Reserve Fund	208	0	0	0	208
(Deposit to) use of Salary Reserve	(715)	0	0	0	(715)
Change in fund balance	(2,642)	40	(10)	11	(2,601)
Closing fund balance	(2,642)	790	206	152	(1,494)

Cash Financial Plan
Special Revenue Funds
1998-1999
(millions of dollars)

	State	Federal	Total
Opening fund balance	1,039	(423)	616
Receipts:			
Taxes	1,934	0	1,934
Miscellaneous receipts	5,710	103	5,813
Federal grants	2	21,420	21,422
Total receipts	7,646	21,523	29,169
Disbursements:			
Grants to local governments	4,757	18,690	23,447
State operations	3,283	2,637	5,920
General State charges	170	106	276
Capital projects	6	0	6
Total disbursements	8,216	21,433	29,649
Other financing sources (uses):			
Transfers from other funds	704	1,740	2,444
Transfers to other funds	(106)	(1,802)	(1,908)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	598	(62)	536
Change in fund balance	28	28	56
Closing fund balance	1,067	(395)	672

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

	State	Federal	Total
Opening fund balance	1,067	(395)	672
Receipts:			
Taxes	2,572	0	2,572
Miscellaneous receipts	5,839	103	5,942
Federal grants	0	21,556	21,556
Total receipts	8,411	21,659	30,070
Disbursements:			
Grants to local governments	5,171	18,693	23,864
State operations	3,509	2,802	6,311
General State charges	435	120	555
Capital projects	6	0	6
Total disbursements	9,121	21,615	30,736
Other financing sources (uses):			
Transfers from other funds	501	1,790	2,291
Transfers to other funds	(153)	(1,806)	(1,959)
Bond and note proceeds	29	0	29
Net other financing sources (uses)	377	(16)	361
Change in fund balance	(333)	28	(305)
Closing fund balance	734	(367)	367

Cash Financial Plan
Special Revenue Funds
2000-2001
(millions of dollars)

	State	Federal	Total
Opening fund balance	734	(367)	367
Receipts:			
Taxes	3,437	0	3,437
Miscellaneous receipts	6,802	103	6,905
Federal grants	0	23,010	23,010
Use of reserves	1,200	0	1,200
Total receipts	11,439	23,113	34,552
Disbursements:			
Grants to local governments	6,737	20,028	26,765
State operations	3,374	2,852	6,226
General State charges	429	128	557
Capital projects	4	0	4
Total disbursements	10,544	23,008	33,552
Other financing sources (uses):			
Transfers from other funds	454	1,830	2,284
Transfers to other funds	(141)	(1,962)	(2,103)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	313	(132)	181
Change in fund balance	1,208	(27)	1,181
Closing fund balance	1,942	(394)	1,548

Cash Financial Plan
Special Revenue Funds
2001-2002
(millions of dollars)

	State	Federal	Total
Opening fund balance	1,942	(394)	1,548
Receipts:			
Taxes	3,075	0	3,075
Miscellaneous receipts	6,957	103	7,060
Federal grants	0	23,736	23,736
Total receipts	10,032	23,839	33,871
Disbursements:			
Grants to local governments	7,989	20,836	28,825
State operations	3,425	2,741	6,166
General State charges	181	130	311
Capital projects	5	0	5
Total disbursements	11,600	23,707	35,307
Other financing sources (uses):			
Transfers from other funds	469	1,727	2,196
Transfers to other funds	(93)	(1,864)	(1,957)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	376	(137)	239
Change in fund balance	(1,192)	(5)	(1,197)
Closing fund balance	750	(399)	351

Cash Financial Plan
Special Revenue Funds
2002-2003
(millions of dollars)

	State	Federal	Total
Opening fund balance	750	(399)	351
Receipts:			
Taxes	4,443	0	4,443
Miscellaneous receipts	7,137	105	7,242
Federal grants	0	24,811	24,811
Total receipts	11,580	24,916	36,496
Disbursements:			
Grants to local governments	8,239	21,910	30,149
State operations	3,508	2,734	6,242
General State charges	185	134	319
Capital projects	5	0	5
Total disbursements	11,937	24,778	36,715
Other financing sources (uses):			
Transfers from other funds	473	1,702	2,175
Transfers to other funds	(76)	(1,864)	(1,940)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	397	(162)	235
Change in fund balance	40	(24)	16
Closing fund balance	790	(423)	367

Cash Financial Plan
Capital Projects Funds
1998-1999
(millions of dollars)

	State	Federal	Total
Opening fund balance	195	(123)	72
Receipts:			
Taxes	1,123	0	1,123
Miscellaneous receipts	1,566	1	1,567
Federal grants	0	1,219	1,219
Total receipts	2,689	1,220	3,909
Disbursements:			
Grants to local governments	429	115	544
State operations	0	0	0
General State charges	0	0	0
Capital projects	2,400	1,118	3,518
Total disbursements	2,829	1,233	4,062
Other financing sources (uses):			
Transfers from other funds	274	0	274
Transfers to other funds	(417)	(6)	(423)
Bond and note proceeds	249	0	249
Net other financing sources (uses)	106	(6)	100
Change in fund balance	(34)	(19)	(53)
Closing fund balance	161	(142)	19

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

	State	Federal	Total
Opening fund balance	211	(142)	69
Receipts:			
Taxes	1,151	0	1,151
Miscellaneous receipts	1,866	0	1,866
Federal grants	0	1,319	1,319
Total receipts	3,017	1,319	4,336
Disbursements:			
Grants to local governments	474	126	600
State operations	0	0	0
General State charges	0	0	0
Capital projects	2,390	1,186	3,576
Total disbursements	2,864	1,312	4,176
Other financing sources (uses):			
Transfers from other funds	185	0	185
Transfers to other funds	(525)	(7)	(532)
Bond and note proceeds	250	0	250
Net other financing sources (uses)	(90)	(7)	(97)
Change in fund balance	63	0	63
Closing fund balance	274	(142)	132

Cash Financial Plan
Capital Projects Funds
2000-2001
(millions of dollars)

	State	Federal	Total
Opening fund balance	524	(142)	382
Receipts:			
Taxes	1,240	0	1,240
Miscellaneous receipts	2,063	0	2,063
Federal grants	0	1,377	1,377
(Deposit to)/use of reserves	250	0	250
Total receipts	3,553	1,377	4,930
Disbursements:			
Grants to local governments	674	197	871
State operations	0	0	0
General State charges	0	0	0
Capital projects	2,302	1,159	3,461
Total disbursements	2,976	1,356	4,332
Other financing sources (uses):			
Transfers from other funds	263	0	263
Transfers to other funds	(657)	(7)	(664)
Bond and note proceeds	286	0	286
Use of Debt Reduction Reserve Fund	(500)	0	(500)
Net other financing sources (uses)	(608)	(7)	(615)
Change in fund balance	(31)	14	(17)
Closing fund balance	493	(128)	365

Note 1: The opening fund balance includes $250 million for the Debt Reduction Reserve Fund as a result of the reclassification from the General Fund to the Capital Projects Fund

Cash Financial Plan
Capital Projects Funds
2001-2002
(millions of dollars)

	State	Federal	Total
Opening fund balance	493	(128)	365
Receipts:			
Taxes	1,370	0	1,370
Miscellaneous receipts	1,904	0	1,904
Federal grants	0	1,352	1,352
Total receipts	3,274	1,352	4,626
Disbursements:			
Grants to local governments	569	199	768
State operations	0	0	0
General State charges	0	0	0
Capital projects	2,579	1,145	3,724
Total disbursements	3,148	1,344	4,492
Other financing sources (uses):			
Transfers from other funds	319	0	319
Transfers to other funds	(775)	(8)	(783)
Bond and note proceeds	303	0	303
Use of Debt Reduction Reserve Fund	(250)	0	(250)
Net other financing sources (uses)	(403)	(8)	(411)
Change in fund balance	(277)	0	(277)
Closing fund balance	216	(128)	88

Cash Financial Plan
Capital Projects Funds
2002-2003
(millions of dollars)

	State	Federal	Total
Opening fund balance	216	(128)	88
Receipts:			
Taxes	1,474	0	1,474
Miscellaneous receipts	1,834	0	1,834
Federal grants	0	1,369	1,369
Total receipts	3,308	1,369	4,677
Disbursements:			
Grants to local governments	539	198	737
State operations	0	0	0
General State charges	0	0	0
Capital projects	2,466	1,163	3,629
Total disbursements	3,005	1,361	4,366
Other financing sources (uses):			
Transfers from other funds	283	0	283
Transfers to other funds	(895)	(8)	(903)
Bond and note proceeds	299	0	299
Net other financing sources (uses)	(313)	(8)	(321)
Change in fund balance	(10)	0	(10)
Closing fund balance	206	(128)	78

Cash Financial Plan
Proprietary And Fiduciary Funds
1999-2000
(millions of dollars)

	Internal Service	Enterprise	Fiduciary
Opening fund balance	(59)	16	29
Receipts:			
Unemployment taxes	0	0	1,625
Miscellaneous receipts	459	78	51
Federal grants	0	0	26
Total receipts	459	78	1,702
Disbursements:			
Grants to local governments	0	0	6
State operations	395	76	41
Unemployment benefits	0	0	1,650
General State charges	25	2	2
Debt service	112	0	0
Total disbursements	532	78	1,699
Other financing sources (uses):			
Transfers from other funds	44	0	1
Transfers to other funds	(2)	0	0
Net other financing sources (uses)	42	0	1
Change in fund balance	(31)	0	4
Closing fund balance	(90)	16	33

Cash Financial Plan
Proprietary And Fiduciary Funds
2000-2001
(millions of dollars)

	Internal Service	Enterprise	Fiduciary
Opening fund balance	(90)	16	33
Receipts:			
Unemployment taxes	0	0	1,625
Miscellaneous receipts	636	82	45
Federal grants	0	0	26
Total receipts	636	82	1,696
Disbursements:			
Grants to local governments	0	0	7
State operations	505	82	61
Unemployment benefits	0	0	1,650
General State charges	36	2	1
Debt service	198	0	0
Total disbursements	739	84	1,719
Other financing sources (uses):			
Transfers from other funds	70	0	20
Transfers to other funds	0	0	0
Net other financing sources (uses)	70	0	20
Change in fund balance	(33)	(2)	(3)
Closing fund balance	(123)	14	30

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

	August	Change	January
Revenues:			
Taxes			
Personal income tax	21,558	151	21,709
User taxes and fees	7,394	55	7,449
Business taxes	4,666	(147)	4,519
Other taxes	1,056	(1)	1,055
Miscellaneous revenues	2,793	161	2,954
Total revenues	37,467	219	37,686
Expenditures:			
Grants to local governments	26,785	(92)	26,693
State operations	8,971	(90)	8,881
General State charges	1,810	80	1,890
Debt service	25	(5)	20
Capital projects	0	1	1
Total expenditures	37,591	(106)	37,485
Other financing sources (uses):			
Transfers from other funds	4,295	21	4,316
Transfers to other funds	(4,638)	165	(4,473)
Proceeds from financing arrangements/ advance refundings	370	51	421
Net other financing sources (uses)	27	237	264
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(97)	562	465
Accumulated Surplus (Deficit)	1,549	562	2,111

GAAP Financial Plan
General Fund
1999-2000 and 2000-2001
(millions of dollars)

	1999-2000 Estimate	2000-2001 Recommended	Change
Revenues:			
Taxes			
Personal income tax	21,709	22,270	561
User taxes and fees	7,449	7,067	(382)
Business taxes	4,519	4,204	(315)
Other taxes	1,055	749	(306)
Miscellaneous revenues	2,954	3,033	79
Total revenues	37,686	37,323	(363)
Expenditures:			
Grants to local governments	26,693	26,862	169
State operations	8,881	9,096	215
General State charges	1,890	1,950	60
Debt service	20	32	12
Capital projects	1	1	0
Total expenditures	37,485	37,941	456
Other financing sources (uses):			
Transfers from other funds	4,316	4,530	214
Transfers to other funds	(4,473)	(4,930)	(457)
Proceeds from financing arrangements/ advance refundings	421	386	(35)
Net other financing sources (uses)	264	(14)	(278)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	465	(632)	(1,097)
Accumulated Surplus (Deficit)	2,111	1,479	

Conversion of Cash Financial Plan
To GAAP Financial Plan
General Fund
1999-2000
(millions of dollars)

	Cash Financial Plan	Perspective Diff. Special Revenue Funds	Entity Diff. Other Funds	Cash Basis Subtotal	Changes in Accruals	Elimin-ations	Intra-fund Elimin-ations	Reclass-ification	GAAP Financial Plan
Receipts/revenues:									
Taxes									
Personal income tax	20,783	0	0	20,783	926	0	0	0	21,709
User taxes and fees	7,430	0	0	7,430	19	0	0	0	7,449
Business taxes	4,575	0	0	4,575	(56)	0	0	0	4,519
Other taxes	1,010	0	0	1,010	45	0	0	0	1,055
Miscellaneous receipts	1,474	1,719	516	3,709	26	(75)	(458)	(248)	2,954
Total receipts/ revenues	35,272	1,719	516	37,507	960	(75)	(458)	(248)	37,686
Disbursements/expenditures:									
Grants to local governments	25,612	830	0	26,442	808	(1)	0	(556)	26,693
State operations	6,630	2,906	449	9,985	42	(179)	(458)	(509)	8,881
General State charges	2,087	398	26	2,511	63	(15)	0	(669)	1,890
Debt service	0	1	0	1	0	0	0	0	1
Capital projects	6	0	112	118	14	0	0	(112)	20
Total disbursements/ expenditures	34,335	4,135	587	39,057	927	(195)	(458)	(1,846)	37,485
Other financing sources (uses):									
Transfers from other funds	2,077	2,317	44	4,438	0	(126)	(279)	283	4,316
Transfers to other funds	(2,736)	(128)	(3)	(2,867)	(6)	2	279	(1,881)	(4,473)
Proceeds from financing arrangements/advance refundings	0	29	0	29	392	0	0	0	421
Net other financing sources (uses)	(659)	2,218	41	1,600	386	(124)	0	(1,598)	264
(Increase)/decrease in reserves	(278)	0	0	(278)	278	0	0	0	0
Receipts/revenues and other financing sources over (under) disbursements/expenditures and other financing uses	0	(198)	(30)	(228)	697	(4)	0	0	465

Conversion of Cash Financial Plan
To GAAP Financial Plan
General Fund
2000-2001
(millions of dollars)

	Cash Financial Plan	Perspective Diff. Special Revenue Funds	Entity Diff. Other Funds	Cash Basis Subtotal	Changes in Accruals	Elimin-ations	Intra-fund Elimin-ations	Reclass-ification	GAAP Financial Plan
Receipts/revenues:									
Taxes									
Personal income tax	23,060	0	0	23,060	(790)	0	0	0	22,270
User taxes and fees	7,055	0	0	7,055	12	0	0	0	7,067
Business taxes	4,241	0	0	4,241	(37)	0	0	0	4,204
Other taxes	766	0	0	766	(17)	0	0	0	749
Miscellaneous receipts	1,339	1,948	696	3,983	30	(80)	(634)	(266)	3,033
Total receipts/ revenues	36,461	1,948	696	39,105	(802)	(80)	(634)	(266)	37,323
Disbursements/expenditures:									
Grants to local governments	25,810	932	0	26,742	718	(1)	0	(597)	26,862
State operations	7,061	2,852	566	10,479	36	(186)	(634)	(599)	9,096
General State charges	2,236	390	37	2,663	(8)	(16)	0	(689)	1,950
Debt service	0	1	0	1	0	0	0	0	1
Capital projects	5	0	198	203	27	0	0	(198)	32
Total disbursements/ expenditures	35,112	4,175	801	40,088	773	(203)	(634)	(2,083)	37,941
Other financing sources (uses):									
Transfers from other funds	2,009	2,388	70	4,467	0	(128)	(110)	301	4,530
Transfers to other funds	(2,805)	(114)	0	(2,919)	(5)	2	110	(2,118)	(4,930)
Proceeds from financing arrangements/advance refundings	0	0	0	0	386	0	0	0	386
Net other financing sources (uses)	(796)	2,274	70	1,548	381	(126)	0	(1,817)	(14)
(Increase)/decrease in reserves	(553)	0	0	(553)	553	0	0	0	0
Receipts/revenues and other financing sources over (under) disbursements/expenditures and other financing uses	0	47	(35)	12	(641)	(3)	0	0	(632)

GAAP Financial Plan
General Fund
2000-2001 through 2002-2003
(millions of dollars)

	2000-2001 Recommended	2001-2002 Projected	2002-2003 Projected
Revenues:			
Taxes			
Personal income tax	23,045	24,171	24,365
User taxes and fees	7,067	7,290	7,475
Business taxes	4,204	4,009	3,885
Other taxes	749	805	856
Miscellaneous revenues	3,033	2,981	3,004
Total revenues	38,098	39,256	39,585
Expenditures:			
Grants to local governments	26,862	28,457	29,897
State operations	9,096	9,247	9,401
General State charges	1,950	2,077	2,204
Debt service	32	21	23
Capital projects	1	2	2
Total expenditures	37,941	39,804	41,527
Other financing sources (uses):			
Transfers from other funds	4,530	4,398	4,506
Transfers to other funds	(4,930)	(5,045)	(5,148)
Proceeds from financing arrangements/ advance refundings	386	280	280
Net other financing sources (uses)	(14)	(367)	(362)
(Deposit to)/use of New Tax Reduction Reserve Fund	(300)	92	208
(Deposit to)/ Salary Reserve	(475)	(505)	(715)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(632)	(1,328)	(2,811)

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	34,732	2,592	1,149	2,361	40,834
Federal grants	0	23,131	1,374	0	24,505
Lottery	0	3,567	0	0	3,567
Patient fees	0	0	0	369	369
Miscellaneous revenues	2,954	426	226	66	3,672
Total revenues	37,686	29,716	2,749	2,796	72,947
Expenditures:					
Grants to local governments	26,693	23,894	548	0	51,135
State operations	8,881	3,461	0	14	12,356
General State charges	1,890	170	0	0	2,060
Debt service	20	0	0	3,079	3,099
Capital projects	1	5	3,565	0	3,571
Total expenditures	37,485	27,530	4,113	3,093	72,221
Other financing sources (uses):					
Transfers from other funds	4,316	779	160	4,678	9,933
Transfers to other funds	(4,473)	(2,917)	(534)	(4,327)	(12,251)
Proceeds of general obligation bonds	0	0	390	0	390
Proceeds from financing arrangements/			0	0	
advance refundings	421	0	1,515	0	1,936
Net other financing sources (uses)	264	(2,138)	1,531	351	8
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	465	48	167	54	734

GAAP Financial Plan
All Governmental Funds
2000-2001
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	34,290	4,635	1,489	2,304	42,718
Federal grants	0	24,630	1,434	0	26,064
Lottery	0	3,967	0	0	3,967
Patient fees	0	0	0	340	340
Miscellaneous revenues	3,033	832	333	62	4,260
Total revenues	37,323	34,064	3,256	2,706	77,349
Expenditures:					
Grants to local governments	26,862	26,559	818	0	54,239
State operations	9,096	3,790	0	7	12,893
General State charges	1,950	180	0	0	2,130
Debt service	32	0	0	3,363	3,395
Capital projects	1	3	3,474	0	3,478
Total expenditures	37,941	30,532	4,292	3,370	76,135
Other financing sources (uses):					
Transfers from other funds	4,530	953	238	5,098	10,819
Transfers to other funds	(4,930)	(3,300)	(710)	(4,398)	(13,338)
Proceeds of general obligation bonds	0	0	331	0	331
Proceeds from financing arrangements/ advance refundings	386	0	1,838	0	2,224
Use of Debt Reduction Reserve Fund	0	0	(500)	0	(500)
Net other financing sources (uses)	(14)	(2,347)	1,197	700	(464)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(632)	1,185	161	36	750

Cash Flow
General Fund
1998-1999
(millions of dollars)

	First Quarter (Actual)	Second Quarter (Actual)	Third Quarter (Actual)	Fourth Quarter (Actual)	Total (Actual)
Opening fund balance	638	3,981	5,021	5,331	638
Receipts:					
Taxes					
Personal income tax	7,823	4,548	4,130	3,579	20,080
User taxes and fees	1,868	1,847	1,813	1,716	7,244
Business taxes	1,121	1,163	1,170	1,403	4,857
Other taxes	256	320	271	291	1,138
Miscellaneous receipts	332	390	416	367	1,505
Transfers from other funds	524	466	550	376	1,916
Total receipts	11,924	8,735	8,350	7,732	36,741
Disbursements:					
Grants to local governments	5,260	4,499	5,133	9,802	24,694
State operations	1,967	1,732	1,742	1,230	6,671
General State charges	633	724	481	421	2,259
Debt service	1	3	3	2	9
Transfers to other funds	720	737	681	716	2,854
Total disbursements	8,581	7,695	8,040	12,171	36,487
Excess (deficiency) of receipts over disbursements	3,343	1,040	310	(4,439)	254
Closing fund balance	3,981	5,021	5,331	892	892

Cash Flow
General Fund
1999-2000
(millions of dollars)

	First Quarter (Actual)	Second Quarter (Actual)	Third Quarter (Actual)	Fourth Quarter (Projected)	Total (Projected)
Opening fund balance	892	4,521	5,421	5,683	892
Receipts:					
Taxes					
Personal income tax	8,323	4,912	4,157	3,391	20,783
User taxes and fees	1,872	1,905	1,960	1,693	7,430
Business taxes	1,016	1,141	1,098	1,320	4,575
Other taxes	245	280	275	210	1,010
Miscellaneous receipts	316	368	445	345	1,474
Transfers from other funds	559	481	532	505	2,077
Total receipts	12,331	9,086	8,467	7,465	37,349
Disbursements:					
Grants to local governments	5,479	4,675	5,584	9,874	25,612
State operations	1,884	1,874	1,749	1,123	6,630
General State charges	635	777	168	507	2,087
Debt service	1	2	2	2	6
Transfers to other funds	703	858	702	473	2,736
Total disbursements	8,702	8,186	8,205	11,978	37,071
Excess (deficiency) of receipts over disbursements	3,629	900	262	(4,514)	278
Closing fund balance	4,521	5,421	5,683	1,170	1,170

Cash Flow
General Fund
2000-2001
(millions of dollars)

	First Quarter (Projected)	Second Quarter (Projected)	Third Quarter (Projected)	Fourth Quarter (Projected)	Total (Projected)
Opening fund balance	920	4,126	5,154	4,674	920
Receipts:					
Taxes					
Personal income tax	9,051	5,154	3,795	5,060	23,060
User taxes and fees	1,746	1,825	1,795	1,689	7,055
Business taxes	1,025	1,033	988	1,195	4,241
Other taxes	189	218	199	160	766
Miscellaneous receipts	327	334	344	334	1,339
Transfers from other funds	530	483	569	427	2,009
Total receipts	12,868	9,047	7,690	8,865	38,470
Disbursements:					
Grants to local governments	5,902	4,587	5,710	9,611	25,810
State operations	2,200	2,067	1,462	1,332	7,061
General State charges	667	759	265	545	2,236
Debt service	3	0	1	1	5
Transfers to other funds	890	606	732	577	2,805
Total disbursements	9,662	8,019	8,170	12,066	37,917
Excess (deficiency) of receipts over disbursements	3,206	1,028	(480)	(3,201)	553
Closing fund balance	4,126	5,154	4,674	1,473	1,473

Note 1: The opening fund balance of the General Fund is reduced by $250 million to reflect the reclassification of the Debt Reduction Reserve Fund from the General Fund to the Capital Projects Funds.

Cash Disbursements By Function
General Fund
(Thousands of Dollars)

	1998-1999 Actual	1999-2000 Estimated	2000-2001 Recommended
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture & Markets, Department of	33,074	35,801	34,746
Alcoholic Beverage Control	7,778	220	0
Banking Department	99	0	0
Consumer Protection Board	334	485	426
Economic Development, Department of	38,189	47,081	46,247
Empire State Development Corporation	108,768	104,155	82,457
Energy Research and Development Authority	0	0	0
Housing Finance Agency	640	760	700
Housing and Community Renewal, Division of	96,340	93,949	77,772
Insurance Department	0	0	0
Olympic Regional Development Authority	3,962	3,972	7,552
Public Service, Department of	0	0	0
Science, Technology & Academic Research, Office of	24,865	28,970	39,195
Functional Total	314,049	315,393	289,095
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	3,715	3,532	3,630
Environmental Conservation, Department of	91,047	90,551	94,555
Environmental Facilities Corporation	0	0	0
Parks, Recreation and Historic Preservation, Office of	104,273	92,805	98,239
Functional Total	199,035	186,888	196,424
TRANSPORTATION			
Motor Vehicles, Department of	124,530	122,620	117,836
Niagara Frontier Transportation Authority	0	0	0
Transportation, Department of	345,956	330,309	288,097
Functional Total	470,486	452,929	405,933
HEALTH & SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	837	998	1,002
Aging, Office for the	61,453	61,077	62,704
Children and Families, Council on	864	874	928
Children & Family Services, Office of	1,126,525	1,067,156	1,038,020
Health, Department of	6,298,252	6,428,626	6,375,143
Medical Assistance	5,562,702	5,616,752	5,681,907
Medicaid Administration	87,494	100,400	105,150
All Other Local Aid	500,631	575,400	426,727
Agency Operations/Capital	147,425	136,074	161,359
Human Rights, Division of	9,626	9,853	11,288
Labor, Department of	19,343	42,211	47,399

Cash Disbursements By Function
General Fund
(Thousands of Dollars)

	1998-1999 Actual	1999-2000 Estimated	2000-2001 Recommended
HEALTH & SOCIAL WELFARE (Continued)			
Temporary and Disability Assistance, Office of	2,002,764	1,732,285	1,764,229
Welfare Assistance	1,544,047	1,270,821	1,267,636
Local Administration	373,600	379,200	396,900
All Other Local Aid	11,926	18,542	22,642
Agency Operations/Capital	73,191	63,722	77,051
Workers' Compensation Board	0	0	0
Functional Total	9,519,664	9,343,080	9,300,713
MENTAL HEALTH			
Mental Health, Office of	1,052,942	1,110,998	1,208,400
Mental Retardation and Developmental Disabilities, Office of	675,042	698,573	704,913
Alcohol and Substance Abuse Services, Office of	286,296	286,029	291,390
Quality of Care for the Mentally Disabled, Commission on	3,034	3,056	3,008
Functional Total	2,017,314	2,098,656	2,207,711
PUBLIC PROTECTION			
Capital Defenders Office	13,028	13,138	13,832
Investigation, Temporary State Commission of	2,148	2,156	2,757
Judicial Commissions	1,990	2,038	2,083
Military and Naval Affairs, Division of	31,564	27,543	18,684
Justice, Department of	2,298,770	2,283,898	2,376,294
Correction, Commission of	2,164	2,195	0
Correctional Services, Department of	1,631,082	1,629,233	0
Crime Victims Board	3,092	3,002	0
Criminal Justice Services, Division of	92,790	98,319	0
Parole, Division of	185,853	181,465	0
Probation and Correctional Alternatives, Division of	94,790	90,870	0
State Police, Division of	288,999	278,814	0
Functional Total	2,347,500	2,328,773	2,413,650
EDUCATION			
Arts, Council on the	51,909	50,264	59,873
City University of New York	694,565	668,666	718,407
Education, Department of	10,973,622	11,983,035	12,156,881
School Aid	9,684,481	10,611,031	10,861,287
STAR Property Tax Relief	0	0	0
Handicapped	737,587	799,851	815,673
All Other Local Aid	492,574	516,642	431,301
Agency Operations/Capital	58,980	55,511	48,620
Higher Education Services Corporation	637,336	648,053	619,387
State University Construction Fund	0	0	0
State University of New York	1,168,600	1,072,284	1,155,369
Functional Total	13,526,032	14,422,302	14,709,917

Cash Disbursements By Function
General Fund
(Thousands of Dollars)

	1998-1999 Actual	1999-2000 Estimated	2000-2001 Recommended
GENERAL GOVERNMENT			
Audit and Control, Department of	98,672	108,145	115,931
Budget, Division of the	27,482	26,076	26,440
Civil Service, Department of	28,240	27,475	27,027
Elections, State Board of	3,077	3,000	3,132
Employee Relations, Office of	3,854	3,902	3,868
Executive Chamber	12,495	14,588	14,638
General Services, Office of	110,056	108,958	116,401
Inspector General, Office of the	4,421	4,549	4,869
Law, Department of	85,552	100,157	98,615
Lieutenant Governor, Office of the	336	455	462
Lottery, Division of	0	0	0
Public Employment Relations Board	3,303	3,337	3,578
Racing and Wagering Board, State	9,461	9,533	9,728
Real Property Services, Office of	46,217	40,357	48,596
Regulatory Reform, Governor's Office of	2,750	2,279	2,502
State, Department of	13,766	12,108	12,356
Tax Appeals, Division of	2,914	2,837	2,895
Taxation and Finance, Department of	280,874	268,066	273,496
Technology, Office for	2,044	56,086	41,868
Veterans Affairs, Division of	6,823	7,980	7,591
Functional Total	742,337	799,888	813,993
ALL OTHER CATEGORIES			
Legislature	181,829	195,519	198,670
Judiciary (excluding fringe benefits)	1,045,295	1,094,258	1,132,100
Local Government Assistance	830,870	825,569	821,614
General State Charges (incl. fringes for Judiciary & SUNY)	2,259,271	2,086,716	2,236,120
Short-Term Debt Service	8,677	6,000	4,675
Long-Term Debt Service	2,089,386	2,229,884	2,274,873
Debt Reduction Reserve Fund	50,000	0	0
Capital Projects	246,346	143,117	238,287
Miscellaneous	639,263	542,090	673,262
Functional Total	7,350,937	7,123,153	7,579,601
TOTAL GENERAL FUND SPENDING	36,487,354	37,071,062	37,917,037

Cash Disbursements By Function
All Governmental Funds
(Thousands of Dollars)

	1998-1999 Actual	1999-2000 Estimate	2000-2001 Recommended
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture & Markets, Department of	57,284	64,386	64,446
Alcoholic Beverage Control	11,420	10,578	10,827
Banking Department	41,836	43,639	46,683
Consumer Protection Board	2,239	2,406	2,325
Economic Development, Department of	42,047	51,580	50,576
Empire State Development Corporation	108,768	104,155	82,457
Energy Research and Development Authority	30,638	30,108	29,994
Housing Finance Agency	640	760	700
Housing and Community Renewal, Division of	240,942	230,249	209,642
Insurance Department	77,282	79,538	81,465
Olympic Regional Development Authority	6,392	14,689	7,652
Public Service, Department of	48,333	49,820	51,394
Science, Technology & Academic Research, Office of	24,865	29,470	49,695
Functional Total	692,686	711,378	687,856
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	3,847	3,907	3,980
Environmental Conservation, Department of	650,919	682,761	818,355
Environmental Facilities Corporation	5,102	5,483	16,572
Parks, Recreation and Historic Preservation, Office of	178,023	173,630	182,236
Functional Total	837,891	865,781	1,021,143
TRANSPORTATION			
Motor Vehicles, Department of	188,530	200,627	196,928
Niagara Frontier Transportation Authority	0	0	0
Transportation, Department of	4,399,681	4,388,684	4,362,925
Functional Total	4,588,211	4,589,311	4,559,853
HEALTH & SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	1,897	1,654	1,658
Aging, Office for the	150,105	146,861	148,488
Children and Families, Council on	1,337	1,138	1,612
Children & Family Services, Office of	2,558,006	2,292,669	2,542,485
Health, Department of	20,688,522	21,491,390	22,780,620
Medical Assistance	18,231,944	18,741,172	19,737,342
Medicaid Administration	373,817	385,771	433,900
All Other Local Aid	1,451,657	1,731,711	1,964,568
Agency Operations/Capital	631,104	632,736	644,810
Human Rights, Division of	11,004	11,352	12,631
Labor, Department of	561,272	608,016	652,361

Cash Disbursements By Function
All Governmental Funds
(Thousands of Dollars)

	1998-1999 Actual	1999-2000 Estimate	2000-2001 Recommended
HEALTH & SOCIAL WELFARE (Continued)			
Temporary and Disability Assistance, Office of	4,146,616	3,380,297	3,490,652
Welfare Assistance	3,055,217	2,383,095	2,367,636
Local Administration	373,600	379,200	396,900
All Other Local Aid	11,926	18,542	22,642
Agency Operations/Capital	705,873	599,460	703,474
Workers' Compensation Board	122,374	120,284	127,525
Functional Total	28,241,133	28,053,661	29,758,032
MENTAL HEALTH			
Mental Health, Office of	1,773,333	1,787,032	1,847,938
Mental Retardation and Developmental Disabilities, Office of	1,969,463	2,017,856	2,121,102
Alcohol and Substance Abuse Services, Office of	421,302	438,940	466,344
Quality of Care for the Mentally Disabled, Commission on	7,652	8,418	8,533
Functional Total	4,171,750	4,252,246	4,443,917
PUBLIC PROTECTION			
Capital Defenders Office	13,028	13,138	13,832
Investigation, Temporary State Commission of	2,219	2,306	2,907
Judicial Commissions	1,990	2,038	2,083
Military and Naval Affairs, Division of	135,735	110,375	107,052
Justice, Department of	2,873,368	2,938,239	2,871,451
Correction, Commission of	2,307	2,195	0
Correctional Services, Department of	2,051,970	2,107,592	0
Crime Victims Board	37,107	44,156	0
Criminal Justice Services, Division of	124,153	137,629	0
Parole, Division of	191,686	187,866	0
Probation and Correctional Alternatives, Division of	94,907	90,870	0
State Police, Division of	371,238	367,931	0
Functional Total	3,026,340	3,066,096	2,997,325
EDUCATION			
Arts, Council on the	52,384	50,824	60,500
City University of New York	765,916	720,166	769,907
Education, Department of	14,937,705	16,491,796	17,839,036
School Aid	11,214,478	11,986,031	12,473,287
STAR Property Tax Relief	582,156	1,195,000	2,010,000
Handicapped	970,660	1,043,879	1,059,701
All Other Local Aid	1,970,972	2,061,595	2,094,048
Agency Operations/Capital	199,439	205,291	202,000
Higher Education Services Corporation	708,458	721,468	697,789
State University Construction Fund	8,131	9,400	10,000
State University of New York	3,326,461	3,409,593	3,457,082
Functional Total	19,799,055	21,403,247	22,834,314

Cash Disbursements By Function
All Governmental Funds
(Thousands of Dollars)

	1998-1999 Actual	1999-2000 Estimate	2000-2001 Recommended
GENERAL GOVERNMENT			
Audit and Control, Department of	101,426	111,506	119,141
Budget, Division of the	29,430	30,576	33,040
Civil Service, Department of	28,522	27,625	28,027
Elections, State Board of	3,077	3,000	3,132
Employee Relations, Office of	4,029	4,032	3,943
Executive Chamber	12,495	14,588	14,638
General Services, Office of	173,694	195,724	174,265
Inspector General, Office of the	4,969	5,262	5,877
Law, Department of	122,608	137,827	135,165
Lieutenant Governor, Office of the	336	455	462
Lottery, Division of	125,935	134,958	139,292
Public Employment Relations Board	3,422	3,518	3,764
Racing and Wagering Board, State	11,889	12,930	13,161
Real Property Services, Office of	56,081	52,125	61,473
Regulatory Reform, Governor's Office of	2,750	2,279	2,502
State, Department of	80,327	80,879	87,721
Tax Appeals, Division of	2,914	2,837	2,895
Taxation and Finance, Department of	298,958	295,863	302,945
Technology, Office for	16,640	86,212	41,868
Veterans Affairs, Division of	7,573	9,026	8,742
Functional Total	1,087,075	1,211,222	1,182,053
ALL OTHER CATEGORIES			
Legislature	183,142	196,832	199,983
Judiciary (excluding fringe benefits)	1,137,050	1,190,818	1,237,124
Local Government Assistance	830,870	825,569	821,614
Short-Term Debt Service	8,677	6,000	4,675
Long-Term Debt Service	3,266,299	3,560,943	3,801,763
Debt Reduction Reserve Fund	0	0	0
Capital Projects	0	0	0
General State Charges/Miscellaneous	2,744,400	2,889,062	3,254,767
Functional Total	8,170,438	8,669,224	9,319,926
TOTAL ALL FUNDS SPENDING	70,614,579	72,822,166	76,804,419

Cash Disbursements By Function
State Funds
(Thousands of Dollars)

	1998-1999 Actual	1999-2000 Estimate	2000-2001 Recommended
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture & Markets, Department of	51,907	57,940	57,800
Alcoholic Beverage Control	11,370	10,578	10,827
Banking Department	41,836	43,639	46,683
Consumer Protection Board	2,239	2,406	2,325
Economic Development, Department of	41,075	49,912	48,908
Empire State Development Corporation	108,768	104,155	82,457
Energy Research and Development Authority	29,673	27,523	28,673
Housing Finance Agency	640	760	700
Housing and Community Renewal, Division of	191,812	179,511	175,183
Insurance Department	77,282	79,538	81,465
Olympic Regional Development Authority	6,392	14,689	7,652
Public Service, Department of	47,313	48,954	50,521
Science, Technology & Academic Research, Office of	24,865	29,470	49,695
Functional Total	635,172	649,075	642,889
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	3,715	3,532	3,630
Environmental Conservation, Department of	544,433	577,984	644,399
Environmental Facilities Corporation	5,102	5,483	16,572
Parks, Recreation and Historic Preservation, Office of	175,469	170,074	177,680
Functional Total	728,719	757,073	842,281
TRANSPORTATION			
Motor Vehicles, Department of	182,015	189,427	183,156
Niagara Frontier Transportation Authority	0	0	0
Transportation, Department of	3,293,759	3,271,052	3,218,836
Functional Total	3,475,774	3,460,479	3,401,992
HEALTH & SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	837	998	1,002
Aging, Office for the	61,453	61,077	62,704
Children and Families, Council on	864	874	928
Children & Family Services, Office of	1,153,540	1,096,502	1,077,605
Health, Department of	7,737,938	7,832,893	8,259,089
Medical Assistance	6,461,496	6,472,852	6,836,078
Medicaid Administration	87,494	100,400	105,150
All Other Local Aid	715,627	847,920	949,667
Agency Operations/Capital	473,321	411,721	368,194
Human Rights, Division of	9,626	9,903	11,292
Labor, Department of	55,902	82,604	87,490

Cash Disbursements By Function
State Funds
(Thousands of Dollars)

	1998-1999 Actual	1999-2000 Estimate	2000-2001 Recommended
HEALTH & SOCIAL WELFARE (Continued)			
Temporary and Disability Assistance, Office of	2,053,063	1,789,746	1,824,580
Welfare Assistance	1,567,246	1,270,821	1,267,636
Local Administration	373,600	379,200	396,900
All Other Local Aid	11,926	18,542	22,642
Agency Operations/Capital	100,291	121,183	137,402
Workers' Compensation Board	122,374	120,284	127,525
Functional Total	11,195,597	10,994,881	11,452,215
MENTAL HEALTH			
Mental Health, Office of	1,201,916	1,245,564	1,326,795
Mental Retardation and Developmental Disabilities, Office of	725,278	747,065	756,486
Alcohol and Substance Abuse Services, Office of	314,197	321,938	339,644
Quality of Care for the Mentally Disabled, Commission on	3,034	3,076	3,058
Functional Total	2,244,425	2,317,643	2,425,983
PUBLIC PROTECTION			
Capital Defenders Office	13,028	13,138	13,832
Investigation, Temporary State Commission of	2,219	2,306	2,907
Judicial Commissions	1,990	2,038	2,083
Military and Naval Affairs, Division of	45,684	43,487	37,421
Justice, Department of	2,724,338	2,644,113	2,693,265
Correction, Commission of	2,164	2,195	0
Correctional Services, Department of	1,967,171	1,888,733	0
Crime Victims Board	20,160	23,474	0
Criminal Justice Services, Division of	94,807	100,549	0
Parole, Division of	185,853	181,665	0
Probation and Correctional Alternatives, Division of	94,790	90,870	0
State Police, Division of	359,393	356,627	0
Functional Total	2,787,259	2,705,082	2,749,508
EDUCATION			
Arts, Council on the	51,909	50,264	59,873
City University of New York	765,916	720,166	769,907
Education, Department of	13,132,352	14,613,520	15,837,824
School Aid	11,214,478	11,986,031	12,473,287
STAR Property Tax Relief	582,156	1,195,000	2,010,000
Handicapped	737,587	799,851	815,673
All Other Local Aid	499,377	527,217	439,401
Agency Operations/Capital	98,754	105,421	99,463
Higher Education Services Corporation	705,432	719,068	691,459
State University Construction Fund	8,131	9,400	10,000
State University of New York	3,152,236	3,233,188	3,275,677
Functional Total	17,815,976	19,345,606	20,644,740

Cash Disbursements By Function
State Funds
(Thousands of Dollars)

	1998-1999 Actual	1999-2000 Estimate	2000-2001 Recommended
GENERAL GOVERNMENT			
Audit and Control, Department of	101,426	111,506	119,141
Budget, Division of the	29,430	30,576	33,040
Civil Service, Department of	28,522	27,625	28,027
Elections, State Board of	3,077	3,000	3,132
Employee Relations, Office of	4,029	4,032	3,943
Executive Chamber	12,495	14,588	14,638
General Services, Office of	170,301	189,674	168,215
Inspector General, Office of the	4,801	5,262	5,877
Law, Department of	102,849	116,336	114,355
Lieutenant Governor, Office of the	336	455	462
Lottery, Division of	125,935	134,958	139,292
Public Employment Relations Board	3,422	3,518	3,764
Racing and Wagering Board, State	11,889	12,930	13,161
Real Property Services, Office of	56,081	52,125	61,473
Regulatory Reform, Governor's Office of	2,750	2,279	2,502
State, Department of	37,014	35,329	42,136
Tax Appeals, Division of	2,914	2,837	2,895
Taxation and Finance, Department of	298,871	295,595	302,677
Technology, Office for	16,640	86,212	41,868
Veterans Affairs, Division of	6,823	7,980	7,591
Functional Total	1,019,605	1,136,817	1,108,189
ALL OTHER CATEGORIES			
Legislature	183,142	196,832	199,983
Judiciary (excluding fringe benefits)	1,135,254	1,188,318	1,234,624
Local Government Assistance	830,870	825,569	821,614
Short-Term Debt Service	8,677	6,000	4,675
Long-Term Debt Service	3,266,299	3,560,943	3,801,763
Capital Projects	0	0	0
General State Charges/Miscellaneous	2,621,712	2,750,305	3,110,085
Functional Total	8,045,954	8,527,967	9,172,744
TOTAL STATE FUNDS SPENDING	47,948,481	49,894,623	52,440,541

PART II

EXPLANATION OF RECEIPT ESTIMATES

EXPLANATION OF RECEIPT ESTIMATES

In accordance with the requirements of Article VII of the State Constitution and section 22 of the State Finance Law, there is submitted herewith an explanation of the receipt estimates by fund type.

These estimates have been prepared by the Division of the Budget with the assistance of the Department of Taxation and Finance and other agencies concerned with the collection of State receipts. To the extent they are material, income sources not noted below are discussed in the presentations of the agencies primarily responsible for executing the programs financed by such receipts.

Cash Receipts
All Governmental Funds
1998-1999
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	20,080	582	0	0	20,662
User taxes and fees	7,244	321	498	2,004	10,067
Sales and use tax	5,697	321	0	1,894	7,912
Cigarette and tobacco taxes	667	0	0	0	667
Motor fuel tax	171	0	221	110	502
Motor vehicle fees	444	0	108	0	552
Alcoholic beverages taxes	183	0	0	0	183
Highway use tax	0	0	169	0	169
Hotel/motel tax	0	0	0	0	0
Alcoholic beverage control license fees	29	0	0	0	29
Container tax	19	0	0	0	19
Auto rental tax	34	0	0	0	34
Business taxes	4,857	1,031	513	0	6,401
Corporation franchise tax	2,050	0	0	0	2,050
Corporation and utilities tax	1,489	65	0	0	1,554
Insurance taxes	672	0	0	0	672
Bank tax	544	0	0	0	544
Petroleum business tax	102	419	513	0	1,034
Regional business surcharge	0	547	0	0	547
Other taxes	1,138	0	112	200	1,450
Estate and gift taxes	1,071	0	0	0	1,071
Real property gains tax	29	0	0	0	29
Real estate transfer tax	0	0	112	200	312
Pari-mutuel taxes	37	0	0	0	37
Other taxes	1	0	0	0	1
Total Taxes	33,319	1,934	1,123	2,204	38,580
Miscellaneous receipts	1,505	5,813	1,567	630	9,515
Federal grants	0	21,422	1,219	0	22,641
Total	34,824	29,169	3,909	2,834	70,736

Cash Receipts
All Governmental Funds
1999-2000
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	20,783	1,195	0	0	21,978
User taxes and fees	7,430	341	522	2,127	10,420
Sales and use tax	6,044	341	0	2,013	8,398
Cigarette and tobacco taxes	618	0	0	0	618
Motor fuel tax	180	0	229	114	523
Motor vehicle fees	353	0	146	0	499
Alcoholic beverages taxes	175	0	0	0	175
Highway use tax	0	0	147	0	147
Hotel/motel tax	0	0	0	0	0
Alcoholic beverage control license fees	20	0	0	0	20
Container tax	0	0	0	0	0
Auto rental tax	40	0	0	0	40
Business taxes	4,575	1,036	517	0	6,128
Corporation franchise tax	1,938	0	0	0	1,938
Corporation and utilities tax	1,358	84	0	0	1,442
Insurance taxes	616	0	0	0	616
Bank tax	570	0	0	0	570
Petroleum business tax	93	423	517	0	1,033
Regional business surcharge	0	529	0	0	529
Other taxes	1,010	0	112	209	1,331
Estate and gift taxes	987	0	0	0	987
Real property gains tax	(14)	0	0	0	(14)
Real estate transfer tax	0	0	112	209	321
Pari-mutuel taxes	36	0	0	0	36
Other taxes	1	0	0	0	1
Total Taxes	33,798	2,572	1,151	2,336	39,857
Miscellaneous receipts	1,474	5,942	1,866	606	9,888
Federal grants	0	21,556	1,319	0	22,875
Total	35,272	30,070	4,336	2,942	72,620

Cash Receipts
All Governmental Funds
2000-2001
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	23,060	3,210	250	0	26,520
User taxes and fees	7,055	418	629	2,096	10,198
Sales and use tax	5,944	358	0	1,980	8,282
Cigarette and tobacco taxes	496	0	0	0	496
Motor fuel tax	19	60	333	116	528
Motor vehicle fees	350	0	144	0	494
Alcoholic beverages taxes	174	0	0	0	174
Highway use tax	0	0	152	0	152
Hotel/motel tax	0	0	0	0	0
Alcoholic beverage control license fees	30	0	0	0	30
Container tax	0	0	0	0	0
Auto rental tax	42	0	0	0	42
Business taxes	4,241	1,009	499	0	5,749
Corporation franchise tax	2,177	0	0	0	2,177
Corporation and utilities tax	732	96	0	0	828
Insurance taxes	652	0	0	0	652
Bank tax	590	0	0	0	590
Petroleum business tax	90	408	499	0	997
Regional business surcharge	0	505	0	0	505
Other taxes	766	0	112	201	1,079
Estate and gift taxes	732	0	0	0	732
Real property gains tax	0	0	0	0	0
Real estate transfer tax	0	0	112	201	313
Pari-mutuel taxes	33	0	0	0	33
Other taxes	1	0	0	0	1
Total Taxes	35,122	4,637	1,490	2,297	43,546
Miscellaneous receipts	1,339	6,905	2,063	575	10,882
Federal grants	0	23,010	1,377	0	24,387
Total	36,461	34,552	4,930	2,872	78,815

Cash Receipts
General Fund
1998-1999 through 2000-2001
(millions of dollars)

	1998-1999 Actual	1999-2000 Estimated	2000-2001 Recommended	2000-2001 Compared with 1999-2000
Personal income tax	20,080	20,783	23,060	2,277
User taxes and fees	7,244	7,430	7,055	(375)
Sales and use tax	5,697	6,044	5,944	(100)
Cigarette and tobacco taxes	667	618	496	(122)
Motor fuel tax	171	180	19	(161)
Motor vehicle fees	444	353	350	(3)
Alcoholic beverage taxes	183	175	174	(1)
Hotel/motel tax	0	0	0	0
Alcoholic beverage control license fees	29	20	30	10
Container tax	19	0	0	0
Auto rental tax	34	40	42	2
Business taxes	4,857	4,575	4,241	(334)
Corporation franchise tax	2,050	1,938	2,177	239
Corporation and utilities taxes	1,489	1,358	732	(626)
Insurance taxes	672	616	652	36
Bank tax	544	570	590	20
Petroleum business taxes	102	93	90	(3)
Other taxes	1,138	1,010	766	(244)
Estate and gift taxes	1,071	987	732	(255)
Real property gains tax	29	(14)	0	14
Real estate transfer tax	0	0	0	0
Pari-mutuel taxes	37	36	33	(3)
Other taxes	1	1	1	0
Total taxes	33,319	33,798	35,122	1,324
Miscellaneous receipts	1,505	1,474	1,339	(135)
Total	34,824	35,272	36,461	1,189

Cash Receipts
Special Revenue Funds
1998-1999 through 2000-2001
(millions of dollars)

	1998-1999 Actual	1999-2000 Estimated	2000-2001 Recommended	2000-2001 Compared with 1999-2000
Personal income tax	582	1,195	3,210	2,015
User taxes and fees	321	341	418	77
Sales and use tax	321	341	358	17
Alcoholic beverage control license fees	0	0	0	0
Motor Fuel tax	0	0	60	60
Business taxes	1,031	1,036	1,009	(27)
Corporation and utilities taxes	65	84	96	12
Petroleum business taxes	419	423	408	(15)
Regional business surcharge	547	529	505	(24)
Total taxes	1,934	2,572	4,637	2,065
Miscellaneous receipts	5,813	5,942	6,905	963
State university income	1,561	1,602	1,649	47
Lottery	1,576	1,499	1,626	127
Indigent care	666	680	858	178
All other	2,010	2,161	2,772	611
Federal grants	21,422	21,556	23,010	1,454
Total	29,169	30,070	34,552	4,482

Cash Receipts
Capital Projects Funds
1998-1999 through 2000-2001
(millions of dollars)

	1998-1999 Actual	1999-2000 Estimated	2000-2001 Recommended	2000-2001 Compared with 1999-2000
Personal income tax	0	0	250	250
User taxes and fees	498	522	629	107
Motor fuel tax	221	229	333	104
Motor vehicle fees	108	146	144	(2)
Highway use tax	169	147	152	5
Business taxes	513	517	499	(18)
Petroleum business taxes	513	517	499	(18)
Other taxes	112	112	112	0
Real estate transfer tax	112	112	112	0
Total taxes	1,123	1,151	1,490	339
Miscellaneous receipts	1,567	1,866	2,063	197
Authority bond proceeds	1,460	1,700	1,675	(25)
State park fees	27	27	26	(1)
Environmental receipts	25	25	35	10
Tobacco settlement receipts	0	0	250	250
All other	55	114	77	(37)
Federal grants	1,219	1,319	1,377	58
Total	3,909	4,336	4,930	594

Cash Receipts
Debt Service Funds
1998-1999 through 2000-2001
(millions of dollars)

	1998-1999 Actual	1999-2000 Estimated	2000-2001 Recommended	2000-2001 Compared with 1999-2000
User taxes and fees	2,004	2,127	2,096	(31)
Sales and use tax	1,894	2,013	1,980	(33)
Motor fuel tax	110	114	116	2
Other taxes	200	209	201	(8)
Real estate transfer tax	200	209	201	(8)
Total Taxes	2,204	2,336	2,297	(39)
Miscellaneous receipts	630	606	575	(31)
Mental hygiene patient receipts	269	284	251	(33)
SUNY dormitory fees	202	202	205	3
Health patient receipts	126	85	89	4
All other	33	35	30	(5)
Total	2,834	2,942	2,872	(70)

ECONOMIC BACKDROP

THE NATION

OVERVIEW

Real Gross Domestic Product (GDP) expanded at a healthy 4 percent annual rate for 1999. Domestic demand was strong during 1999 as the pace of inventory accumulation declined and import growth far outpaced export growth. The strong pace of economic growth was accompanied by a drop in the unemployment rate from 4.4 percent in 1998 to 4.2 percent in 1999.

The major factors affecting real GDP growth in 1999 include:

1. Consumption, which was especially strong and has been a major engine of the robust growth during this expansion. Consumption accounts for two-thirds of the economic activity and grew by 5.2 percent in 1999.
2. Capital spending and investments in technology.
3. Personal income, which continued to grow at a healthy pace, thereby supporting the growth in consumer spending.
4. Finally, employment increases and growth in aggregate hours worked, combined with continued strong productivity growth of 2.7 percent.

Growth in the economy remains fairly balanced. However, strength in some sectors has been accompanied by a moderation of activity in other sectors. There are emerging signs that growth may be slowing in certain interest-sensitive sectors. For example, construction activity has slowed somewhat, with nonresidential construction declining and residential construction weakening during the year and turning negative in the third quarter of 1999. This moderation in construction activity is a consequence, in part, of a nearly one percentage point rise in mortgage rates during the year.

Some of the factors boosting the fourth quarter GDP growth were associated with preparations for the Y2K computer problem and the buildup of inventories to prepare for Y2K contingencies. The inventory buildup should be reversed, and should reduce the GDP growth rate for the first quarter of 2000.

Thus far, inflation has remained moderate, with the Consumer Price Index (CPI) measure of inflation rising at a 2.2 percent annual rate in 1999. The Federal Reserve Board (FRB) raised short-term interest rates three times, totaling 75 basis points, during 1999. Interest rates on longer maturity issues also increased during the second half of 1999. The rise in long-term rates reflects both the market's perception of increasing inflationary pressures and the decision by the FRB to tighten monetary policy.

The Division of the Budget (DOB) expects growth in national output to slow and inflation to rise through the end of 2000. Real GDP is expected to grow at an annual rate of 3.5 percent in 2000. The CPI is expected to rise modestly in 2000 by 2.4 percent, in part because of higher energy prices, and partly due to the end of a two year decline in the prices of non-oil imports. Consumption will remain the mainstay of growth, albeit at a somewhat reduced rate of increase, as employment, wages and income continue to rise. The trade deficit is projected to worsen, but at a much reduced rate. Short-term interest rates are expected to rise as the FRB tightens monetary policy. The forecast for the unemployment rate for 2000 is 4.1 percent, the lowest annual rate since 1969.

In summary, the economy remains strong heading into 2000 and current conditions indicate this growth should continue throughout the year. However, developing inflationary pressures will likely lead to tighter monetary policy, which should keep a lid on the near-term pace of the expansion.

THE LONGEST EXPANSION

In February 2000, the current expansion, which began in April 1991, will become the longest expansion on record. Table 1 compares the average annual growth rates of real GDP and CPI for the expansions and recessions of all business cycles since 1948. The average GDP growth rate for the current expansion is lower than for all the other expansions reported, except for the short expansion of 1980-81. In addition, the average CPI growth rate for the current expansion is the lowest since 1948. The GDP growth rate and the rate of consumer price inflation have exhibited less volatility in the current expansion than in prior expansions, as indicated by a smaller standard deviation. The standard deviation is a measure of the dispersion of individual observations (quarters) around the overall average. A smaller value indicates less volatility.

Table 1
Average Growth Rates of Real GDP and CPI Over Business Cycles

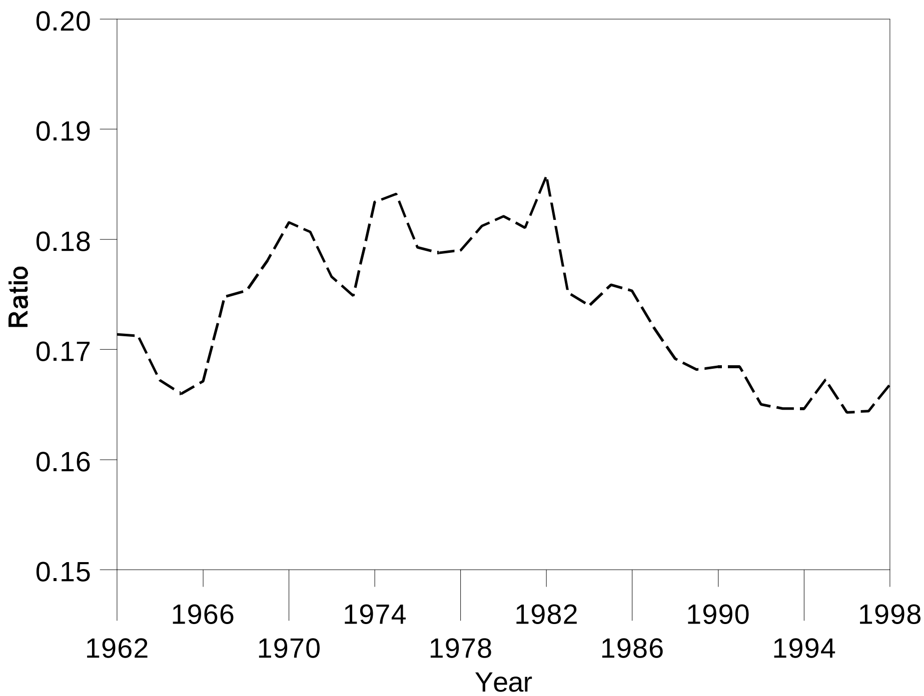
		Real Gross Domestic Product (GDP)		Consumer Price Index (CPI)	
		Average Growth Rate (Percent)	Standard Deviation	Average Growth Rate (Percent)	Standard Deviation
Recessions					
From	**To**				
1948 Q4	1949 Q3	-0.7	4.8	- 2.5	1.8
1953 Q3	1954 Q1	-3.3	2.4	1.2	0.6
1957 Q3	1958 Q1	-7.6	4.5	3.4	2.0
1960 Q2	1961 Q1	-1.2	3.3	1.5	1.2
1970 Q1	1970 Q4	-0.1	3.2	5.6	1.0
1974 Q1	1975 Q1	-2.9	2.6	11.4	1.5
1980 Q1	1980 Q2	-3.6	7.9	15.5	1.8
1981 Q3	1982 Q3	-1.4	4.7	7.0	2.9
1990 Q3	1991 Q1	-1.8	1.2	5.7	2.3
Expansions					
From	**To**				
1949 Q4	1953 Q2	6.8	6.3	3.3	4.9
1954 Q2	1957 Q2	3.6	4.1	1.2	2.0
1958 Q2	1960 Q1	6.5	4.5	1.1	1.1
1961 Q2	1969 Q4	4.8	3.1	2.7	1.8
1971 Q1	1973 Q4	5.2	4.1	5.0	2.6
1975 Q2	1979 Q4	4.4	4.0	8.1	3.0
1980 Q3	1981 Q2	3.0	5.8	9.9	2.0
1982 Q4	1990 Q2	4.1	2.4	3.8	1.7
1991 Q2	1999 Q3	3.6	1.8	2.6	0.7

Note: 1. The business cycle dates correspond with the dates published by the National Bureau of Economic Research (NBER).
2. The growth rates are average annualized growth rates.

There are two primary reasons for the relatively stable growth of GDP and CPI exhibited in the 1990's. First, there have been structural changes in the economy which have made it less cyclical. Second, a more preemptive and better managed monetary policy has been employed by the Federal Reserve Board.

An important structural change in the economy is the transition to just-in-time inventory management. This has improved the quality and timeliness of information that businesses receive about the demand for their goods and services. Consequently, businesses are able to make production adjustments to reflect demand fluctuations sooner, thereby avoiding big buildups or drawdowns of inventories and reducing large variations in production. Figure 1 shows a dramatic decline in the inventory-to-GDP ratio since the 1980's. New technology and the emergence of the Internet have also played an important role in inventory management. The contribution and the importance of the role of technology are discussed in more detail in a subsequent section.

Figure 1
Inventory to GDP Ratio



Other important structural changes in the economy that have occurred in recent years include: the increased flexibility of the labor market, thereby enabling a more efficient matching of skills and jobs; the increased importance of the trade sector, which can offset the fluctuations in domestic demand; the shift of the economy to a more stable service- sector oriented economy; and the acceleration of technological innovations, which has increased productivity and made the economy less subject to wage-driven inflation.

Along with these structural changes, actions taken by the FRB have also contributed to the longevity of the current expansion. For example, with the economy approaching boom conditions in 1994, the FRB raised the Federal funds rate by three percentage points. This had the intended effect of cooling off the economy, with growth of real GDP falling below 2 percent in 1995. Inflationary pressures were thereby ameliorated and the reduction of such pressures helped to sustain the current expansion.

In 1998, the plummeting currencies and economies of many Asian countries raised the danger of an abrupt end to the current expansion. When financial turmoil spread beyond Asia, particularly to Russia and to a highly leveraged financial fund in the U.S., the FRB rapidly reduced rates, thus signaling its willingness to loosen monetary policy to the degree necessary to forestall a free-fall into recession or financial market failure. By these and other policy actions taken during the current expansion, the FRB has been able to moderate the magnitude of swings in the real GDP growth rate and contributed to stability in the inflation rate.

CONSUMER SPENDING

Consumers have been the main drivers of growth during the current expansion and consumer confidence remains at almost record levels. Consumption, at two-thirds of total GDP, is the largest component of U.S. output.

The second half of the 1990's has been characterized by a significant increase in the wealth of American households, largely fueled by equity market increases since 1995. It seems apparent that the big bull market in stocks, along with a surge in real estate values, has contributed to consumption growth through what is commonly termed the wealth effect.

The wealth effect measures increased (decreased) purchases by consumers resulting from increases (decreases) in total wealth. Other things remaining equal, an increase in the value of the stock market and the value of housing makes people wealthier, resulting in increased consumption[1].

Figure 2 shows the value of the increase in household net worth and consumption over the period from 1960 to the third quarter of 1999. Increases in wealth are generally accompanied by increases in consumption. However, since mid-1994, while consumption growth has accelerated, household net worth has grown even faster. Given the historical relationship between consumption and wealth, the rapid increases in consumption are expected to continue.

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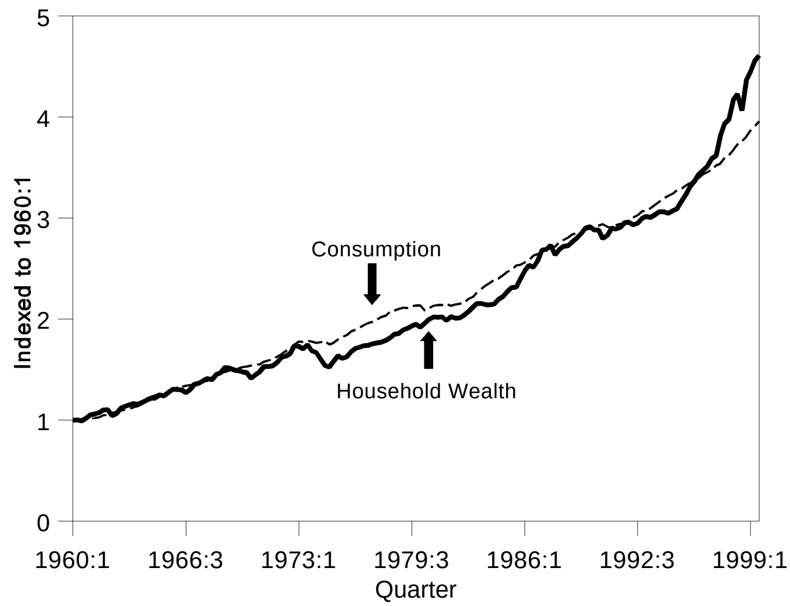
[1] Ludvigson and Steindel (1999) find that roughly four cents of each dollar of an increase in stock market wealth is spent. This amount is sizable when one looks at trillion-dollar gains in wealth from the stock market.

Source: Sydney Ludvigson and Charles Steindel , "How Important is the Stock Market Effect on Consumption?", Federal Reserve Bank of New York, Economic Policy Review, July 1999.

Figure 2
Household Wealth and Consumption Index

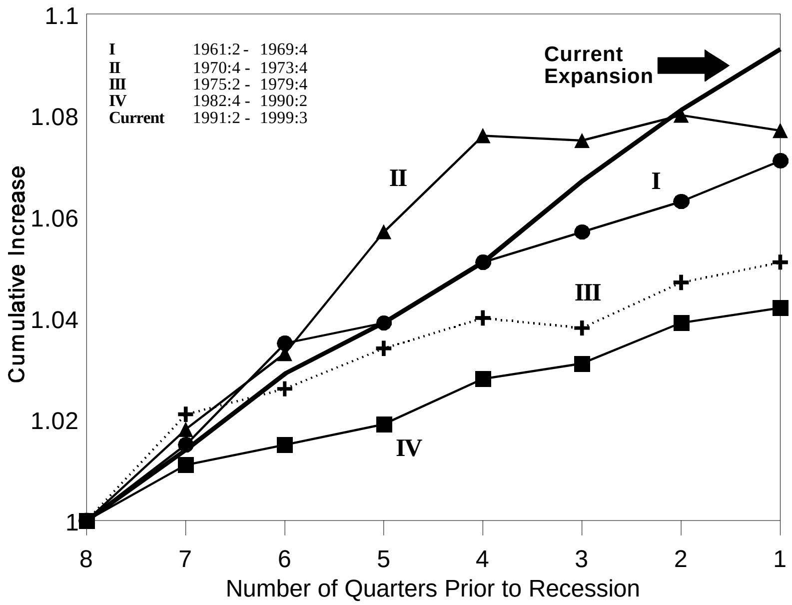


However, the effect of wealth on consumption needs to be considered cautiously. The economic literature is ambiguous concerning the size of the wealth effect. This adds uncertainty to the forecasts of future consumption growth, given the rapid gains in stock market wealth experienced in the past four years.

Consumption has grown at an average annual rate of 3.6 percent in the current expansion, underperforming the average growth rate in consumption of earlier expansions. However, the consumption growth rate has been escalating in recent quarters. Figure 3 shows the growth in consumption during the last eight quarters of all expansions since 1960 (excluding the 1980-81 expansion). Consumption has grown sharply since the fourth quarter of 1998, after lagging the consumption growth of prior expansions. After 4.9 percent growth during 1998, consumption continued to grow at 5.2 percent in 1999.

DOB expects that the current robust pace of consumption growth will slow in 2000, as the expansion reaches its mature stage and consumer confidence recedes. In addition, projected slower growth in the stock market is also expected to have an inhibiting impact on consumption.

Figure 3
Growth in Consumption



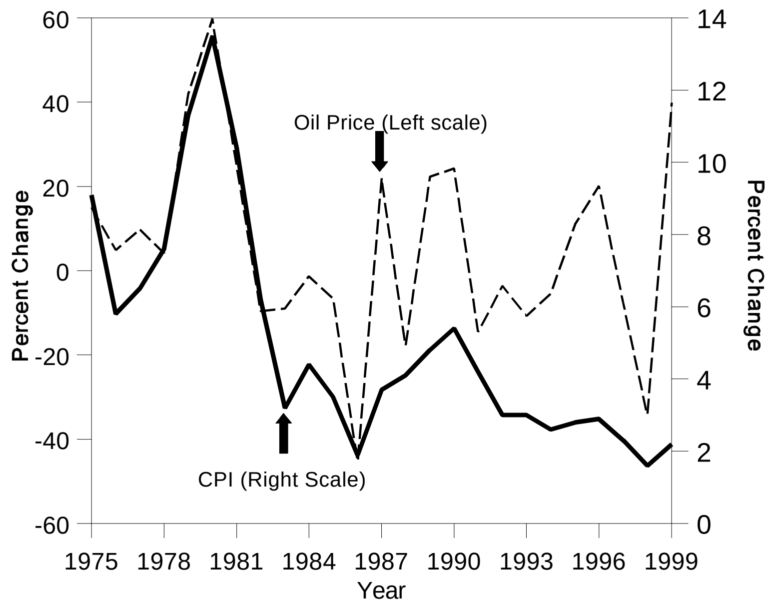
INFLATION AND PRODUCTIVITY

The past three years of the current expansion have been characterized by a combination of rapid growth in output accompanied by low inflation. The low inflation resulted from the interaction of several factors, including: falling oil prices, a strong dollar, and weak foreign demand. These positive conditions are dissipating. Foreign economies are beginning to recover from the global financial crisis of 1998; the dollar has weakened modestly, and oil prices have more than doubled since 1998.

Oil Price and Inflation

Movements in oil prices are an important factor affecting the CPI. Periods of increases in oil prices have usually been accompanied by higher inflation. For example, the mid- and late-1970's were characterized by two spikes in oil prices and higher inflation (see Figure 4). Increases in oil prices make it more expensive for companies to produce goods. As a result, producers tend to raise prices, which eventually ripple through the economy, resulting in higher inflation.

Figure 4
Oil Prices and Consumer Price Index



An oil price increase in today's economy may have less severe repercussions than 25 years ago. For example, despite a doubling of oil prices, inflation has remained tame in 1999. The secondary effects of an oil price increase on costs and prices in various sectors of the economy may be limited. Businesses, factories and vehicles are more energy-efficient today than they were during the oil crisis of 1979-80. Some research studies suggest that the oil price elasticity of real GDP, an estimate of how GDP responds to changes in oil prices, may have declined with the decreasing energy intensity of the economy since the 1980's. As a result, in recent periods, the economy is likely to be less sensitive to oil price fluctuations than in the past[2].

The rise in prices of commodities, such as petroleum products, has not flowed through into finished goods or consumer items. The competitive business climate of the 1990's is forcing companies to find ways of cutting costs and to keep the prices of their products from rising. For example, small firms are feeling the squeeze of higher oil prices but have not been able to pass along the increased costs to consumers[3].

A key question over the forecast horizon is whether oil prices will remain at high levels long enough to have significant effects on the economy. A more sustained increase in oil prices could spread to other sectors of the economy. Such a scenario poses a serious inflation risk to the economy and to our forecast.

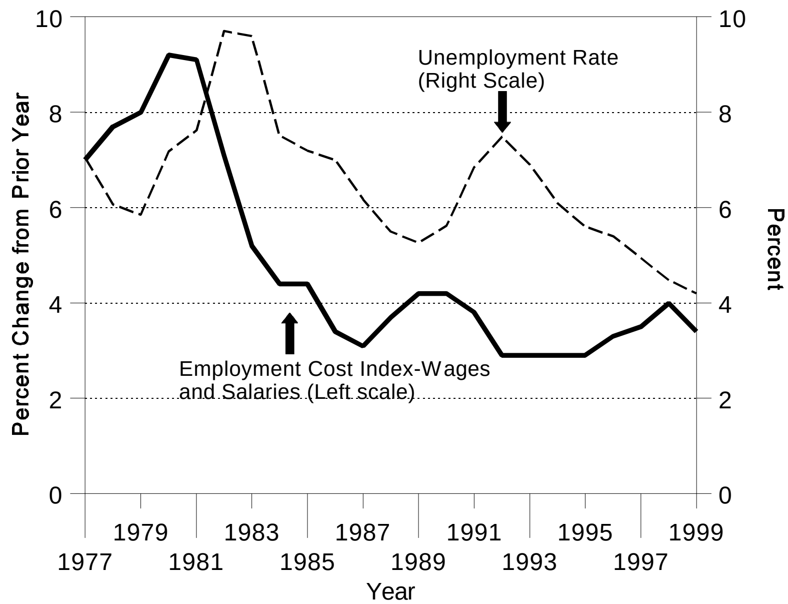
[2] Stephen Brown and Mine Yucel, "Energy Prices and State Economic Performance", Federal Reserve Bank of Dallas Economic Review, Second Quarter, 1995.

[3] Dan Morse and Joshua H. Prager, "Small Firm's Fuel Bills Jump but Are Hard to Pass Along", The Wall Street Journal, November 19, 1999.

Labor Market and Productivity

Continued tame growth in wages, especially in the service sector, is keeping a lid on price pressures. Wage inflation, as indicated by growth in the wage and salary component of the employment cost index (ECI), has remained in the 3 to 4 percent range since 1986 (see Figure 5). However, the absence of strong growth in wages in the 1990's, despite low unemployment rates, is noticeable when compared to prior history.

Figure 5
Employment Cost Index and Unemployment Rate



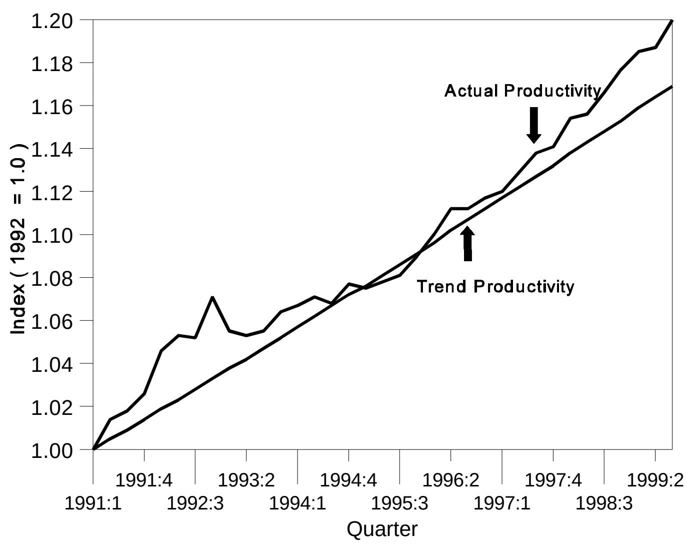
An increase in productivity, defined as output divided by total man-hours, holds down prices, holding other factors constant, by allowing businesses to boost their output of goods and services with labor costs remaining roughly constant. Productivity gains have been strong in recent years, due in large part to improvements in technology. This has helped keep inflation in check while the economy has continued to grow. While the positive effects on inflation from reduced oil prices, a strong dollar and weak foreign demand have diminished in recent quarters, the increase in worker productivity may be permanent. Since the growth potential of an economy depends on its labor force and productivity trends, permanently higher productivity growth will lead to permanently higher GDP growth without adding inflationary pressures to the economy.

The labor force has been growing at an annual average rate of 1.1 percent in the 1990's. If the underlying productivity trend is a constant 2.4 percent, the growth potential of the economy is 3.5 percent. Productivity grew by an average of 2.4 percent during the past five years and 2.7 percent during the past two years. Should these trends continue, the economy will have shifted to a new and higher potential growth path.

Productivity Gains in Expansions

Productivity gains typically slow down as an expansion matures and provide less of a cushion for rising labor and material input prices. However, productivity growth has followed an unusual pattern during the current economic expansion, with strong gains that are typical early in an expansion, followed by an atypical stagnation in the 1993-95 period and a resurgence of productivity gains beginning in 1996 (Figure 6). Between the first quarter of 1996 and the third quarter of 1999, productivity, as measured by output per hour in the non-farm business sector, rose at an average rate of 2.7 percent a year, compared with trend growth of 1.9 percent for the 1990's.

Figure 6
Productivity Growth in the 1990's



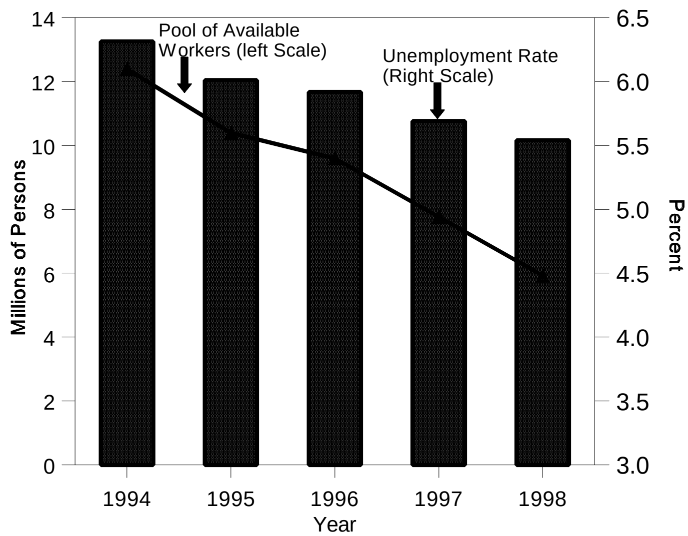
The fact that current productivity growth is exceeding its trend rate for the 1990's has led many economic analysts to believe that the economy has entered a "new era" of strong and continued productivity growth. This growth is being driven by advances in technology and telecommunications. The telecommunications revolution, along with other technical advances, such as the Internet, are expected to lead to further productivity gains, as businesses and workers adapt to the technological possibilities offered by the computer and telecommunications revolution. The point again is, holding other factors constant, this new environment would permit rapid growth in output without inflation.

MONETARY POLICY

The FRB has expressed continued concern about the potential for a resurgence of inflation and shown a willingness to tighten monetary policy to stave off any potential rise in inflation. In fact, the FRB raised rates three times in 1999 as a precautionary move when the economic data suggested inflationary pressures were on the rise. The FRB has been wary of the potential for sustained increases in raw materials prices as Asian economies continue to improve. The FRB has also closely monitored the behavior of financial markets, noting caution is warranted when equity market values seem excessive when compared to historical benchmarks.

With the unemployment rate hovering around 4.2 percent in the past few months, the FRB has closely monitored the potential of inflationary pressures arising from tight labor markets. An important measure of tightness is the declining pool of available workers, which includes both people who are unemployed and actively looking for work (and thus counted as being in the labor force), and those who are not currently in the labor force but want a job (discouraged workers). Figure 7 shows that the pool of available workers has been sliding since the early 1990's, with the unemployment rate inching lower. The shrinking pool of available workers is a growing concern for the FRB, given the potential for escalating wages. The key factor for future monetary policy is whether the economy slows down and the employers' search for new workers moderates, permitting the unemployment rate to stabilize at a point where there is no inherent inflationary bias.

Figure 7
Pool of Available Workers



Given the tight labor market, reflected by an unemployment rate remaining in the 4 percent range, we expect the FRB to resume tightening monetary policy in the new year, raising the Federal funds rate by another 50 basis points by the middle of 2000.

ROLE OF TECHNOLOGY AND THE INTERNET

Advances in the Internet and related technology are becoming important factors in the U.S. economic landscape and therefore deserve attention. The emergence of the Internet and e-commerce in recent years has affected the economy through a number of channels. First, easier and faster information exchange about what consumers want and quick access to what competitors are charging for the same good have heightened product market competition. Second, the Internet has enabled corporations to make their purchasing and inventory operations more efficient (see the just-in-time inventory discussion). Third, e-commerce has made access to goods for consumers easier and this access has sometimes made these goods less expensive to buy. Finally, the Internet boom has resulted in an increased globalization of labor markets, making it easier for employers and workers to match jobs with skills.

The impact of the Internet on the structure and the growth potential of the economy is difficult to assess due to the newly emerging nature of this technology. The Commerce Department has recently started tracking online retail sales and will start reporting the results next year. A recent study[4] estimates that the Internet economy generated more than $300 billion of revenue and employed about 1.2 million workers in 1998. The study also suggests that the growth of the Internet economy will decelerate as it expands but that the share of output

[4]The Internet Indicators. Center for Research in Electronic Commerce, University of Texas, 1998.

and employment in the Internet economy will continue to grow[5]. As already described, the Internet boom has been a part of the information and telecommunication advances which have helped to boost productivity growth.

FOREIGN SECTOR AND INTERNATIONAL CONSIDERATIONS

The U.S. trade deficit swelled to record levels in 1999, as gaps with China and Japan widened and oil prices surged from their lows in February 1999. The U.S. trade deficit has increased dramatically from 1.4 percent of GDP in the first quarter of 1994 to 4.3 percent in the third quarter of 1999. The causes of the widening deficit in recent years are threefold: much of the rest of the world has been in recession or growing more slowly than the U.S. economy, reducing export demand; domestic demand has been quite strong over the last few years, driving imports higher; and the appreciation of the dollar in 1997-98 made imports relatively cheap and exports relatively more expensive, thereby adversely affecting the trade deficit.

World Economy

In 1998, the Asian economies abruptly plunged into recession and, as a result, growth in the world economy also slowed down, with growth in Europe moderating and Latin America sliding into recession. In some cases, foreign currencies were devalued, particularly in Asia. These events had pronounced effects on the U.S. trade deficit. Export growth dipped and even declined for a couple of quarters as demand for exports fell. At the same time, with the appreciation of the dollar in 1997-98 making imports relatively cheaper, demand for imports increased.

Although export growth is picking up, imports continue to outpace exports. World economies are showing signs of reviving from their slump. The global recovery is beginning to stimulate demand for U.S. exports (see Figure 8). As an indication of revived economic growth worldwide, the growth rates in industrial production for the major trading partners of the U.S. — Japan, Mexico, and Canada are improving, although the improvement for Mexico is modest (see Figure 9). The 1997-98 downturn in Asia impacted economic growth among these economies by decreasing demand for their exports. As a result of improving economic conditions in Asia and Europe, foreign demand for U.S. goods and services is reviving. At the same time the dollar is weakening modestly, which will further encourage increased growth in U.S. exports.

[5]It should be noted that the study reflects combined investments in the Internet, Intranets and Extranets, which results in some overlap in employment.

Figure 8
Growth in World GDP and U.S. Exports

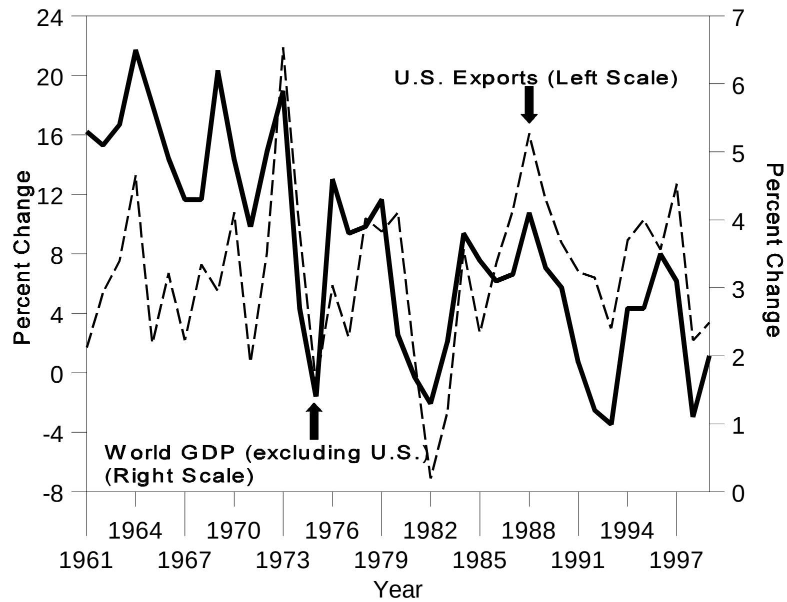
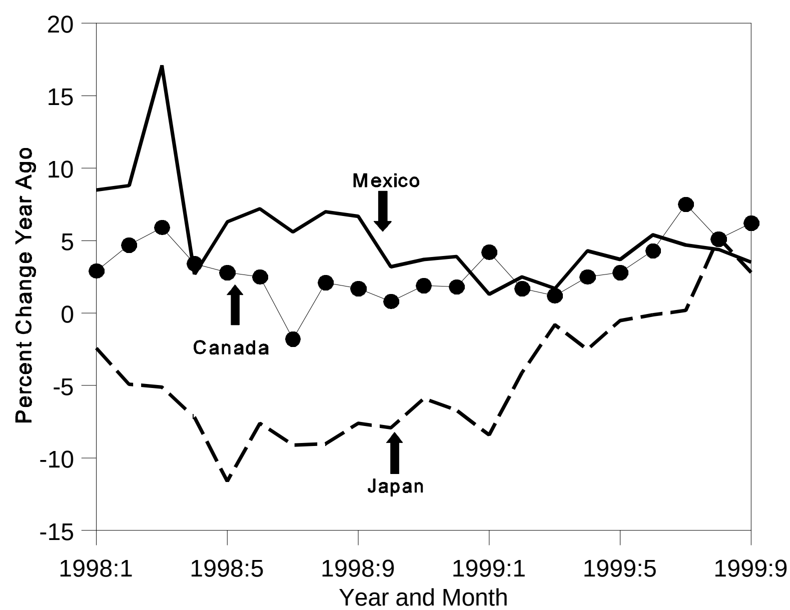


Figure 9
Industrial Production Indexes: Canada, Japan and Mexico



Strong Domestic Demand for Imports

While growth in exports is expected to accelerate, growth in imports is not expected to dampen in the near future, as consumers continue to have a voracious appetite for foreign products. The strong domestic demand for both business and consumer products has increased the demand for imports of these commodities. Figures 10 and 11 show the change in the composition of goods in U.S. imports from 1990 to 1998. The share of imports of industrial supplies and capital goods has increased, while the share of imports of food and beverages and other goods has declined. Led by the continued need to improve technology, the share of computers and peripherals has increased fourfold during the period 1990-98.

Figure 10
Distribution of U.S. Imports 1990

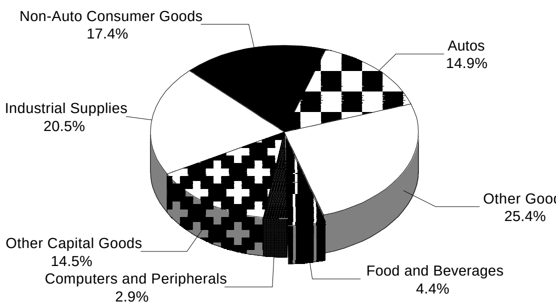
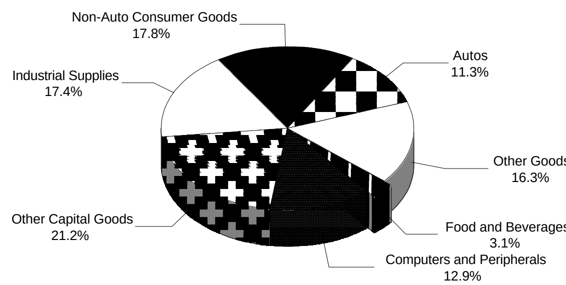


Figure 11
Distribution of U.S. Imports 1998

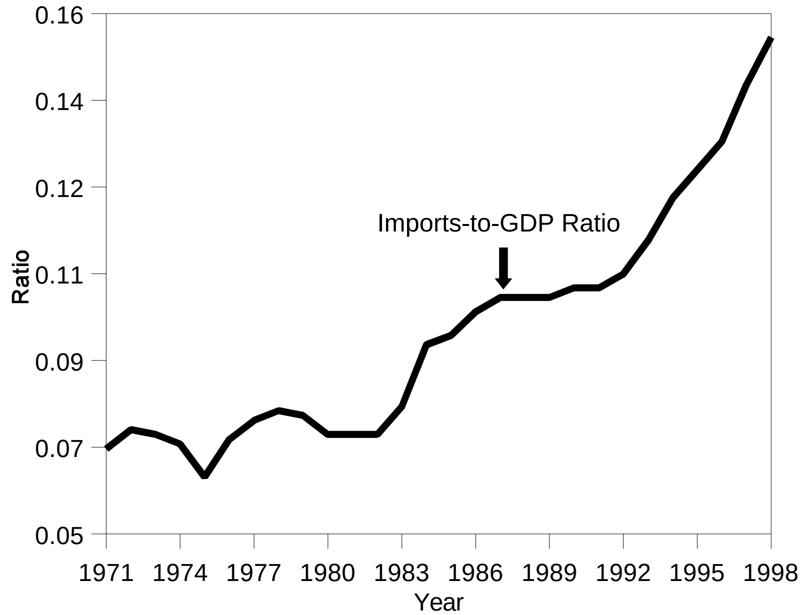


Capital spending on equipment and software is likely to continue to advance with the increasingly important role of the Internet and e-commerce in the economy. This could result in a near-term worsening of the trade deficit. However, over the longer term, the deficit should improve as domestic demand slows and the world economy improves and foreign demand for U.S. products increases.

Value of the Dollar

A strong dollar driven, in part, by high investor confidence in the U.S. economy has also contributed to the trade deficit in recent years. An increase in the inflow of foreign capital led to an increased demand for the dollar, thereby increasing its value relative to other currencies. A strong dollar makes imports relatively cheaper and therefore increases the demand for imports (and makes U.S. exports relatively more expensive). Figure 12 shows a sharp increase in the ratio of imports to GDP during the 1990's. While financing the current trade deficit will put some pressure on the dollar, a strong domestic economy and capital flows are likely to keep the dollar from depreciating significantly.

Figure 12
Imports to GDP Ratio



DOB ECONOMIC FORECAST FOR THE U.S. ECONOMY

Economic growth is expected to slow during 2000 and the inflation rate is projected to rise modestly. Accumulation of goods in the fourth quarter of 1999, because of the Year 2000 (Y2K) issue, will result in production growth slowing in the first quarter of 2000. DOB expects growth to revive for the remainder of 2000, resulting in 3.5 percent growth in real GDP for the year as a whole. This is modestly below 1999 growth in real GDP as well as below the average growth in output over the past three years. Much of the slowdown in 2000 is expected to be due to a decline in both inventory accumulation and residential investment. Consumption is also expected to slow to 3.8 percent from the very rapid 5.2 percent growth in 1999.

Nominal GDP is expected to grow by 5.1 percent as the GDP price deflator increases by 1.5 percent. Consumer prices, as measured by the CPI, are expected to grow at a 2.4 percent rate. Nonagricultural employment is projected to increase at a 1.7 percent rate. The tight labor market is expected to continue, with the unemployment rate projected to decline to 4.1 percent. Labor costs, as measured by the employment cost index, are expected to increase by 4 percent, a still modest growth rate for such a tight labor market. DOB expects two quarter-point increases in the Federal funds rate in 2000. This results in an average 5.9 percent Federal funds rate and a 30-year Treasury bond average yield of 6.5 percent. In addition, personal income and wages and salaries are expected to grow at 5.5 percent and 6.1 percent, respectively. Corporate profits are estimated to grow by 4.8 percent.

Table 2
Selected U.S. Economic Indicators

United States	1996	1997	1998	1999 (prelim.)	2000 (fcast)	2001 (fcast)	2002 (fcast)	2003 (fcast)
Gross Domestic Product (current dollars, percent change)	5.6	6.2	5.5	5.5	5.1	4.5	4.9	5.1
Gross Domestic Product (constant dollars, percent change)	3.7	4.5	4.3	4.0	3.5	2.9	2.9	2.8
Consumer Price Index (percent change)	2.9	2.3	1.6	2.2	2.4	2.5	2.8	2.9
Consumer Spending (constant dollars, percent change)	3.3	3.7	4.9	5.2	3.8	3.2	2.6	2.7
Investment, fixed (constant dollars, percent change)	9.3	8.5	11.8	8.6	5.7	2.1	3.7	5.6
Change in Inventories (Billions of Chained 1992 Dollars)	30.0	69.1	74.3	38.9	40.8	41.5	46.2	48.7
Exports (constant dollars, percent change)	8.3	12.7	2.2	3.4	6.7	7.5	8.3	8.2
Imports (constant dollars, percent change	8.6	13.7	11.6	11.8	8.5	5.3	5.7	8.1
Government Spending (constant dollars, percent change)	1.1	2.3	1.7	3.3	2.3	1.4	1.5	1.6
Corporate Profits								
Personal Income (percent change)	5.6	6.2	5.9	5.8	5.5	5.0	4.8	4.9
Wages (percent change)	5.9	7.2	7.6	6.9	6.1	5.7	5.0	5.1
Nonagricultural Employment (percent change)	2.1	2.6	2.6	2.2	1.7	1.5	1.2	1.3
Unemployment Rate (percent)	5.4	4.9	4.5	4.2	4.1	4.2	4.5	4.6
Standard and Poor's 500 Stock Price Index (percent change)	23.9	30.1	24.2	22.2	10.3	7.9	8.5	7.4
Treasury Bill Rate (3 month)	5.01	5.06	4.78	4.63	5.40	5.38	5.29	4.97
Treasury Bond Rate (30 year)	6.70	6.61	5.58	5.86	6.46	6.25	6.21	5.99

Source: U.S. Department of Commerce; NYS. Department of Labor; U.S. Bureau of Labor Statistics.

COMPARISON WITH OTHER FORECASTING GROUPS

The DOB forecast of 3.5 percent growth for real GDP for 2000 is modestly higher than the 3.2 percent forecast of the December Blue Chip Economic Consensus (an average of 50 private sector forecasts). The DOB forecast of inflation, as measured by the CPI, is 2.4 percent, which is slightly lower than the December Blue Chip Consensus of 2.5 percent. The July update of the economic forecast produced by the Congressional Budget Office (CBO) and the mid-year review by the Office of Management and Budget (OMB) project CPI growth to be 2.4 percent for 2000.

Table 3
U.S. Economic Forecast Comparison — 1999-2003

	1999 (prelim.)	2000 (forecast)	2001 (forecast)	2002 (forecast)	2003 (forecast)
Gross Domestic Product (GDP) (Constant dollars, percent change)					
DOB	4.0	3.5	2.9	2.9	2.8
Blue Chip Consensus	3.9	3.2	NA	NA	NA
Standard and Poor's DRI	4.0	3.6	3.1	2.8	3.0
WEFA	3.9	3.1	3.4	3.3	3.1
Consumer Price Index (CPI) (Percent change)					
DOB	2.2	2.4	2.5	2.8	2.9
Blue Chip Consensus	2.2	2.5	NA	NA	NA
Standard and Poor's DRI	2.2	2.3	2.1	2.5	2.7
WEFA	2.1	2.5	2.5	2.3	2.5
Congressional Budget Office (CBO)	2.2	2.5	2.5	2.5	2.5
Office of Management and Budget (OMB)	2.2	2.4	2.4	2.5	2.5
Unemployment Rate (percent change)					
DOB	4.2	4.1	4.2	4.5	4.6
Blue Chip Consensus	4.2	4.3	NA	NA	NA
Standard and Poor's DRI	4.2	4.0	4.2	4.5	4.5
WEFA	4.2	4.4	4.3	4.5	4.5
Congressional Budget Office (CBO)	4.2	4.3	4.6	4.9	5.1
Office of Management and Budget (OMB)	4.3	4.5	4.9	5.2	5.2

Source: NYS Division of the Budget; Blue Chip Economic Indicators, December 1999; Standard and Poor's DRI U.S. Forecast Summary, December 1999; WEFA Executive Summary, December 1999; Congressional Budget Office: The Economic and Budget Outlook: An Update, July 1999; Office of Management and Budget: Mid-Session Review, June 1999.

POTENTIAL RISKS

The DOB forecast is subject to certain risks, the most important of which can be summarized as: (a) inflation rising more markedly than expected, prompting further monetary tightening by the FRB; (b) stock market prices declining as a result of inflationary fears and higher interest rates; and (c) the dollar suffering more than anticipated as world economies recover. Expectations of higher inflation could lead the FRB to tighten its monetary policy more aggressively, thus slowing economic growth more sharply than anticipated. A significant correction in the stock market could result in slower growth in consumer spending than DOB now envisions. A decline in equity values could also adversely affect housing markets. Also, a greater-than-expected decline in inventories in the first quarter of 2000, as a result of the Y2K problem, may drag down economic growth estimates for the year.

Alternatively, if the recent productivity surge reflects a permanent trend change, and if the growth of real compensation per hour remains below productivity growth, the economy may be able to expand faster than expected in 2000 without a surge in inflation. Robust increases in consumption could continue if a high level of consumer confidence persists, accompanied by continued rapid growth in the value of financial assets.

History of Forecast Error in Blue Chip Consensus Forecasts

Any economic forecast is subject to errors due to continually changing economic and financial conditions. Table 4 reports the forecasting error in the Blue Chip Consensus for real GDP growth and the CPI for the period 1982-98. The forecasts are taken from the January Blue Chip Economic Consensus, which is a consensus of 50 economic forecasters. Forecasting error is computed as the difference between the forecast and the actual value. The current year forecast error is the difference between the January Blue Chip estimate and actual results for that year (e.g. the January 1982 forecast of 1982 real GDP and CPI). The prior year error is the error in predicting the current year 12 months before (e.g. the January 1982 forecast of 1983 real GDP and CPI).

Table 4
Blue Chip Consensus Forecast Error
for Real GDP and CPI: 1982-99

Year	Real GDP		CPI	
	Current Year Forecast Error [1/]	Prior Year Forecast Error [2/]	Current Year Forecast Error [1/]	Prior Year Forecast Error [2/]
1982	2.7	6.0	1.6	3.3
1983	-1.3	0.3	1.8	3.9
1984	-1.2	-2.1	0.6	0.9
1985	-0.4	0.5	1.6	2.3
1986	0.5	0.1	1.7	3.2
1987	-0.5	0.0	-0.5	0.6
1988	-2.0	-0.9	0.1	0.0
1989	0.3	-0.3	-0.1	-0.1
1990	0.6	0.6	-1.2	-0.7
1991	0.5	2.8	0.6	0.0
1992	-1.3	-0.4	0.3	1.0
1993	0.3	0.5	0.1	0.7
1994	-1.0	-0.8	0.2	1.0
1995	0.3	-0.1	0.5	0.5
1996	-1.5	-1.5	-0.1	0.7
1997	-2.2	-2.3	0.6	0.7
1998	-1.8	-2.2	0.6	1.4
1999	-1.6	-.7	-.2	0.4

Source: Blue Chip Economic Indicators; History from Standard and Poor's DRI
Forecast Error = Forecast Value - Actual Value
The actual values for the economic activity (GDP) for the period 1982-99 are taken from three different series in order to be consistent with forecasts done in a given year. Gross National Product (GNP) at 1982 constant prices is used for the period 1982-91. GDP at 1987 constant prices is used for the period 1992-95. From 1996 onwards, GDP at chained 1992 prices is used.
[1/]Current year forecast error is the difference between the forecast value for a given year that was reported in January of the same year and the actual value for the given year. For example, the forecast error for the year 1982 is 2.7 percent for the real GDP growth, the forecast for which was reported in January 1982.
[2/] Prior year forecast error is the difference between the forecast value for a given year that was reported in January of the previous year and the actual value for the given year, For example, the forecast error for the year 1982 is 6 percent for the real GDP growth, the forecast for which was reported in January 1981.

The expansion of the 1980's and the current expansion were generally under-predicted in each year. The underestimation of economic growth is more prominent in the last four years.

However, economic growth during recessions was over-predicted and by a significant magnitude. For example, the real GDP growth rate was over-predicted by 2.7 percent in the current year forecast for 1982. The over-prediction of economic growth during recessions indicates that economists are generally unable to predict the severity of economic downturns when they occur.

The forecasting errors for the CPI indicate that consumer prices have been over-predicted in most cases. This has been especially true in recent years. However, actual inflation for 1999 was slightly higher than predicted, probably due to the unexpected spike in oil prices.

In summary, economic forecasters tend to under-predict output growth during expansions and over-predict output growth in economic downturns. This is a variant on the theme that economic forecasters have great difficulty picking turning points in economic activity. For example, should the factors currently indicating slower growth become more pronounced than economists now project, an economic downturn would result which would not have been predicted by the majority of economists.

The Benchmark NIPA Revisions

The benchmark revisions to the GDP accounts alter the picture of the U.S. economy. The revisions to GDP support the "new paradigm" account of current growth addressed in this section. They suggest higher growth limits for the economy. The National Income and Product Accounts (NIPA) revisions to the GDP accounts indicate that both capital investment and productivity growth have been stronger than originally reported.

Change	Major Components Affected
Include business and government software expenditures as fixed investment	Private Fixed Investment Government Expenditure Corporate Profits
Include private noninsured pension plans in personal savings rather than government savings	Corporate Profits Components of Personal Income (dividend and interest income)
Reclassify government employee retirement plans	Components of Personal Income (dividend and interest income, transfer payments, other labor income)
Reduction in the amount of adjustments to interest receipts of "captive" finance companies	Components of Personal Income (interest income)
Improvement in the adjustment to nonfarm proprietor's income	Components of Personal Income (proprietor's income)
Treat estate and gift tax as capital transfers rather than current tax revenue	Personal Tax Payments Government Revenue and Saving
Change in computation of rental income from nonfarm nonresidential properties	Components of Personal Income (rental income)
Improved methodology for estimates of expenditures for new and used autos.	Consumption Spending Private Fixed Investment
Change in Private Inventories for construction	Inventories
Change in the methodology of estimation of Farm Proprietor's Income	Farm Proprietor's Income Corporate Profits

Average growth rates for the period 1995-98, before and after NIPA revisions, are shown below for selected economic indicators:

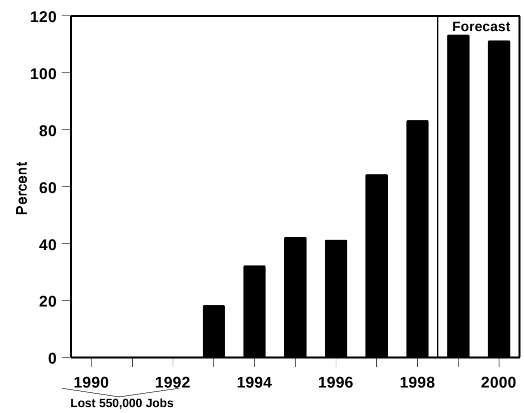
	Before Revisions	After Revisions
	(Percent Change)	
Gross Domestic Product (GDP) (Constant Dollars)	3.4	3.8

THE STATE

OVERVIEW

The New York economy in 1999 grew at a rapid pace, as it had in 1998[1]. After surpassing its pre-recession peak in 1998, employment grew by almost 2.3 percent in 1999 and the unemployment rate reached the lowest level in a decade. Relative to the nation, the growth rate of New York's private sector employment has continued to improve (see Figure 1).

Figure 1
Private Sector Employment
(N.Y. growth rate divided by U.S. rate)



While the booming financial and construction sectors played an important role in the continued expansion, the service sector, led by business services, accounts for a large portion of private employment growth. The decline in manufacturing employment continued. The combination of improved employment growth, a tight labor market, a surge in bonus payments at the end of the year, low inflation, a small increase in property income, and global competition supported a moderate 4.6 percent increase in personal income.

Paralleling the national trend, a moderate slowdown in New York economic growth is expected for 2000. Annual growth in private sector employment in 2000 is projected to be 1.8 percent, down from 2.6 percent in 1999. Led by business services, the service sector will continue to be the major contributor to employment growth in 2000. Construction sector employment growth will continue, but at a slower pace, partly due to weaker demand caused by interest rate increases and by the moderation of growth in other sectors of the economy. The employment gain in the financial sector is expected to be minimal as the consolidation in the banking services industry continues. The export-oriented manufacturing sector is expected to shed fewer jobs than in 1999, partly due to the continued recovery of many Asian economies. Personal income growth is expected to be 5.3 percent, stronger than in 1999, and, relative to 1999, bonuses and property income are expected to be two prominent contributors to personal income growth.

ECONOMIC SECTORS

New York State has a diverse economy, driven by financial and business services, tourism, and manufacturing. Besides being a financial center, New York City is also an international center for fashion and apparel, and publishing. The downstate region also has large information and media industries, as well as a concentration of computer hardware and software production and media services. High concentrations of manufacturing industries for transportation equipment, optics and imaging, materials processing, and refrigeration, heating, and electrical

[1] The estimates for 1999 are based on anticipated revisions of employment data. Actual revisions may differ substantially from current expectations.

equipment products are located in the upstate region. In recent years, many of these sectors have been prospering.

Wall Street

The securities industry — always a prominent force in the State economy since the New York Stock Exchange was established — has increased in importance over the past several decades (see Figure 2). During the current expansion, the securities industry has been a major source of corporate earnings and growth in wages paid as bonuses. In addition, the industry is an important source of revenue for governments and a wide range of businesses. For example, publishing, accounting, legal and business-services companies supply key inputs to securities firms, and the high corporate earnings produced by the securities industry are important in fueling other sectors' activities, especially real estate and construction, retail sales, restaurants, and entertainment industries. The employment impact is also considerable. The U.S. Department of Commerce has estimated that each job in New York City's securities industry generates about two additional City jobs[2]. According to this estimate, about 14 percent of total employment in New York City is related to the securities industry.

[2]Data on Wall Street - related employment are from the U.S. Department of Commerce's Regional Input-Output Modeling System.

Figure 2
Securities Industry

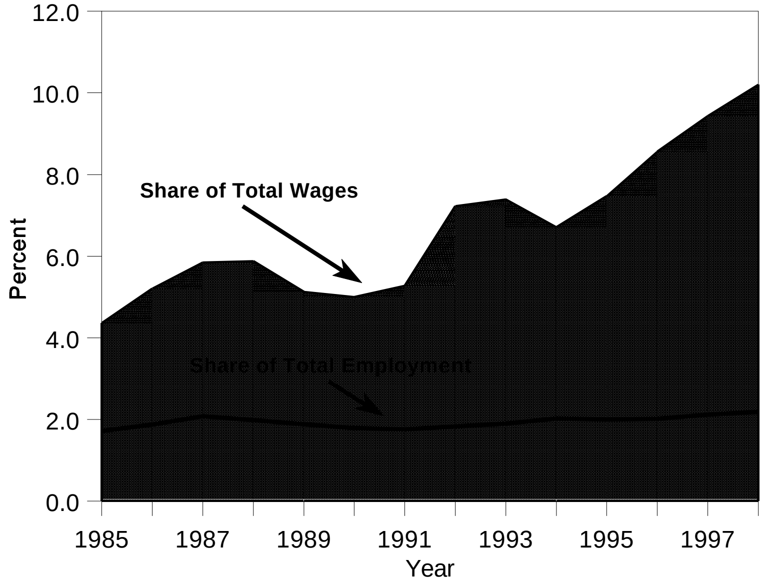
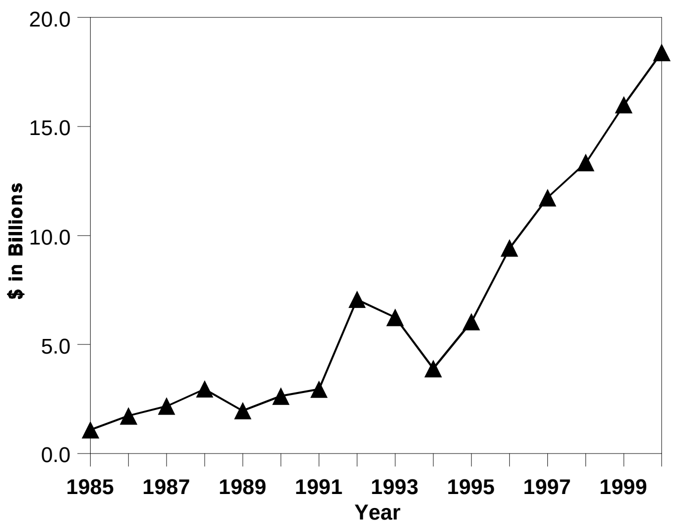


Figure 3
Securities Industry Bonuses



Securities industry profits set a record in 1999[3]. Nearly all facets of the industry performed extremely well in 1999 compared to 1998 when several industry segments suffered from the financial collapse in Asia and Russia. For example, initial public offerings are up 50 percent from 1998 to $36.5 billion in total volume and the merger-and-acquisition business topped $2.1 trillion in worldwide deals (as of the end of September), versus $1.9 trillion during 1998, an 11 percent increase.

Bonuses in the securities industry (see Figure 3) account for approximately 50 percent of total bonuses paid in the State in recent years. Bonus growth has a significant impact on State revenues, since bonus income tends to be taxed at the top income tax rates. With the securities industry enjoying record corporate earnings in 1999, the securities industry bonuses at the end of 1999 and at the beginning of 2000 are expected to set a record, perhaps as high as 25 percent above a year ago.[4] According to some sources, at least 2,000 people on Wall Street will earn $1 million or more, up from just over 1,000 last year, and as many as 75 executives will make more than $10 million, quadruple the number who earned this amount last year. Many Wall Street analysts, except those professionals working in a few areas such as bonds and foreign exchanges, may have significant increases in their bonus payments at the end of 1999 and the beginning of 2000.

Given the importance of income and employment in the securities industry for the New York economy, one would expect a downturn, or even a slowdown in the industry, to have a significant negative effect on the State economy, although the consequences for the State economy could be mitigated or exacerbated by the performance of other sectors of the State economy.

Manufacturing

The manufacturing share of employment has been declining continuously over the post-World War II period. This has been due in part to increasing global competition, rising productivity, and most importantly, a profound change in the industry structure in the State and national economies. Although employment in the manufacturing sector as a whole has been declining, some industries in this sector, such as the printing and electronic industries, actually grew in 1999.

New York's manufacturing sector today, although smaller than in the past, is more competitive than a decade ago. In addition, manufacturing remains an important sector of the economy, particularly for the upstate economy, accounting for a significant share of employment and wage income.

The State economy in general and the manufacturing sector in particular has changed over time to take comparative advantage of the highly educated, highly skilled labor force in the State. This is a primary reason for the significant growth in high-tech industries in New York in the past decade. As workers move into the fast-growing sectors, such as high-technology, the traditional manufacturing sector shrinks. In addition, traditional manufacturers have been forced to adopt new technologies to remain competitive. This has led to a shift

[3]The Securities Industry Association estimated that securities profits reached $13.2 billion in 1999.

[4]The potential error for the forecasts of bonuses is large. The historical growth rate of bonuses has been very volatile. Economic variables, including national ones, that might typically be used to explain bonus growth fail to explain much of the volatility. Econometric simulation studies by DOB demonstrate that the likely value of bonuses over the forecast period could differ significantly from our point estimate.

out of old-line manufacturing jobs to new high-technology manufacturing jobs or into other segments of the economy. This transition, from a traditional manufacturing base to a more technologically-intensive form of manufacturing, will benefit both the State economy and the manufacturing sector in the long run, as companies take advantage of the highly skilled New York workforce.

With strong growth in U.S. consumption, accelerating growth in most European countries, and a return to growth in most Asian countries, export-oriented manufacturing industries of New York are expected to shed fewer jobs in 2000 than in 1999, and consequently the decline in manufacturing employment will be mild relative to the nation.

Construction

Construction employment has surged during the last two years, with the highest employment growth rate among all of the major economic sectors. This is the result of strong demand for office buildings, warehouses, schools, and non-building construction. With the continued economic expansion, demand for construction has been strong. The real estate market has become very tight in New York City, causing rental prices to rise significantly for both commercial and residential properties. For example, the asking rental price for commercial space on the West Side of Manhattan increased from $20.5 per square foot in September 1998 to $25.3 per square foot in September 1999, a 23 percent increase. The per-square-foot cost for Class A space in Manhattan increased by an average of 8 percent from a year ago (as of August 1999). In addition, many regions of the State reported record home sales despite an increase in mortgage interest rates during 1999. According to an analysis by the Federal Reserve Bank of New York, a distinctive feature of this construction boom which differs from previous real estate expansions is that builders have engaged in fewer speculative projects.[5] Thus, in the event of an economic slowdown, there is less chance that an oversupply of office space and residential properties will exacerbate the economic downturn. However, despite this overall positive outlook, the moderate slowdown in economic growth, along with the interest rate increases expected in 2000, should make the growth in the construction employment distinctly slower than in the previous two years.

High-Technology and Services

The high-technology and service industries have emerged as important engines of economic growth in New York. The ongoing revolution in communications technology is a major component of the high-technology revolution.

The Internet, along with the ancillary software and hardware products and services necessary to operate on the Internet, has spawned many new companies in the State. Demand for information technology consultants, web-page designers, e-commerce experts, and software engineers is fueling job gains in business services, which, along with the strong demand for traditional business services, have made business services one of the fastest growing sectors in the State. The average growth rate of employment in business services in the past four years has been 6.9 percent, more than three times higher than the average growth rate of total employment.

[5]See Jason Bram and James Orr. "Can New York City Bank on Wall Street?" Federal Reserve Bank of New York *Current Issues in Economics and Finance, Second District Highlights 5*, No. 11 (July 1999.)

The high-technology revolution is also increasing the demand for new medical products and pharmaceuticals. Although specific data on growth in this area are not available, many observers have commented on the growing importance of this industry. The major pharmaceutical companies and small biotech start-ups alike are expanding their research and production facilities to meet the rising health demands of an aging population and to exploit continued advances in medical science.

The fast-growing industries mentioned above, as well as motion picture, new-media, health care, and private education firms, are largely economically independent of the financial services industry. The rising importance of these industries can help mitigate the impact of a decline in Wall Street employment and earnings. As a result, the overall economy may be in better shape to weather a reversal on Wall Street than in the past. The Federal Reserve Bank of New York has emphasized this point in recent reports.[6]

PERFORMANCE OF STATE ECONOMY

The State economy in 1999 is estimated to have grown at a rate far in excess of historical averages. The accompanying table compares employment, real wages, and real average wage growth for 1999 with the 23 year period of 1975 to 1998.

Employment growth, estimated at 2.3 percent for 1999, far exceeds the historical average annual growth rate for employment of 0.8 percent. This improvement is true for all major industry classifications except manufacturing. The same story holds for real wages: the 1999 growth rate of 3.5 percent is substantially above the 1.5 percent historical rate. For real average wages, the growth rate in 1999 is 1.2 percent versus the average of 0.7 percent for the past 23 years.

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[6]See James Orr and Rae Rosen, "New York-New Jersey Region's Job Growth to Continue in 1999, but Risks Have Risen." Federal Reserve Bank of New York *Current Issues in Economics and Finance, Second District Highlights 4*, No. 14 (December 1998); Jason Bram and James Orr, "Can New York City Bank on Wall Street?" Federal Reserve Bank of New York *Current Issues in Economics and Finance, Second District Highlights 5.* No. 11 (July 1999).

Table 5
Employment, Real Wages and Real Average Wages**

1975 to 1998

	EMPLOYMENT		REAL WAGE		REAL AVERAGE WAGE	
	Level (thous.) 1998	Average Growth Rate (%) 1975-98	Level (billions) 1998	Average Growth Rate (%) 1975-98	Level (thous.) 1998	Average Growth Rate(%) 1975-98
Construction	$283.5	1.3	$7.0	1.0	$24.5	-0.3
Manufacturing	913.4	-1.9	25.9	-1.1	28.3	0.8
Trans., Comm., and Utilities	413.6	-0.2	11.5	0.0	27.8	0.2
Trade	1662.8	0.7	27.2	0.5	16.3	-0.3
FIRE*	736.0	1.1	41.1	4.9	55.9	3.8
Service	2801.8	2.9	58.8	3.2	21.0	0.3
Government	1422.2	0.3	32.9	0.5	23.2	0.2
Total***	8237.8	0.8	206.1	1.5	25.0	0.7

1999

	EMPLOYMENT		REAL WAGE		REAL AVERAGE WAGE	
	Level (thous.)	Growth Rate (%)	Level (billions)	Growth Rate (%)	Level (thous.)	Growth Rate(%)
Construction	$304.6	7.4	$7.6	9.3	$25.0	1.8
Manufacturing	894.8	-2.0	25.8	-0.2	28.9	1.9
Trans., Comm., and Utilities	417.7	1.0	11.7	2.1	28.0	1.1
Trade	1697.0	2.1	28.4	4.6	16.7	2.5
FIRE*	751.8	2.1	44.8	8.9	59.6	6.7
Service	2921.9	4.3	62.1	5.4	21.2	1.1
Government	1433.1	0.8	33.3	1.2	23.3	0.5
Total***	8425.3	2.3	213.3	3.5	25.3	1.2

* FIRE: Finance, Insurance, and Real Estate.
** U.S. CPI (1982 - 1984 = 100) is used as the deflator to obtain real wages and real average wages.
*** Wages of the mining and agriculture sectors are included in total real wages. Mining employment is included in total employment.

BONUSES

Bonus payments are becoming an increasingly widespread form of employee compensation for U.S. businesses. More and more companies, both large and small, are offering bonus plans to their employees. Bonuses are also growing as a proportion of total wages and salaries. Bonus payments exhibit a very different growth pattern from non-bonus wages. Bonus payments can be very volatile, while non-bonus wages are more closely related to changes in total employment. While non-bonus wages tend to exhibit smooth growth, bonus payments can vary from zero to billions of dollars.

The estimate of bonus payments is very important in the forecast of the State's personal income tax (see personal income tax in explanation of receipts section). Bonuses are a growing share of total wages. They tend to be concentrated among high-income taxpayers and, as a result, are taxed at the top income tax rate. Further, the timing of bonus pay-outs affects the pattern of wage payments and consequently the State's cash flow. Tax collections from wages usually peak during December, January, and February, corresponding to the timing of bonus pay-outs.

Official data on bonus payments does not exist, but the bonus component of total State wages can be estimated based on wage data available from the New York State Department of Labor. Fundamentally, growth in total wages is determined by the growth in total employment and hours worked as well as growth in the average wage per worker. Total wages display a definite seasonal pattern, caused by both the seasonal change of employment and the seasonal payment of bonuses. Seasonality due to periodic changes in employment can be eliminated by focusing on the average wage per worker, rather than on total wages.

It then remains to distinguish the bonus component from the non-bonus component of the average wage per worker. To accomplish this, it is assumed that the growth of the non-bonus component of the average wage follows a linear trend over the course of the year. Since most bonus payments are made during the fourth and first quarters of the calendar year, the average wage for either the second or third quarter can be used as an estimate for the average non-bonus quarterly wage.[7] The deviations from the average non-bonus wages found in fourth and first quarters can be interpreted as average bonus payments for the corresponding quarters.

Total bonuses are then calculated as the product of the average bonus per worker and total employment. Using this methodology, bonus estimates were developed for 1999 and 2000. New York private sector bonuses for the 1999-2000 State fiscal year are estimated to total $29.1 billion, representing growth of 14 percent over the 1998-99 total of $25.5 billion.

While aggregate bonus payments fluctuate over time, the overall level has increased substantially in recent years. Bonus payments account for an estimated 7.5 percent of total wage earnings in New York in 1999 and 7.9 percent in 2000.

Bonuses as a percentage of total wages vary from industry to industry. The share of bonuses for the FIRE sector reached 25 percent of total wages for the sector in 1998. Security industry bonuses, a subset of FIRE wages, represented 40 percent of wages paid to employees. In contrast, for the transportation, communication and utility sector, bonus payments are negligible. In the aggregate, for 1998, the average wage for the State economy was $40,694, of which 7.8 percent was accounted for by bonus payments.

For the State fiscal year 1999-2000, total bonus payments are expected to increase by 14 percent. Overall bonuses are expected to increase by 8.9 percent in the fiscal year 2000-01. The following table provides detailed forecasts for the major sectors.

[7]There is a tendency for this method to underestimate bonus payments, since some firms pay bonuses during the second and third quarters.

Table 6
Bonus Forecast
(percent change)

Sector	1999-2000	2000-01
Construction	8.0	8.0
Manufacturing	-3.8	5.0
Trade	7.0	7.0
Services	3.7	7.0
FIRE	21.8	10.0
Total	14.0	8.9

The FIRE sector, led by securities firms, will continue to be the leading contributor to bonus growth, with an estimated 21.8 percent increase for the 1999-2000 fiscal year and 10 percent growth for the 2000-01 fiscal year. For the government and transportation, communication, and utility sectors, bonus payments do not account for a significant fraction of wages. For all other sectors, bonus growth is expected to grow much slower than for bonuses in the FIRE sector.

Construction of Wage Series

To improve the link between economic and tax variables on a quarterly basis, DOB constructs its own wage series from the available primary data sources. This series differs from the one published by the U.S. Bureau of Economic Analysis (BEA).

DOB uses only actual or estimated New York wage data for the construction of the series. BEA, in contrast, uses national information to adjust the quarterly values determined from the New York wage data. Often, the consequence is a significant difference in the quarterly pattern and in the percent-change-year-ago growth rate between the two series. (For example, for the first quarter of 1999, see footnote ** at the bottom of this page.) These methods result in the annual growth rates shown below.

Wages
(Percent Change)

	1996	1997	1998	1999
DOB*	6.0	6.0	7.7	5.8
BEA	5.9	6.1	6.9	7.5**

* In most cases, this series is used to analyze and forecast personal income tax collections and liabilities.

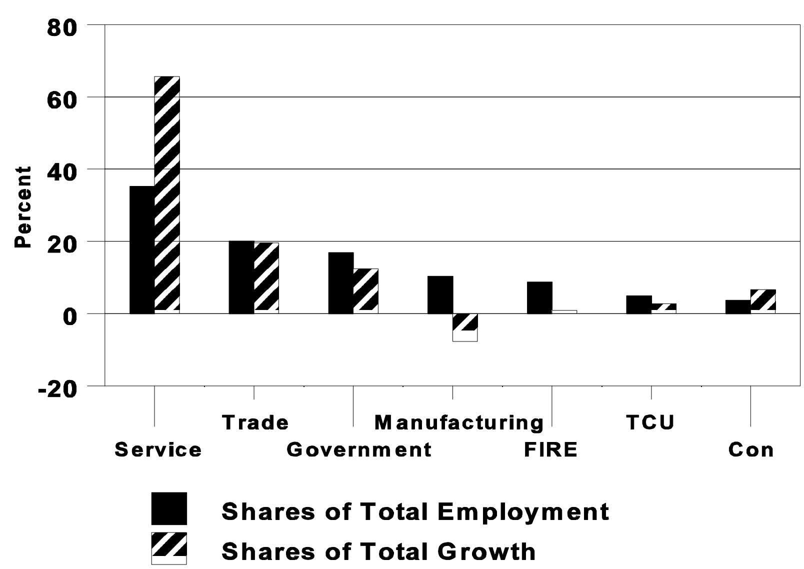
** Based on published BEA numbers for the first two quarters of 1999 and the assumption that wages grew at an annual rate of 5 percent for the last two quarters. However, according to the Federal Unemployment Insurance Program wage data, the wage growth for the first quarter of 1999, on a percent-change-year-ago basis, was 4.3 percent, while the comparable growth rate published by BEA was 8.9 percent. Therefore, the BEA-based 7.5 percent estimate in the table is likely to be revised downward when the data for all of 1999 becomes available.

OUTLOOK

Employment

The New York economy is expected to continue to grow in 2000, although, following national trends, at a more moderate rate than in 1999. The deceleration in overall economic growth will, in turn, slow construction growth from the robust rates achieved in 1999. Also, employment growth in the financial sector will slow. This is due, in part, to continued mergers in the banking sector. Employment in the government sector should grow at an increased rate, partly resulting from the one-time increase in Federal government employment for census workers. Manufacturing employment should continue to decline at a slower rate, with improved export demand partly offset by weakening domestic demand. The service sector will not only continue to remain the largest contributor to employment growth but will also increase its share of total growth, a pattern that is typical of periods when overall employment growth slows in the State (see Figure 4).

Figure 4
Employment (2000)



Note: TCU=Transportation, Communication & Utilities;
FIRE=Finance, Insurance & Real Estate; Con=Construction.

On an average annual basis, private-sector employment is expected to climb about 1.8 percent in 2000, while total employment will grow about 1.7 percent or approximately 145,000 jobs, a rate not quite as robust as for the past two years, but higher than for the other years of the current expansion. The unemployment rate will hover around 5.1 percent, the same rate as in 1999. The performance of the State's private employment growth rate relative to the nation has been improving during the last four years and job growth may have surpassed the nation in 1999, according to preliminary estimates of employment data. This improved performance relative to the nation is expected to persist in 2000. The following table reports the change in employment by sector.

Table 7
Change in Employment
(thousands)

	1996	1997	1998	1999 (prelim)	2000 (fcast)	2001 (fcast)	2002 (fcast)	2003 (fcast)
Construction	3.1	10.5	18.6	21.0	9.7	6.1	4.6	5.8
Manufacturing	-17.3	- 3.6	- 7.3	- 18.6	-11.3	- 6.7	-10.0	-11.5
Trans., Com., Uti.	1.6	4.1	5.9	4.1	3.9	4.6	5.1	4.1
Trade	8.5	20.7	21.7	34.2	28.5	17.2	10.2	6.2
FIRE	-6.0	4.3	13.8	15.8	1.3	3.7	4.7	0.4
Services	72.7	87.1	102.0	120.1	95.5	91.1	82.2	76.3
Government	-15.8	6.2	15.4	10.9	18.0	- 2.2	2.0	5.9

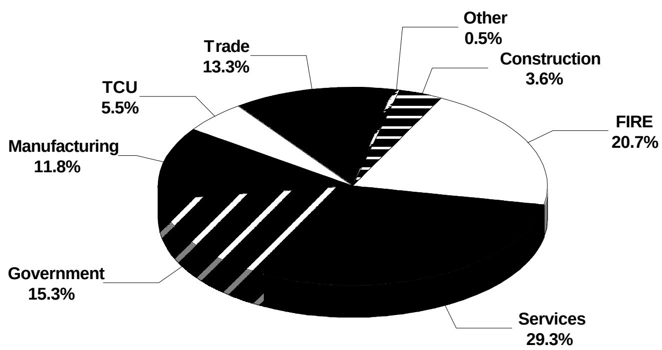
As the table shows, the services sector has consistently been the most important contributor to the employment growth in recent years, while the trade sector has been next in prominence. This pattern continues in the forecast period. The construction sector, although small, performed extremely well during the past two years, driven by strong demand in all major construction markets. The forecast for the construction sector calls for more modest growth over the forecast period. The employment changes in manufacturing and the transportation, communication, and utility sectors have been stable and this pattern is expected to continue. Employment growth in the FIRE sector will be weaker than in the past two years.

Income

A relatively low inflation rate and the general economic slowdown during 2000 should combine to keep growth in average wages modest at 4.4 percent, similar to the projected growth in national average wages. FIRE bonuses should increase 13 percent in 2000, in large part due to a continuation of a high level of profits in the securities industry. This will contribute to an 11 percent increase in total bonus payments for 2000. Growth in overall wages is expected to be 6.2 percent, 0.4 percentage points higher than in 1999 (see Figures 5 and 6).

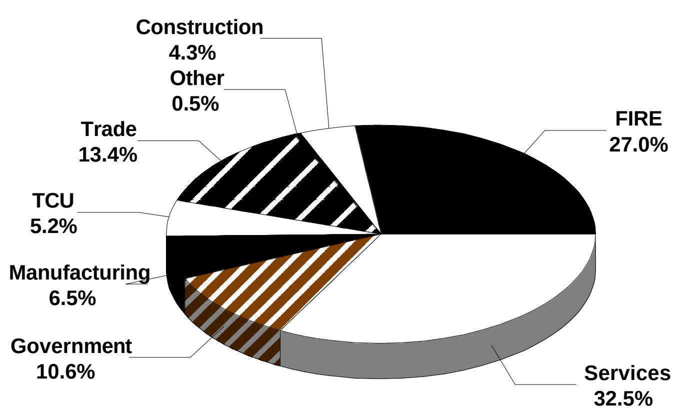
Non-wage income is expected to increase by 4.0 percent, with property income rising at a rate of 4.6 percent, an improvement over 1999. This is due mostly to an increase in interest income, which is the major component of property income. Total personal income is expected to increase by 5.3 percent.

Figure 5
Share of Wages (2000)



Note: TCU=Transportation, Communication & Utilities;
FIRE=Finance, Insurance & Real Estate.

Figure 6
Share of Wage Growth (2000)



Note: TCU=Transportation, Communication & Utilities;
FIRE= Finance, Insurance & Real Estate.

RISKS

In addition to the uncertainties described earlier for the U.S. economy, the forecast contains risks specific to New York. A major uncertainty is the possibility that average wages could grow faster or slower than forecast. Growth in average wages will be affected by the region's labor market conditions and the local inflation rate relative to the nation. It will also depend on the degree of profitability of firms that typically make large bonus payments and the timing of those payments. The securities industry is more important to the New York economy than to the national economy. Therefore, a large change in the performance of the securities market during the forecast horizon could result in wage and unemployment levels that are significantly different from those embodied in the forecast. Merging, downsizing, and relocation by firms, as a consequence of deregulation or continued severe foreign competition, combined with tight labor and real estate markets, may have more significant adverse effects on employment than expected.

Table 8
Selected Economic Indicators
(Calendar year, percent change)

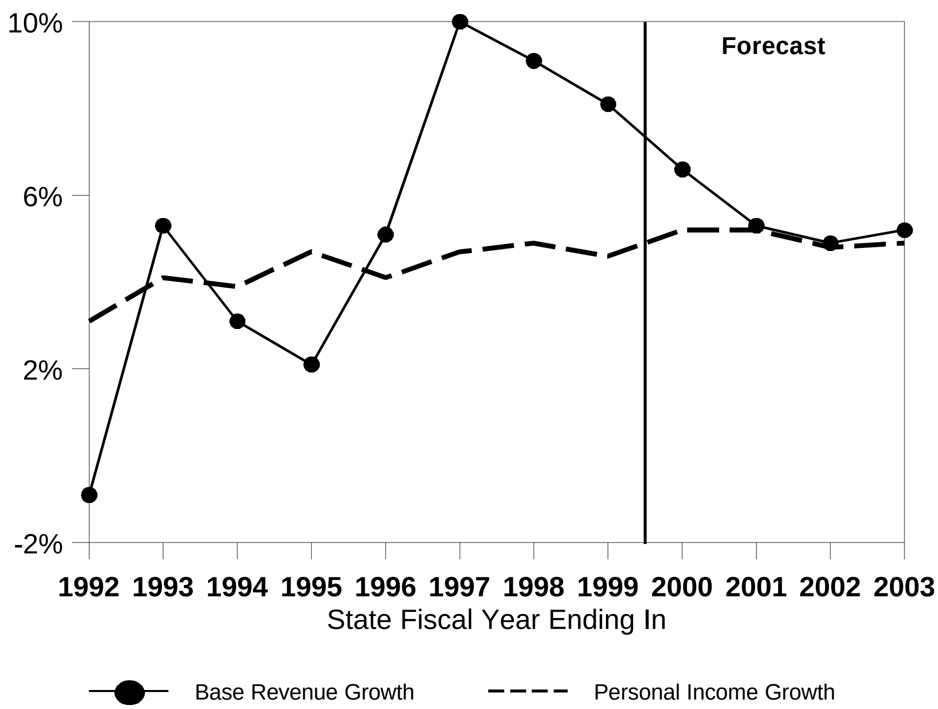
	1996	1997	1998	1999 (prelim.)	2000 (fcast)	2001 (fcast)	2002 (fcast)	2003 (fcast)
New York State								
Personal Income [1/]	5.2	4.2	5.3	4.6	5.3	4.9	4.9	4.9
Wages & Salaries [1/]								
Total [3/]	6.0	6.0	7.7	5.8	6.2	5.7	5.3	5.2
Without Bonus	4.0	5.5	7.2	6.0	5.9	5.3	5.0	4.9
Wage Per Employee [1/]	5.3	4.3	5.5	3.4	4.4	4.3	4.1	4.2
Property Income	6.8	3.2	1.5	2.4	4.6	3.7	3.6	3.3
Nonfarm Proprietors' Income	4.9	4.5	5.3	7.5	4.4	3.7	4.9	5.5
Transfer Income	5.8	2.1	2.7	3.3	4.1	4.6	5.2	5.4
Nonfarm Employment [4/, 5/]								
Total	0.6	1.6	2.1	2.3	1.7	1.3	1.1	1.0
Private	1.0	1.9	2.3	2.6	1.8	1.6	1.3	1.1
Unemployment Rate (%)	6.2	6.4	5.6	5.1	5.1	5.1	5.1	5.0
Personal Income Deflator [2/]	2.6	2.2	1.4	1.7	1.8	1.9	2.5	2.6
Sectoral Employment: [4/, 5/]								
Construction	1.3	4.1	7.0	7.4	3.2	1.9	1.4	1.8
Manufacturing	-1.8	-0.4	-0.8	-2.0	-1.3	-0.8	-1.1	-1.3
Trans., Comm., Utilities	0.4	1.0	1.4	1.0	0.9	1.1	1.2	1.0
Trade	0.5	1.3	1.3	2.1	1.7	1.0	0.6	0.4
Finance, Ins., & Real Estate	-0.8	0.6	1.9	2.1	0.2	0.5	0.6	0.0
Services	2.9	3.3	3.8	4.3	3.3	3.0	2.6	2.4
Government	-1.1	0.4	1.1	0.8	1.3	-0.2	0.1	0.4

[1/] New York historical wage and personal income numbers differ from the method used by the Bureau of Economic Analysis. For details, see section on Construction of Wage Series.
[2/] Series created by the Division of the Budget.
[3/] Bonus payments kept in quarters of actual payment.
[4/] Starting with the third quarter of 1998, historical and forecasted non-agricultural employment numbers reflect adjustments based on employment data provided by the Unemployment Insurance Program (202 data) for the third and fourth quarters of 1998.
[5/] 1999 estimates may be revised for New York when new data are available.
Sources: U.S. Department of Commerce, Bureau of Economic Analysis; NYS Department of Labor. Table reflects published National Income and Product Account data through November 1999, employment data through November 1999, and certain adjustments to New York data by the State Division of the Budget.

SOURCES OF VOLATILITY IN INCOME TAX ESTIMATES — A RISK ASSESSMENT

Personal income growth was aligned fairly closely with underlying revenue growth until fiscal year 1994-95, as the accompanying chart illustrates. Underlying revenue growth or base revenue is constructed by removing the impact of tax law and administrative changes on revenues. However, starting in fiscal year 1995-96, growth in base revenues was almost twice the rate of personal income growth through fiscal year 1998-99. The rapid increase in revenues during this episode is almost entirely due to the unprecedented increases in personal income tax receipts over this period. This section describes the major factors causing this growth and the risks associated with projecting continued atypical growth in these special factors.

Base Revenue and Personal Income Growth
(Percent Change)



The rapid growth in base income tax revenues relative to income is, in significant measure, due to the unprecedented growth in equity markets over this period, as exemplified by the increases in the stock indexes, such as the Wilshire 5000, the NASDAQ composite, and Standard and Poor's 500. In fact, the four consecutive years (1996 through 1999) of 20 percent plus gains for these three indexes are unprecedented. The NASDAQ grew at a record rate in 1999, increasing by almost 86 percent. The Standard and Poor's 500 growth rate for 1999 was the third fastest annual rate on record.

The rapid appreciation in the value of stocks, coupled with recent changes in the Federal tax treatment of capital gains, has led to a striking increase in capital gains realizations as reported on New York tax returns. For example, realizations increased by 60 percent and 40 percent in 1996 and 1997, respectively. As a result, the share of adjusted gross income accounted for by capital gains has grown dramatically in recent years, increasing from 4.4 percent in 1995 to an estimated 9.6 percent in 1998 and 11.0 percent in 1999.

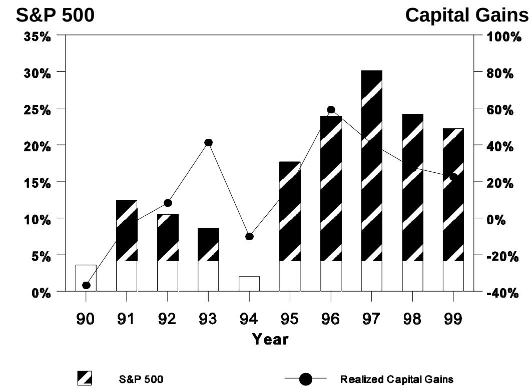
The large increases in capital gains realizations have had a dramatic impact on personal income tax liability. Liability growth has increased by 52.3 percent over the past 5 years, after correcting for tax law changes. That represents average liability growth of 10.5 percent. These changes are illustrated in the accompanying charts.

Over the financial plan forecast period, we expect a return to more normal rates of growth in the income components that are subject to financial sector forces. The result is an expectation that income tax revenues will continue to increase, but at a slower rate — more in line with historical norms.

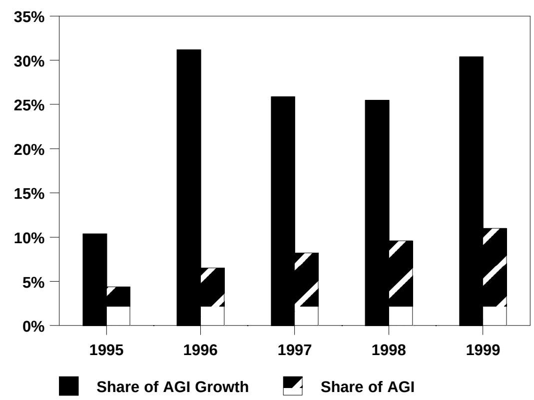
Historical growth in capital gains realizations reported on tax returns has been extremely volatile as the accompanying chart indicates, and, in the past, the rapid increases, such as the ones experienced recently, were followed by periods of no growth or decline. The factors that lead to large swings in gains realizations on tax returns are not understood with great precision, although several variables are clearly important:

- the effective Federal, State and local marginal tax rate on gains realizations;

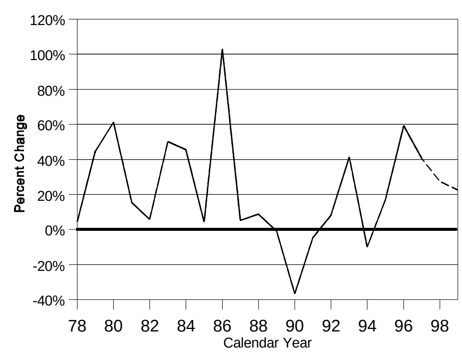
S & P 500 and Capital Gains
(Percent Change)



Capital Gains as Share of AGI



Realized Capital Gains:
NY Tax Returns



- the value of corporate equities;
- the value of household property subject to capital gains taxation;
- the overall performance of the economy; and
- the profitability of private sector companies.

Division of the Budget staff have constructed several alternative econometric models of capital gains realization behavior which employ these factors to help explain the volatility in reported realizations. Extensive simulation studies have been conducted to study the sensitivity of model results to small disturbances in the economy or the structure of the models. These studies employ a method termed "Monte Carlo" simulation to replicate model results thousands of times by introducing random errors to the equations and the parameter estimates of the estimated equations. These errors simulate the behavior of the real economy where random shocks or events lead to a divergence between actual and predicted outcomes. By examining the results from these experiments, measures of uncertainty can be developed which allow an assessment of the risk associated with a given forecast.

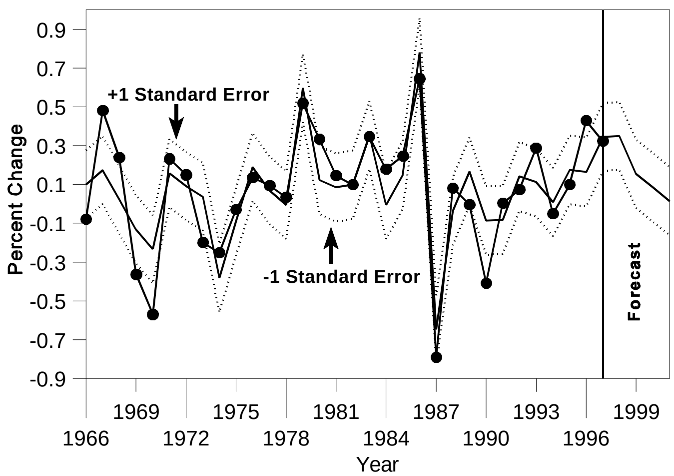
These studies show that the normal variation around the predicted value for capital gains in any period can be substantial. Normal variation is measured by the standard deviation around the predicted value. An example of this analysis is summarized in the following table and illustrated in the accompanying charts.

Table 9
Simulation Results for Capital Gains Model[1]
(Percent)

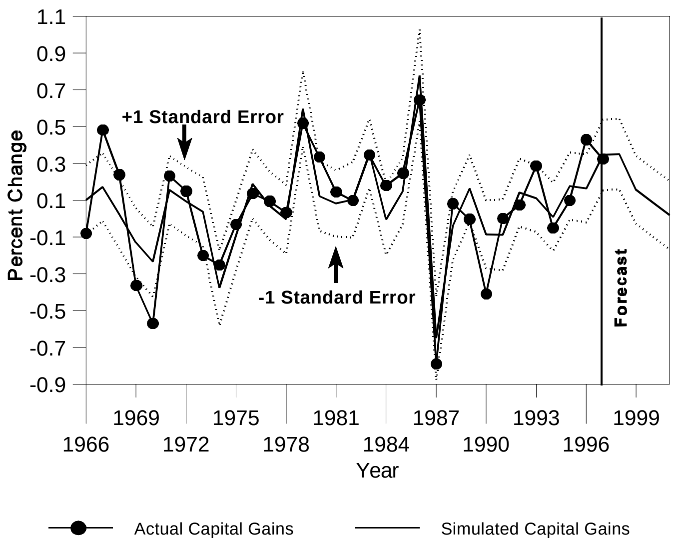
		Model Errors		Model Errors plus Parameter Estimate Errors	
Year	Actual Growth	Mean Predicted Growth	One Standard Error Around Predicted Growth	Mean Predicted Growth	One Standard Error Around Predicted Growth
1965	36.4	-9.8	19.5	-9.8	20.4
1966	-7.5	10.1	17.6	10.3	18.8
1967	62.0	17.5	17.5	17.4	18.4
1968	27.1	2.4	17.6	2.6	18.7
1969	-30.4	-13.0	17.6	-12.9	18.6
1970	-43.4	-23.3	17.5	-23.3	18.9
1971	26.2	15.8	17.5	15.7	18.4
1972	16.2	9.2	17.6	9.4	18.6
1973	-18.0	3.8	17.6	4.0	18.6
1974	-22.2	-38.2	17.6	-37.7	20.4
1975	-2.9	-9.0	17.4	-9.1	19.0
1976	14.7	19.6	17.6	18.8	18.8
1977	10.1	7.0	17.4	7.1	18.5
1978	3.5	-0.5	17.4	-0.3	18.6
1979	68.1	59.7	17.6	59.8	20.6
1980	39.7	12.3	17.5	12.3	19.0
1981	15.7	8.5	17.6	8.3	18.1
1982	10.4	10.0	17.5	10.4	20.6
1983	41.6	35.4	17.5	35.4	18.7
1984	19.7	-0.5	17.5	-0.3	19.4
1985	28.0	15.1	17.5	15.1	18.0
1986	90.7	78.1	17.6	77.9	24.9
1987	-54.6	-64.7	17.5	-65.0	22.6
1988	8.5	-0.4	17.6	-3.8	18.6
1989	-0.3	16.6	17.5	16.5	18.2
1990	-33.5	-8.5	17.5	-8.6	18.5
1991	0.3	-8.2	17.6	-8.7	19.2
1992	7.7	14.1	17.7	14.2	18.4
1993	33.5	11.2	17.5	11.0	18.2
1994	-4.8	1.0	17.6	1.0	18.5
1995	10.4	17.5	17.6	17.6	18.3
1996	53.7	16.5	17.7	16.4	18.5
1997	38.3	34.5	17.6	34.7	19.2
1998	. . . .	35.0	17.5	35.1	19.2
1999	. . . .	15.5	17.6	15.8	18.5
2000	. . . .	8.5	17.7	8.7	18.5
2001	. . . .	1.4	17.5	2.0	18.6

[1]The explanatory variables used in the model include the effective Federal, State and local marginal tax rates on gains realizations, total dollar volume traded in stock markets, real gross domestic product and a dummy variable which captures the impact of the 1986 Federal Tax Reform Act.

Capital Gains: Actual and Simulated
(Shocks to Model Errors)



Capital Gains: Actual and Simulated
(Shocks to Model Errors and Parameters)



The model used in this exercise fits the historical data reasonably well. Clearly, however, there is a wide band of error around the estimates. This would indicate that caution be exercised in future projections of capital gains. A significant probability of a result substantially below the mean estimate cannot be ruled out by the above analysis. For example, the mean predicted growth rate of 15.8 percent for 1999 taken from column four of Table 9 has a standard error of 18.5 percent. This suggests that growth rates in capital gains ranging from over 34 percent to -3 percent are in the plausible range for 1999. Given this wide range of uncertainty, the point estimate does not convey information in which policy analysts or decision-makers can have much confidence.

Another reference point for examining capital gains projections and the associated risk inherent in the projections is alternative forecasts from other sources interested in the capital gains outlook. The Congressional Budget Office (CBO) produces forecasts of capital gains realizations as shown in the following table. The table compares estimates from the New York model with those produced by the CBO. The CBO forecast is far more conservative than the DOB projection based on the model used in the above simulation experiment.

Table 10
Comparison between U.S. and New York Capital Gains
(percent change)

Year	New York	U.S.[2]
1998	35.0	13.0
1999	15.8	- 6.0
2000	8.7	- 4.0
2001	2.0	- 2.0
2002	2.2	- 0.6
2003	1.2	0.6
2004	1.4	1.4

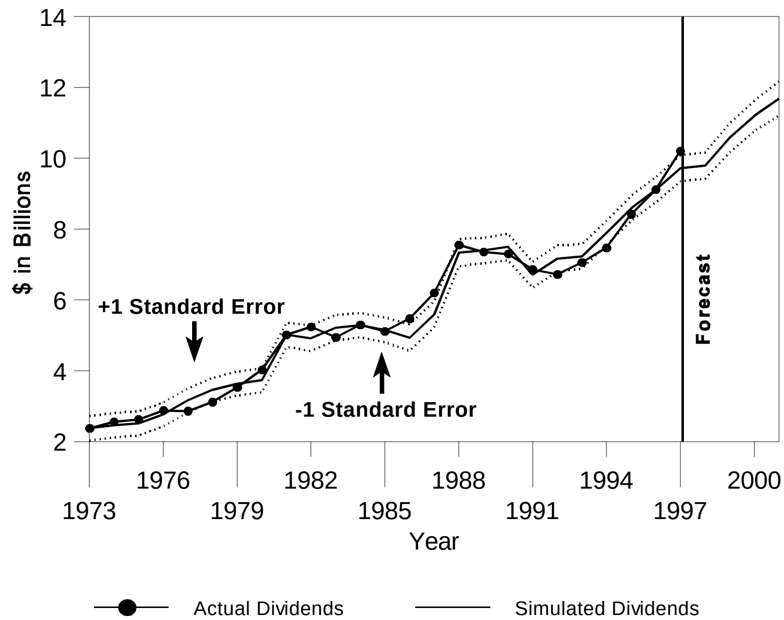
In summary, given the volatility in the gains component of income, there is significant risk associated with any capital gains forecast. This is especially true in light of recent market volatility and in the absence of additional tax policy changes favorable to gains realization. As a result, for the upcoming years, income tax receipts are projected to grow at a rate that is consistent with a decline in the rate of increase of capital gains realizations.

OTHER MAJOR NON-WAGE INCOME COMPONENTS

DOB staff have conducted similar simulation studies for the analysis of other major components of non-wage income, such as interest, dividends, and business income, which have helped drive income tax receipts up in recent years.

[2]CBO's new forecast should not change by much from its current forecast.

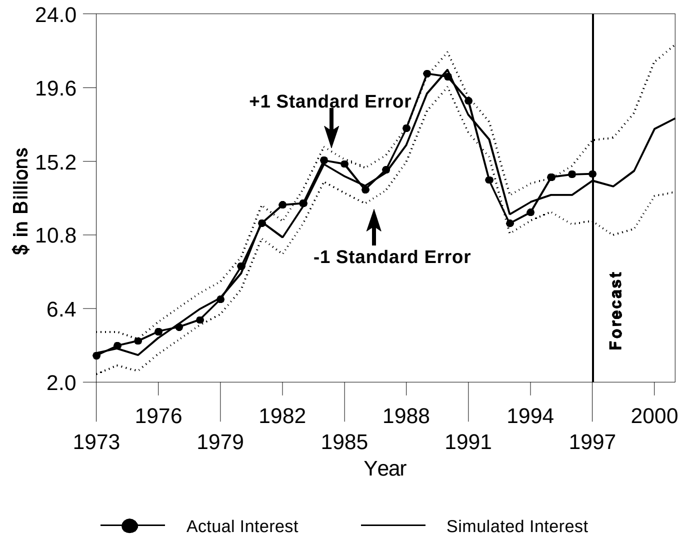
Dividends: Actual and Simulated
(Simulated Shocks to Model Errors)



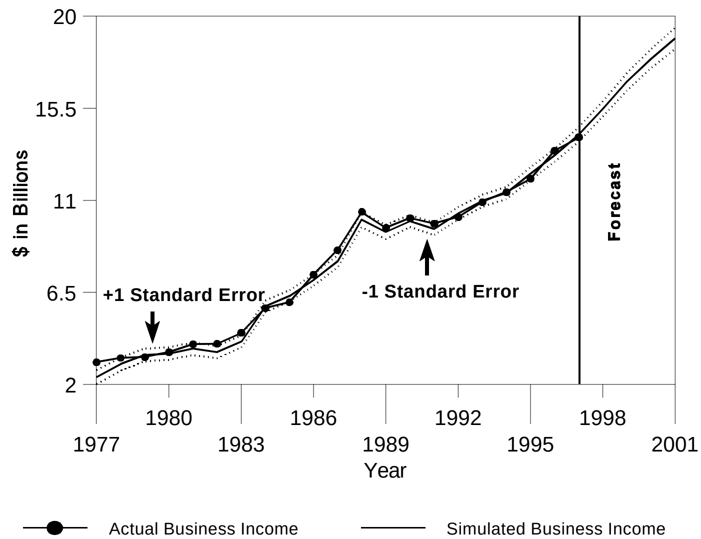
Econometric models have been developed which relate changes in these income components to changes in relevant economic variables. For example, interest income is explained primarily by movements in long-term and short-term interest rates. In another example, taxable dividends are determined by changes in dividends paid on Standard and Poor's 500 index stocks, the retained earnings of businesses, and overall corporate profits. Finally, business income is related to the industrial output of the economy, real Gross State Product, and proprietor's income.

The simulation analysis conducted for these components again indicates a relatively wide range of uncertainty around the predicted values especially for the interest income component. For example, the interest income model, which is estimated in levels, shows a range of more than $5 billion around the predicted value for 1999. The exception is the business income model, where there is a relatively tight band around the estimates. However, actual values often fall outside the error band,indicating significant fragility in the estimates.

Interest: Actual and Simulated
(Simulated Shocks to Model Errors)



Business Income: Actual and Simulated
(Simulated Shocks to Model Errors)



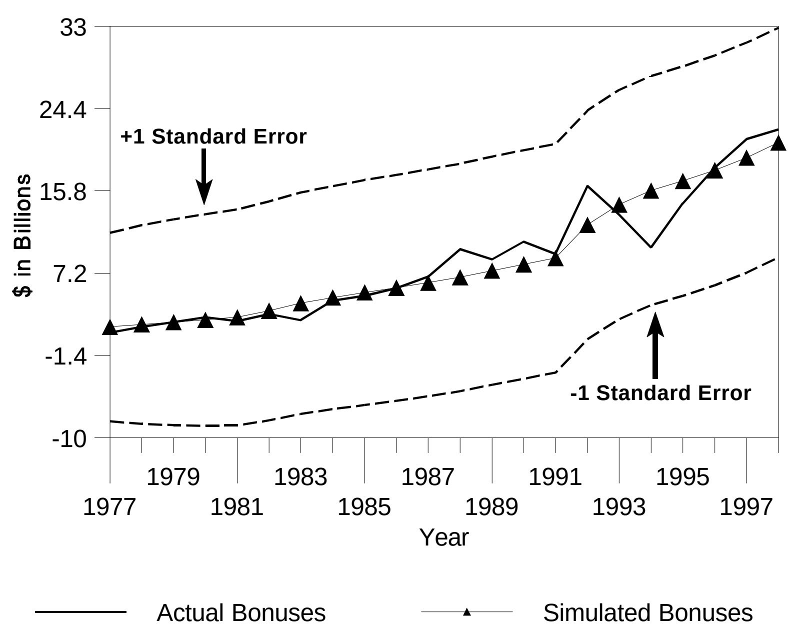
BONUSES INCOME

Bonus payments have a significant impact on State income tax collections. Therefore, it is important to evaluate the risks associated with the bonus forecast. As mentioned earlier, all major sectors, except the transportation, communication, and utility sector and the government sector, pay significant bonuses, typically at year end. Hence, the Division of the Budget employs statistical models to estimate bonus payments. The projections are based on a system of equations, estimating bonus activity by sector.

It is difficult to find simple economic relationships that adequately explain bonus results. This suggests that the bonus activity is the result of a more complicated dynamic economic process. For example, the stock market was doing very well in 1998 and 1999, based on the overall indices (see charts). However, the Asia currency crisis resulted in some security firms experiencing significant losses, which resulted in a bonus payment decline in the fourth quarter of 1998 and the first quarter of 1999.

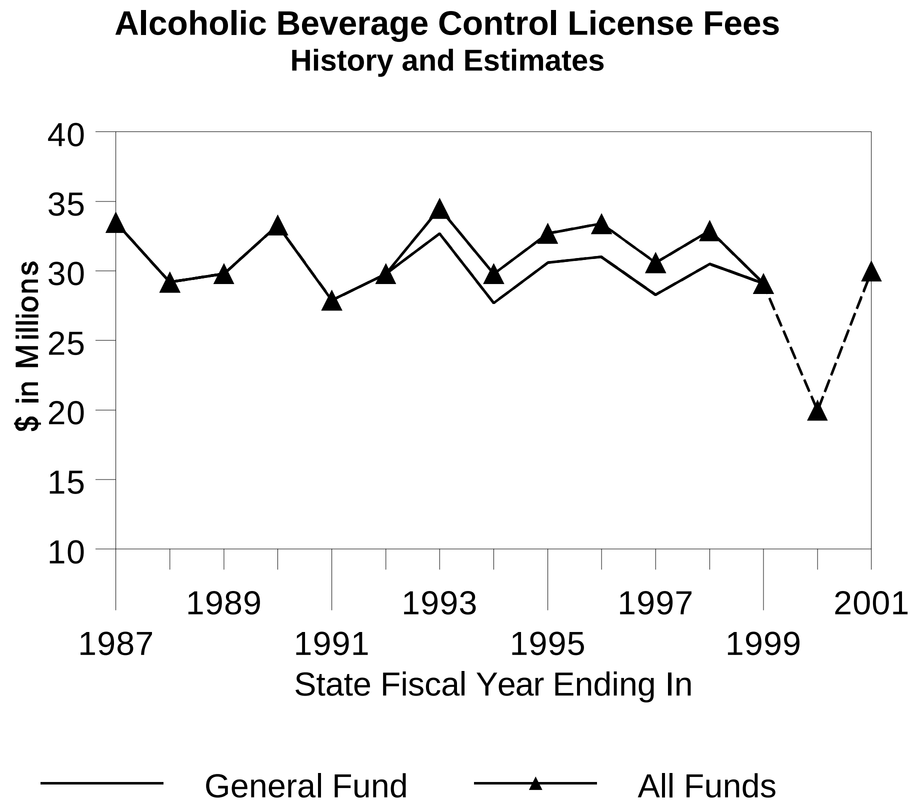
In addition, there is feedback from bonus activity to the overall economy. In fact, DOB analysis indicates that security-sector bonus activity actually is a good predictor of future bonus activity in other sectors. It is, therefore, difficult to disentangle changes in the overall economy and past bonus activity when attempting to predict future bonus results. As a result, the uncertainty of the security industry bonus estimate is amplified through its relationship to other sectors.

New York State Bonuses
(Simulated Shocks to Model Errors)



In the DOB bonus model, before-tax corporate profits are used to explain security-sector bonus activity. In other sectors, the security-sector results are used to drive bonuses, with a lag between security industry results and the associated impacts on other sectors. To evaluate the range of the uncertainty associated with the estimates, a simulation study was conducted, as described earlier. The accompanying graph shows the simulation results for total bonuses aggregated from the individual sectors. Again, the process is simulated thousands of times to develop average estimates of the error range around the forecast. The error range is substantial. Had the uncertainties associated with parameter estimation been included, the range would be even larger. Clearly, bonuses cannot be negative, so the lower bound to the forecast is actually zero. The important point is that a zero estimated value for bonuses in the financial sector is within a standard deviation of the predicted results. The range around the estimates is more than $30 billion. This is an indicator of the uncertainty associated with bonus estimates. Again, the point estimates are not providing a great deal of useful information to policymakers, given the wide range around the estimates. This suggests a cautious approach to estimating future bonus activity.

ALCOHOLIC BEVERAGE CONTROL LICENSE FEES



New York State distillers, brewers, wholesalers, retailers, and others who sell alcoholic beverages are required by law to be licensed by the State Liquor Authority. License fees vary, depending upon the type and location of the establishment or premises operated as well as the class of beverage for which the license is issued. The most significant source of revenue in this category is the licensing of about 2,600 retail liquor outlets, including package stores engaged in carry-out sales, and nearly 28,000 bars and restaurants that offer on-premises consumption. Of all the State-licensed bars and restaurants, about 19,800 are authorized to sell beer, wine, and liquor, approximately 3,700 licensees are permitted to sell beer and wine, and 1,950 sell only beer.

Number of Licenses by Category

		Bars and Restaurants						
	Liquor Stores	Beer, Wine and Liquor	Beer and Wine	Beer Only	Sub-Total	Grocery Stores	Wholesale	Total
1991	3,080	20,718	3,007	1,764	28,569	19,295	1,044	48,908
1992	2,984	20,375	3,103	1,829	28,291	19,526	1,042	48,859
1993	2,906	20,312	3,134	1,845	28,197	19,778	1,041	49,016
1994	2,836	20,030	3,177	1,796	27,839	19,656	1,048	48,543
1995	2,753	19,831	3,372	1,763	27,719	19,768	1,057	48,544
1996	2,673	19,782	3,497	1,838	27,790	19,743	1,074	48,607
1997	2,621	19,708	3,490	1,843	27,762	19,462	1,125	48,249
1998	2,596	19,853	3,712	1,950	28,111	19,417	1,142	48,670

Until 1998-99, most licenses and permit fees were issued for three-year periods. The three-year renewal process led to variances in gross receipts on a year-to-year basis, particularly for liquor wholesaler and retailer licenses, which peaked every third year. State fiscal year 1998-99 would have been a peak year for liquor wholesaler and retailer licenses.

However, legislation enacted in 1997 provided that on December 1, 1998, the required purchase of a three-year license be changed to allow licensees the option of purchasing an annual or biennial license at a prorated cost. The new licensing plan enables licensees to realize improved cash flow by providing them the option of making reduced cash outlays on a more frequent annual or biennial basis.

The legislation also benefitted the alcoholic beverage industry by clarifying the provisions for the sale of beer and wine products and by liberalizing licensing terms for bars and restaurants. Due to the new payment option, and anticipated licensee behavior, the State is expected to lose revenues during the initial three years of the program.

1999-2000 RECEIPTS

Compared to 1998-99, gross alcoholic beverage control license fee receipts will decline significantly, due to the full-year effect of the 1997 licensing legislation. Alcoholic beverage control license fee net receipts for the first nine months of 1999-2000 are estimated at $15.5 million, 31.4 percent less than receipts for the comparable period in 1998-99. For all of 1999-2000, the legislation is expected to reduce projected State license fee receipts by $11 million. Accordingly, 1999-2000 gross receipts are projected at $23 million and refunds at $3 million, resulting in projected net receipts from alcoholic beverage control license fees of $20 million.

2000-01 PROJECTIONS

The last year of the three-year impact from licensing remittance changes will reduce 2000-01 collections by $2 million. As a result, gross receipts are estimated to reach $33 million. Refunds will be approximately $3 million, bringing estimated 2000-01 net receipts from this source to $30 million.

OTHER FUNDS

For the period 1992-93 to 1998-99, a portion of license fee receipts was deposited in the Alcoholic Beverage Control Enhancement Account on an annual basis. Revenues deposited into the Account were used to support efforts to improve compliance and expedite license processing. Beginning in 1998-99, this special revenue fund was eliminated and all licensing fees were deposited in the General Fund to simplify agency budget presentation and execution. There was no reduction in agency funding resulting from this action.

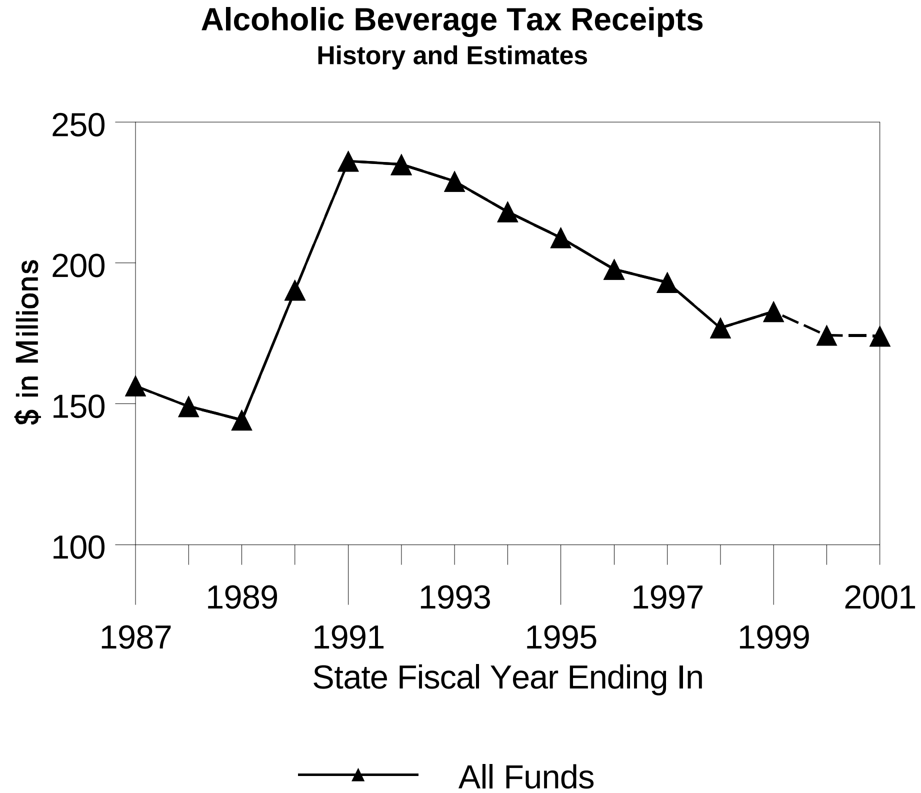
GENERAL FUND

General Fund receipts for 1999-2000 are estimated to be $20 million. In 2000-01, General Fund receipts are projected at $30 million.

Receipts from Alcoholic Beverage Control License Fees
(thousands)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
				Actual			
1991-92 .	$32,835	$3,024	$29,811	. . . .	. . . .	. . . .	$29,811
1992-93 .	35,305	2,627	32,678	$1,815	. . . .	. . . .	34,493
1993-94 .	29,852	2,237	27,615	2,155	. . . .	. . . .	29,770
1994-95 .	33,864	3,283	30,581	2,100	. . . .	. . . .	32,681
1995-96 .	33,956	2,981	30,975	2,400	. . . .	. . . .	33,375
1996-97 .	31.748	3,417	28,331	2,300	. . . .	. . . .	30,631
1997-98 .	33,249	2,629	30,620	2,300	. . . .	. . . .	32,920
1998-99 .	32,282	3,190	29,092	. . . .	. . . .	. . . .	29,092
				Estimated			
1999-2000	$23,000	$3,000	$20,000	. . . .	. . . .	. . . .	$20,000
2000-01 .	33,000	3,000	30,000	. . . .	. . . .	. . . .	30,000

ALCOHOLIC BEVERAGE TAXES



New York State imposes excises at various rates on liquor, beer, wine and specialty beverages. These taxes are remitted by licensed distributors and noncommercial importers of such beverages in the month following the month of delivery.

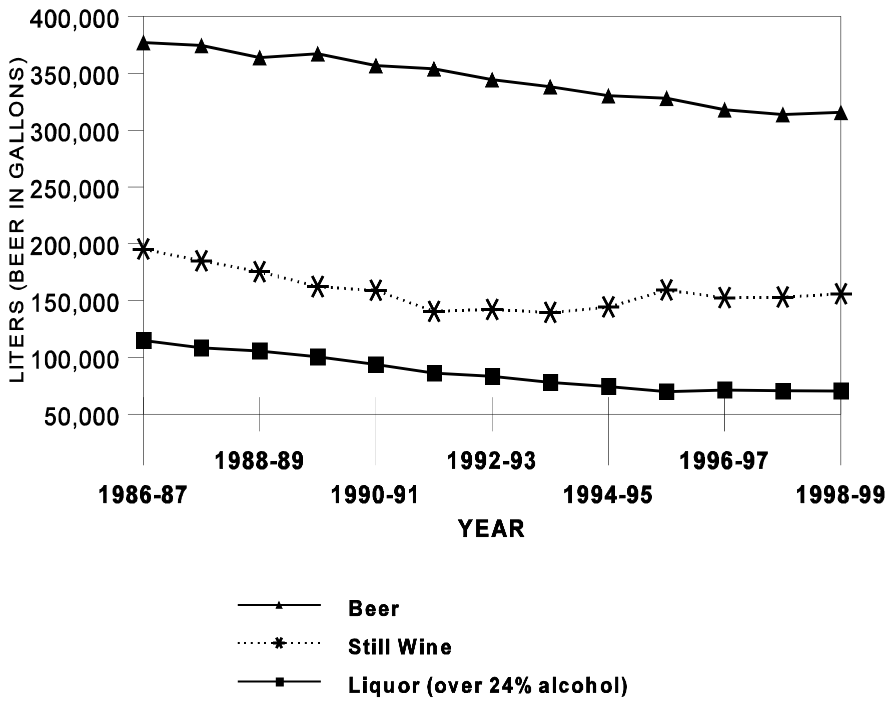
Current State tax rates are as follows:

Liquor over 24 percent alcohol	$1.70 per liter
All other liquor with more than 2 percent alcohol	0.67 per liter
Natural sparkling wine	0.05 per liter
Artificially carbonated sparkling wine	0.05 per liter
Still wine	0.05 per liter
Beer with 0.5 percent or more alcohol	0.135 per gallon
Liquor with not more than 2 percent alcohol	0.01 per liter
Cider with more than 3.2 percent alcohol	0.01 per liter

In addition, New York City imposes taxes of 12 cents per gallon on beer and 26.4 cents per liter on liquor with over 24 percent alcohol content. The State administers these taxes for the City and is reimbursed for its administrative expenses from tax collections.

For several years, overall per capita consumption of taxed beverages remained fairly constant. However, there has been, in general, a decline in liquor and beer consumption and an increase in the consumption of other beverages, reflecting a shift in consumer preferences. For example, wine consumption has increased relative to liquor and beer consumption in recent years (see chart). The rising popularity of less expensive beverages with lower alcoholic content is also attributed to the impact of rising prices on beverages with higher alcohol content.

Consumption of Alcoholic Beverages



LEGISLATIVE CHANGES

A significant number of statutory changes have been made to the alcoholic beverage tax since its inception. The following table summarizes the major tax legislation enacted since 1990.

Significant Alcoholic Beverage Tax Legislation

Subject	Description	Effective Date
Legislation Enacted in 1990		
Liquor Tax Increases	Increased the tax rate on all liquor with more than 2 percent alcohol by 21 percent.	June 1, 1990
Legislation Enacted in 1993		
Wine Tax Cut	Reduced the tax rates on natural sparkling and artificially carbonated sparkling wines to 5 cents per liter from 25 cents per liter and 15 cents per liter, respectively. The current rate is equal to the State excise tax rate on still wine.	July 1, 1994
Legislation Enacted in 1995		
Beer Tax Cut	Reduced the State excise tax rate on beer with at least 0.5 percent alcohol from 21 cents to 16 cents per gallon.	January 1, 1996
Legislation Enacted in 1998		
Beer Tax Cut	Reduced the State excise tax rate on beer with at least 0.5 percent alcohol from 16 cents to 13.5 cents per gallon.	January 1, 1999
Legislation Enacted in 1999		
Beer Tax Cut	Reduced the State excise tax rate on beer with at least 0.5 percent alcohol from 13.5 cents to 12.5 cents per gallon.	April 1, 2001

The State continues to suffer tax evasion through the bootlegging of liquor from other states. Enforcement legislation enacted in 1993 added registration, invoice and manifest requirements, as well as seizure and forfeiture provisions. Additionally, the legislation provided higher fines for the bootlegging of varying volumes of liquor. These alcoholic beverage enforcement provisions have provided some protection to the State's liquor industry and the tax base, moderating year-over-year declines in State alcoholic beverage tax receipts. Legislation enacted in 1997 extended these enforcement provisions from October 31, 1997 to October 31, 2002. Legislation enacted in 1996, which required remittance of State alcoholic beverage excise tax liability through Electronic Funds Transfer (EFT) by the State's largest vendors, was repealed on April 8, 1997. The initial EFT provisions accelerated approximately $6.3 million into 1996-97, and the repeal of the provisions produced a similar one-time reduction in revenue in 1997-98.

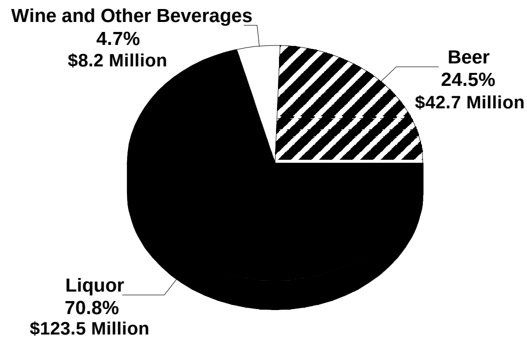
Alcoholic Beverage Tax Enforcement Provisions

Violations	Volume	Penalties
Import liquor without registration		Class A misdemeanor
Produce, distill, manufacture, compound, mix or ferment liquors without registration or tax payments		Class A misdemeanor
Cause liquor covered by a warehouse receipt to be removed from a warehouse		Class A misdemeanor
Three or more above violations in a five-year period		Class E felony
Import liquor without registration	More than 360 liters within 1 year	Class E felony
Produce, distill, manufacture, compound, mix or ferment liquors without registration or tax payments	More than 360 liters within 1 year	Class E felony
Cause liquor covered by a warehouse receipt to be removed from a warehouse	More than 360 liters within 1 year	Class E felony
Custody, possession or control of liquor without registration or tax payments		Class B misdemeanor
Custody, possession or control of liquor without registration or tax payments	Exceeds 360 liters	Class E felony
Import liquor without registration	More than 90 liters	Seize transportation vehicles and liquor.
Distribute or hold liquor for sale without paying alcoholic beverage taxes	More than 90 liters	Seize transportation vehicles and liquor.
A distributor fails to pay the tax		10 percent of the tax amount to be due, plus 1 percent each month after the expiration. The penalty shall not be less than $100 but not exceeding 30 percent in aggregate.
Any other person fails to pay the tax		50 percent of the tax amount to be due, plus 1 percent each month after the expiration. The penalty shall not be less than $100.

Legislation enacted in 1999 increased the exemption for the first 100,000 barrels of domestically brewed beer to 200,000 barrels, effective April 1, 2001. Legislation submitted with this Budget will accelerate the exemption increase by moving the effective date from April 1, 2001, to January 1, 2000.

1999-2000 RECEIPTS

Alcoholic Beverage Tax Receipts
1999-2000



Estimated Share by Source

Estimated net receipts during the first nine months of the current fiscal year of $137.5 million represent a decrease of 3.5 percent from the comparable period in 1998-99. Long-term declines in liquor consumption have been somewhat offset by a relatively new consumer preference for higher-priced liquor brands that first became apparent in 1996-97 collections. Based on this experience, as well as the revenue effect of 1996 legislation which reduced the beer excise tax rate by 5 cents per gallon, and the 2.5 cents per gallon beer excise tax reduction effective January 1, 1999, gross alcoholic beverage tax receipts for 1999-2000 are estimated at $174.6 million with refunds at $0.2 million. The bulk of estimated receipts, $123.5 million, are derived from the tax on liquor. The 1997 enforcement provisions will preserve an estimated $3 million in liquor tax revenues that otherwise would have been lost due to evasion and avoidance. The January 1, 1999, excise tax reduction on beer is expected to reduce beer tax collections by $7.9 million, to $42.7 million. Revenues from wine and other specialty beverages are estimated to reach $8.2 million in 1999-2000.

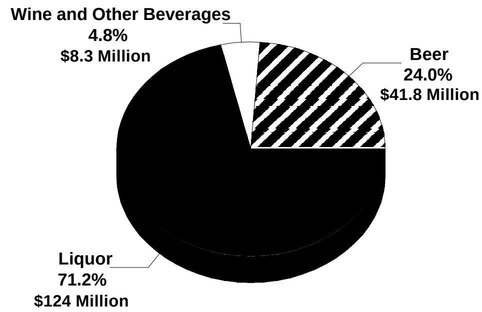
Components of Alcoholic Beverage Tax Receipts
(millions)

	1994-95 Actual	1995-96 Actual	1996-97 Actual	1997-98 Actual	1998-99 Actual	1999-2000 Estimated	2000-01 Projected
Beer	$ 68.6	$ 65.3	$ 50.6	$ 50.2	$ 47.8	$ 42.7	$ 41.8
Liquor	131.7	123.9	126.2	125.4	125.7	123.5	124.0
Wine & Other . .	8.1	8.9	8.3	8.5	8.5	8.2	8.3
Sub-Total	$208.4	$198.1	$185.1	$184.1	$182.0	$174.4	$174.1
Reconciliations .	0.6	-0.3	8.0	-7.1	0.8	. . . .	. . . .
Net Total	$209.0	$197.8	$193.1	$177.0	$182.8	$174.4	$174.1

2000-01 PROJECTIONS

The consumption of alcoholic beverages in the coming fiscal year is expected to grow slightly for liquor, wine, and beer. These consumption changes will result in minor projected increases in receipts. Gross alcoholic beverage tax receipts are projected at $174.3 million and refunds at $0.2 million. Total receipts include $124.0 million from liquor, a increase of $0.5 million from 1999-2000. Projected beer excise tax receipts of $41.8 million include a reduction of $7.8 million due to the 1999 2.5 cents per gallon beer excise tax reduction. Revenues from wine and other specialty beverages are projected to total $8.3 million.

Alcoholic Beverage Tax Receipts
2000-01



Projected Share by Source

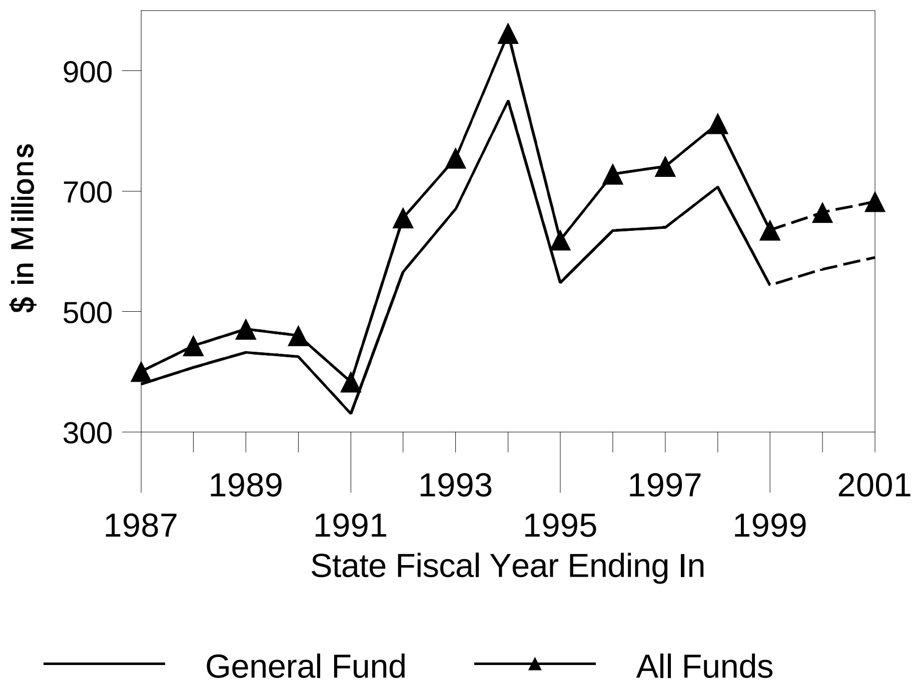
As already noted, legislation submitted with this Budget will accelerate the increase of the exemption for the first 100,000 barrels of domestically brewed beer to 200,000 barrels, effective January 1, 2000. The full year impact in 2000-01 is estimated at $1 million.

Receipts from Alcoholic Beverage Taxes
(thousands)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
				Actual			
1991-92	$235,254	$251	$235,003	....	....	....	$235,003
1992-93	229,113	142	228,971	....	....	....	228,971
1993-94	218,341	99	218,242	....	....	....	218,242
1994-95	209,134	98	209,036	....	....	....	209,036
1995-96	198,280	492	197,788	....	....	....	197,788
1996-97	192,960	(123)	193,083	....	....	....	193,083
1997-98	177,124	115	177,009	....	....	....	177,009
1998-99	183,087	316	182,771	....	....	....	182,771
				Estimated			
1999-2000	$174,600	$ 200	$174,400	....	....	....	$174,400
2000-01 (current law)	175,300	200	175,100	....	....	....	175,100
2000-01 (proposed law)	174,300	200	174,100	....	....	....	174,100

BANK TAX (Article 32)

Bank Tax Receipts
History and Estimates



The bank tax is levied by Article 32 of the Tax Law on banking corporations conducting business in New York State. As one can observe from the graph above, Article 32 receipts have tended to be quite volatile, reflecting several factors including statutory and regulatory changes and the variable profit performance of the banking sector.

TAX RATE

The Article 32 Bank tax liability is the greater of the following four computations.

— 9 percent rate applied to allocated entire net income;
— 10 percent of allocated alternative entire net income (ENI without regard to specified exclusions);
— 1/10, 1/25, or 1/50 of a mill of allocated taxable assets; or
— minimum tax of $250.

The table below reports the tax rates that apply to entire net income.

Table 1
History of Bank Tax Rate (ENI Base)
(percent)

Year	1968-70	1971-74	1975-76	1977	1978-84	1985-88	1989	1990-93
ENI Tax Rate	6.00	8.00	8.00	8.00	12.00	9.00	9.00	9.00
Temporary Business Surcharge	0	0	20.00	30.00	0	0	2.50	15.00

Year	1994	1995	1996	1997-99	2000	2001	2002
ENI Tax Rate	9.00	9.00	9.00	9.00	8.50	8.00	7.50
Temporary Business Surcharge	12.50	7.50	2.50	0	0	0	0

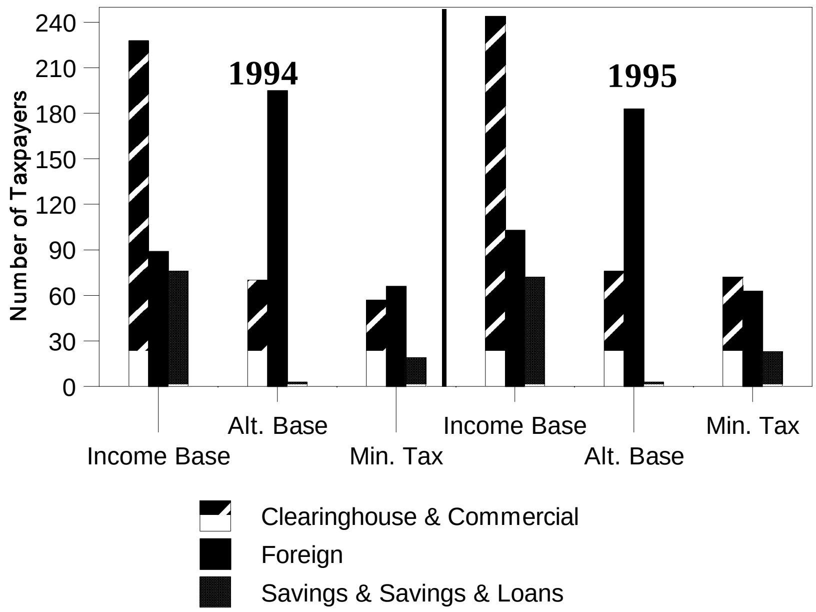
Source: NYS Department of Taxation and Finance, Office of Tax Policy Analysis

Additionally, a temporary surcharge is imposed within the Metropolitan Commuter Transportation District (MCTD), at the rate of 17 percent of the portion of tax allocable to such district.

TAX BASE

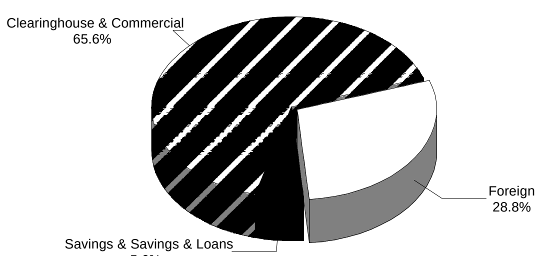
A major source of data on bank tax liability comes from the New York State Corporate Tax Statistical Report, published by the Office of Tax Policy Analysis (OTPA). This report includes tax data on all banks filing under Article 32. The latest report was published in August 1999 and contains statistical data for liability years ending in 1995. The three-year lag in liability data is due to the fact that a report cannot be completed until all bank tax returns are filed and finally amended by taxpayers. Between 1994 and 1995, the total tax liability of the bank tax increased by roughly 45 percent, from $426 million to $617.2 million. The bar graph below illustrates that between 1994 and 1995 the number of taxpayers increased by 4.4 percent, with the majority of the increase in clearinghouse and commercial banking institutions.

Number of Taxpayers by Type of Bank and by Tax Base

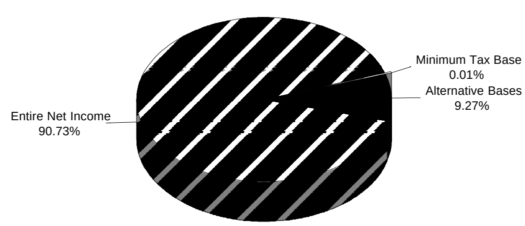


The pie graphs below report that clearinghouse and commercial banking institutions represented roughly 66 percent of total tax liability, while foreign banking institutions comprised 29 percent and saving and savings and loans accounted for roughly 6 percent of liability in 1995. Additionally, entire net income taxpayers comprised roughly 91 percent of total tax liability under Article 32 in 1995.

1995 Tax Base Industry Profile
(Share of Total Tax Liability)



1995 Distribution of Tax Liability by Basis of Tax



EXEMPTIONS TO THE TAX

Originally intended to expire, many provisions of the current bank tax have been extended. Under legislation enacted in subsequent years, the last time being in 1997, the "sunset date" was extended through taxable years beginning before January 1, 2001.

The statutory tax structure for banks and thrift institutions has a number of differences from the general corporation franchise tax:

— Banks may modify their Federal taxable income by deducting statutorily defined percentages of interest and dividend income. Unlike general corporations, they also may deduct expenses related to earnings from certain excluded income.
— Banks are not required to add back to taxable income any taxes paid to other states.
— The income allocation formula factors for banks, to deal with the taxation of multi-state businesses, differ from the general corporation franchise tax in that deposits are substituted for real property and only 80 percent of New York wages are used. The income allocation formula also differs regarding the treatment of receipts from mutual fund management, where out-of-state receipts are considered point-of-sale and thus increase the income allocation percentage compared to the treatment of such receipts under the corporation franchise tax where such receipts are treated as point-of-destination.
— Separate accounting and exemption of income derived from the operation of an International Banking Facility (IBF) are required under current law. An IBF is a corporate structure permitted to take deposits from and make loans to international sources without interest rate restrictions or reserve requirements.
— Other differences reflect Federal exclusions, Federal agency assistance and monetary transactions unique to banking corporations.

The following table highlights the major statutory changes in the tax structure for banks and thrift institutions over the past twenty years.

Subject	Description	Effective Year
Significant Legislation Affecting Modifications to Federal Taxable Income		
Deduction for Eligible Net Income of IBF	An International Banking Facility (IBF) is a separate set of asset and liability accounts established for the purpose of receiving deposits from, and extending credit to, foreign individuals or businesses.	1981
Bad Debt Deduction for Thrift Institutions	Thrift institutions may use the reserve method in calculating their deduction for bad debts on certain qualifying property.	1985
Deduction of 17 percent of Interest Income from Subsidiary Capital	In computing New York entire net income banks may deduct 17 percent of interest income from subsidiary capital.	1985
Deduction of 60 percent of Dividend Income and Excess Gains from Subsidiary Capital	In computing New York entire net income, banks may deduct 60 percent of dividend income and excess gains and losses from subsidiary capital.	1985
Deduction of 22.5 percent on Interest Income from Government Obligations	Taxpayers may deduct 22.5 percent of interest income on New York or U.S. obligations, other than obligations held for resale in connection with regular trading activities.	1985

Subject	Description	Effective Year
Bad Debt Deduction for Commercial Banks	New York State decoupled from the Federal calculation of the bad debt reduction of the Federal Tax Reform Act 1987 by continuing to allow large commercial banks to calculate bad debt deduction based on the reserve method.	1987
Subsidiary Capital	Subsidiary capital taxation rules allow deduction of 60 percent of the amount by which gains exceed losses from such capital, to the extent such gains and losses were taken into account in determining taxable income.	1994
NOLD's	Allows banks to claim a net operating loss deduction (NOLD) for losses incurred on or after January 1, 2001.	2001
Significant Legislation Affecting Tax Rates		
ENI	The rate reduction, from 9 percent to 7.5 percent, is phased in over three years.	2000
Significant Legislation Involving Credits		
Economic Development Zone and Zone Equivalent Areas (EDZ) Tax Credits	Taxpayers may qualify for a credit for investments in zone capital corporations, direct equity investments in certified zone businesses, and contributions to community development projects.	1986
Credit for Employing Individuals with Disabilities	Employers who employ individuals with disabilities may claim a credit for a portion of wages paid to such individuals.	1998
Investment Credit for Financial Services Industry	An investment credit is allowed for qualified property used in the financial services industry.	1998
Other Significant Legislation		
Temporary Business Surcharge	Enacted in 1990, and extended in 1992 and 1993, legislation increased a temporary surcharge in effect since 1981 from 2.5 percent to 15 percent of tax otherwise due.	1990-1994
Tax Rules	Conformed State estimated tax rules to the Federal rules by requiring large firms to pay 100 percent of their tax liability by the twelfth month of their fiscal year; this replaced the previous 97 percent rule.	1994

Subsequent to the bank tax reform in the mid-1980's, there have been two significant law changes impacting the bank tax. First, the net operating loss deduction allows banks to claim net operating loss deductions (NOLD's) for losses incurred on or after January 1, 2001. Second, the rate reduction enacted in 1999 will reduce the bank tax rate on entire net income from 9.0 percent to 7.5 percent over a three year phase-in schedule beginning July 1, 2001.

GENERAL FUND RECEIPTS: REVIEW OF RECEIPTS HISTORY

Volatility in the profit performance of the financial services industry, due to both macroeconomic factors and radical changes in the structure of the industry, has led to wide variations in Article 32 receipts from year to year. This volatility has been exacerbated by statutory changes in the application of the tax. The major factors impacting receipts are summarized briefly in this section.

Several factors contributed to a decline in 1994 liability, the most important of which was the steady rise in interest rates during this period. This led to:

— The unprecedented spread between the interest rates banks charged on existing loan portfolios and their "cost of funds" as paid on deposits, as the Federal Reserve Board increased interest rates on several occasions, thereby depressing bank earnings.
— A reduction in trading and investment banking revenues from the stock and bond markets, and from financial hedging instruments such as derivatives.
— An increase in losses from currency trading and well publicized losses from derivative activity, some of which were the subject of litigation by customers.
— Deterioration in the value of certain investment portfolios.

However, the decrease in payments on 1994 liability during the 1994-95 period does not fully explain the unprecedented decline in receipts between 1993-94 and 1994-95. Credits against current year liabilities or refunds taken against prior year payments, often termed "back-year adjustments," are usually substantial in the bank tax. Such adjustments reached unprecedented levels in 1994-95, as banks reduced payments on 1994 liability with credits from 1993. This suggests that many commercial banks were in overpaid tax positions in 1993 and subsequently corrected for those overpayments by reducing their payments on 1994 liability.

The installment payment rules in the Tax Law further exaggerated the swing in collections over this period. Although these effects are always present, the unusually large change in liability from calendar year 1993 to 1994 made for a large swing in cash results.

The increase in 1995-96 collections was driven primarily by an estimated 50 percent increase in banking sector liability. As already noted, 1994 liability was relatively low and, as a result, the first installment on 1995 taxes was reduced significantly. This small first installment magnified growth in the remaining surcharge-adjusted payments on 1995 liability during the 1995-96 period. Some of the cash benefit of the 1995 liability increase was absorbed in 1996-97 as lower prior year adjustments; this pattern continued into 1997-98.

Extraordinary audit collections of $178 million were the primary factor in the growth in 1996-97 collections. Strong calendar year commercial banking sector's 1995 liability translated into a 66 percent increase in the 1996 first installment. However, this strong first installment, was followed by a decline in estimated 1996 liability. In fact, payments on 1996 liability during the 1996-97 period decreased by more than 24 percent, or approximately $144 million, and the first installment on 1997 liability decreased by 21 percent compared to the 1996 first installment.

The increase in 1997-98 collections was driven by an almost 39 percent increase in payments on 1997 liability from commercial banks when compared with 1996 payments. This increase in 1997-98 payments is, in part, the result of the 21 percent decline in the 1997 first installment. Because the commercial banks' 1997 estimated liability increased by almost 24 percent over the 1996 estimated liability and the 1997 first installment was low, the commercial banks were forced to increase their payments on 1997 liability during the remainder of 1997-98. The increased payments on 1997 liability during 1997-98 were offset by a 91 percent decline in audit collections.

Net collections from commercial banks during 1998-99 decreased by $172 million from 1997-98. Commercial bank collections suffered from increased refunds and carry forwards of prior year payments. However, bank tax collections did benefit from a $44 million increase in audit payments, although net collections for thrift institutions increased by $10.5 million. As a result, net collections for Article 32 were $544 million, $163 million below the amount received in 1997-98.

SPECIAL REVENUE FUND RECEIPTS

In December 1982, a two-year surcharge on State business taxes (bank tax, corporation franchise tax, corporation and utilities taxes, and insurances taxes) was adopted to help finance mass transportation in the downstate metropolitan region. Statutes through 1997 have periodically extended the temporary surcharge, most recently for a period of four years. The surcharge is imposed at a rate of 17 percent of the portion of the statewide tax liability that is allocated to the Metropolitan Commuter Transportation District (MCTD) and is the principal revenue source of the Mass Transportation Operating Assistance Fund (MTOA). It is expected that the surcharge will generate $95 million in 1999-2000, and $93 million in 2000-01 for MTOA.

1999-2000 RECEIPTS

Net commercial bank collections through December have totaled $416 million. Based on collections to date, total net collections for the entire period are estimated to reach approximately $570 million. This is a $26 million increase from the 1998-99 level. The increase was caused by higher payments on 1999 liability and the increased adjustments (credit carry forwards) from prior-year payments. Additionally, these net cash collection increases have been partially augmented by increased CARTS activity.

Growth in collections through December from savings institutions continues to be positive. It is possible that the large adjustments to prior-year liabilities, resulting from the significant savings and loan losses associated with the near-collapse of this industry in the late 1980's and early 1990's, have finally diminished.

2000-01 PROJECTIONS

Net collections for Article 32 are projected to be $590 million, which is $20 million above the amount estimated to be received in 1999-2000. Payments on 2000 liability from calendar year commercial banks during 2000-01 are projected to increase by 4 percent.

The bank tax projection is based on the underlying relationship between liability and the overall health of the economy. The relationship between economic growth and liability payments is then converted to an estimate of cash collections. As a result, we expect gross tax receipts to increase by 3.5 percent in 2000-01.

There is some risk to the forecast given the passage of a financial-services reform bill in Congress. The Gramm-Leach Bill repeals parts of the Glass-Steagall Act and the 1956 Bank Holding Company Act which, until now, did not permit insurance, bank, and brokerage firms to enter each other's markets. Deregulation in this industry may have significant tax implications given the merging of banking functions with activities traditionally taxed in other articles of the Tax Law.

Table 2
General Fund Receipts by Type of Bank
(thousands)

	State Banks, Trust Companies & National Banks	Savings Banks	Savings &Loan Associations	Total
	Actual			
1990-91	$270,647	$50,961	$ 9,092	$330,700
1991-92	498,918	54,432	12,469	565,819
1992-93	569,244	84,798	16,440	670,482
1993-94	784,033	45,861	20,840	850,734
1994-95	486,102	50,965	10,885	547,952
1995-96	611,513	24,455	(1,305)	634,663
1996-97	637,448	(3,003)	5,492	639,937
1997-98	700,344	1,183	5,796	707,323
1998-99	$527,485	$11,706	$ 4,866	$544,058
	Estimated			
1999-2000	$557,000	$9,000	$4,000	$570,000
2000	580,000	7,000	3,000	590,000

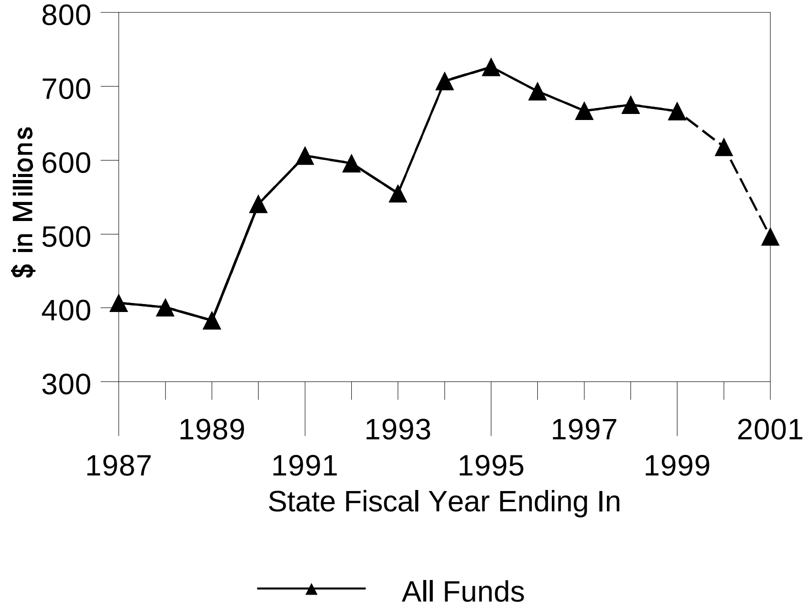
Table 3
Bank Tax Receipts
(thousands)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Refunds	Net Special Revenue Funds [1/]	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
				Actual					
1991-92 . . .	$628	$62	$566	$ 92	$ 2	$ 90	. . . .	. . . .	$656
1992-93 . . .	705	35	670	88	3	85	. . . .	. . . .	755
1993-94 . . .	905	54	851	115	4	111	. . . .	. . . .	962
1994-95 . . .	614	66	548	77	7	70	. . . .	. . . .	618
1995-96 . . .	702	67	635	98	5	93	. . . .	. . . .	728
1996-97 . . .	723	83	640	109	8	101	. . . .	. . . .	741
1997-98 . . .	765	58	707	113	8	105	. . . .	. . . .	812
1998-99 . . .	623	79	544	102	11	91	. . . .	. . . .	635
							Estimated		
1999-2000 .	$628	$58	$570	$101	$ 6	$ 95	. . . .	. . . .	$665
2000-01 . . .	654	64	590	98	5	93	. . . .	. . . .	683

[1/] MCTD 17 percent surcharge deposited in the Mass Transportation Operating Assistance Fund.

CIGARETTE AND TOBACCO TAXES

Cigarette and Tobacco Taxes Receipts
History and Estimates



TAX RATE AND BASE

The New York State cigarette excise tax is imposed by Article 20 of the Tax Law on the sale or use of cigarettes within the State. The current tax rate is 56 cents per package of 20 cigarettes. Effective March 1, 2000, the rate is scheduled to increase to $1.11 per pack of 20 cigarettes.

The Federal government imposes a cigarette excise tax on manufacturers and first importers of cigarettes. The tax rate, currently 34 cents per pack, was increased from 24 cents per pack on January 1, 2000, and is scheduled to increase to 39 cents per pack on January 1, 2002. New York City also levies a separate cigarette excise tax of 8 cents per pack. Historical changes in State, City and Federal tax rates are shown in the following table.

State, Federal and New York City
Cigarette Excise Tax Rates
(Since 1950)

State		Federal		New York City	
Date Revised	***Rate*** (cents)	***Date Revised***	***Rate*** (cents)	***Date Revised***	***Rate*** (cents)
--	03	--	07	--	01
April 1, 1959	05	November 1, 1951	08	May 1, 1959	02
April 1, 1965	10	January 1, 1983	16	June 1, 1963	04
June 1, 1968	12	January 1, 1991	20	January 1, 1976	08
February 1, 1972	15	January 1, 1993	24		
April 1, 1983	21	January 1, 2000	34		
May 1, 1989	33	January 1, 2002*	39		
June 1, 1990	39				
June 1, 1993	56				
March 1, 2000*	111				

* Scheduled excise tax increase

The State also imposes a tax on other tobacco products, such as chewing tobacco and cigar tobacco, at a rate of 20 percent of their wholesale price. From July 1, 1989 to May 31, 1993 the rate was 15 percent of the wholesale price. The Federal government also imposes an excise tax on manufacturers and importers of tobacco products at various rates depending on the type of product.

Legislation enacted in 1990 added a $100 license fee for the registration of retail establishments and a $25 license fee for each cigarette or tobacco product vending machine.

ADMINISTRATION

State registered stamping agents, most of whom are wholesalers, purchase tax stamps from the State and affix the stamps to cigarette packages to be sold by New York State registered retailers. Purchasers of non-State stamped cigarettes, such as cigarettes sold out-of-State or on Indian reservations, must remit the cigarette excise tax directly to the Department of Taxation and Finance.

EVASION

Cigarette tax evasion is a serious problem in New York and elsewhere in the Northeast. Widespread evasion not only reduces State and local revenues but also has an adverse impact upon legitimate wholesalers and retailers. The Department of Taxation and Finance has acted vigorously to curb cigarette bootlegging through investigatory and enforcement efforts. Legislation enacted in 1996 substantially increased penalties for retailers and wholesalers who sell unstamped or illegally stamped packages of cigarettes. To further the enforcement effort, the legislation also authorized the Department of Taxation and Finance to hire additional enforcement personnel. The additional personnel enables the Department of Taxation and Finance to better enforce the laws governing the taxation of cigarettes throughout the State.

The positive effects of this enforcement legislation were realized in 1998-99 through an increased number of new retailer license applications for the 1999 calendar year. The increase in the number of retailer licenses, as well as a continued enforcement presence, may have led to a more moderate decline in taxable cigarette consumption than would otherwise have been realized. Also, increased cigarette excise tax rates in neighboring states (e.g., New Jersey's January 1, 1998, doubling of its excise tax to 80 cents per pack of cigarettes) reduced the incentive to evade or avoid the New York tax in 1998-99 and 1999-2000.

Cigarette Tax Rates in States Bordering New York
(cents per pack)

	Current Rate	Previous Rate	Year Revised
Pennsylvania	31	18	1991
Vermont	44	20	1995
Connecticut	50	47	1994
New York*	56	39	1993
Massachusetts	76	51	1996
New Jersey	80	40	1998

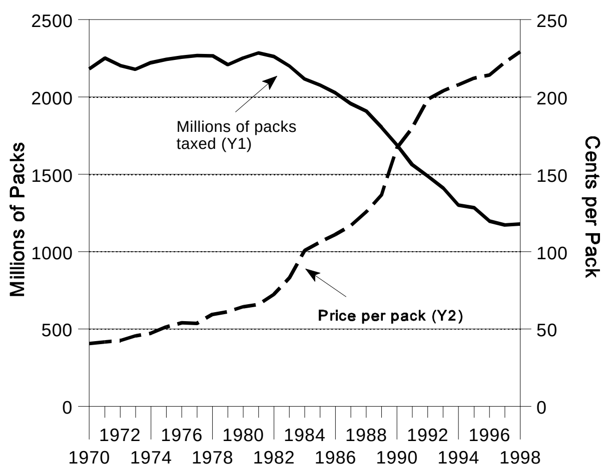
* Scheduled to increase by 55 cents March 1, 2000

The Governor will introduce legislation in 2000 as part of a comprehensive program targeted at combating cigarette bootlegging and Internet sales. The legislation will be designed to curb any additional illegal sales of cigarettes resulting from the recently enacted increase in cigarette excise tax rates.

CONSUMPTION TRENDS

Taxable cigarette consumption has declined by nearly 50 percent since 1970 due to increases in prices, growing public awareness of the adverse health effects of smoking, smoking restrictions imposed by governments, and anti-smoking education programs.

State Cigarette Consumption and Prices



Price-cutting promotions of major-label cigarette brands, intended to regain market share from generic brands that began in 1993 and continued through 1994, offset part of the consumption declines resulting from the June 1, 1993, 17 cent State cigarette excise tax increase. Since 1994, manufacturers have resumed their normal pattern of semi-annual price increases for major-label brands. These price increases, in addition to a 45 cent wholesale price increase in November 1998 and a 18 cent increase in August 1999 due to the tobacco settlement among the states, have increased prices well above their pre-1994 levels.

The settlement of cigarette wholesale bankruptcies resulted in approximately $6.7 million in atypical revenues in the last quarter of 1994-95 and $1.7 million in 1995-96. Adjusted for these bankruptcies and other atypical audit receipts, taxable State cigarette consumption declined 4.1 percent and taxable tobacco consumption increased 13.8 percent during 1995-96.

Cigarette consumption declined by 4.1 percent in 1996-97, but the revenue impact was mitigated by gains in revenue from an increase of 22.8 percent in consumption of other tobacco products.

Partly through the enforcement efforts of the Department of Taxation and Finance, cigarette excise tax collections increased by about $4 million, or 0.4 percent in 1997-98. Tobacco tax collections increased by $3.7 million during the same period.

Taxable consumption in 1998-99 was inflated by added sales from the 40 cent increase in the New Jersey cigarette excise tax and by added licensed retailers. However, these gains were partly offset by decreased consumption resulting from price increases induced by the Tobacco Settlement.

1999-2000 RECEIPTS

General Fund cigarette and tobacco tax receipts are estimated at $618.2 million, a decline of $48.4 million, or 7.3 percent, from 1998-99. Year-to-date cigarette tax receipts have declined $30 million, or 5.9 percent, while tobacco tax receipts have increased $0.9 million, or 5.9 percent. The declines in taxable cigarette consumption are largely attributable to the impact of the Tobacco Settlement signed in November 1998. As noted above, cigarette manufacturers have increased prices by 63 cents per pack since the settlement was finalized. Also, restrictions on cigarette advertising and a general increase in the awareness of the health consequences of smoking have contributed to long term declining trends in cigarette consumption.

Legislation enacted with the Health Care Reform Act of 2000 raised the State cigarette excise tax by 55 cents per pack to $1.11 per pack effective March 1, 2000. The revenue generated from this additional tax will be deposited in the Tobacco Control and Insurance Initiatives Pool.

2000-01 PROJECTIONS

In addition to the continuing underlying declining trends in cigarette consumption that also impacted 1999-2000 receipts, Federal and State tax increases will have a significant effect on taxable cigarette consumption in 2000-01. As cigarette prices will be high in New York relative to the surrounding states, there will be an added incentive for smokers to purchase bootlegged cigarettes or cigarettes sold through mail order or on the Internet. Overall taxable cigarette consumption is estimated to decrease by approximately 20 percent in 2000-01 relative to 1999-2000. The Governor will propose a comprehensive program to expand the Department of Taxation and Finance's efforts to contain the illegal bootlegging of cigarettes.

The tax on tobacco products is expected to total $20.6 million, an increase of $0.8 million from 1999-2000. This increase is largely due to a continuation of the consumption trends established in 1999-2000 and an expected shift of some current cigarette smokers to tobacco products, including roll-your-own tobacco, as a result of the large cigarette price increases.

Total cigarette and tobacco tax revenue is estimated at $937 million. Of the $1.11 per pack total cigarette tax, 55 cents or 49.55 percent will be deposited in the Tobacco Control and Insurance Initiatives Pool established in the Health Care Reform Act of 2000 and the $496.7 million balance will be deposited in the General Fund.

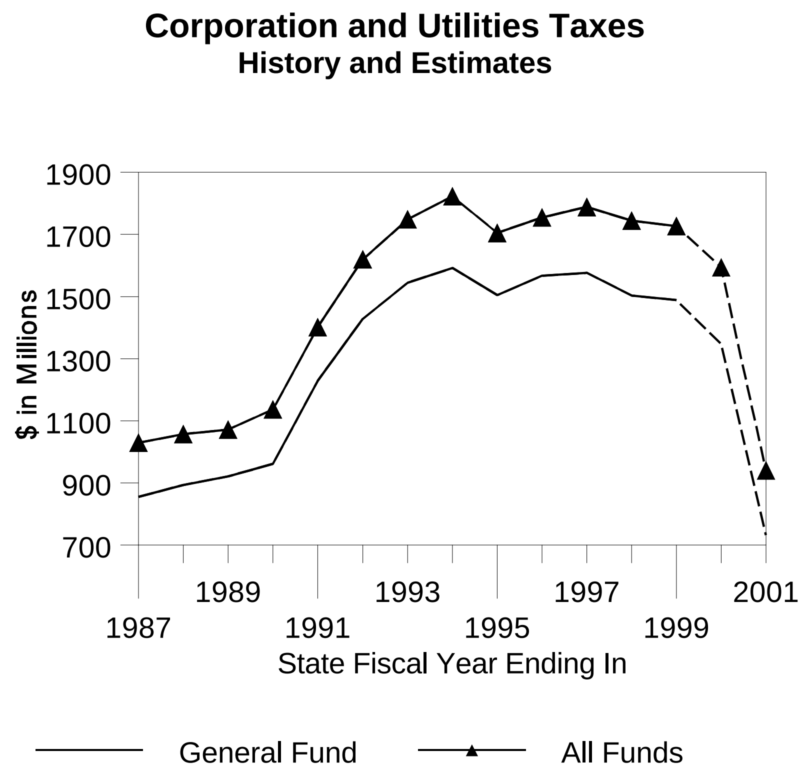
Cigarette and Tobacco Taxes

(thousands)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
			---- Actual ----				
1991-92	$601,851	$5,692	$596,159	. . . .	. . . .	. . . .	$596,159
1992-93	560,584	5,497	555,087	. . . .	. . . .	. . . .	555,087
1993-94	716,103	8,485	707,618	. . . .	. . . .	. . . .	707,618
1994-95	734,134	7,638	726,496	. . . .	. . . .	. . . .	726,496
1995-96	700,691	7,275	693,416	. . . .	. . . .	. . . .	693,416
1996-97	675,756	8,724	667,032	. . . .	. . . .	. . . .	667,032
1997-98	680,950	5,447	675,503	. . . .	. . . .	. . . .	675,503
1998-99	671,699	5,118	666,581	. . . .	. . . .	. . . .	666,581
			---- Estimated ----				
1999-2000 . .	$623,200	$5,000	$618,200	. . . .	. . . .	. . . .	$618,200
2000-01*	501,700	5,000	496,700	. . . .	. . . .	. . . .	496,700

*Note: In 2000-01, an estimated $441 million will be deposited in the Tobacco Control and Insurance Initiatives Pool.

CORPORATION AND UTILITIES TAXES (Article 9)



Article 9 of the Tax Law imposes taxes on a number of industries, including public utilities, newly organized or reorganized corporations, out-of-State corporations doing business in New York State, transportation and transmission companies, and agricultural cooperatives. The primary sources of Article 9 receipts come from gross receipts taxes on the public utility, telecommunications, and transportation industries. In addition, most Article 9 taxpayers that conduct business in the Metropolitan Commuter Transportation District (MCTD) are subject to a 17 percent surcharge on their liability attributable to the MCTD. Surcharge receipts plus portions of other Article 9 taxes are deposited in the Mass Transportation Operating Assistance Fund (MTOAF).

SECTIONS OF THE TAX

Article 9 comprises several sections of the Tax Law that impose various taxes and specific levies on public utilities, transportation companies, and other corporations. The following is a discussion of these sections. In addition, the pie chart in the Historical Receipts section depicts the percent of 1998-99 Article 9 General Fund collections for each section.

Section 180 assesses an organization tax upon newly incorporated or reincorporated domestic (in-State) corporations. The tax is imposed at a rate of 1/20 of 1 percent of the total amount of the par value of the stock that the corporation is authorized to issue; for shares without par value the rate is five cents per share. Any shares subsequently authorized or changes in the capital structure (shares with par value to shares without par value, visa versa, or combination of) shall have a like tax imposed upon those shares.

Section 181 imposes a license fee on out-of-State corporations for the privilege of exercising a corporation franchise or conducting business in a corporate or organized capacity in New York State at a rate equivalent to the organization tax imposed by section 180. An annual maintenance fee of $300 is also imposed.

Section 183 provides for a franchise tax on transportation and transmission companies including telecommunications, pipeline, trucking, railroad, and other transportation companies. The tax is imposed on these companies either at the rate of 1.5 mills on each dollar of net value of issued capital stock allocated to New York State, or if dividends paid on its capital stock are 6 percent or more, the tax rate is 3/8 of a mill for each 1 percent of dividends. There is a minimum tax of $75, but the method of computation that yields the largest tax is controlling. Over 1 percent of 1998-99 Article 9 General Fund collections were derived from section 183 taxes.

Section 184 is imposed on the gross earnings of transportation and local telecommunications corporations from all sources in the State, including an allocated portion of receipts from interstate activities. The tax rate on local telephone companies will be 0.75 percent through June 2000 and 0.375 percent, thereafter. Furthermore, all toll revenues from international, interstate, and inter-Local Access Transport Areas (LATAs) services and 30 percent of intra-LATA toll revenues are excluded from the tax base. Under this section, railroad and trucking companies that elect to remain subject to Article 9 taxes face a rate of 0.6 percent, which is further reduced to a 0.375 percent rate for periods beginning in July 2000 and thereafter. Approximately 3 percent of 1998-99 Article 9 General Fund collections were attributable to section 184 taxes.

Section 185 imposes a franchise tax on agricultural cooperatives at the rate of 1 mill per dollar of the net value of the corporation's issued capital stock allocated to New York State.

Section 186 imposes a franchise tax on public utilities including waterworks companies, gas companies, and electric or steam heating, lighting, and power companies. The tax is assessed at the rate of 0.75 percent on gross earnings and 4.5 percent on the amount of dividends paid which exceed 4 percent of the amount of paid-in capital employed in New York State. Section 186 taxes contributed over 12 percent of 1998-99 Article 9 General Fund collections.

Section 186-a imposes a tax on the gross income from furnishing utility services (including both the energy and lighting public utilities). Section 186-e imposes a tax on the gross receipts generated from telecommunications services. The rate for both section 186-a and section 186-e was reduced from 3.5 percent to 3.25 percent on October 1,1998, and to 2.5 percent beginning January 1, 2000. Section 186-a and 186-e taxes accounted for over 79 percent of Article 9 General Fund collections in 1998-99.

Section 189, effective August 1, 1991, imposes a tax on the importation of natural gas for use by the importer. The rate of this tax is 4.25 percent of the wellhead cost of the gas. Taxpayers producing or extracting gas from their own gas wells for their own use are exempt from this tax, as is gas used by cogenerators for host site energy production.

PAYMENT OF THE TAX

The first payments of the year's liability, under the franchise taxes imposed by Article 9 (corporation tax), Article 9-A (general business tax), or Article 32 (bank tax), are considered payments of section 180 or 181 liability. After the Tax Department determined that maintenance fee receipts paid by corporations together with their other franchise tax remittances should be reflected in the Department's accounts as section 181 liabilities, adjustments were taken in 1996-97 and 1997-98 for remittances for corporations' franchise taxes for liability years ending in 1993, 1994 and 1995. Such adjustments are not a net cash gain to the financial plan, however, because the roughly $34 million and $20 million increases in section 181 receipts are fully offset by reductions in other tax articles, primarily the corporation franchise tax. Adjustments for liability years ending in 1997 and 1998 are estimated to increase section 181 receipts by approximately $20 million in 1999-2000.

Taxpayers subject to sections 184, 186, 186-a and 186-e make tax payments on an estimated basis in March, June, September and December. A final payment is made in March. These payment schedules are comparable to those required for corporations taxable under other articles of the Tax Law.

Furthermore, for taxable years beginning in 1994, State estimated tax rules for large businesses conform to Federal rules. This requires affected firms to pay 100 percent of their tax liability by the 12th month of their fiscal year.

RECENT LEGISLATIVE CHANGES

Subject	Description	Effective Date
Legislation Enacted in 1990		
Temporary Business Tax Surcharge	Imposed a 15 percent surcharge on tax liability after credits.	January 1, 1990
Section 184	Increased the rate from 0.3 to 0.75 percent.	January 1, 1990
Section 186-a	Provided that local exchange carriers could no longer exclude receipts from the sale of carrier access services to a long distance carrier.	July 1, 1990
Legislation Enacted in 1991		
Section 189	Imposed a tax of 4.25 percent on every gas importer for the gas services imported or caused to be imported into this State by such gas importer for its own use or consumption.	August 1, 1991
Legislation Enacted in 1992		
Financial Resource Asset Allowance	Allowed certain utilities that established a financial resource asset for rate-making purposes, (with PSC permission) to deduct an allowance from gross earnings subject to tax under section 186 and section 186-a.	January 1, 1992
Legislation Enacted in 1993		
Economic Development Zone Credit (EDZ)	Allowed regulated utilities to apply 96.5 percent of the 3 percent discount on gas, electric, steam or water sales or services rendered in an EDZ against tax liability.	January 1, 1993

Subject	Description	Effective Date
Legislation Enacted in 1994		
Temporary Business Tax Surcharge	Reduced the surcharges for sections 183, 184, 186, and 186-a from 15 percent to 10 percent, to 5 percent, and finally to 0 percent over three years.	January 1, 1994
Legislation Enacted in 1995		
Telecommunications Act of 1995	Restructured the transmission portion of section 184 to apply to only local telecommunication services. Also, all toll revenues from interstate, and inter-LATAs services were exempted.	January 1, 1995
	Enacted section 186-e, which imposed a 3.5 percent excise tax on receipts from telecommunications services.	
	Replaced the property factor with a Goldberg allocation. Under the Goldberg allocation method, receipts are allocated to New York if the call originates or terminates in this State and is charged to a services address in this State, regardless of where the charges for such services are billed or ultimately paid.	
	Shifted the access deduction from inter-exchange carriers and local carries who are ultimate sellers to initial sellers.	
Section 184	Exempted 30 percent of intra-LATA toll receipts.	January 1, 1996
Legislation Enacted in 1996		
Trucking and Railroad Companies	Allowed these companies the option of being taxed under the general corporate franchise tax.	January 1, 1997
	Reduced the rate on section 184 for these companies from 0.75 percent to 0.6 percent.	
Legislation Enacted in 1997		
Power for Jobs Program	Created a new tax credit against section 186-a, to compensate utilities for revenue losses associated with participation in the program. (The program makes low-cost power available to businesses, small businesses and not-for-profit corporations for job retention and creation.) The credit is allowed to the utility providing power to retail customers selected by the Power Allocation Board.	1997
Alternative Fuels Vehicle Credit	Created a credit equaling 50 percent of the incremental costs (capped at $5,000 per vehicle); 60 percent of the cost of clean-fuel components (capped at $5,000 or $10,000 per vehicle depending on weight); and 50 percent of the cost of new clean-fuel refueling property.	January 1, 1998
Rate Reductions	Reduced section 184 tax rate from 0.75 percent to 0.375 percent.	January 1, 1998
	Reduced section 186-a and section 186-e tax rates from 3.5 percent to 3.25 percent as of October 1, 1998 and to 2.5 percent on January 1, 2000.	

Subject	Description	Effective Date
Credit for Employers Who Hire Persons With Disabilities	Created credit equaling 35 percent of the first $6,000 of qualified wages (maximum of $2,100 per employee).	January 1, 1998
Legislation Enacted in 1999		
MTOA Fund	Increased the percent of collections from section 183 and section 184 to be distributed to the MTOA Fund from 54 percent to 64 percent on January 1, 2000, and to 80 percent on January 1, 2001.	January 1, 2000 January 1, 2001
Section 189	Exempted generation plants that import natural gas for the production of electricity.	January 1, 2001
Section 183	Eliminated the excess dividends base for those local telecommunications companies with fewer than one million access lines.	January 1, 2002

HISTORICAL RECEIPTS

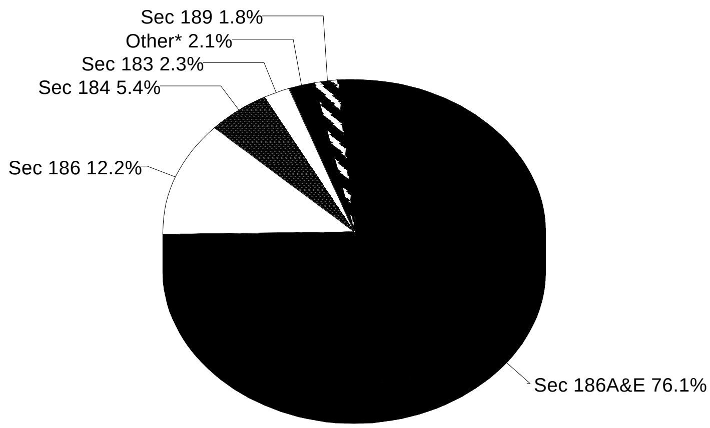
For State fiscal years 1989-90 through 1998-99, Article 9 receipts have been highly variable. To a great extent, this volatility is the product of legislative changes. The average annual growth rate for All Funds Article 9 receipts for this time period is 5.11 percent. This includes a high of 23.43 percent and low of -6.46 percent. Average baseline growth (growth from residential, commercial and industrial electricity, natural gas services, and telecommunication services), however, was only 2.97 percent after correcting for law changes.

General Fund

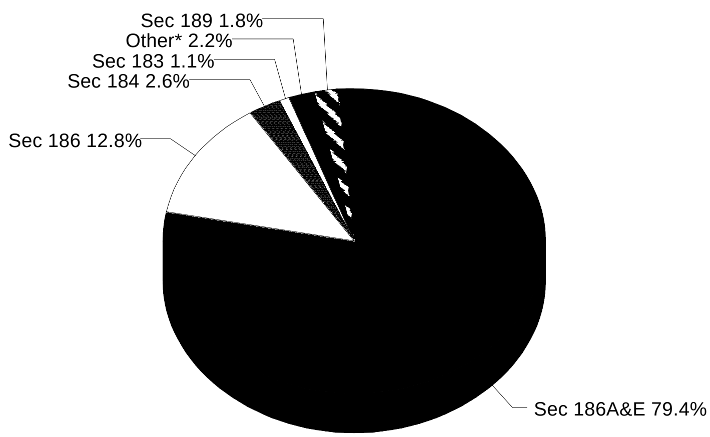
The pie charts below show the breakdown of collections, by section of law, for All Funds and the General Fund. For State fiscal years 1990-91 through 1998-99, the General Fund has averaged 87.6 percent of All Funds. However, this percentage is expected to decline to 84.2 percent in 1999-2000 and 80.8 percent in 2000-01 due to proposed changes described below.

1998-99 Article 9 Tax Receipts

All Funds Collections Percent Distribution by Section
(includes sections 180, 181 and 185)



General Fund Collections Percent Distribution by Section
(includes sections 180, 181 and 185)



Special Revenue Funds

Special Revenue Funds (SRFs) are dedicated funds used to support activities that are outside the scope of the General Fund. For Article 9, there are two such revenue streams.

Portions of the taxes imposed under sections 183 and 184 are statutorily required to be deposited in the MTOAF. The pie chart above illustrates how this requirement reduces the percentage of Article 9 collections from section 183 and 184 in the General Fund. In the future, receipts from sections 183 and 184 will become an even smaller portion of General Fund receipts. For 1999, 54 percent of total collections were required to be deposited in MTOAF. The deposit requirement increases to 64 percent in 2000 and 80 percent in 2001 and thereafter.

The other portion of Article 9 revenue deposited in a Special Revenue fund is the regional business tax surcharge. Taxpayers that do business within the MCTD (includes the counties of New York, Bronx, Kings, Queens, Richmond, Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester) are subject to a 17 percent surcharge on their liability attributable to the MCTD area.

PROPOSED LEGISLATION

This Budget recommends a complete overhaul of the method used to tax energy companies in recognition of a rapidly evolving marketplace for energy products. Legislation submitted with this Budget will eliminate the section 186 special franchise tax and move these companies to the Article 9-A tax. This will level the competitive playing field so that all energy companies will be subject to the same net income based franchise taxes. The section 189 gas import tax will also be eliminated. In addition, that portion of the 186-a additional franchise tax applicable to revenues from the commodity costs of energy will be phased down and eliminated over a six-year period. When the program is fully effective, Article 9 receipts will be reduced by an estimated $375 million.

The Power for Jobs program was authorized by Chapter 316 of the Laws of 1997, which made available 400 megawatts of lower cost power for use by businesses and not-for-profit companies. Chapter 386 of the Laws of 1998 amended the program to accelerate the power from the third year to the first year of the program and provide for an additional 50 megawatts of power in the third year. Because the demand for low-cost power by New York employers, especially those upstate, exceeds that available for allocation, this Budget recommends further expansion of the program.

The expansion of this program will provide an additional 200 megawatts of low-cost power to upstate businesses. This program will promote job creation and retention by lowering the cost of doing business in New York. Up to $20 million in annual savings will be provided for energy consumers, while the industry transitions to a competitive market.

1999-2000 RECEIPTS

Corporation and utilities taxes for 1999-2000 are expected to yield total All Funds receipts of $1,605 million. This is composed of $1,358 million for the General Fund, and $84 million to MTOAF from sections 183 and 184 and another $163 million to MTOAF from the regional business tax surcharge.

The primary factors used for estimating corporation and utilities tax collections from energy companies are the level of consumption of electricity and natural gas, and the price of each commodity. The table below illustrates annual consumption of electricity and natural gas and estimates of sales through 2000. The information shown for the years 1990 to 1998 is based on published reports of the Public Service Commission, while that shown for 1999 through 2000 provides estimates based on the historical data and on forecasts of general economic conditions for such years. The quantities in the table reflect sales to ultimate consumers and do not include sales for resale.

Table 1
History of Electricity and Natural Gas Sales
for 1990 to 2000
(millions)

	Electricity Sales (kilowatt hours)	Percent Change	Gas Sales (M cubic feet)	Percent Change
1990	112,312	0.8	538.3	-4.1
1991	112,426	0.1	523.8	-2.7
1992	111,478	-0.8	589.2	12.5
1993	112,352	0.8	595.1	1.0
1994	113,369	0.9	627.7	5.5
1995	112,771	-0.5	627.5	0.1
1996	113,660	0.8	635.5	1.3
1997	114,087	0.4	613.6	-3.5
1998	112,820	-1.1	509.5	-17.0
1999 (est.)	112,195	-0.6	514.5	1.0
2000 (est.)	115,414	2.9	557.2	4.4

Based on data through September 30, 1999, consumption of electricity in 1999 is estimated to decline by less than 1 percent from the previous year, while the consumption of natural gas is estimated to grow by nearly 1 percent. The price of natural gas is estimated, based on data through September 30, 1999, to increase by over 5 percent in 1999. The price of electricity is estimated to decrease by approximately 1 percent for the same time period.

More than one-third of section 186-a receipts and three-quarters of 184 receipts in recent years have come from telecommunications companies. Former 186-a telecommunication receipts are now received under section 186-e. New services and the explosion in data communications have increased call and message volume, while competition and deregulation have held down prices. Telecommunications companies' gross receipts are estimated to have increased by more than 2 percent for 1999.

Legislation enacted in 1996 to lower section 184 taxes on rail and trucking companies is estimated to reduce collections by $12 million in 1999-2000.

All Fund collections through December 1999 are estimated to be $1,220 million, a decrease of $54 million from the comparable period in 1998. Total receipts for 1999-2000 include an estimated $20 million in audit collections. After adjusting for net refunds, year-to-year cash collections are expected to decline by approximately $122 million or 7.1 percent. Thus, corporation and utilities taxes are expected to yield All Fund receipts of $1,605 million for 1999-2000.

2000-01 PROJECTIONS

Corporation and utilities taxes for 2000-01 are expected to yield total All Fund receipts of $941 million. This is composed of $732 million for the General Fund, $96 million to MTOAF from sections 183 and 184, and another $113 million to MTOAF from the regional business tax surcharge.

For 2000, the consumption of electricity is projected to grow nearly 3 percent and natural gas consumption will increase over 4 percent. For that same time period, the price of electricity is projected to decline less than 1 percent and the price of natural gas is estimated to grow by nearly 5 percent. Factors such as the substitution of cheaper fuel types, the severity of the weather, and the availability of oil or natural gas may influence energy consumption and energy prices. Telecommunications companies' receipts are expected to grow approximately 2.6 percent.

Apart from underlying economic activity and related changes in the price and quantity of utility services consumed, collections will be affected by scheduled tax rate reductions. The rate reductions enacted in 1997 are estimated to reduce collections in 2000-01 by approximately $417 million. The Power for Jobs tax credit program, first enacted in 1997 and accelerated by legislation enacted in 1998, will reduce receipts by an estimated $100 million. Collections of prior-year liabilities, after audit, are projected at $20 million in 2000-01. Thus, under current law, total receipts are projected at $1,250 million.

The proposed legislation included in this Budget results in a reduction of Article 9 receipts by an estimated $309 million for 2000-01. All Fund receipts, under proposed law, are projected at $941 million for 2000-01.

RISKS

The forecast assumes average temperature ranges during 2000 and 2001. Continued milder-than-average weather could reduce heating or cooling energy demand and lower consumption below the current forecast. Prices are sensitive to supply and demand, conditions in the commodity markets, and general inflation. The present forecast is based on the economic projections outlined in the Economic Backdrop section. Continued growth in the U.S. economy will require continued growth in oil and natural gas production to meet domestic demand. In a boom-bust scenario, energy prices could climb rapidly in 2000-01. In a hard-landing scenario, a correction in the financial markets early in 2000 leads to a downward spiral of economic activity, reducing energy consumption below the baseline forecast. Lowered demand would put further downward pressure on energy prices.

Ongoing changes in the regulation of electric services and natural gas distribution and sale have the potential to interact with our tax structure in unpredictable ways. The tax policy changes proposed with the Executive Budget are designed to substitute a coherent tax structure for the current archaic tax framework currently facing energy providers. This will reduce energy costs and prevent uneconomic efforts to avoid tax.

Table 2
Corporation and Utilities Tax Receipts by Section (Article 9)
(millions)

Section of Law	Type of Companies	1998-99 Actual	1999-2000 Estimated	2000-01 Projected	2000-01 Proposed
		Collections [1]			
180	Organizations and reorganizations	$ 7.8	$ 3.0	$ 2.0	$ 2.0
181	Foreign corporations and maintenance fees	25.1	23.0	24.0	24.0
183	Transportation and transmission companies	35.7	46.0	48.0	48.0
184	Additional tax on transportation and transmission companies . .	84.6	96.0	82.0	82.0
185	Agricultural cooperatives	0.1	0.2	0.2	0.2
186	Water, steam, gas, electric, light and power companies	190.2	191.0	196.0	0.0
186a&e	Public utilities	1,182.8	1,056.8	728.8	672.0
189	Natural gas importers	27.4	26.0	29.0	0.0
	Subtotal	$1,553.7	$1,442.0	$1,108.0	$828.2
				Special Revenue Funds	
	Less Other Funds MTOA [2]	64.9	84.0	96.0	96.0
	Net General Fund	$1,488.8	$1,358.0	$1,012.0	$732.2

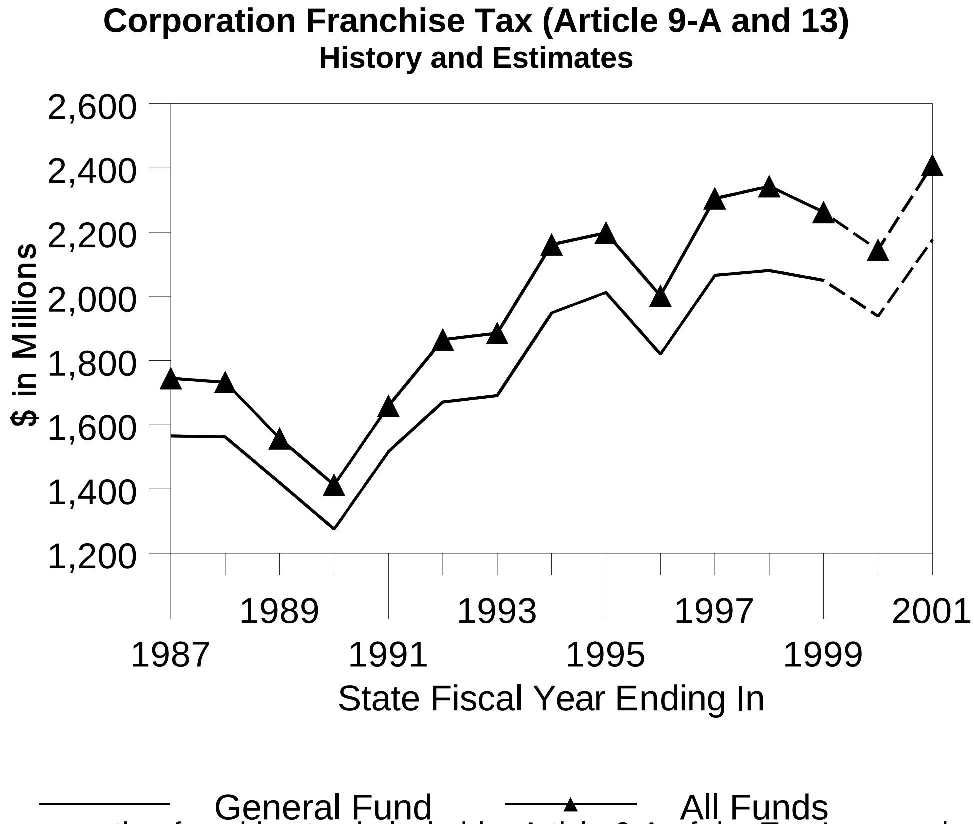
[1] Receipts from the regional business tax surcharge are excluded.
[2] Per statute, 54 percent of sections 183 and 184 receipts in 1998 and 1999, 64 percent in 2000, and 80 percent in 2001 and thereafter, are dedicated to the Mass Transportation Operating Assistance Fund (MTOAF).

Table 3
All Funds Receipts from Corporation and Utilities Taxes (Article 9)
(millions)

	Gross General Fund	Refunds	Net General Fund	Gross Special Revenue Funds	Refunds	Net Special Revenue Funds [1]	Capital Projects Funds	Gross Debt Service	All Funds Net Collections
				Actual					
1991-92	$1,446	$17	$1,429	$191	. . . .	$191	. . . .	. . . .	$1,620
1992-93	1,549	5	1,544	206	$1	205	. . . .	. . . .	1,749
1993-94	1,604	12	1,592	232	1	231	. . . .	. . . .	1,823
1994-95	1,574	69	1,505	204	3	201	. . . .	. . . .	1,706
1995-96	1,581	14	1,567	190	1	189	. . . .	. . . .	1,756
1996-97	1,616	39	1,577	214	2	212	. . . .	. . . .	1,789
1997-98	1,517	13	1,504	264	2	262	. . . .	. . . .	1,766
1998-99	1,506	17	1,489	240	2	238	. . . .	. . . .	1,727
					Estimated				
1999-2000 . . .	$1,377	$19	$1,358	$249	$2	$247	. . . .	. . . .	$1,605
2000-01 (Current law)	1,019	17	1,002	250	2	248	. . . .	. . . .	1,250
2000-01 (Proposed law)	749	17	732	211	2	209	. . . .	. . . .	941

[1] Receipts from the regional business tax surcharge and funds dedicated to MTOAF sections 183 and 184

CORPORATION FRANCHISE TAX
(Article 9-A and 13)



The corporation franchise tax is levied by Article 9-A of the Tax Law on domestic corporations for the privilege of exercising their corporate franchise and on foreign corporations for the privilege of doing business, employing capital, owning or leasing property, or maintaining an office in New York.

Corporate franchise tax receipts have historically been characterized by significant volatility. These fluctuations can be attributed to several factors such as variations in the rate of corporate profit growth, changes in the profit performance of important New York industries, such as financial service companies, and tax law and administrative changes.

TAX RATE

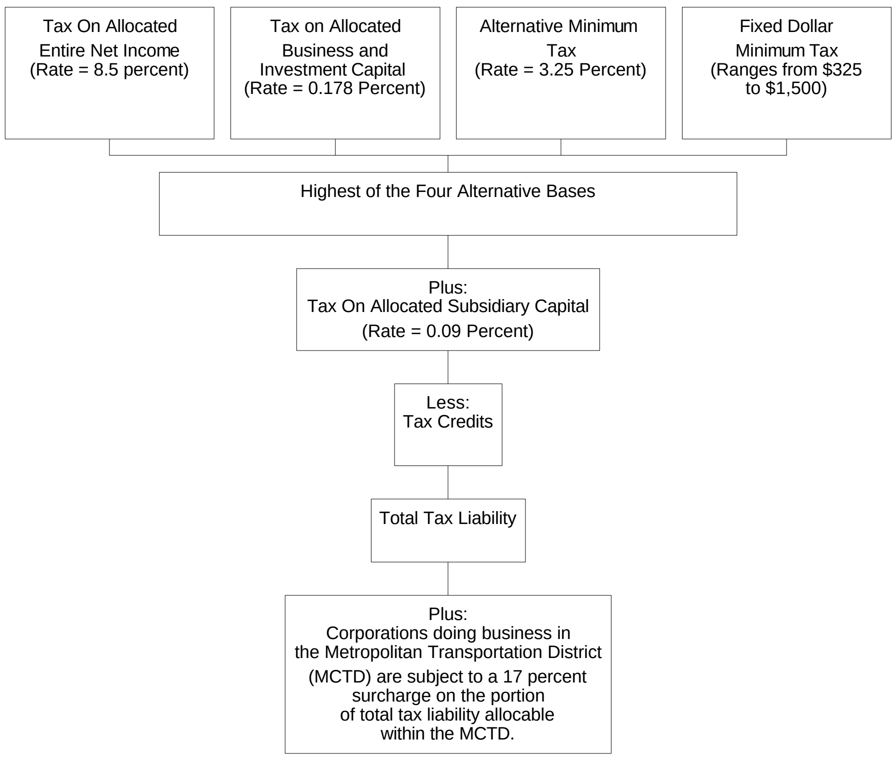
The Article 9-A corporation franchise tax requires a taxpayer to compute tax liability under four alternative bases and pay under the base that results in the largest tax. The four bases apply to:

1. Federal taxable income allocated to New York and modified by the exclusion, deduction, or addition of certain items and reduced by tax credits at a current rate of 8.5 percent.
2. An alternative net income base, which equals entire net income adjusted to reflect certain federal tax preference items and adjustments and State-specific net operating loss (NOL) modifications, at a current rate of 3.0 percent.

3. A capital base at a rate of 0.178 percent. Allocated business and investment capital form the capital base. The maximum annual tax equals $350,000.
4. A fixed dollar minimum, which ranges from $100 to $1,500, depending on the size of the corporation's gross payroll, including general executive officers, during the applicable tax period.

The following flow chart shows the major elements in the computation of Article 9-A tax liability.

Article 9-A Flowchart



For tax years ending after June 1990 and before July 1994, a State business surcharge of 15 percent of tax, after the application of any credits, was in effect. The surcharge fell to 10 percent during 1994, to 5 percent during 1995, and was eliminated during 1996. Since 1990, S corporations have also been required to pay tax based on a differential rate, computed as the difference between the Article 9-A rate and the Article 22 rate.

Under Article 13 of the Tax Law, a tax of 9 percent (plus the applicable surcharge) is levied upon the unrelated business income of otherwise tax-exempt organizations operating in the State.

Table 1
History of Corporate Franchise Tax Rate (ENI Base)
(percent)

Year	1968-70	1971-74	1975-76	1977	1978-84	1985-88	1989	1990-93
ENI Tax Rate	7.000	9.000	9.000	9.000	9.000	9.000	9.000	9.000
Temporary Business Surcharge	. . . .	. . . .	20.000	. . . .	. . . .	15.000	12.500	7.500

Year	1996	1997-98	1999	2000	2001	2002
ENI Tax Rate	9.000	9.000	8.500	8.000	7.500	7.500
Temporary Business Surcharge	2.500	. . . .	. . . .	. . . .	. . . .	. . . .

Source: NYS Department of Taxation and Finance, Office of Tax Policy Analysis

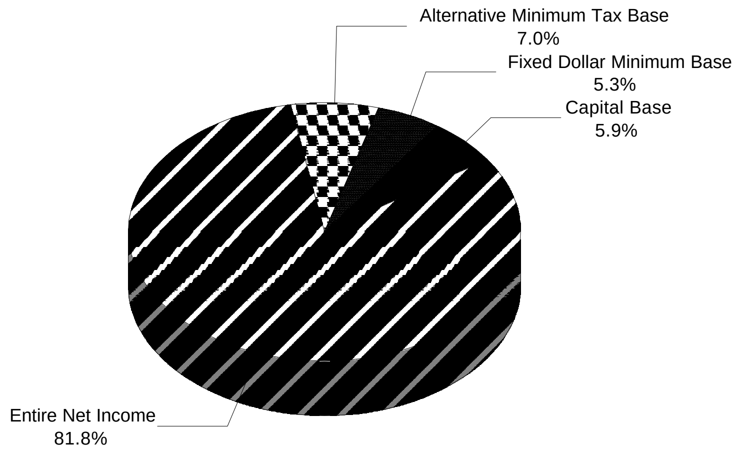
Additionally, legislation first enacted in December 1982, and subsequently extended, imposes a temporary surcharge on business taxes to support mass transportation in the metropolitan commuter transportation district (MCTD). The MCTD comprises New York City, Long Island, and the counties of Dutchess, Orange, Putnam, Rockland and Westchester. The surcharge rate is 17 percent of tax otherwise due, allocable to the district, after deduction of allowable credits and before application of the temporary State business surcharge.

TAX BASE

The New York State Corporate Tax Statistical Report provides detailed data on tax liability which are published by the Office of Tax Policy Analysis. The latest available report was released in August 1999.

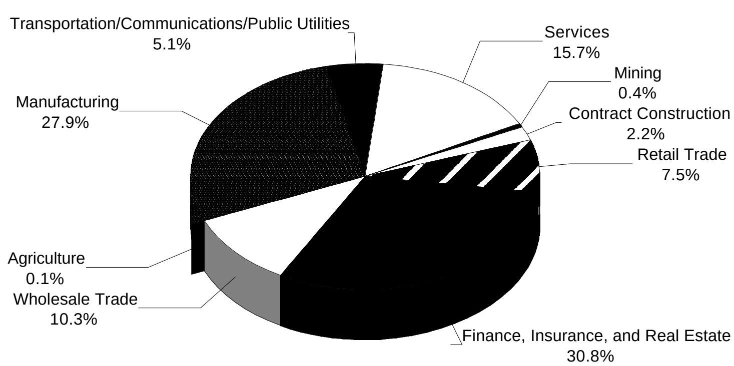
The report includes data on both C corporations and S corporations. In 1995, although the number of C corporation and S corporation tax filers was roughly comparable, C corporations made up the largest share of liability, accounting for 90 percent of total liability. The following pie charts illustrate the share of 1995 tax liability by tax base and the distribution of total tax liability among industries for C corporations. The first chart shows that the entire net income (ENI) base contributed 82 percent of total C corporation tax liability in 1995.

1995 Distribution of Tax Liability by Basis of Tax



The next chart shows the distribution of tax liability by industry. Liability paid by the finance, insurance, and real estate sector (FIRE) made up almost 31 percent of total tax liability paid by C corporation taxpayers in 1995, with manufacturing paying roughly 28 percent. Historically, the FIRE and manufacturing sectors have accounted for between 50 percent and 60 percent of the total corporate franchise liability of C corporations.

1995 Tax Base Industry Profile:
(Share of Total Tax Liability of C Corporation Taxpayers)



Source: New York State Department of Taxation and Finance
*Excludes S corporations taxable under Article 9-A.

EXCEPTIONS TO THE TAX

The corporate franchise tax structure includes various exclusions, exemptions and other statutory devices designed to reduce State tax liability. The distribution of these benefits varies widely among firms. However, the primary objectives are to provide economic incentives to stimulate the New York economy and to eliminate tax inequities across firms.

By law, the use of the business tax incentives listed here may not reduce the final tax liability below the fixed dollar minimum tax. Further, a taxpayer's ability to receive the full benefit of certain tax incentives is limited by the alternative minimum tax (AMT). Taxpayers may not use tax credits to reduce their AMT liability.

As mentioned earlier, New York State imposes a tax on entire net income at a rate of 8.5 percent of Federal taxable income allocated to New York and modified by the exclusion, deduction or addition of certain items. The following table reports the significant legislative actions that have impacted taxpayer's liability.

Subject	Description	Effective Year
Significant Legislation Affecting Modifications to Federal Taxable Income		
New Small Business Exemption	Exempted new small businesses, defined as a small business corporation under the Internal Revenue Code, having at least 90 percent of its assets and 80 percent of its employees located and employed within New York State, that is not a subsidiary of a taxable New York corporation, and is not a corporation which is substantially similar in operation and in ownership to a business entity (or entities) previously taxable under Article 9-A, under the alternative tax based on allocated business and investment capital.	1981
Exclusion of Income for Foreign Airlines	Allowed foreign airlines to exclude the following items from entire net income: all income from international operations of aircraft effectively connected to the United States; foreign passive income, and income earned overseas from overseas operations of aircraft.	1994
Depreciation	Changed the Modified Accelerated Cost Recovery System (MACRS) depreciation rule for non-New York property to conform to provisions of the Federal Tax Reform Act of 1986.	1994
Mergers and Acquisitions	Repealed the provisions relating to mergers, acquisitions and consolidations.	2000
Airline Apportionment	Reduced the percentage of income apportioned to New York by 40 percent by changing the allocation formula to multiply the New York Factor in the numerator of each component in the formula.	2001
Significant Legislation Affecting Tax Rates		
S Corporation Differential Tax	Imposed of a differential tax on the income of electing New York S corporations, or a fixed dollar minimum, whichever produces the largest liability.	1990
AMT	Expanded of the AMT base by restructuring the AMT computation to more closely parallel the Federal computation, including the elimination of the deduction for prior accrued net operating losses.	1990
AMT	Allowed a net operating loss (NOL) deduction. Allowed double weighting of receipts in the income allocation formula.	1994
AMT	Reduced rate to 3.5 percent.	1995

Subject	Description	Effective Year
AMT	Reduced rate to 3.25 percent, beginning after 6/30/98. Reduced to 3 percent for tax years beginning after 6/30/99.	1998
AMT	Reduced rate from 3.0 percent to 2.5 percent.	2000
ENI	Reduced the tax rate on ENI from 9 percent to 7.5 percent over a three-year period beginning after 6/30/99.	1999
Significant Legislation Involving Credits		
Investment Tax Credit (ITC)	Allowed a credit, based on the cost or other basis for Federal tax purposes, for depreciable tangible personal property acquired, constructed, reconstructed or erected used directly for improvement of pollution control, waste treatment and acid rain control treatments, and used for the purpose of research and development after December 31, 1968.	1987
Economic Development Zone (EDZ)	Allowed EDZ wage tax credit, EDZ capital corporation credit and EDZ investment tax credit. Taxpayers may qualify for a credit for investments in zone capital corporations, direct equity investments in certified zone businesses and contributions to community development credit. Additionally, taxpayers may claim a credit for doing business and creating jobs in EDZ.	1986
Employment Incentive Credit (EIC)	Allowed taxpayers who increase their number of employees to be eligible for the employment incentive tax credit with respect to property that is eligible for the investment tax credit.	1987
Special Additional Mortgage Recording Tax (SAMRT)	Provided for refundability of the unused portion of the SAMRT credit to both regular and S corporation nonbank mortgage lenders.	1994
Employment Incentive Credit (EIC)	Extended carryover period for this credit to 10 years.	1994
Investment Tax Credit Carryforward	Allowed any unused pre-1987 investment tax credit to remain available until 2002. Post-1986 investment tax credit extended to 15-year carryforward.	1997
Rehabilitation Credit for Historic Barns	Allowed taxpayers to claim corporate franchise tax credit for the rehabilitation of historic barns in New York State.	1997
Agricultural Property Tax Credit	Allowed eligible farmers to claim a real property tax credit against the corporate franchise tax.	1997
Alternative Fuel Vehicle Credit	Provided corporations and individuals with a tax credit for a portion of the cost of purchasing or converting a vehicle to operate on alternative fuels.	1998
Credit for Employing Individuals with Disabilities	Allowed employers who employ individuals with disabilities to claim a credit for a portion of wages paid to such individuals.	1998
Investment Tax Credit for Financial Services Industry	Allowed an investment credit for qualified property used in the financial services industry.	1998

Subject	Description	Effective Year
Emerging Technology Companies Credit	Provided, under the New York State Emerging Industry Jobs Act, corporate franchise tax credits for qualified emerging technology companies that create new jobs, or for certain corporate taxpayers that invest in emerging technology companies located in New York State.	1999
Alternative Fuels	Expanded the alternative fuel credits to electric and clean fuel vehicles sold or leased to governmental entities, provided that the companies manufacture the vehicles in New York and create at least 25 full-time jobs.	2000
EDZ/ZEA Wage Credit	Doubled the existing Economic Development Zone (EDZ) and Zone Equivalent Area (ZEA) wage tax credits.	2001
Defibrillator Credit	Granted a new credit of $500 per automated external defibrillator.	2001
Other Significant Legislation		
Limited Liability Companies (LLC) and Limited Liability Partnerships (LLP)	Provided New York State authority for formation of LLCs and LLPs, which are business organizations that provide many of the tax benefits associated with partnerships and the liability protection afforded to corporations.	1994
Temporary Business Surcharge	Enacted in 1990, and extended in 1992 and 1993, legislation to increase a temporary surcharge in effect since 1981 from 2.5 percent to 15 percent of tax otherwise due.	1990-1994

RECENT LEGISLATION

Recently enacted legislation has focused on expanding existing tax credits while at the same time providing new credit vehicles, as well as overall rate reductions, as a tool to spur business investment and economic development within the State.

The 1998-99 State Budget included a number of Tax Law changes that will have a significant impact on current and future receipts. A significant reduction in receipts will result from the sweeping reductions in corporate franchise tax rates. The following tables outline the rate reduction program enacted in 1999:

Table 1
Large Business Taxpayers

Taxable Year Beginning	Tax Rate
Before July 1, 1999	9.0% of entire net income
After June 30, 1999 and before July 1, 2000	8.5%
After June 30, 2000 and before July 1, 2001	8.0%
After June 30, 2001	7.5%

Table 2
Small Business Taxpayers with ENI of Not More Than $200,000

Taxable Year Beginning	Tax Rate
Before July 1, 1999	8.0% of entire net income
After June 30, 1999	7.5%

Table 3
Small Business Taxpayers with ENI of More Than $200,000, but Not More Than $290,000

Taxable Year Beginning	Tax Rate
Before July 1, 1999	Sum of $16,000, plus 9% of excess of ENI base over $200,000, and 5% of excess ENI over $250,000
After June 30, 1999, and before July 1, 2000	Sum of $15,000, plus 8.5% of excess of ENI base over $200,000, and 5% of excess ENI over $250,000
After June 30, 2000, and before July 1, 2001	Sum of $15,000, plus 8% of excess of ENI base over $200,000, and 2.5% of excess ENI over $250,000
After June 30, 2001	7.5%

Table 4
Alternative Minimum Tax Rate Reduction

Taxable Year Beginning	Tax Rate
Before July 1, 1998	3.50%
After June 30, 1998, and before July 1, 1999	3.25%
After June 30, 1999	3.00%
After June 30, 2000	2.50%

Table 5
Reduction in Fixed Dollar Minimum Tax for Small Business Taxpayers

Gross Payroll	Present Law	Taxable Year Beginning After June 30, 1998 and Before July 1, 1999	Taxable years Beginning After June 30, 1999
$250,000 or less	$325	$100	$100
More than $250,000, but not more than $500,000	$325	$325	$225

The 1999-2000 Enacted Budget included the following targeted tax reductions:

— A new credit of $500 per automated external defibrillator purchased by all business taxpayers;
— New provisions eliminating language inhibiting certain forms of merger and acquisition activity.
— A further reduction in the corporation franchise alternative minimum tax rate from 3 percent to 2.5 percent.
— A reduction in the subsidiary capital tax base in the corporation franchise tax for banks and insurance subsidiaries, and for gas and electric subsidiaries.
— A doubling of economic development zone and zone equivalent area wage credits.
— An expansion of alternative fuels credits to certain vehicles leased to government entities, provided the company produces the vehicles in New York and creates at least 25 full-time jobs.
— New rules permitting air freight forwarders to file combined returns with their affiliated airlines, and to allocate their income by the specialized airline industry allocation factors.
— A change in the formula used to apportion airline income to New York.

PROPOSED LEGISLATION

This year the Governor has proposed several initiatives designed to further promote economic development in New York.

— **Energy Restructuring:** For taxable years beginning on or after January 1, 2000, energy companies, previously taxed under section 186 of Article 9, will now be subject to the Article 9-A corporate franchise tax.
— **Urban Jobs Credit:** This targeted tax credit will provide an incentive to businesses to expand their workforce in cities in upstate New York State. The credit applies to any employer who employs more than 25 new workers in a year, above a base year employment level. This credit will be as much as $1,000 for every worker over the 25 person threshold.
— **Brownfield Tax Credit:** This tax credit provides incentives to business and personal income taxpayers to encourage the voluntary clean-up of brownfields.
— **Green Buildings Tax Credit:** This tax credit is designed to enhance the construction and rehabilitation of environmentally sound buildings. Building owners will be provided a credit for the incremental cost of making a new or existing building meet higher environmental and health standards.
— **Homeowners' Associations:** Homeowners' associations function as nonprofit entities receiving dues from members. Currently, these associations pay a fixed-dollar minimum tax under the New York's corporate franchise tax, even though these associations have no taxable income for Federal income tax purposes. This proposal will eliminate the fixed-dollar minimum tax basis, hence relieving these associations from paying the State's franchise tax.
— **Low- and Moderate-Income Working Family State Housing Credit:** Mirroring the structure of the existing Federal low-income housing tax credit, this State program expands the Federal program to include more moderate-income households.
— **Small Business Rate Reduction:** Prior to the 1998-99 corporate franchise rate reductions, the tax rate for small businesses with entire net income (ENI) of not more then $200,000 was 8 percent, and the tax rate for small businesses with entire net income between $200,000 and $290,000 was set at a sliding scale between 8 percent and the 9 percent. The 1998-99 Enacted Budget reduced the tax rate to 7.5 percent for all taxpayers. This proposal seeks to lower the tax rate for small businesses in New York to 6.85 percent.

— **Repeal S corporation Differential Rate:** This proposal seeks to conform New York's Tax Law with Federal tax law for the purposes of S corporation taxation. Eliminating the S corporation differential rate will allow S corporations to be treated, for State tax purposes, as the pass-through entities that they were intended to be at the Federal level.

— **Transportation Access Program:** This program encourages businesses to make contributions to the State for the construction of transportation improvement projects. Taxpayers who invest in large transportation infrastructure projects, with values of at least $10 million, will receive a tax credit based on the increase in their payroll over a base amount. In addition, the company must add at least 1,000 new jobs Statewide to qualify for the program. This initiative ultimately helps to promote cooperate public-private partnerships to improve the State's infrastructure.

— **Biotech Refundable Credit:** This program will provide biotechnology companies incentives to invest in the State by allowing them a partial refund of unused tax credits.

— **Upstate High Technology Enterprise Zones:** This new initiative will promote high technology economic development in upstate areas outside the Metropolitan Commuter Transportation District. High technology companies who locate or expand in any upstate county or city will be eligible for the following package of incentives:

Elimination of the Gross Receipts Tax on Energy (GRT) — Qualifying high-technology companies will receive a tax credit that rebates all energy GRT payments.

Enhanced Qualified Emerging Technology Tax Credit (QETC) — Large technology companies that increase their employment in the zone by 10 percent above their current statewide employment will receive a new credit of $2,000 per new employee. Smaller companies will see a doubling of their existing credit to $2,000 per new employee.

New Research and Development Credit — Qualified companies will receive a credit modeled on the current Federal credit for research and development costs.

Interest-Free Investments — New high technology companies will receive a refundable credit for all interest paid associated with projects in the zone, making the cost of capital in the zone for these firms essentially interest-free.

GENERAL FUND RECEIPTS: REVIEW OF RECEIPTS HISTORY

For Federal and State tax purposes, general business corporations operate either on a calendar year or, where the taxable fiscal year ends on the last day of a month other than December, on a fiscal-year accounting basis. All corporations follow a quarterly payment cycle, with payment dates for calendar year corporations on the 15th day of March, June, September, and December. During any State fiscal year, collections under the corporation franchise tax reflect payments by fiscal year corporations primarily for two tax liability periods.

In 1994, payments on liability for calendar year taxpayers increased by just under 10 percent, only slightly below the national profits growth rate of 13 percent. The broad base of this growth becomes even more evident in light of the weakness in the financial services industry in 1994, which, according to the Value Line Investment Survey, experienced a net profit decline of more than 50 percent between 1993 and 1994. This strong growth in profits was the primary factor contributing to record receipts in 1994-95, which topped the $2 billion mark, the third largest total in history.

Total collections in 1995-96 declined by just under 10 percent from the prior fiscal year. This reduction was, in part, the result of business tax cuts enacted in 1994, including the phase down of the business tax surcharge.

Reported collections in 1996-97 exceeded those of the 1995-96 period by 13 percent. Strong receipts growth was driven largely by security industry profit growth, which exceeded 53 percent in 1996. The robust financial services sector, combined with moderate growth in the broader economy, offset the impact of the reduced surcharge rate and the second year impact of the 1994 tax cuts. In addition, audit collections increased by 9 percent from the 1995-96 levels and refunds decreased by 12 percent for the same period.

Receipts growth slowed in 1997-98, as collections exceeded the 1996-97 level by almost 1 percent but remained 14 percent above the 1995-96 results. Again, the results were supported by a strong financial services industry. Securities sector profit growth exceeded 26 percent in 1997. However, calendar year corporations' payments on 1997 liability during 1997-98 increased by just over 2 percent. These payments were reduced, in part, because of lower 1997 estimated liability and the large first installments made by corporations in March of 1996-97. Final payments on 1997 liability from fiscal year taxpayers during 1997-98 increased by almost 33 percent, and payments on 1998 liability by fiscal year taxpayers increased by almost 12 percent. Audit payments remained virtually unchanged, increasing by less than 1 percent. However, refunds declined by over 13 percent from their 1996-97 level, adding almost $47 million to 1997-98 net receipts when compared to the previous year.

State fiscal year 1998-99 collections were weak primarily due to the continued impact of corporate franchise tax reductions and the weak earnings performance of the financial service industry. In addition, the volatility of the global economy led to considerable losses for companies participating in international capital market activities. For example, one New York based firm reported its first quarterly loss in nine years during the third quarter of 1998. Another financial services firm reported a 79 percent decline in after-tax profits during the third quarter. Net collections for 1998-99 declined by 1.5 percent to $2,049 million.

Mergers and Acquisitions Activity

Securities company profit levels have benefitted from the surge in mergers and acquisitions over the last few years. Recently, Bankers Trust acquired Alex Brown and Sons; Dean Witter Discover and Morgan Stanley merged; the Travelers Group acquired Salomon Brothers and merged this firm with its subsidiary Smith Barney; subsequently, Citicorp and Travelers merged, creating Citigroup; and Merrill Lynch acquired Mercury Asset Management. In the long run, these transactions are expected to increase the value of the combined firms. However, the complexity of these transactions and the associated costs often make estimating profit performance and associated tax liability more volatile in the short run.

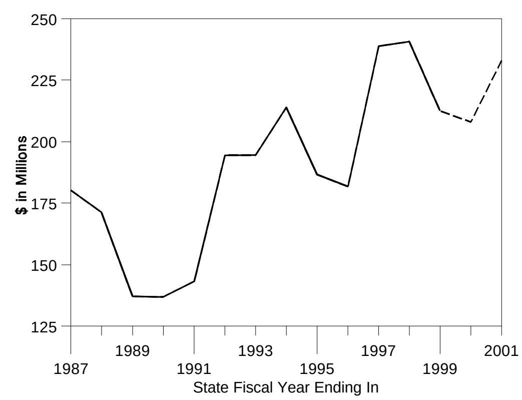
SPECIAL REVENUE FUND

In December 1982, a two-year surcharge on State business taxes (bank tax, corporation franchise tax, corporation and utilities taxes, and insurances taxes) was adopted to help finance mass transportation in the downstate metropolitan region. Statutes through 1997 have periodically extended the temporary surcharge, most recently for a period of four years. The surcharge is imposed at a rate of 17 percent of the portion of the statewide tax liability of the business that is allocated to the Metropolitan Commuter Transportation District (MCTD) and is the principal revenue source of the Mass Transportation Operating Assistance Fund (MTOA).

As one can observe from the graph, MTOA receipts have been quite volatile in the recent years. The surcharge is remitted quarterly on an estimated basis. Business tax surcharge receipts were inflated in State fiscal year 1991-92, and to a lesser extent, in 1992-93 by the effects of the conversion to quarterly estimated payments from the prior annual remittance schedule.

Similar to the situation for General Fund receipts, the performance of the financial services sector significantly affects surcharge collections. The exceptionally strong 1993 earnings performance of the financial services industry in New York City was the primary reason for the sharp increase in 1993-94 surcharge collections.

Special Revenue Collections



In recent years, volatility has been driven primarily by financial services sector performance. Due to weakness in the financial services sector and late enactment of the 1995 legislation to extend the surcharge, collections declined in 1994-95. Collections in 1995-96 continued to move downward but picked up significantly in 1996-97 due primarily to a resurgence in financial sector performance. Collections from the surcharge reached a peak in 1997-98 at $240.7 million and are expected to decline and moderate in the ensuring years. State fiscal year 1998-99 saw a decline of 12 percent as a direct result of a general decline in business tax receipts in 1998-99.

1999-2000 RECEIPTS

Based on collections to date, net collections for the entire period are projected to reach approximately $1,938 million. This is a $112 million decrease from 1998-99. The decrease is primarily attributable to the lower payments on 1999 liability during 1999-2000 and increased adjustments (refunds and credit carry forwards) to prior-year payments.

Additionally, the decline in corporate franchise tax receipts has resulted from the phase-in of business tax reductions. Additionally, the forecast contains risks with regard to the performance of Wall Street financial service companies in 1999.

2000-01 PROJECTIONS

Based on an analysis of the long-term relationship between economic activity and underlying corporate tax liability, corporate franchise tax receipts are estimated to increase by 12 percent in 2000-01. This analysis takes into account the fact that New York's business cycles do not necessarily synchronize with the U.S. economy.

Given the considerable downside risk in the current year, some upside risk exists in the out-years due to the passage of a financial-services reform bill in Congress. The Gramm-Leach Bill repeals parts of the Glass-Steagall Act and the 1956 Bank Holding Company Act which, until now, did not permit insurance, bank, and brokerage firms to enter each other's markets. Large brokerage houses based in New York City stand to gain from increased activity in merger and acquisitions and advisory business.

Additionally, combinations of solid demand and rising productivity have helped sustain and will continue to increase corporate profits as we head into the future. Overall, the economy has been sustained by the longevity of the bull market and continued consumer spending; none of which seem to be slowing down. This profit performance should eventually result in higher corporate liability. However, as already discussed, there are significant factors which mask the relationship between cash receipts and underlying liability.

Corporate Franchise Tax Receipts

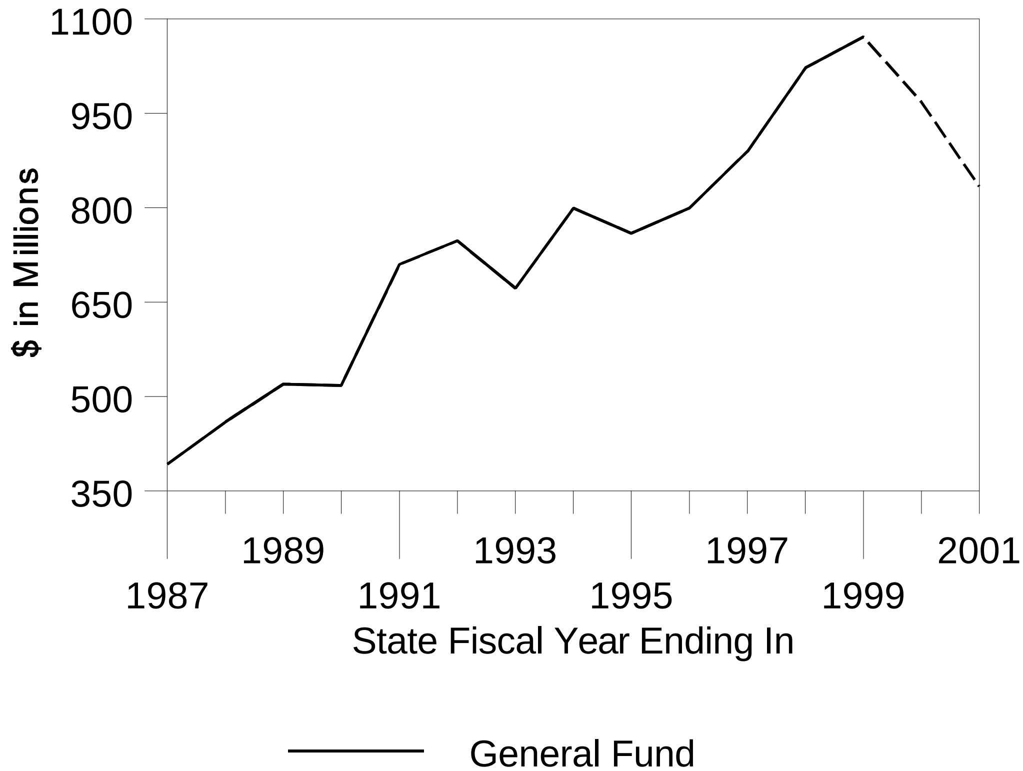
(millions)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Refunds	Net Special Revenue Funds [1/]	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
			------------ Actual ------------						
1991-92	$1,981	$310	$1,671	$207	$13	$194	....	....	$1,865
1992-93	2,033	342	1,691	210	16	194	....	....	1,885
1993-94	2,216	268	1,948	232	18	214	....	....	2,162
1994-95	2,289	277	2,012	206	20	186	....	....	2,198
1995-96	2,216	396	1,820	217	35	182	....	....	2,002
1996-97	2,414	347	2,067	273	35	238	....	....	2,305
1997-98	2,381	300	2,081	289	27	262	....	....	2,343
1998-99	2,479	429	2,050	243	31	212	....	....	2,262
			------------ Estimated ------------						
1999-2000 ...	$2,373	$435	$1,938	$232	$24	$208	....	....	$2,146
2000-01 (current law)	2,279	346	1,933	229	23	206	....	....	2,139
2000-01 (proposed law)	2,567	391	2,176	260	27	233	....	....	2,018

1/ Mass Transportation Operating Assistance Fund

ESTATE AND GIFT TAXES

Estate and Gift Taxes Receipts
History and Estimates



CURRENT LAW

New York imposes a tax on the estates of deceased New York residents, and on that part of a nonresident's net estate made up of real and tangible personal property located within New York State. The tax applies to that portion of the estate in excess of any taxable gifts already made.

The Federal definition of "gross estate" is the basis for computing New York estate tax liability. This greatly simplifies the administration of estates by executors, eliminates overlapping tax procedures, and allows a more rapid determination of tax liability. An executor of an estate may value the estate as of the date of death or at the time that the estimated tax payment is due.

For those dying before February 1, 2000, New York's tax rates range from 2 percent of the first $50,000 of net taxable transfers to 21 percent of net taxable transfers in excess of $10.1 million. For those dying on or after October 1, 1998, and before February 1, 2000, the maximum unified credit is $10,000, which eliminates the State estate tax for estates valued up to $300,000.

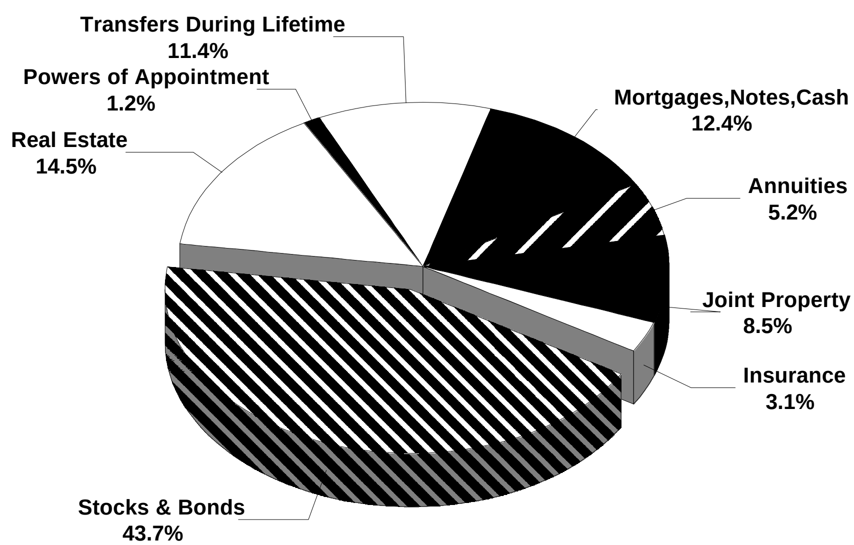
Also, for those dying before February 1, 2000, special real property valuation provisions lower State estate tax liability and ease the payment burden for farms and other closely held businesses. New York State permits farming and other closely held businesses to value qualified real property at current use, rather than best use, value. The provision provides estate tax relief by allowing the value of the property to be reduced by as much as $750,000.

A portion of New York's estate taxes paid may be applied as a "credit" against Federal estate tax liability. This portion varies with the size of the taxable estate ranging from zero for taxable estates of $300,000, to a maximum credit of 76 percent for taxable estates of $10 million or more. Most states set their tax to equal this credit. New York's estate tax law will create a liability in excess of this credit until February 1, 2000. After this date, New York will only tax up to the maximum Federal credit.

FACTORS AFFECTING YIELD

The yield of this tax is heavily influenced by three factors: tax changes, variations in the relatively small number of large estates, and the value of stocks and bonds, usually the largest component of taxable estates.

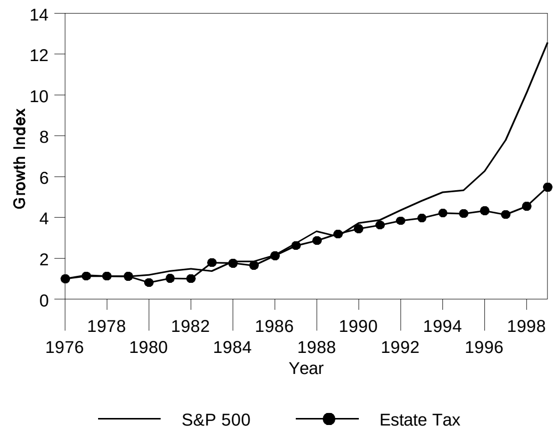
Components of Taxable Gross Estate 1997-98



Source: New York State Department of Taxation and Finance

As already reported, the enactment of various Tax Law changes has had a significant impact on collections in recent years. Historically, fluctuating security prices and varying numbers of large estates have caused wide fluctuations in collections. The historical relationship between growth in equity assets and estate tax collections is evident in the accompanying chart. The 1990's have led to some divergence in the common trend as a result of the very rapid increases in the equity markets.

Relationship of Equity Market and Estate Tax Receipts (1976 Base Year = 1)



RECENT STATUTORY CHANGES

The major statutory changes of the past several years are reported below.

Subject	Description	Effective Date
Legislation Enacted in 1991		
Tax Liability	Increased estimated tax payable from 80 percent to 90 percent.	June 12, 1991
Legislation Enacted in 1994		
Unified Credit for Estate and Gift Taxes	Increased credit from $2,750 to $2,950, thereby eliminating the tax on taxable gifts/estates of $115,000 or below, up from $108,600.	June 9, 1994
Legislation Enacted in 1995		
Deduction	Authorized a principal residence deduction of $250,000 (maximum).	
Legislation Enacted in 1997		
Unified Credit for Estate and Gift Taxes	Increased credit from $2,950 to $10,000, thereby eliminating the tax on taxable gifts of $300,000 or below.	January 1, 1999
	Increased credit to eliminate tax on taxable estates of $300,000 or below.	October 1, 1998
	Increased credit to eliminate tax on taxable estates of $675,000 or below.	February 1, 2000
	Increased credit to eliminate tax on taxable estates of $700,000 or below.	February 1, 2002
	Increased credit to eliminate tax on taxable estates of $850,000 or below.	February 1, 2005
	Increased credit to eliminate tax on taxable estates of $950,000 or below.	February 2, 2006
	Increased credit to eliminate tax on taxable estates of $1,000,000 or below.	February 1, 2006

Subject	Description	Effective Date
Estate Tax Rate	Set the New York estate tax rates equal to the Federal credit for State estate taxes paid.	February 1, 2000
Gift Tax	Repealed.	January 1, 2000
Tax Liability Due Date	Increased from six to seven months	October 1, 1998
	Increased from seven months to nine months (same as Federal).	February 1, 2000

1999-2000 RECEIPTS

In developing projections for estate tax receipts, the relationship between large and small estate collections and changes in the value of household equity is used to grow this component of collections to capture the recent divergence. A distributional analysis is utilized to estimate the value and number of large dollar estates.

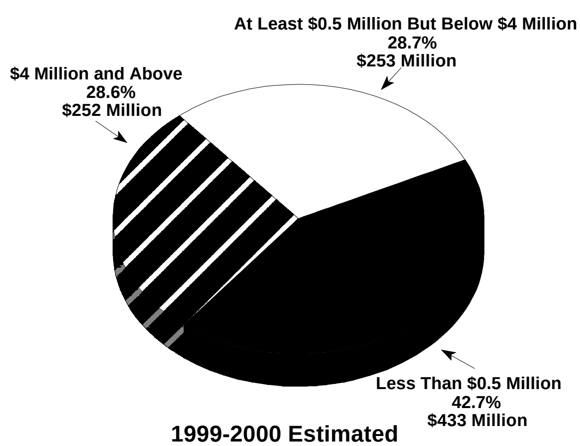
Estimated net estate tax collections of $725.0 million for the first nine months of 1999-2000 are 5.0 percent lower than collections during the comparable period in 1998-99. Benefitting collections in 1999-2000 were growth in household net worth of 4.8 percent (up from 4.3 percent of the prior year) and growth in equity values of 22.4 percent. However, the revenue effects of the 1998 Federal conformity legislation, the increase in the unified credit, and the deferral of tax payments by one month are the major contributors to this shortfall.

Estimated nine-month collections from estates with payments of at least $4 million were about $110.0 million, approximately equal to the comparable period in 1998-99. Although equity values grew 32.2 percent from the similar period in 1998-99, collections from large estates with tax payments of at least $0.5 million but less than $4 million actually decreased by $20 million. Similarly, small estate tax payments (payments of less than $0.5 million) experienced a decrease of $50 million, down 12.5 percent from the similar period in 1998-99.

Collections through nine months of 1999-2000 from the Tax Department's Case and Resource Tracking System (CARTS — primarily audit collections) have reached $19.2 million, a decline of about 25.7 percent from the same period of 1998-99.

For the 1999-2000 fiscal year, gross estate tax receipts, not including refunds, are estimated to total $913 million, composed of $250 million from estates valued at $4 million or more, $240 million from the rest of the large estates category, and $423 million from small estates. Net estate tax receipts of $882 million in 1999-2000 include refunds, which are anticipated to reach $56 million, and CARTS collections of $25 million. It is

Share of Tax Payments
(1999-2000 Estimated)

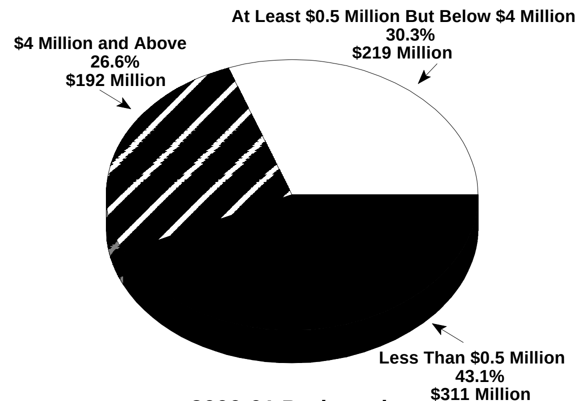


estimated that the effects of the aforementioned tax changes will reduce total receipts by $84 million.

2000-01 PROJECTIONS

Pursuant to statute, for estates created on or after February 1, 2000, the time required to make an estimated payment of State estate liability has been extended from seven months to nine months after the date of death. This alteration to payment requirements will effectively move almost two months of collections from 2000-01 to 2001-02, resulting in reduced receipts for 2000-01. Also, the combination of increasing the unified credit to $30,000 and the moving to a pickup tax will offset gains from the increased average value of all large estates, which are projected to grow 14.7 percent.

Share of Tax Payments
(2000-01 Projections)



2000-01 Projected

Including CARTS collections of $24 million and refunds of $52 million, net estate tax receipts are projected to be $722 million in 2000-01.

Table 1
Estate Tax Collections — Prior to Refunds
(millions)

	Extra Large Estates [1]		Large Estates [2]		All Large Estates		Small Estates [3]	Grand Total Taxes
	Number	Taxes	Number	Taxes	Number	Taxes	Taxes	Taxes
1990-91	16	$151.0	94	$115.2	110	$266.2	$385.6	$651.8
1991-92	11	158.7	111	149.9	122	308.6	398.5	707.1
1992-93	9	78.8	125	135.9	134	214.7	410.7	625.4
1993-94	15	163.3	127	163.5	142	326.8	434.1	760.9
1994-95	13	141.4	140	152.8	153	294.2	460.6	754.8
1995-96	9	105.1	132	158.2	141	263.3	459.8	723.1
1996-97	24	243.0	123	151.3	147	394.3	447.7	842.0
1997-98	23	317.4	160	195.6	183	513.0	454.8	967.8
1998-99	19	221.8	215	259.5	234	481.3	511.7	993.0
8-Mo.Comp.								
1998-99	14	$166.7	147	$178.8	161	$345.5	$320.6	$666.1
1999-2000 . .	13	176.1	135	158.0	148	334.1	277.7	??
1999-2000 Estimated . . .	16	$252.4	195	$252.9	213	$505.3	$432.7	$938.0
2001-01 Projected . . .	15	192.5	170	218.7	185	411.2	362.8	774.0

[1] Liability of at least $4.0 million.
[2] Liability of at least $0.5 million but less than $4.0 million.
[3] Liability less than $0.5 million.

GIFT TAX

Until January 1, 2000, New York was one of only five states that imposed a gift tax as a complement to the transfer tax on estates to equalize the tax burden on lifetime transfers. Like the estate tax, the base of this levy is derived from the Federal tax base, with exclusions for transfers of property located outside the State. The gift tax did not apply to the first $10,000 of gifts made by a donor ($20,000 in the case of joint gifts by husband and wife) to any donee or gifts to a charity in any calendar year.

The tax was imposed on a lifetime basis: taxable gifts made during a taxpayer's lifetime, after allowable exclusions (e.g., the annual exclusion), were taxed in aggregate as one gift. The donor was first required to compute the tax due on all prior taxable gifts through the calendar quarter or year for which the return is filed. The donor was then allowed a credit for any tax previously paid. In addition, a unified credit was available to offset gift tax liability. To the extent this credit was used over an individual's lifetime, it reduced the unified credit available under the estate tax.

Gift tax collections were driven by the number of beneficiaries to which gifts are made, the value of gifts made, and the cumulative value of prior taxable transfers that have occurred. Higher permissible marital deductions and the unification of the estate and gift tax credits initially reduced the tax. However, after the applicable credits were exhausted, all additional gifts were subject to progressively higher rates of taxation, leading to higher levels of gift tax receipts. Additionally, because the unified credit at the Federal level was increased in 1999 to effectively exempt the first $650,000 of gifts from Federal gift tax, many persons made gifts up to this level. Since the State exempted only the first $300,000 of such gifts, State gift tax receipts were increased by such behavior. Atypical individual tax payments, particularly in January when estimated gift tax payments are due, could heavily skew tax collections in a given fiscal year.

RECENT STATUTORY CHANGES

For recent statutory changes, see Estate Tax section.

1999-2000 RECEIPTS

The increase in the unified credit, effectively eliminating all gifts totaling $300,000 or less, and the deferral of gifts until after the repeal of the gift tax effective January 1, 2000, will lead to a significant reduction in collections from this source for 1999-2000. Estimated collections of $36.7 million through December of the current fiscal year represent an increase of 28.4 percent from the same period in 1998-99. Receipts in the final three months of 1999-2000 are expected to decline by 29.2 percent from the comparable period of the prior fiscal year. Including $5 million in refunds, final 1999-2000 gift tax net collections, which reflect the tax on gifts made in 1999, are estimated at $105 million, a decrease of $20 million, or 16 percent, from 1998-99 receipts.

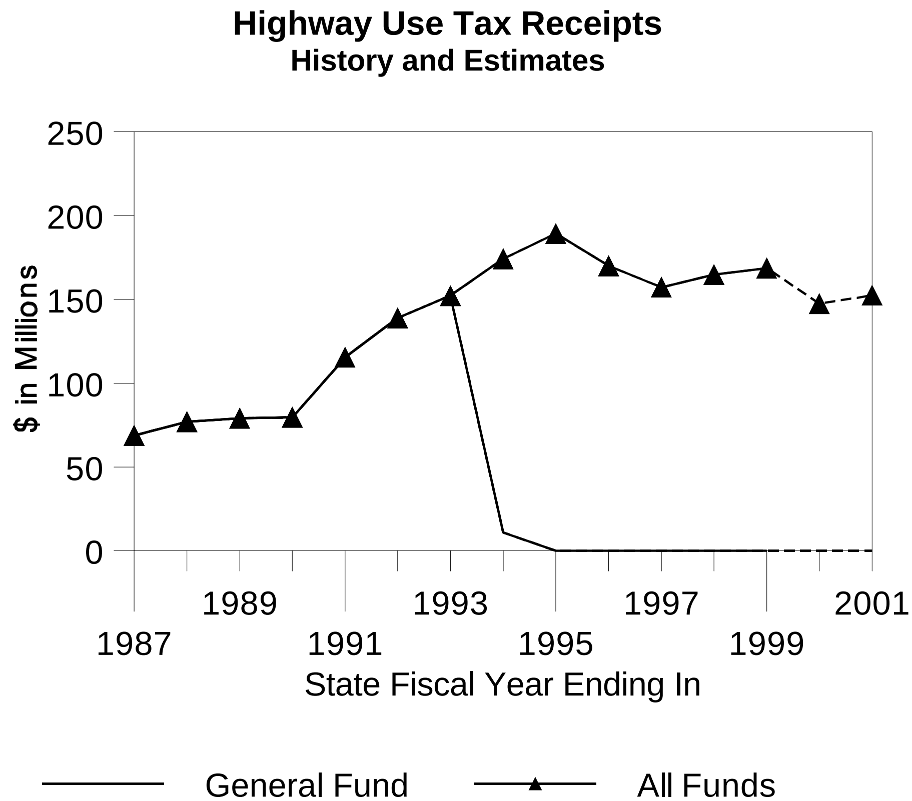
2000-01 PROJECTIONS

The State gift tax repeal will reduce receipts by $95 million in the coming fiscal year. Therefore, with gross receipts projected at $15 million and refunds expected to reach $5.0 million, net gift tax collections are projected at $10 million for 2000-01.

Table 2
Estate and Gift Tax Receipts
(thousands)

	General Fund	Refunds	Net General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
			Actual				
1991-92 .	$ 790,500	$42,900	$ 747,600	. . . .	. . . .	. . . .	$ 747,600
1992-93 .	698,200	25,700	672,500	. . . .	. . . .	. . . .	672,500
1993-94 .	843,600	44,200	799,400	. . . .	. . . .	. . . .	799,400
1994-95 .	823,000	63,600	759,400	. . . .	. . . .	. . . .	759,400
1995-96 .	846,200	46,900	799,300	. . . .	. . . .	. . . .	799,300
1996-97 .	945,800	56,500	889,300	. . . .	. . . .	. . . .	889,300
1997-98 .	1,073,500	51,300	1,022,200	. . . .	. . . .	. . . .	1,022,200
1998-99 .	1,124,100	52,600	1,071,500	. . . .	. . . .	. . . .	1,071,500
			Estimated				
1999-2000	$1,048,000	$61,000	$987,000	. . . .	. . . .	. . . .	$ 987,000
2000-01	789,000	57,000	732,000	. . . .	. . . .	. . . .	732,000

HIGHWAY USE TAX



Highway use tax revenues are derived from three sources: the truck mileage tax, related highway use permit fees, and the fuel use tax.

TRUCK MILEAGE TAX

The truck mileage tax is levied on commercial vehicles having a loaded gross weight of more than 18,000 pounds or an unloaded weight in excess of 8,000 pounds for trucks and 4,000 pounds for tractors. The tax is imposed at rates graduated according to the gross vehicle weight. The tax is calculated by multiplying the number of "laden" or "unladen" miles traveled on public highways of the State by the appropriate tax rate.

Truck Mileage Tax Rates

Gross Weight Method

Laden Miles

Gross Weight of Vehicle	Mills Per Mile
18,001 to 20,000	6.0
20,001 to 22,000	7.0
(increased gradually to)	
74,001 to 76,000	35.0
76,001 and over	add 2 mills per ton and fraction thereof

Unladen Miles

Unloaded Weight of Truck	
18,001 to 20,000	6.0
20,001 to 22,000	7.0
(increased gradually to)	
28,001 to 30,000	10.0
30,001 and over	add 5/10 of a mill per ton and fraction thereof

Unloaded Weight of Tractor	
7,001 to 8,500	6.0
5,501 to 10,000	7.0
(increased gradually to)	
16,001 to 18,000	10.0
18,001 and over	add 5/10 of a mill per ton and fraction thereof

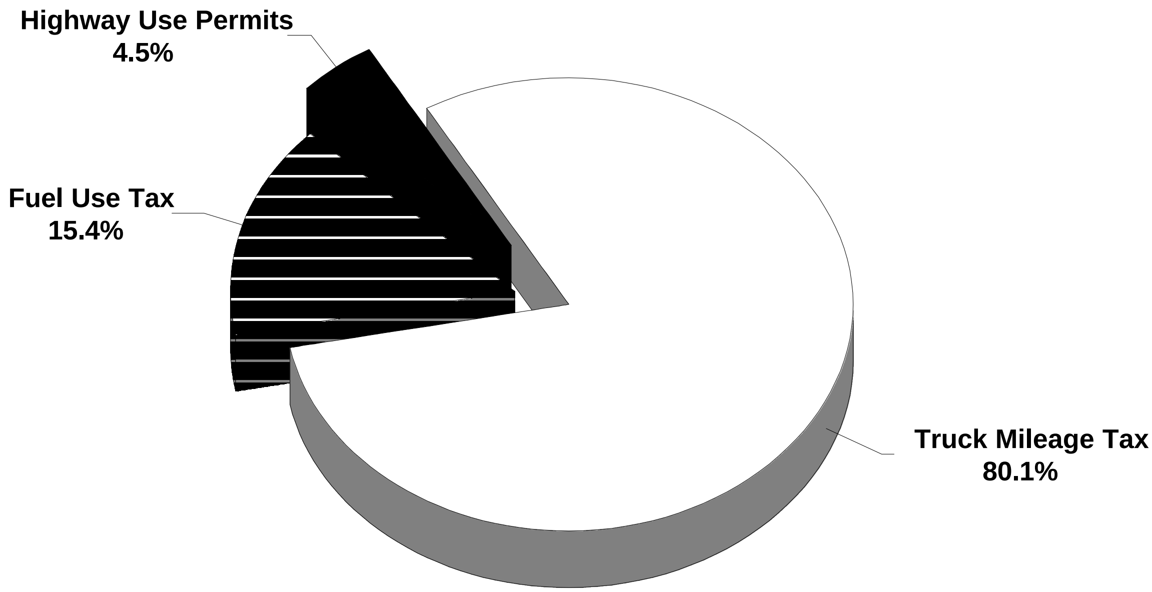
Unloaded Weight Method

Unloaded Weight of Truck	Mills Per Mile
8,001 to 9,000	4.0
9,001 to 10,000	5.0
(increased gradually to)	
22,501 to 25,000	22.0
25,001 and over	27.0

Unloaded Weight of Tractor	
4,001 to 5,500	6.0
5,501 to 7,000	10.0
(increased gradually to)	
10,001 to 12,000	25.0
12,001 and over	33.0

In addition, a supplemental tax equal to the truck mileage tax was imposed prior to January 1, 1999. After January 1, 1999, the supplemental tax was reduced by 50 percent, producing an overall reduction in the truck mileage tax of 25 percent.

Highway Use Tax Components
Estimated 1999-2000 Receipts = $147.5 Million



HIGHWAY USE PERMITS

Highway use permits are used to denote those vehicles subject to the highway use tax. The permits are issued triennially at $15 for an initial permit. Additionally, special permits are issued for the transportation of motor vehicles and for automotive fuel carriers, and for trips not to exceed 72 hours.

FUEL USE TAX

The fuel use tax is a complement to the motor fuel tax and the sales tax, and is levied on commercial vehicles: (1) having two axles and a gross vehicle weight of more than 26,000 pounds; (2) with three or more axles regardless of weight; or (3) used in combination when the gross vehicle weight exceeds 26,000 pounds. In contrast to the motor fuel tax, which is imposed upon the amount of fuel purchased within the State, the fuel use tax is imposed on fuel purchased outside but used within New York. This tax is levied on the basis of the number of miles traveled on the public highways of the State. The aggregate fuel use tax rate is the sum of the appropriate motor fuel tax rate and the sales tax rate. The statewide rate for the sales tax component is 7 percent of the average price of fuel — a cents-per-gallon-equivalent is set quarterly. A credit or refund is allowed for motor fuel tax or sales tax paid on fuels purchased but not used within the State.

SIGNIFICANT STATUTORY CHANGES

A significant number of statutory changes have been made to the highway use tax since its inception. The following table summarizes the major highway use tax legislation enacted since 1991.

Significant Highway Use Tax Legislation

Subject	Description	Effective Date
Legislation Enacted in 1991		
Fund Distribution	Beginning in April 1993, highway use tax collections were deposited in the Dedicated Highway and Bridge Trust Fund, which was established to support reconstruction, replacement, reconditioning and preservation of highways and bridges in the State.	July 15, 1991
Legislation Enacted in 1994		
Thruway Mileage	Reduced the truck mileage tax rates imposed on New York State Thruway mileage by one-half and eliminated such rates on and after January 1, 1996.	January 1, 1995
Refunds	Permitted taxpayers who purchase more fuel in New York State than they consume in the State to claim refunds or credits for all excess payments of State fuel use taxes (prior to January 1, 1995, taxpayers could only obtain a refund or credit for the motor fuel tax portion of the fuel use tax).	January 1, 1995
International Fuel Tax Agreement	Authorized the State to join the federally mandated International Fuel Tax Agreement (IFTA) on January 1, 1996. This agreement provides for the uniform reporting and collection of fuel-use-related taxes among IFTA jurisdictions. Under IFTA, jurisdictions may only impose a fuel use tax on vehicles with loaded gross weights of more than 26,000 pounds or with three or more axles. Therefore, since January 1, 1996, vehicles with loaded gross weights between 18,000 pounds and 26,000 pounds and with fewer than three axles, that had been taxed in New York, were excluded from the fuel use tax.	January 1, 1996
Legislation Enacted in 1995		
Fuel Use Tax Rate Cut	Reduced the diesel fuel excise tax rate from ten cents per gallon to eight cents per gallon. As a result, the diesel fuel tax component of the fuel use tax was also reduced to eight cents per gallon.	January 1,1996
Legislation Enacted in 1998		
Supplemental Tax	Reduced the truck mileage supplemental tax by 50 percent.	January 1, 1999

1999-2000 RECEIPTS

Net highway use tax receipts for 1998-99 were $168.7 million, including truck mileage tax receipts of $140.4 million, fuel use tax receipts of $24.0 million, and highway use permit fees of $4.3 million.

In the current fiscal year, national and New York economic growth contributed to an increased demand for trucking. However, the 1998 law reducing the truck mileage supplemental tax by 50 percent, beginning January 1, 1999, offset 1999-2000 revenue growth due to improved economic conditions. Estimated truck mileage tax receipts for the first nine months of 1999-2000 were 17.4 percent less than the comparable period in 1998-99. Estimated fuel use tax receipts for the first nine months of 1999-2000 were 1.4 percent less than the comparable 1998-99 period due primarily to lagged lower fuel prices.

Based on collection experience to date, and expectations of a continued healthy economy, highway use taxes are expected to continue to grow. The full year impact of the 1998 Tax Law change will reduce truck mileage tax receipts by approximately $37 million. Net truck mileage tax receipts are projected at $118.2 million, fuel use tax receipts at $22.7 million, and permit fees at $6.6 million, which reflect the change from a regular renewal year to a peak triennial renewal year, bringing total estimated highway use tax receipts for 1999-2000 to $147.5 million.

2000-01 PROJECTIONS

Total highway use tax receipts for 2000-01 are projected at $152.5 million. The base of the truck mileage tax is expected to increase by about 5.3 percent as a result of continued economic growth. The 1998 Tax Law change, reducing the truck mileage supplemental tax by 50 percent, will reduce truck mileage tax receipts by approximately $39 million. Net truck mileage tax receipts are estimated at $122.1 million. Due to the lagged effect of an increase in fuel prices, the sales tax component of the fuel use tax is estimated to increase by more than 17 percent. Thus, total fuel use tax receipts are expected to grow to $26.0 million. Permit fees of $4.4 million reflect the change from a peak triennial renewal year to a regular renewal year.

OTHER FUNDS

The Dedicated Highway and Bridge Trust Fund received $168.7 million in 1998-99, and will receive an estimated $147.5 million in 1999-2000, and a projected $152.5 million in 2000-01.

GENERAL FUND

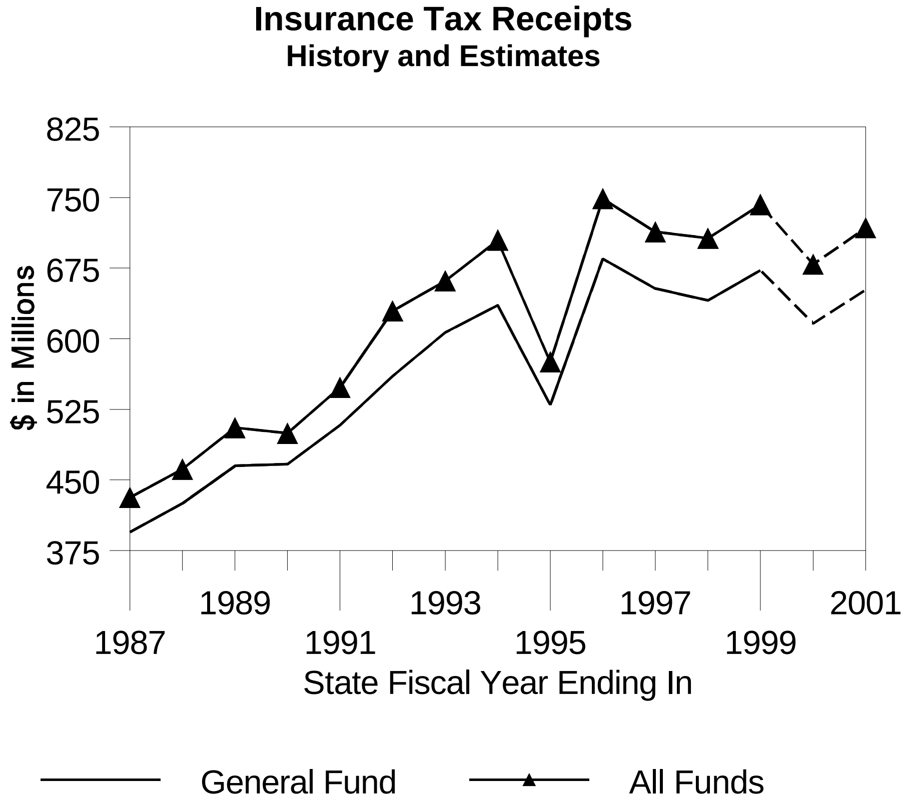
Since 1993-94, no highway use tax receipts have been deposited in the General Fund.

Highway Use Tax Receipts — All Funds
(thousands)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Gross Capital Projects Funds [1/]	Refunds	Net Capital Projects Funds [1/]	Debt Service Funds	All Funds Net Collections
	Actual								
1991-92 . .	$140,289	$1,340	$138,949	. . . .	. . . .	. . . .	. . . .	. . . .	$138,949
1992-93 . .	154,375	2,130	152,245	. . . .	. . . .	. . . .	. . . .	. . . .	152,245
1993-94 . .	10,897	. . . .	10,897	. . . .	$166,071	$2,723	$163,348	. . . .	174,245
1994-95 . .	. . . .	. . . .	. . . .	. . . .	191,738	2,577	189,161	. . . .	189,161
1995-96 . .	. . . .	. . . .	. . . .	. . . .	174,377	4,373	170,004	. . . .	170,004
1996-97 . .	. . . .	. . . .	. . . .	. . . .	164.226	6,912	157,314	. . . .	157,314
1997-98 . .	. . . .	. . . .	. . . .	. . . .	167,644	2,834	164,810	. . . .	164,810
1998-99 . .	. . . .	. . . .	. . . .	. . . .	171,525	2,858	168,667	. . . .	168,667
	Estimated								
1999-2000	. . . .	. . . .	. . . .	. . . .	$150,300	$2,800	$147,500	. . . .	$147,500
2000-01 . .	. . . .	. . . .	. . . .	. . . .	155,300	2,800	152,500	. . . .	152,500

[1/] Dedicated Highway and Bridge Trust Fund

INSURANCE TAXES



The State collects taxes from insurance corporations, insurance brokers and certain insureds under the Tax Law and the Insurance Law. In addition, those Article 33 taxpayers that do business in the Metropolitan Commuter Transportation District (MCTD), which includes the counties of New York, Bronx, Kings, Queens, Richmond, Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester, are subject to a 17 percent surcharge on their tax liability attributable to the MCTD area. Insurance taxes account for approximately 11 percent of all business taxes and 2 percent of all General Fund tax revenues.

ARTICLE 33 OF THE TAX LAW

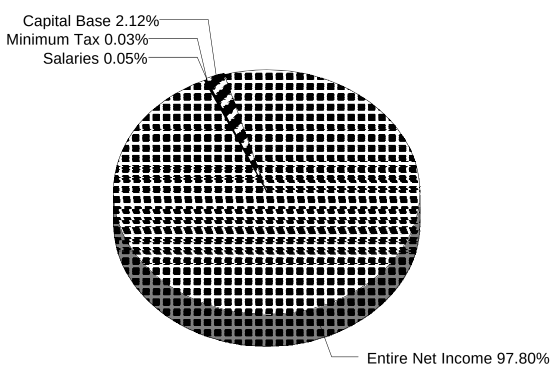
Article 33 of the Tax Law imposes a franchise tax on insurance corporations for the privilege of doing business or otherwise exercising a corporate franchise in New York. The insurance tax has two components. The first component of the franchise tax is comprised of four alternative bases for calculating the tax. Tax is paid under the base generating the largest tax. In addition, there is a 0.08 percent tax rate applied to allocated subsidiary capital allocated to New York. The four alternative bases and rates are described in the following table.

Table 1
Rates of the Net Income Tax
by Type of Base

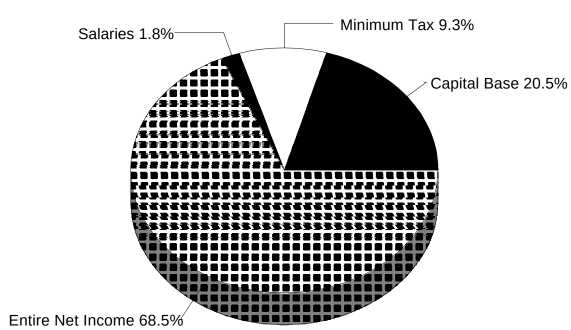
Base	Rate
Allocated entire net income	9.00 percent
Allocated business and investment capital	0.16 percent
Allocated income and officers' salaries	9.00 percent
Minimum tax	$250

Tax is allocated to New York for corporations based on a formula, which apportions income based on weighted ratios of premiums (with a weight of nine) and wages (with a weight of one), earned or paid in New York to the total amounts earned or paid.

Article 33 Net Income Tax for 1995
(Liability Distributed by Base)



Article 33 Net Income Tax for 1995
(Taxpayer Distributed by Basis)



The second component is a tax on gross premiums, less return premiums, written on risks located or resident in New York. This tax is added to the highest of the alternatives from the first component. The rate of the premiums tax is determined based on the type of insurance covered by the premium and the type of insurer. Table 2 reports the appropriate rates.

Table 2
Premium Tax Rates
by Type of Insurer

Type of Premium	Type of Insurer	Rate
Life, accident and health	Life and health	0.7 percent
Accident and health	Property and casualty	1.0 percent
Property and casualty	Property and casualty	1.3 percent

The total liability of these two components, less economic development zone (EDZ) and zone equivalent area (ZEA) credits, cannot exceed a cap calculated as a percent of taxable premiums. Taxpayers may then claim credits, other than EDZ and ZEA credits, against the total tax liability. This cap, as shown in Table 3, differs by type of insurer.

Table 3
Limitation on Tax
by Type of Insurer

Type of Insurer	Cap Level
Life insurers	2.0 percent of taxable premiums
All others	2.6 percent of taxable premiums

ARTICLE 33-A OF THE TAX LAW

Chapter 190 of the Laws of 1990 established a tax on independently procured insurance under Article 33-A of the Tax Law. This tax is imposed on any individual, corporation or other entity purchasing or renewing an insurance contract covering certain property and casualty risks located in New York from an insurer not authorized to transact business in New York under a certificate of authority from the Superintendent of the Insurance Department.

INSURANCE LAW

The Insurance Law authorizes the Superintendent of Insurance to assess and collect retaliatory taxes from a foreign insurance corporation, when the overall tax rate imposed by its home jurisdiction on New York companies exceeds the comparable tax rate imposed by New York on such foreign insurance companies.

Retaliatory taxes have been utilized by the states since the nineteenth century to ensure a measure of fairness in the interstate taxation of their domestic insurance corporations. Retaliatory taxes deter other states from discriminating against foreign corporations and effectively require states with a domestic insurance industry to maintain an overall tax rate on insurance corporations that is generally consistent with other states.

Nevertheless, there are a variety of mechanisms for taxing insurance corporations throughout the states, and differences in overall tax rates among the states are inevitable. New York provides an additional measure of protection for its domestic insurance industry by allowing domestic corporations to claim a credit under Article 33 of the Tax Law for 90 percent of the retaliatory taxes legally required to be paid to other states.

The Insurance Law also imposes a premiums tax on a licensed excess lines insurance broker, when a policy covering a New York risk is procured through such broker from an unauthorized insurer (an unauthorized insurer is an insurer not authorized to do business in New York). Transactions involving a licensed excess lines broker and an insurer not authorized to do business in New York are permissible under limited circumstances delineated in Article 21 of the Insurance Law. The tax is imposed at a rate of 3.6 percent of premiums covering risks located in New York.

REGIONAL BUSINESS TAX SURCHARGE

Insurance corporations and other corporations doing business in the New York metropolitan region are subject to a temporary regional business tax surcharge. The temporary metropolitan transportation business tax surcharge was adopted in 1982 and, subsequently, has been extended through tax years ending before December 31, 2001. Receipts from this tax surcharge are deposited in a special revenue fund dedicated to mass transit assistance in the New York metropolitan region.

CREDITS AND EXEMPTIONS

Table 4 lists those credits available under Article 33.

Table 4
Description of Credits

Credit	Description
Retaliatory	Up to 90 percent of retaliatory taxes paid to other states by New York domiciled or organized insurers.
Fire Insurance Tax	Allowed for taxes paid on certain fire insurance premiums.
Eligible Business Facility	Rate equals average of the value of eligible property and certain wages.
Economic Development Zone	EDZ wage credit, EDZ capital corporation credit and EDZ investment credit.
Investment in Certified Capital Companies (CAPCOs)	Credit equals 100 percent of amount invested in CAPCOs for taxable years beginning after 1998. The credit is claimed at 10 percent per year for 10 years. The original statewide cap was $100 million. It has been increased to $130 million.
Employers Who Hire Persons with Disabilities	Credit equals 35 percent of the first $6,000 of qualified wages (maximum of $2,100 per employee).
Special Additional Mortgage Recording Tax (SAMRT)	Up to 100 percent of SAMRT paid. A carryfoward is allowed.

Further, there are also several types of insurance contracts which are exempt from the additional franchise tax. These include, but are not limited to, annuity contracts and certain health insurance contracts for insureds aged 65 years and older as provided under section 4236 of the Insurance Law.

Certain corporations and other entities which provide insurance are exempt from State franchise taxes and tax surcharges. Non-profit medical expense indemnity corporations and other health service corporations, organized under Article 43 of the Insurance Law, are exempt from these State taxes. Health maintenance organizations (HMOs) and Blue Cross/Blue Shield corporations are examples of such corporations.

RECENT LEGISLATIVE CHANGES

The following list highlights legislation enacted since 1990 affecting insurance taxes:

Insurance Tax Legislation

Subject	Description	Effective Date
Legislation Enacted in 1990		
Temporary Business Tax Surcharge	Surcharge increased from 2.5 percent on the pre-credit tax liability of Article 33 taxpayers to 15 percent of post-credit tax liability.	July 1, 1990
Article 33-A	Imposed a direct writings tax on independently procured insurance (Article 33-A).	July 1, 1990
Legislation Enacted in 1991		
Property/Casualty Insurers	Made the decoupling provisions affecting property and casualty insurers permanent.	
Legislation Enacted in 1992		
Property/Casualty Insurers	Increased the premiums tax rate for property and casualty insurers from 1.2 percent to 1.3 percent.	January 1, 1992
State Insurance Fund	Changed the method of calculating tax liability to be solely on the basis of the premiums tax rate of 2.6 percent.	January 1, 1992
Legislation Enacted in 1993		
Internal Revenue Code 847	Corrects provisions that allowed property and casualty companies to claim a deduction for undiscounted, unpaid losses twice in computing State net income.	January 1, 1993
Legislation Enacted in 1994		
Temporary Business Tax Surcharge	Reduces the surcharge from 15 percent to 10 percent, 5 percent, and 0 percent over three years.	January 1, 1994
Legislation Enacted in 1997		
Premium Tax Rate for Life Insurers	Reduces the premium tax rate from 0.8 percent to 0.7 percent.	January 1, 1998
Cap on tax liability	Reduces the limitation on tax liability for life insurers from 2.6 percent to 2.0 percent.	January 1, 1998
Credit for Investment in Certified Capital Companies	Credit equals 100 percent of amount invested in CAPCOs for taxable years beginning after 1998. The rate equals 10 percent per year for 10 years. There is a statewide cap of $100 million.	January 1, 1999
Captive Insurance Companies	Allows the formation of captive insurance companies. Subject to a special premiums tax with a top rate of 0.4 percent or $5,000. This is in lieu of the premiums and income-based tax.	January 1, 1998
Credit for Employers Who Hire Persons with Disabilities	Credit equals 35 percent of the first $6,000 of qualified wages (maximum of $2,100 per employee).	January 1, 1998

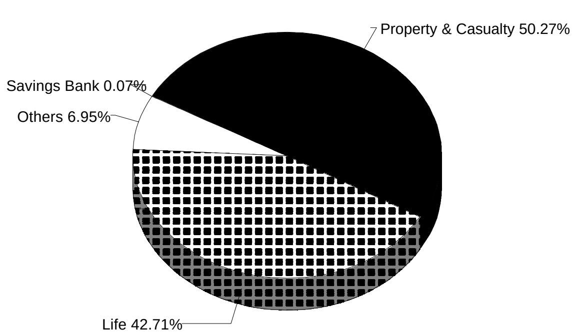
Subject	Description	Effective Date
Legislation Enacted in 1999		
CAPCOs	The statewide cap was increased $30 million to $130 million.	January 1, 2001
State Insurance Fund	Conforms the State Insurance Fund tax treatment to the regular insurance tax.	January 1, 2001
ENI Tax Rate	Reduces Entire Net Income tax rate over a 3 year period: -- 8.5 percent for taxable years beginning after June 30, 2000, and before July 1, 2001. -- 8.0 percent for taxable years beginning after June 30, 2001, and before July 1, 2002. -- 7.5 percent for taxable years beginning on or after July 1, 2002.	June 30, 2000
Cap on Tax Liability	Reduces the limitation on tax liability for non-life insurers over a three-year period: -- 2.4 percent for taxable years beginning after June 30, 2000, and before July 1, 2001. -- 2.2 percent for taxable years beginning after June 30, 2001, and before July 1, 2002. -- 2.0 percent for taxable years beginning on or after July 1, 2002.	June 30, 2000

1999-2000 RECEIPTS

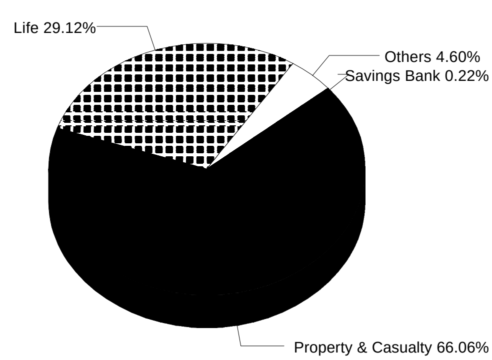
The estimate of All Fund receipts for 1999-2000 is $679.2 million, a decline of 8.5 percent over the prior State fiscal year. The All Funds estimate includes a General Fund estimate of $616.2 million with $63 million estimated for the regional business tax surcharge. General Fund collections through December are estimated to be $410.5 million, 13.8 percent lower than last year. Collections for the year have been dampened by the combined effect of a decline in large filer liability and statutory changes expanding certain tax credits available to the industry (e.g., expansion of the CAPCO credit and captive insurer's rate).

The two graphs shown below illustrate that the Property/Casualty and Life/Health sectors combined account for over 90 percent of the tax liability.

Article 33 Net Income Tax Liability
(for 1995, by Insurer)



Article 33 Premium Tax Liability
(for 1995, by Insurer)



Property and Casualty Companies

The property and casualty sector is the largest sector of the industry and represents over half of the State's collections. It accounts for over half of both the premium tax liability and net income tax liability. The five largest lines of business under property and casualty are automobile, workers' compensation, commercial multi-peril, general liability, and homeowners multi-peril. They account for approximately 80 percent of the sector's premiums.

Table 5
Property and Casualty Insurance
New York Calendar Year Premiums
(millions)

Lines of Insurance	1992	1993	1994	1995	1996	1997	1998	1999 (est.)	2000 (est.)
Automobile	$ 7,855	$ 8,125	$ 8,572	$ 8,913	$ 9,466	$ 9,490	$ 9,631	$ 9,872	$10,198
percent of growth	*4.15*	*3.44*	*5.50*	*3.98*	*6.20*	*0.26*	*1.49*	*2.50*	*3.30*
Workers' Compensation	3,411	3,555	3,769	3,650	3,121	2,725	2,686	2,552	2,424
percent of growth	*-2.37*	*4.21*	*6.02*	*-3.15*	*-14.49*	*-12.70*	*-1.41*	*-5.00*	*-5.00*
Commercial Multi-Peril	1,989	2,006	2,043	2,139	2,097	2,031	2,071	2,102	2,174
percent of growth	*-4.28*	*0.85*	*1.84*	*4.70*	*-1.96*	*-3.15*	*1.99*	*1.50*	*3.40*
General Liability	1,902	1,939	1,981	1,853	1,851	2,091	2,734	2,922	3,118
percent of growth	*-2.31*	*1.94*	*2.17*	*-6.45*	*-0.11*	*12.99*	*30.90*	*6.90*	*6.70*
Homeowners Multi-Peril	1,696	1,761	1,868	1,966	2,053	2,133	2,181	2,187	2,264
percent of growth	*4.43*	*3.83*	*6.05*	*5.27*	*4.43*	*3.91*	*2.33*	*0.30*	*3.50*
Medical Malpractice	793	856	910	887	800	795	873	890	908
percent of growth	*2.02*	*7.92*	*6.26*	*-2.45*	*-9.84*	*-0.67*	*9.83*	*2.00*	*2.00*
Inland Marine	464	455	453	469	477	489	487	487	493
percent of growth	*-4.33*	*-1.90*	*-0.59*	*3.60*	*1.74*	*2.55*	*-0.40*	*-0.10*	*1.30*
Ocean Marine	433	521	518	489	485	461	421	429	433
percent of growth	*17.98*	*20.37*	*-0.60*	*-5.51*	*-0.92*	*-4.98*	*-8.69*	*2.00*	*1.00*
Fidelity and Surety	329	342	326	318	320	317	330	340	355
percent of growth	*7.17*	*3.80*	*-4.51*	*-2.62*	*0.76*	*-0.89*	*4.15*	*3.00*	*4.20*
Accident and Health	278	308	324	350	406	398	393	410	428
percent of growth	*-6.40*	*10.82*	*5.25*	*7.88*	*16.07*	*-1.95*	*-1.39*	*4.40*	*4.40*
Fire	278	304	331	332	315	300	269	277	287
percent of growth	*-2.11*	*9.40*	*8.97*	*0.18*	*-5.12*	*-4.91*	*-10.21*	*3.00*	*3.50*
Product Liability	201	177	201	144	130	141	111	113	115
percent of growth	*-14.47*	*-11.74*	*13.31*	*-28.15*	*-9.99*	*8.33*	*-21.03*	*1.50*	*1.50*
Other	564	560	627	577	641	719	758	784	823
percent of growth	*13.22*	*-0.81*	*12.03*	*-7.93*	*11.03*	*12.24*	*5.31*	*3.45*	*4.99*
TOTAL P/C PREMIUMS	$20,193	$20,909	$21,922	$20,088	$22,162	$22,090	$22,945	$23,366	$24,019
Annual Increase . . . . (percent)	*1.29*	*3.54*	*4.85*	*0.75*	*0.34*	*-0.32*	*3.87*	*1.84*	*2.80*

Net premiums for property and casualty companies overall are expected to grow by 1.8 percent. This is the result of slower growth in commercial multi-peril and general liability, a moderate decline in workers' compensation, and stronger growth in the automobile and homeowners multi-peril lines of business. This expected growth pattern reflects continued pricing pressure in the commercial markets and increased competition in the personal-lines market. It is consistent with industry expectations of 1.4 percent growth nationally.

Property and casualty net income tax liability is estimated to decline by approximately 15 percent. This reflects the combination of increased underwriting losses and declining net investment income. The decline in net investment income, year over year, results from more moderate growth in key economic indicators. Further, the previous year's net investment income was artificially high due to a one-time significant capital gain realization.

The industry, by its nature, is required to honor claims from catastrophes that occurred this year, as well as to continue paying claims for prior-year catastrophic events. Catastrophes for 1999 included: a record number of tornadoes in Tennessee and Arkansas ($1.3 billion); the tornadoes that hit Oklahoma and Kansas ($1.0 billion); the hard winter experienced by the Northwest; flooding in northern Arizona and Iowa; the eastern U.S. drought/heat wave ($1.0 billion); and the busier than average 1999 hurricane season, which produced hurricanes Bret, Dennis, Floyd ($6.0 billion alone), Harvey and Irene.

Life and Health Companies

Life and health insurance is the second largest sector of the industry and represents approximately a third of the State's collections. Premiums for life and health companies are expected to grow by 3 percent. This relatively slow growth is due, in part, to the continuation of recent events such as: increased competition from banks, mutual funds and other financial institutions; shifting demographics; weak operating performances; allegations of improper sales practices; other unethical and illegal conduct; and State legislation that lowered both the premium tax rate and the limitation on tax liability. These factors have acted in concert to depress premiums growth.

2000-01 PROJECTIONS

All Funds collections for 2000-01 are projected at $718 million, an increase of 5.7 percent. The All Funds estimate includes a General Fund receipts of $652 million and $66 million in receipts earmarked for the Metropolitan Mass Transportation Operating Assistance Fund (MTOA). Despite the continuing consolidation in the insurance industry and the shedding of non-core lines of business in the property and casualty sector, and the life and health industry, most industry analysts believe that insurance companies will remain in a low-pricing cycle over the next year to two years. With stagnant premium volumes, the industry continues to depend on the stock and bond market performance to offset underwriting losses. Estimated collections for the year will also be depressed due to the increased competition from banks and other financial service companies resulting from the repeal of the Glass-Steagall Act by the Federal government.

The forecast of receipts from property and casualty insurers is based on an increase in premium liability of 3 percent, primarily resulting from modest growth in the automobile sector. Assuming no extraordinary catastrophes and less vibrant stock and bond markets, net income tax liability for property and casulty companies is projected to increase by 3 percent.

The competitive forces and negative publicity, which have marked the last few years, will continue to hold down growth in the life and health insurance industry. The future role of life and health insurers in the health care field and a sluggish insurance market are major risks to the forecast.

The forecast assumes that the life and health industry will grow modestly through the 2000 tax year. The New York share of premiums written will remain approximately 8 percent of the national market, and those premiums written are expected to grow 3 percent. Net income tax liability for these companies is projected to grow 4 percent.

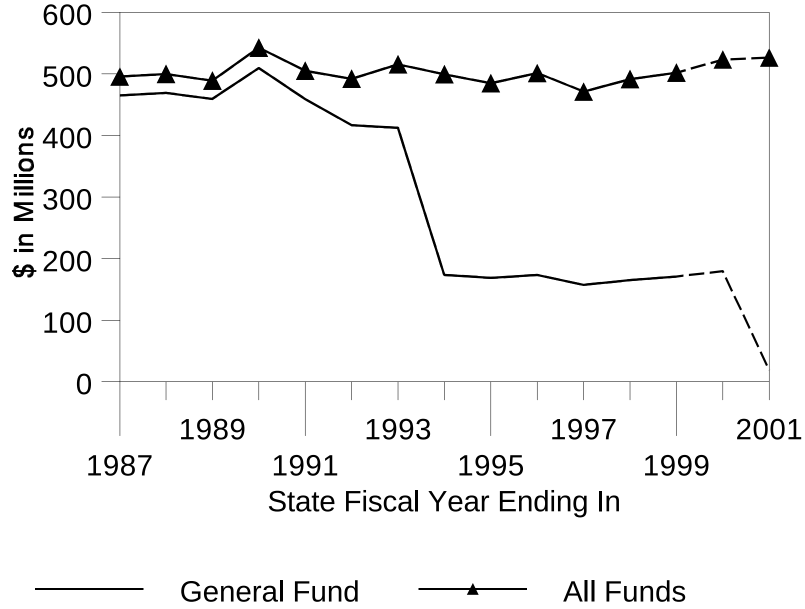
Table 6
Insurance Tax Receipts
(millions)

	Tax Law		Insurance Law							
	Gross General Fund	Refunds	Net	Net General Fund	Gross Special Revenue Funds	Refunds	Net Special Revenue Funds [1/]	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
	Actual									
1991-92	$573.4	$32.7	$19.6	$560.3	$73.2	$3.9	$69.3	. . . .	. . . .	$629.6
1992-93	593.7	30.2	43.2	606.7	57.5	4.5	53.0	. . . .	. . . .	659.7
1993-94	644.5	25.1	16.5	635.9	72.7	3.7	69.0	. . . .	. . . .	704.9
1994-95	538.7	36.2	27.5	530.0	50.4	4.3	46.1	. . . .	. . . .	576.1
1995-96	700.3	28.8	13.5	685.0	68.1	3.9	64.2	. . . .	. . . .	749.2
1996-97	649.5	28.8	32.8	653.5	67.7	7.6	60.1	. . . .	. . . .	713.6
1997-98	629.1	14.0	25.6	640.7	68.8	2.8	66.0	. . . .	. . . .	706.7
1998-99	681.8	35.0	25.9	672.7	75.6	5.6	70.0	. . . .	. . . .	742.7
	Estimated									
1999-2000	616.2	20.0	20.0	616.2	70.0	7.0	63.0	. . . .	. . . .	679.2
2000-01	632.5	11.5	31.0	652.0	72.0	6.0	66.0	. . . .	. . . .	718.0

[1/] Metropolitan Transportation Authority

MOTOR FUEL TAX

Motor Fuel Tax Receipts
History and Estimates



TAX RATE AND BASE

Motor fuel and diesel motor fuel taxes are levied by Article 12-A of the Tax Law upon the sale, generally for highway use, of gasoline and diesel fuel, respectively. The aggregate rate of tax imposed on each gallon of gasoline and diesel fuel is eight cents.

EXCEPTIONS TO TAXATION

The motor fuel tax is levied primarily on fuel used in motor vehicles operated on the public highways of the State or in recreational motor boats operated on the State's waterways. Exemptions, credits and refunds are allowed for certain other uses of gasoline and diesel motor fuel.

Exemptions from the motor fuel tax include:

— kerosene and crude oil (this exemption does not apply to the diesel motor fuel tax);
— fuel not used in motor vehicles. "Motor vehicle" is defined as any vehicle propelled by power, except muscular power. However, vehicles such as boats (other than pleasure craft), road building machinery and tractors used exclusively for agricultural purposes are excluded from the definition of motor vehicles;
— fuel used in tanks of vehicles entering New York State;
— sales to State, local and Federal governments, the United Nations and qualifying Indian nations;
— certain hospitals that qualify as exempt organizations under section 1116(a)(4) of the Tax Law; and
— sales on qualified Indian reservations.

Other exemptions apply only to the diesel motor fuel tax, including certain sales for heating purposes and sales of kero-jet fuel for use in airplanes.

Full and partial refunds and credits of tax paid are available for:
— fuel used by omnibus carriers or taxicabs;
— fuel used by nonpublic school operators exclusively for education-related purposes;
— fuel consumed by volunteer ambulance services; and
— fuel used by certain commercial fishing vessels.

ADMINISTRATION

Although the motor fuel (primarily gasoline) tax is imposed on the consumer, the tax is remitted upon importation into New York. This tax-on-first-import system is designed to reduce gasoline tax evasion, which has involved bootlegging from other states and successions of tax-free sales among "dummy" corporations masked by erroneous record keeping and reporting.

Since 1988, collection and remittance of taxes on diesel fuel have been conformed to the statutory procedures used for gasoline. Taxes on diesel motor fuel are now collected upon the first non-exempt sale in the State. Prior to that time, the diesel motor fuel tax was collected at the time of retail sale or use by a bulk user.

Chapter 55 of the Laws of 1992 requires accelerated remittance of the tax by taxpayers with annual liability of more than $5 million for motor fuel and petroleum business taxes combined. The taxes for the first 22 days of each month must be remitted electronically or by certified check by the third business day following that period. Taxpayers can choose to make either a minimum payment of three-fourths of the comparable month's tax liability for the preceding year, or 90 percent of actual liability for the 22 days. Taxes for the balance of the month are remitted on the 20th of the following month.

EXPLANATION OF ESTIMATES

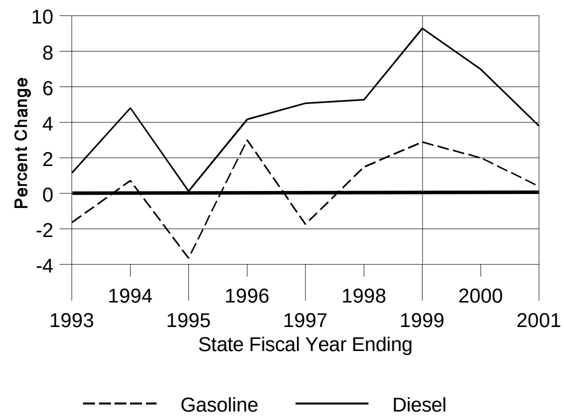
The estimates of total tax receipts from the gasoline and diesel motor fuel taxes are premised on a forecast of consumption of these commodities. These estimates, developed in conjunction with those used in the petroleum business tax estimate, are based on statistical relationships derived by the Energy Information Administration (EIA), and an econometric model developed by the Division of the Budget.

The EIA has related the demand for motor gasoline to changes in gross domestic product (GDP) and motor fuel prices. It is estimated that a 1 percent increase in GDP increases the demand for motor gasoline by 0.1 percent. Likewise, a 10 percent increase in the price of fuel will decrease the demand for motor gasoline by 0.3 percent. To derive a State level forecast, estimates of growth in real New York disposable income are substituted for GDP growth.

The demand for diesel fuel is largely a function of the relative strength of the economy. Therefore, a statistical relationship using real gross domestic product to explain the level of taxable diesel consumption is employed to produce the diesel consumption forecast.

As the following graph illustrates, diesel consumption has been quite strong since 1994-95, reflecting robust demand resulting from the strong economy. Gasoline consumption has grown more slowly but spiked in 1998-99 due to low gasoline prices.

Gasoline and Diesel Reported Gallons Percent Change



1999-2000 RECEIPTS

Estimates of receipts for the first nine months of the fiscal year indicate that all funds receipts are $17.9 million, or 4.7 percent over the comparable period in 1998-99. Gasoline receipts increased by $13 million (3.9 percent) and diesel receipts by $4.9 million (10.6 percent) — $6 million of the increase in gasoline receipts was received in April. Since the start of the State fiscal year, gasoline price increases of over 20 percent have restrained receipts growth by slowing consumption, although strong demand in the summer maintained year over year increases in motor fuel tax receipts associated with gasoline consumption.

For the remainder of the year, demand for diesel fuel is anticipated to remain strong as a result of continued growth in the State's economy. An overall increase of 7 percent in diesel consumption is estimated. Gasoline consumption is expected to be attenuated by the continued high price of this fuel. As a result, gasoline consumption is expected to increase by only 2.0 percent from 1998-99.

Total motor fuel tax receipts are estimated at $524 million, an increase of $21 million, or 4.2 percent from 1998-99. Gasoline receipts are estimated to increase by $16 million (3.5 percent) and diesel receipts by $5 million (9.3 percent).

2000-01 PROJECTIONS

The gasoline and diesel consumption estimates for 2000-01 reflect higher estimated fuel prices and moderating growth in the State economy. Gasoline consumption is anticipated to increase by 0.4 percent and diesel consumption by 3.8 percent.

All funds receipts are expected to grow by 0.7 percent, an increase of $3 million. Gasoline receipts are estimated to increase by $2 million (0.4 percent) and diesel receipts by $1 million (2.3 percent).

OTHER FUNDS

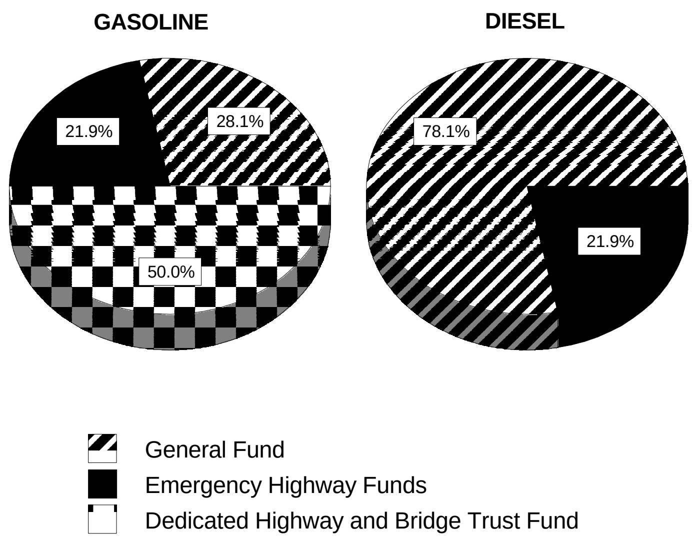
Motor fuel tax revenues are by law distributed to four funds: the General Fund, Dedicated Highway and Bridge Trust Fund, Emergency Highway Reconditioning and Preservation Fund and the Emergency Highway Construction and Reconstruction Fund.

Since April 1, 1992, receipts attributable to one and three-fourths cents of the tax on each gallon of gasoline and diesel fuel sold in the State have been earmarked to the Emergency Highway Reconditioning and Preservation Fund and the Emergency Highway Construction and Reconstruction Fund. These funds were established, respectively, in 1972 and in 1983 to finance certain highway construction needs. In 1991-92, the amount per gallon earmarked to each of these funds was five-eighths of one cent. This amount was three-eighths of one cent in 1990-91; and one-quarter of one cent, prior to April 1, 1990.

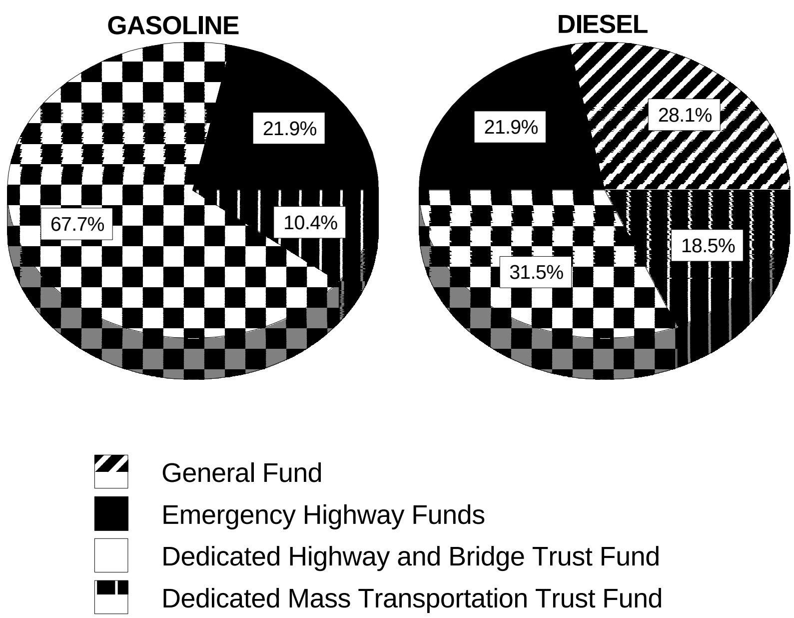
Since April 1, 1993, one-half of the gasoline tax has been deposited in the Dedicated Highway and Bridge Trust Fund established to help finance the reconstruction, replacement, reconditioning and preservation of highways and bridges in the State.

Chart 1 illustrates the current percentage distribution of motor fuel tax revenue by fund in State fiscal year 1999-2000. Legislation submitted with this Budget will redistribute certain motor fuel tax revenues from the General Fund to the Dedicated Highway and Bridge Trust Fund and the Dedicated Mass Transportation Trust Fund in 2000-01. Chart 2 reports the proposed percentage distribution by fund for State fiscal year 2000-01.

1999-2000 Motor Fuel Tax Deposits by Fund



2000-01 Motor Fuel Tax Deposits by Fund



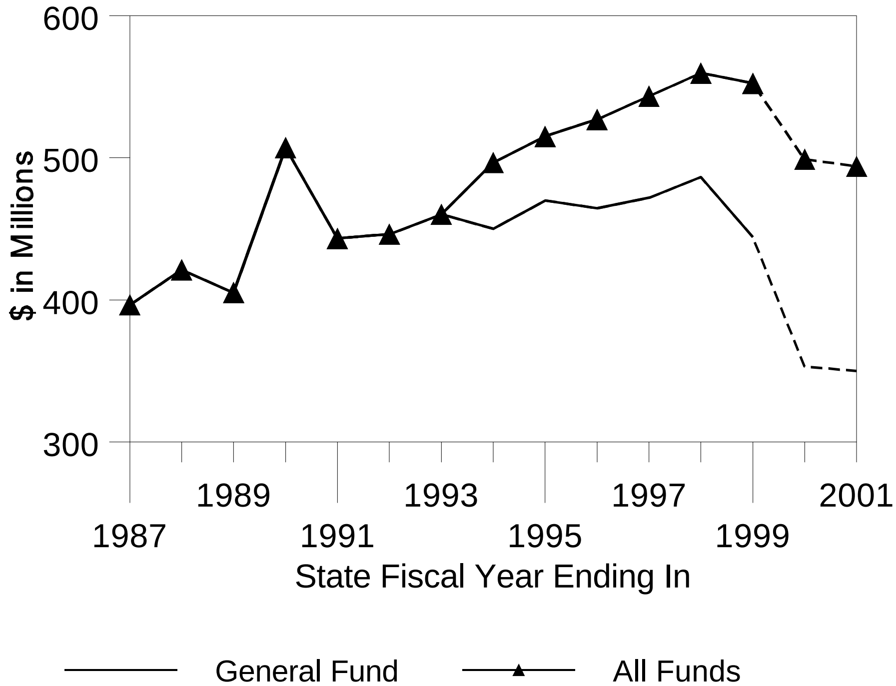
Motor Fuel Tax Receipts
(thousands)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds [3/]	Capital Projects Funds [1/]	Debt Service Funds [2/]	All Funds Net Collections
			---------- Actual				
1991-92	$431,010	$13,831	$417,179	. . . .	. . . .	$ 75,264	$492,443
1992-93	425,654	12,686	412,968	. . . .	. . . .	102,913	515,881
1993-94	180,180	6,546	173,634	. . . .	$212,211	113,806	499,651
1994-95	174,483	5,515	168,968	. . . .	212,514	103,480	484,962
1995-96	178,545	4,948	173,597	. . . .	220,460	107,425	501,482
1996-97	161,813	4,282	157,531	. . . .	210,835	103,143	471,509
1997-98	169,018	3,763	165,255	. . . .	218,897	107,562	491,713
1998-99	180,906	9,758	171,148	. . . .	221,288	109,882	502,318
			---------- Estimated ----------				
1999-2000 . .	$184,900	$ 5,000	$179,900	. . . .	$229,100	$114,500	$523,500
2000-01 (Current law) .	186,600	5,000	181,600	. . . .	230,100	115,300	527,000
2000-01 (Proposed law)	23,800	5,000	18,800	$60,200	332,700	115,300	527,000

1/ Dedicated Highway and Bridge Trust Fund.
2/ Emergency Highway Reconditioning and Preservation Fund and Emergency Highway Construction and Reconstruction Fund.
3/ Dedicated Mass Transportation Trust Fund.

MOTOR VEHICLE FEES

Motor Vehicle Receipts
History and Estimates



Motor vehicle fees are derived from a variety of sources, but consist mainly of vehicle registration and driver licensing fees.

REGISTRATION REQUIREMENTS AND EXEMPTIONS

In general, motor vehicles, motorcycles, trailers, semitrailers, buses, and other types of vehicles operating in New York are required to be registered with the Department of Motor Vehicles. Vehicles owned by nonresidents and registered with a political jurisdiction outside this State are not usually required to be registered in New York.

Certain vehicles registered in New York are exempt from registration fees, including: vehicles owned by the State or municipalities; passenger vehicles owned by consular offices, provided reciprocity is granted; and vehicles owned and used for the transportation of animals by a society for the prevention of cruelty to animals.

FEE SCHEDULES

Most vehicle registration fees in New York are based on weight. Two important exceptions are buses, which are charged according to seating capacity and semitrailers, which are registered for a flat fee. The main registration fees are as follows:

Main Registration Fees

Type of Vehicle	Weight of Vehicle	Annual Fee
Passenger vehicle	Each 100 lbs. or major fraction thereof up to 3500 lbs.	$ 0.645
	Plus: for each 100 lbs or major fraction thereof above 3500 lbs.	0.97
Passenger vehicle – minimum fee		10.35
Passenger vehicle – maximum fee		56.06
Passenger vehicle propelled by electricity		12.94
Auto truck and light delivery vehicle	Each 500 lbs. maximum gross weight or fraction thereof	2.88
Tractors (registered separately from semitrailers)	Each 100 lbs. maximum gross weight or fraction thereof	1.21
Trailers	Each 500 lbs. maximum gross weight or fraction thereof	4.31
Semitrailers – pre-1989 model year		23.00 per year
Semitrailers – model year 1989 or later		69.00 for period of 5.5 years to 6.5 years
Bus – seating capacity 15 to 20 passengers		59.80

The other main source of motor vehicle fees are driver licensing fees. The main categories of license fees are listed below.

Main Licensing Fee Categories

Type of License	Fee
Initial application	$10.00
Learner's permit	2.50 -- for each six months
Learner's permit – commercial driver's license	7.50 -- for each six months
License renewal	2.50 -- for each six months
License renewal – commercial driver's license	7.50 -- for each six months

In summary, the largest sources of revenue are fees from vehicle registration and drivers' licenses. Other fees, relating to the operation of motor vehicles in the State, yield relatively minor amounts of revenue.

ADMINISTRATION

Traditionally, registration and licensing have taken place at the central and district offices of the Department of Motor Vehicles, by mail and at county clerk's offices in most counties. The county clerks were historically compensated with a fixed portion of each fee, but more recently, they receive a percentage of gross receipts.

County Clerks' Retention Schedule

Type of Retention	Period
Fixed portion of each fee.	Until December 31, 1996
8.1 percent of gross receipts.	From January 1, 1997
9.3 percent of gross receipts.	From July 1, 1998
12.7 percent of gross receipts.	From April 1, 1999

RECENT STATUTORY AND ADMINISTRATIVE CHANGES

Below is a summary of significant statutory or administrative changes in recent years that have a bearing on revenues from motor vehicle fees.

Subject	Description	Effective Date
Legislation Enacted in 1991		
Registration fees	A 15 percent surcharge imposed on vehicle registration fees.	August 1, 1991 through June 30,1992
Legislation Enacted in 1992		
Licenses	Annual fee for renewal of operator's license raised to $5, for commercial driver's license to $15.	June 1, 1992
Registration fees	Surcharge incorporated into base registration fees.	July 1, 1992
Administrative Changes 1992		
Photo image fee	Photo image fee raised to $2.25.	April 1, 1992
License plates	Standard plate fee increased to $5.75; vanity plate fee increased to $9.50.	April 1, 1992
Administrative Changes 1996		
Licenses	License renewal period extended to five years.	April 1, 1996
Legislation Enacted in 1997		
Licenses	Original license period extended to five years.	September 1, 1997
Motorcycles	Add $2.50 to annual fee for registration and $0.50 for each six months to license or permit and earmark both to Motorcycle Safety Fund.	January 1, 1998
Administrative Changes 1997		

Subject	Description	Effective Date
Photo image fee	Photo image fee raised to $3.00.	April 1, 1997
Legislation Enacted in 1998		
Registration fees	Fees on passenger vehicle registration reduced 25 percent.	July 1, 1998

THE DEDICATED HIGHWAY AND BRIDGE TRUST FUND

A portion of motor vehicle fee receipts are distributed to the Dedicated Highway and Bridge Trust Fund, a capital fund. Since April 1, 1993, a percentage of registration fees has been earmarked to this fund. The percentage dedicated to the fund has been adjusted several times; a summary of the changes is set out below.

Dedicated Highway and Bridge Trust Fund
(millions)

State Fiscal Year	Percentage Dedicated	Amount Deposited
1993-94	13.0	$ 46.7
1994-95	17.0 April 1994-December 1994	45.1
	20.0 January 1995-March 1995	
1995-96	20.0	62.4
1996-97	20.0	71.4
1997-98	20.0	73.1
1998-99	28.0 April 1998-June 1998	108.2
	34.0 July 1998-February 1999	
	45.5 March 1999	
1999-2000 (Estimate)	45.5	146.0
2000-01 (Estimate)	45.5	144.0

1999-2000 RECEIPTS

Gross receipts for 1999-2000 are estimated at $537 million. The estimate for receipts from registrations is $359 million and the estimate for receipts from licenses and other fees is $178 million. An estimated $38 million in refunds and county clerk retention will result in estimated net receipts from motor vehicle fees of $499 million. The estimate reflects the first full-year effect of the reduction in passenger registrations and the new county clerks' retention schedule outlined above.

2000-01 PROJECTIONS

Gross receipts for 2000-01 are estimated at $531 million. The estimate for receipts from registrations is $381 million and for receipts from licenses and other fees is $150 million. An estimated $37 million in refunds and county clerk retention will result in estimated net receipts from motor vehicle fees of $494 million.

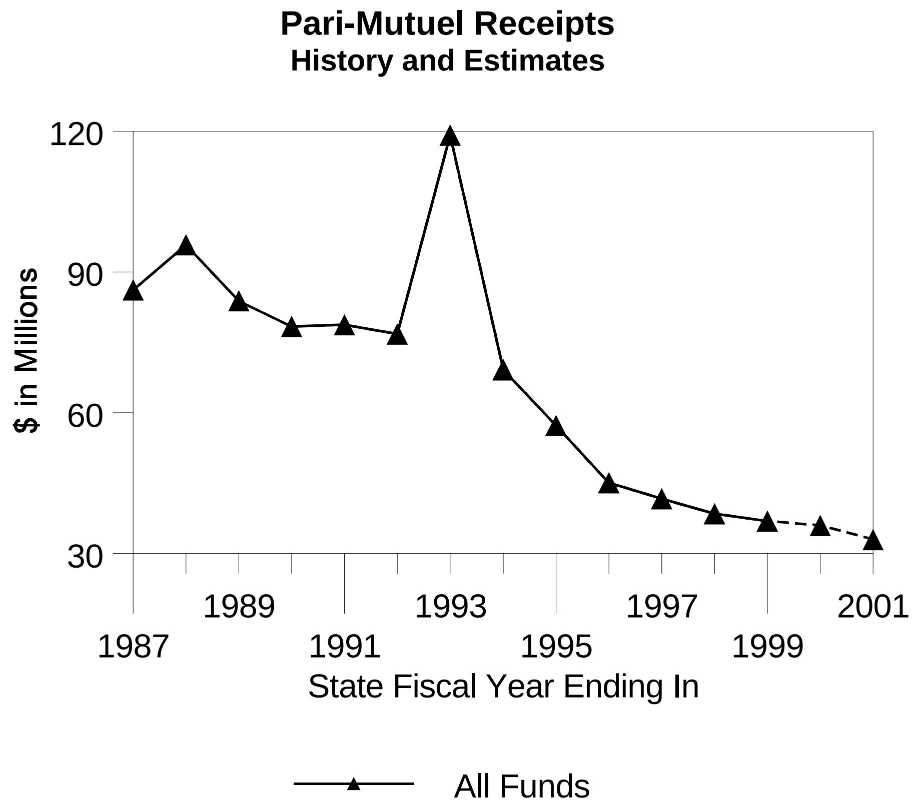
The estimate for 2000-01 assumes implementation of the following proposals:
— License plate reissuance ($18.2 million): The first reissuance of license plates since 1986 will begin on October 1, 2000. The cost will remain at $5.50 per set. Motorists may pay an additional one-time charge of $20 to retain their current plate number;
— Eight-year license renewal ($5.0 million): The duration of a driver's license renewal will be increased from five years to eight years, the annual rate ($5 dollars for most drivers) will remain the same. An eye test will be required at each renewal; and
— Franchise dealer's fees ($0.3 million): A fee will be imposed on franchise dealers of new motor vehicles to cover the costs of the registration program enacted in 1999.

Motor Vehicle Fee Receipts
(thousands)

	Gross General Fund	Refunds	Less: County Clerks' Retention	Net General Fund	Special Revenue Funds	Capital Projects [1/] Funds	Debt Service Funds	All Funds Net Collections
				Actual				
1990-91	$467,442	$ 8,749	$15,393	$443,300	....	NA	....	$443,300
1991-92	475,947	14,206	15,453	440,288	....	NA	....	446,288
1992-93	493,837	18,422	15,113	460,302	....	NA	....	460,302
1993-94	482,312	16,570	15,748	449,994	....	$ 46,655	....	496,649
1994-95	502,802	16,258	16,678	409,866	....	45,128	....	514,994
1995-96	500,181	18,958	16,663	464,560	....	62,390	....	526,950
1996-97	511,195	21,596	17,206	472,033	....	71,442	....	543,475
1997-98	517,178	11,436	19,324	486,418	....	73,096	....	559,514
1998-99	478,085	13,795	20,135	444,155	....	108,174	....	552,329
				Estimated				
1999-2000 ...	$391,000	$21,000	$17,000	$353,000	....	$146,000	....	$499,000
2000-01 (Current law) ..	362,500	19,000	17,000	326,500	....	144,000	....	470,500
2000-01 (Proposed law)	387,000	19,000	18,000	350,000	....	144,000	....	494,000

[1/]Dedicated Highway and Bridge Trust Fund

PARI-MUTUEL TAXES

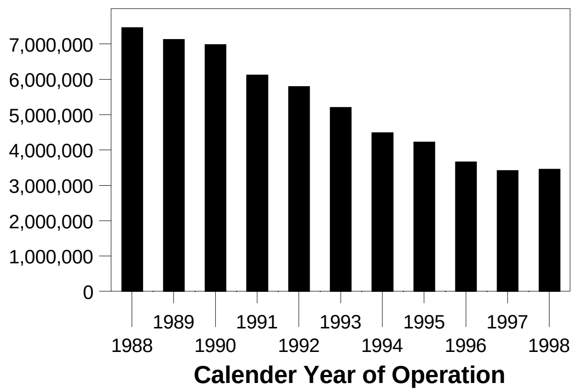


Since 1940, taxes have been levied on pari-mutuel wagering activity conducted first at horse racetracks and more recently at off-track betting (OTB) parlors and at simulcast theaters throughout the State. Each racing association or corporation pays the State a portion of the commission (the "takeout") withheld from wagering pools (the "handle") as a tax for the privilege of conducting pari-mutuel wagering on horse races.

To foster New York State agriculture and breeding industries, a portion of the takeout is allocated to the State's thoroughbred and standardbred (harness) horse breeding and development funds. Since the establishment of these funds, over 400 farms and 6,000 jobs have been created or saved. During 1998, $12 million went to thoroughbred funds and $6 million flowed to harness funds.

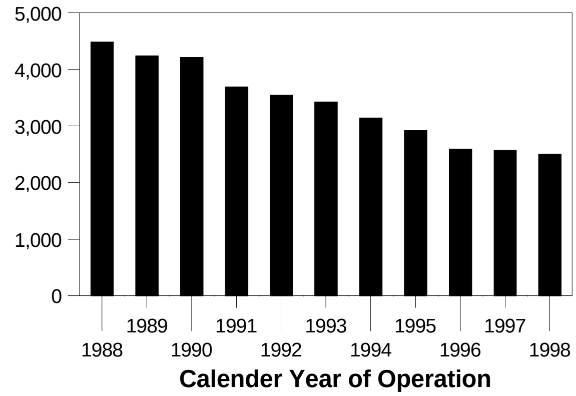
Over the last two decades, the rise in OTB activity and simulcasting, which now accounts for 80 percent of the statewide handle, has been accompanied by corresponding declines in handle and attendance at racetracks.

New York State Tracks
(Total Attendance)



Source: New York State Racing and Wagering Board

New York State Tracks
(Average Daily Attendance)



Source: New York State Racing and Wagering Board

To encourage the continuing viability of these tracks, the State authorized higher takeouts to support capital improvements at non-New York Racing Association (NYRA) tracks, and more importantly, reduced its on-track tax rates by 90 percent at thoroughbred and harness tracks. The State also assumed the costs for regulation and drug testing and increased the takeout on NYRA wagers involving two horses, while lowering the takeout on NYRA wagers involving one horse.

More recently, the State authorized telephone betting, in-home simulcasting experiments, expansion of track and OTB simulcasting, lowered the tax rates on simulcast wagering, eliminated the State franchise fee on nonprofit racing associations, and reduced tax rates.

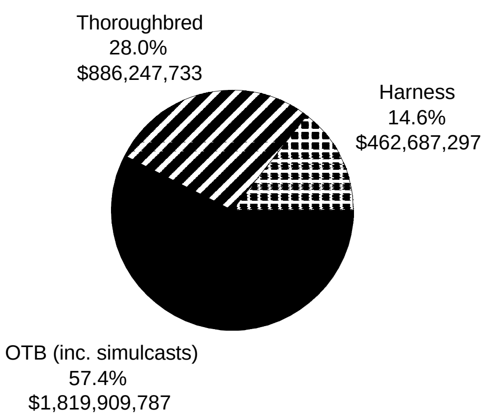
Subject	Description	Effective Date
Legislation Enacted in 1994		
Tax Rates	Lowered rates on all wagers at harness tracks and at the FLRA to 0.5 percent and provided credits up to 0.4 percent based on OTB simulcast handle of respective track.	September 1, 1994
Expand Betting	Authorized widespread in-home simulcasting experiments, simulcasts of flat racing bridging the time gap between the end of New York flat racing and the beginning of harness racing, and tripled the number of out-of-State harness track simulcasts.	July 6, 1994
Breakage	Allotted the State's share of all OTB breakage to horse breeding funds.	July 6, 1994
Legislation Enacted in 1995		
Tax Rates	Lowered rate on regular bets (involving one horse) at NYRA from 5 percent to 4 percent and reduced the tax on NYRA wagers at OTB in half: from 1.1 percent to 0.5 percent on regular and multiple (involving two horses) bets, and from 3.1 percent to 1.5 percent on exotic (involving three or more) bets.	June 1, 1995

Subject	Description	Effective Date
Takeout	Increased the takeout on NYRA wagers involving two horses (multiple bet) from 17 percent to 20 percent, while lowering the takeout on NYRA wagers involving one horse (regular bet) from 17 percent to 15 percent.	June 1, 1995
Legislation Enacted in 1999-98		
Tax Rates	Established the tax rate on all simulcast races at 1.5 percent for the initial race of the day and at 1.0 percent for later races, if NYRA is running. If NYRA is not racing, the tax rate on these races are 1.0 percent and 0.5 percent, respectively.	January 1, 1998
	Extended authorizations for lower tax rates for on-track and off-track bets on NYRA through June 30, 2002.	
Franchise Fee	Eliminated NYRA franchise fee.	January 1, 1998
Legislation Enacted in 1999		
Tax Rates	Cut the tax rate on NYRA regular bets to 2.6 percent each from 3.0 percent.	September 10, 1999
	Cut the tax rate on NYRA regular bets to 1.6 percent.	April 1, 2001

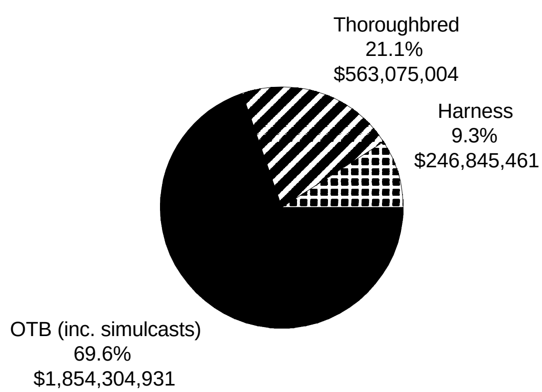
1999-2000 RECEIPTS

Increases in simulcasting handle, especially from out-of-State, are expected to offset the continued decline in on-track handle. As a result, the total 1999-2000 statewide betting handle (both on- and off-track) of $2.8 billion will be higher than the prior year.

Share of Pari-Mutuel Handle (1991)



Share of Pari-Mutuel Handle (1998)



Total thoroughbred on-track handle, including simulcasts, is estimated at $641 million, up 2.2 percent from the prior year. The continuing decline in wagering on live harness races is being offset, in part, by increased simulcasting, which has lower tax rates. Total harness handle is estimated at $262 million. Handle at off-track betting corporations is estimated to increase to $1.93 billion, up 3.5 percent, primarily resulting from the ability to offer in-home simulcasting of NYRA races for a full year.

Thoroughbred revenues are expected to decline by 9.7 percent to $16.8 million as a result of lower tax rates, while OTB receipts are estimated to increase by 5.2 percent to $18.3 million. Receipts from harness tracks should remain level at $0.9 million, resulting in total pari-mutuel tax receipts of $36 million.

2000-01 PROJECTIONS

The pari-mutuel projections for 2000-01 assume a full racing season, albeit with shorter race weeks at both thoroughbred and harness tracks. Additionally, the statutorily scheduled tax rate reductions on on-track NYRA wagering will apply. In aggregate, State pari-mutuel tax receipts are projected at $33 million in 2000-01.

Total on-track thoroughbred wagering is projected to decline 4.0 percent, while receipts will decline 15.5 percent as a result of previously enacted tax cuts. A projected NYRA handle of $515 million, including betting on out-of-State races, will produce $12.3 million in tax receipts; NYRA intrastate simulcasting revenues of $38 million will provide an additional $0.8 million in receipts. The Finger Lakes racetrack, with a handle projected at $48 million, including simulcasts, will produce $0.2 million in tax receipts; other intertrack simulcast wagering projected to generate $94 million in revenue will add another $0.9 million of tax receipts for total pari-mutuel receipts of $14.2 million.

Harness racing handle is projected to decrease to $252 million, generating tax receipts of $0.8 million, including $0.6 million in revenue from intertrack wagers on thoroughbred simulcasts. Yonkers Raceway is projected to provide $0.3 million, and Vernon Downs, Saratoga Raceway, Buffalo Raceway, and Monticello each providing less than $0.1 million in receipts.

OTB handle is projected at $1.92 billion, producing tax receipts of $18.0 million.

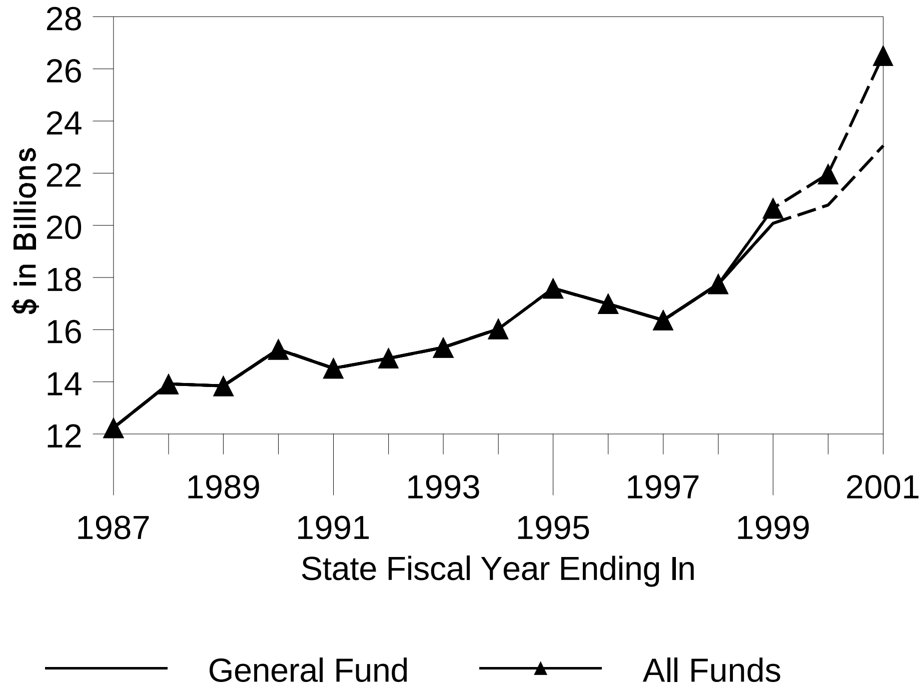
General Fund Receipts from Pari-Mutuel Taxes
(millions)

	General Fund			Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Collections
	Flat	Harness	OTB				
				Actual			
1991-92	$43.1	$5.1	$28.6	....	....	....	$ 76.8
1992-93	87.6 [1/]	4.7	26.9	....	....	....	119.2
1993-94	37.8	5.9	25.5	....	....	....	69.2
1994-95	34.3	2.8	20.2	....	....	....	57.3
1995-96	24.0	1.2	19.9	....	....	....	45.1
1996-97	20.5	1.1	20.1	....	....	....	41.7
1997-98	19.5	1.0	18.0	....	....	....	38.5
1998-99	18.6	0.9	17.4	....	....	....	36.9
				Estimated			
1999-2000	$16.8	$0.9	$18.3	....	....	....	$ 36.0
2000-01	14.2	0.8	18.0	....	....	....	33.0

[1/] Includes $47.9 million from the sale of land.

PERSONAL INCOME TAX

Personal Income Tax Receipts
History and Estimates



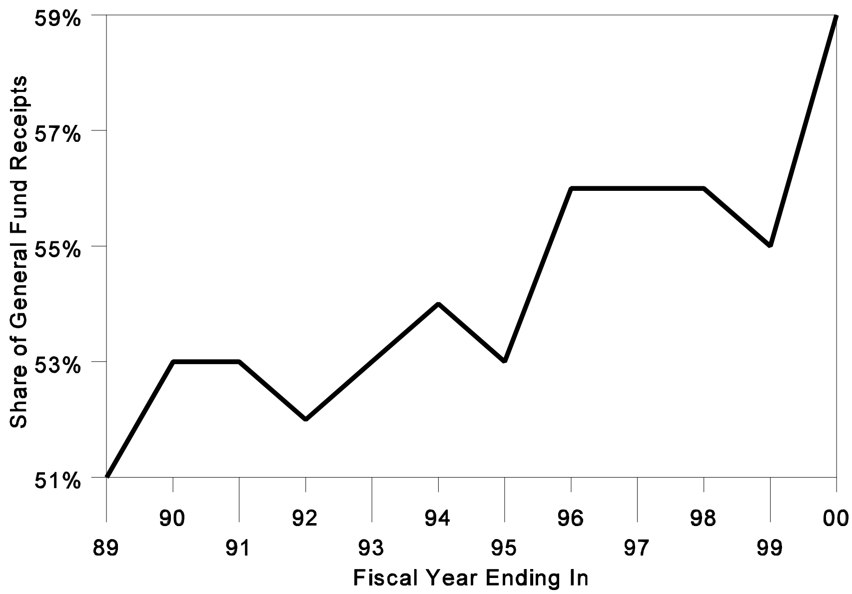
The personal income tax is New York State's largest source of tax revenue. It is estimated that during State fiscal years 1999-2000 and 2000-01, the personal income tax will account for more than one-half of total General Fund receipts.

Over the last decade, New York has greatly simplified its tax structure by reducing the rates applied to income and increasing standard deductions. Since 1995, the income tax burden has been reduced by about 20 percent.

TAX STRUCTURE

Tax Base

PIT Receipts as Share of General Fund Receipts



Note: Impact of Refund Reserve is excluded from PIT receipts. General Fund receipts exclude transfers.

The State tax structure adheres closely to the definitions of adjusted gross income and itemized deductions used for Federal personal income tax purposes, with certain modifications, including: (1) the inclusion of investment income from debt instruments issued by other states and municipalities and the exclusion of income on certain Federal obligations; and (2) the exclusion of pension income received by Federal, New York State and local government employees, private pension and annuity income up to $20,000 ($40,000 for married couples filing jointly), and any Social Security income and refunds otherwise included in Federal adjusted gross income.

Beginning in 1991, the new Federal limit on itemized deductions for taxpayers with Federal adjusted gross income (AGI) above a certain threshold is applied for State personal income tax purposes. This threshold amount, set at $100,000 ($50,000 for married couples filing separately) in 1991, is indexed for inflation afterward. In 1999, the threshold is $126,600 ($63,300 for married couples filing separately). Otherwise allowable itemized deductions, except for medical expenses, casualty and theft losses, and interest payments, are reduced by the lower of either 3 percent of Federal adjusted gross income in excess of the threshold amount or 80 percent of allowable itemized deductions.

Basic Tax Structure

For the 1989 through 1994 tax years, the tax was imposed at rates ranging from 4 percent to 7.875 percent on the taxable income of individuals, estates and trusts. For taxpayers with $100,000 or more of AGI, the benefit of the marginal tax rates in the lower brackets is recaptured through a supplementary mechanism in effect since 1991. In 1995, the State embarked on a major personal income tax cut which was phased in over three years as shown below:

Table 1
Personal Income Tax
Top Rate, Standard Deductions, Dependent Exemptions and EITC Rates
1994 - 1997

	1994	1995	1996	1997
Top Rate				
Rate	7.875%	7.59375%	7.125%	6.85%
Thresholds				
Married Filing Jointly	$26,000	$25,000	$26,000	$40,000
Single	13,000	12,500	13,000	20,000
Head of Household .	17,000	19,000	17,000	30,000
Standard Deduction				
Married Filing Jointly	9,500	10,800	12,350	13,000
Single	6,000	6,600	7,400	7,500
Head of Household .	7,000	8,150	10,000	10,500
Dependent Exemption	1,000	1,000	1,000	1,000
EITC Rate (as % of Federal credit)	7.5%	10%	20%	20%

Table 2
Current Tax Schedules

Married - Filing Jointly			Single			Head of Household		
Taxable Income	Tax	of Amt. Over	Taxable Income	Tax	of Amt. Over	Taxable Income	Tax	of Amt. Over
$0 to $16,000	$0 +4.00%	$ 0	$0 to $8,000	$0 +4.00%	$ 0	$0 to $11,000	$0 +4.00%	$ 0
$16,000 to $22,000	$640 +4.50%	16,000	$8,000 to $11,000	$320 +4.50%	8,000	$11,000 to $15,000	$440 +4.50%	11,000
$22,000 to $26,000	$910 +5.25%	22,000	$11,000 to $13,000	$455 +5.25%	11,000	$15,000 to $17,000	$620 +5.25%	15,000
$26,000 to $40,000	$1,120 +5.90%	26,000	$13,000 to $20,000	$560 +5.90%	13,000	$17,000 to $30,000	$725 +5.90%	17,000
$40,000 and over	$1,946 +6.85%	40,000	$20,000 and over	$973 +6.85%	20,000	$30,000 and over	$1,492 +6.85%	30,000

Credits

Current law authorizes a wide variety of credits against personal income tax liability. The major credits are:

Credit	Description
Earned Income Tax Credit (EITC)	Allowed at a rate of 7.5 percent of the Federal credit in 1994, 10 percent in 1995, and 20 percent in 1996 and later. Starting in 1996, the EITC is offset by the amount of the household credit. In 2000, the credit is scheduled to increase to 22.5 percent of the Federal credit, and to 25 percent of the Federal credit for 2001 and after The credit is fully refundable for New York residents whose credit amount exceeds tax liability.

Credit	Description
Household Credit	Permitted for individuals in amounts declining from $75 to $20, as their household income rises to $28,000. For married couples and heads of households, in amounts declining from $90 to $20, as their household income rises to $32,000. This latter category is also eligible for additional amounts based on the number of eligible exemptions and income level. Legislation in 1995 continued the credit permanently.
Child and Dependent Care Credit	Allowed at a rate of 20 percent or more of the comparable Federal credit. In 1997, the credit became refundable and equal to 60 percent of the Federal credit for those with incomes under $10,000, with a phase-down until it was 20 percent for incomes of $14,000 and above. In 1998, the percentage of the Federal credit increased to 100 percent for those with incomes less than $17,000, with this percentage gradually phasing down to 20 percent for those with incomes of $30,000 or more. For 1999 and later years, the phase-down from 100 percent to 20 percent begins at incomes of $35,000 and ends at incomes of $50,000. The credit is fully refundable for New York residents whose credit amount exceeds tax liability.
Real Property Tax Circuit Breaker Credit	Based on a more inclusive definition of income than that which is used in the income tax generally. For eligible taxpayers over the age of 65, the credit ranges downward from $375 as income rises to $18,000; for other taxpayers, the credit can be as high as $75.
Agricultural Property Tax Credit	Permitted allowable school district property taxes paid by an eligible farmer on qualified agricultural property. A farmer must derive at least two-thirds of his or her Federal gross income from farming to be eligible. If a farmer's qualified acreage exceeds the base acreage stipulated for that tax year, the credit is reduced to less than the full amount of school property taxes paid. Base acreage is 100 acres for 1997, and 250 acres in 1998 and later tax years. Legislation in 1997, applying to 1998 and later years, extended the credit to additional farmers by: (1) altering the eligibility test to require that farm income be at least two-thirds of gross income less $30,000; (2) reducing adjusted gross income by farm debt principal payments when determining the credit phase-out; and (3) making the credit available based on sales from maple syrup, cider, and farm wineries. In 1998, the base acreage level was accelerated to 250 acres for the 1998 tax year; prior to this legislation, the 1998 base acreage level had been set at 175 acres. In 1999, legislation expanded the farmer's credit to include agricultural land set aside or retired under a Federal supply management or soil conservation program.
Rehabilitation Credit for Historic Barns	Effective for tax years starting in 1997 and after. This credit equals 25 percent of a taxpayer's qualified rehabilitation expenses incurred in restoring a pre-1936 agricultural barn.

In addition, credits are allowed for investment in certain productive facilities, for investment in economic development zones, and for personal income taxes paid to other states. Finally, the excess deduction credit was allowed in 1995 only to ease the transition to the new tax structure only for taxpayers who itemized their deductions and whose taxable income was less than $24,500 ($49,000 for married couples).

RECENT STATUTORY CHANGES

The following major tax law changes have had a significant impact on personal income tax receipts.

Subject	Description	Effective Date
Legislation Enacted in 1994		
Tax Reform Deferral	Continued deferral of the remainder of the tax cut enacted in the Tax Reform and Reduction Act of 1987.	1994 tax year
Earned Income Tax Credit	Created a State credit as a percentage of the Federal amount. The rates are 7.5 percent of the Federal credit in 1994, 10 percent in 1995, 15 percent in 1996, and 20 percent for 1997 and after.	1994 and after
Legislation Enacted in 1995		
Standard Deduction	Increased the standard deduction over three years.	1995 and after
Tax Rate Schedule	Reduced the top tax rate from 7.875 percent to 6.85 percent and raised bracket thresholds over three years.	1995 and after
Earned Income Tax Credit	Accelerated the credit into 1996 from 15 percent to 20 percent of the Federal amount, but offset it by the household credit.	1996
Legislation Enacted in 1996		
Child and Dependent Care Credit	Increased credit for taxpayers with adjusted gross incomes of less than $14,000 and made the credit refundable for residents beginning in 1996.	1996 and after
Agricultural Property Tax Credit	Created the credit.	1997 and after
Legislation Enacted in 1997		
Child and Dependent Care Credit	Increased credit to 100 percent of the Federal credit for incomes up to $17,000, phasing down to 20 percent for incomes of $30,000 or more.	1998 and after
Agricultural Property Tax Credit	Allowed $30,000 to be subtracted from income before calculating the percent of income from farming to qualify for the credit; eliminated principal payments on farm debt from the calculation of the income level at which the credit begins to phase out.	1998 and after
Solar Energy Credit	Created credit for residential investment in solar electric generating equipment.	1998 and after
College Choice Tuition Savings Program	Created New York State College Choice Tuition Savings Program.	1998 and after
Legislation Enacted in 1998		
Child and Dependent Care Credit	Increased the credit to 100 percent of the Federal credit for incomes up to $35,000, phasing down to 20 percent for incomes of $50,000 or more.	1999 and after
School Tax Relief Program (STAR)	Accelerated the fully effective senior citizens' school property tax exemption and began deposit of a portion of personal income tax receipts into the STAR fund.	1998-99 school year

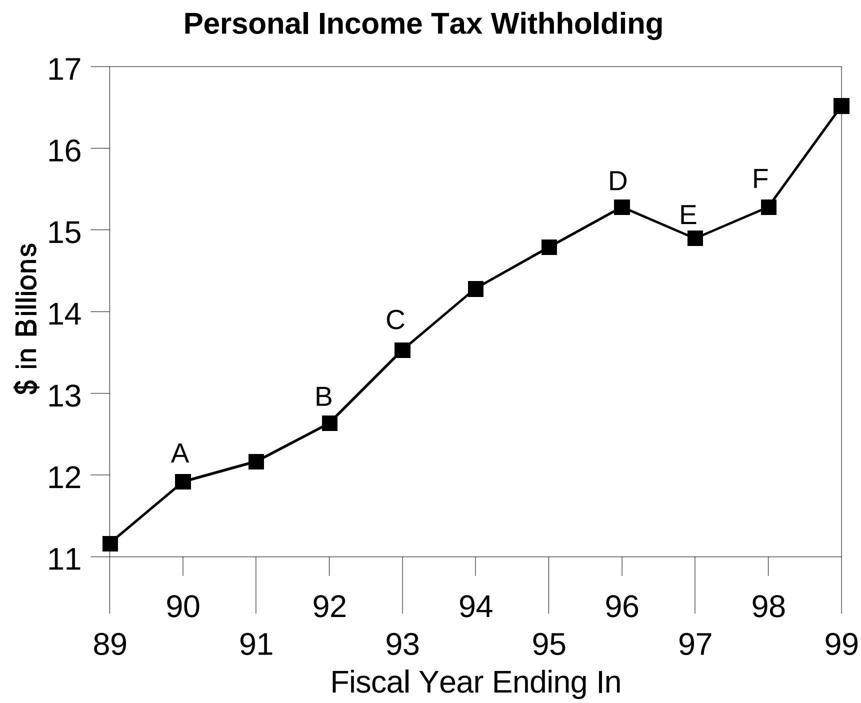
Subject	Description	Effective Date
Legislation Enacted in 1999		
Earned Income Tax Credit	Increased EITC to 22.5 percent of the Federal credit in 2000 and 25 percent of the Federal credit for tax years beginning after 2000.	2000 and after
Agricultural Property Tax Credit	Expanded credit to include land set aside or retired under a Federal supply management or soil conservation program. Also increases "base acreage" by acreage enrolled or participating in a Federal environmental conservation acreage reserve program.	2001 and after
Qualified Emerging Technology Credit (QETC)	Extended credit to individual investors, including partners in partnerships and shareholders of subchapter S corporations.	2000 and after

RECENT ADMINISTRATIVE ACTIONS THAT AFFECT REVENUE COLLECTIONS

Withholding Changes

Various changes in tax rates, deductions and exemptions have been reflected in withholding tables as follows:

	Effective Date	Feature	Changes
A.	10/1/89	Standard Deduction	Increased to $5,000 for single taxpayers and to $5,500 for married taxpayers.
		Rate Schedule	Adopted 1989 rate schedule, with top rate at 7.875 percent.
B.	10/1/91	Rate Schedule	Changed for taxpayers with taxable wages in excess of $90,000 annually to account for the Federal limitation on itemized deductions and for the State tax table benefit recapture.
C.	7/1/92	Rate Schedule	Changed for taxpayers with taxable wages in excess of $150,000 annually to account for the State tax table benefit recapture.
D.	7/1/95	Standard Deduction	Increased to $5,650 for single individuals, $6,150 for married couples.
		Rate Schedule	Lowered maximum rate to 7.59 percent, reduced the number of tax brackets.
E.	4/1/96	Standard Deduction	Increased to $6,300 for single individuals, $6,800 for married couples.
		Rate Schedule	Lowered maximum rate to 7 percent, broadened the wage brackets to which the rates apply.
F.	1/1/97	Standard Deduction	Increased to $6,975 for single individuals, $7,475 for married couples.
		Rate Schedule	Lowered maximum rate to 6.85 percent, broadened the wage brackets to which the rates apply.



The above graph shows the history of withholding collections since 1988-89, with the timing of withholding table changes indicated.

Refund Reserve Account Transactions

The personal income tax refund reserve account has been used to adjust fiscal-year collections for: (1) changes in withholding tables; (2) delays in implementation of withholding changes; and (3) accomplishing other State fiscal goals. The following schedule traces the changes in the year-end balance of this account and the effect of those changes on reported fiscal-year collections (also see the table, later in this section, for the effects of refund reserve transactions on the current and subsequent fiscal years).

Table 3
March 31 Personal Income Tax Refund Reserve Account Balances and Effects of Changes on Reported Collections
(millions)

Year Ending March 31	Year End Balance	Change from Prior Year	Effect of Change in Year-End Balance on Reported General Fund Receipts
1999	$2,305.9	$ -86.3	Increased receipts by 86.3
1998	2,392.2	530.4	Decreased receipts by 530.4
1997	1,861.8	1,183.5	Decreased receipts by 1,183.5
1996	678.4	400.4	Decreased receipts by 400.4
1995	278.0	-861.6	Increased receipts by 861.6
1994	1,139.6	468.5	Decreased receipts by 468.5
1993	671.1	641.9	Decreased receipts by 641.9
1992	29.2	29.2	Decreased receipts by 29.2
1991	. . . .	-48.6	Increased receipts by 48.6
1990	48.6	48.6	Decreased receipts by 48.6
1989	. . . .	. . . .	No effect
1988	. . . .	-351.7	Increased receipts by 351.7

As part of the State's multi-year effort to end the Spring Borrowing through the Local Government Assistance Corporation (LGAC), State funds were deposited annually from 1993-94 through 1995-96 in the refund reserve account. The amounts deposited were $114 million in 1993-94, $136 million in 1994-95, and $271 million in 1995-96. LGAC funds in the refund reserve, totaling $521 million at the end of 1999-2000, are available to finance refunds issued in the Spring of 2000, but must be restored to the reserve by March 31, 2001.

Since 1994-95, when the EITC was created, additional funds have been deposited in the refund reserve account at the end of each fiscal year to pay for a portion of the cost of new tax reductions. Typically, an amount equal to one-quarter of a tax reduction's cost for a specific tax year has been deposited in the account on the following March 31. This practice reflects the sound fiscal policy of paying for a tax reduction in a timely fashion and provides funds to pay additional refunds during April and May.

The following table shows the amounts of reserve at the end of each fiscal year and the purposes for which the funds were reserved.

Table 4
Purposes of March 31 Personal Income Tax Refund Reserve Account Balances
(millions)

Date, March 31 of	LGAC	Net Tax Reduction [1/]	Reserves for Other Purposes	Total
1995	$250	$ 21	$ 7	$ 278
1996	521	32	125	678
1997	521	73	1,268	1,862
1998	521	90	1,781	2,392
1999	521	7	1,778	2,306
2000 est.	521	25	2,415	2,961

[1/] For EITC starting in 1995 (and the increment enacted in 1999), agricultural property tax credit starting in 1997, and child care credit enhancements starting in 1999. Reduced by $100 million starting in 1999 due to the payment of additional refunds in the January to March period.

Timing of the Payment of Refunds

For many years, the payment of refunds during the final quarter of the State's fiscal year (i.e., the January-March period) had been explicitly modified to minimize potential year-end imbalances in the State's General Fund. This practice was made possible because the statute required merely that all refunds on timely filed claims (due no later than April 15, absent an approved request for an extension) be made by July 15 (i.e., within three months of the statutory due date) to avoid State liability for interest on late refunds. Effective since 1995, refunds must be paid within 45 days of the statutory due date to avoid State liability for interest.

Tax Tribunal Decision

In July 1997, the State's Tax Appeals Tribunal delivered a decision regarding the proper computation of State itemized deductions for certain high-income taxpayers. The new computation takes into consideration the interaction between State and Federal itemized deductions in determining State and local income taxes. The Tribunal's decision, which by law the State cannot appeal, in effect, reduces personal income tax liability.

COMPONENTS OF ADJUSTED GROSS INCOME AND ESTIMATED TAX LIABILITY

Adjusted gross income (AGI), the income base used to determine personal income tax liability, includes the major components listed below:

Table 5
Distribution of the Major Components of New York Adjusted Gross Income (AGI)
(millions)

Component of Income	1992	1993	1994	1995	1996	1997	1998	1999	2000
	---------------- Actual						---------- Estimated		
NYSAGI									
amount	$294,861	$297,112	$301,267	$321,094	$347,897	$383,179	$417,211	$443,343	$471,744
% change		0.8%	1.4%	6.6%	8.3%	10.1%	8.9%	6.3%	6.4%
Wages									
amount	$238,813	$237,972	$242,771	$253,551	$266,334	$285,919	$307,406	$325,370	$345,148
% change		-0.4%	2.0%	4.4%	5.0%	7.4%	7.6%	5.8%	6.1%
share of NYSAGI	81.0%	80.1%	80.6%	79.0%	76.6%	74.6%	73.7%	72.8%	72.3%
Capital Gains*									
amount	$ 9,457	$ 13,365	$ 12,032	$ 14,086	$ 22,441	$ 31,563	$40,246	$49,311	$55,478
% change		41.3%	-10.0%	17.1%	59.3%	40.7%	27.5%	22.5%	12.5%
share of NYSAGI	3.2%	4.5%	4.0%	4.4%	6.5%	8.2%	9.6%	11.0%	11.6%
Interest and Dividends									
amount	$ 20,807	$ 18,567	$ 19,629	$ 22,680	$ 23,533	$ 24,652	$25,248	$26,361	$28,995
% change		-10.8%	5.7%	15.5%	3.8%	4.8%	2.4%	4.4%	10.0%
share of NYSAGI	7.1%	6.2%	6.5%	7.1%	6.8%	6.4%	6.1%	5.9%	6.1%
Taxable Pension									
amount	$ 11,424	$ 13,078	$ 15,694	$ 16,620	$ 17,391	$ 18,953	$20,004	$21,071	$22,243
% change		14.5%	20.0%	5.9%	4.6%	9.0%	5.5%	5.3%	5.6%
share of NYSAGI	3.9%	4.4%	5.2%	5.2%	5.0%	4.9%	4.8%	4.7%	4.7%
Business and Partnership Income									
amount	$ 19,586	$ 20,639	$ 19,665	$ 25,867	$ 31,424	$ 35,288	$37,247	$39,826	$42,163
% change		5.4%	-4.7%	31.5%	21.5%	12.3%	5.6%	6.9%	5.9%
share of NYSAGI	6.6%	6.9%	6.5%	8.1%	9.0%	9.3%	8.9%	8.9%	8.8%
All Other Incomes/ Adjustments*									
amount	($ 5,226)	($ 6,509)	($ 8,525)	($ 11,710)	($ 13,227)	($ 13,195)	($12,939)	($14,890)	($16,441)
% change		24.6%	31.0%	37.4%	12.9%	-0.2%	-1.9%	15.1%	10.4%

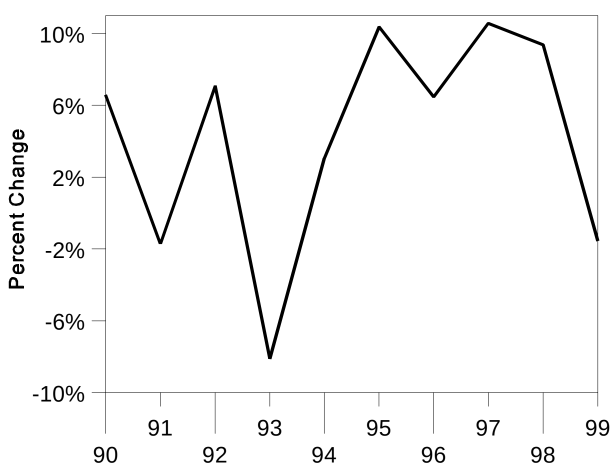
* The capital gains forecast has been adjusted slightly from the estimates provided in the Economic Backdrop section. These changes reflect cash collection patterns in 1998-99 and 1999-2000. These changes have reduced the 1998 estimate but increased the 1999 and 2000 projections. Overall, the capital gains base is estimated to be higher than the model-based estimates.

** Include alimony received, unemployment income, IRA income, and other incomes. This number is negative due to the Federal and New York adjustments to income, which together reduce final NYSAGI.

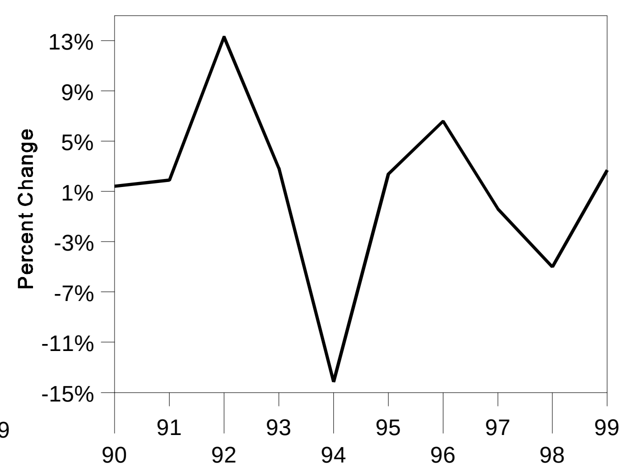
Strong performances in the financial sector in recent years have resulted in a significant shift in the capital gains share of AGI. Since 1992, the share of capital gains in AGI is estimated to have tripled from 3.2 percent to 9.6 percent. Over the same period the share of wages in AGI is estimated to have decreased from 81 percent to 73.7 percent. Business and partnership income also shows strong growth between 1992 and 1998, though somewhat smaller than capital gains, and accounts for an estimated 9.0 percent of AGI in 1998. The AGI data suggest that much of the rapid growth in liability in recent years can be attributed to the large increases in realized gains and business income.

Changes in timing of year-end bonus payments also affect the growth rates of AGI. Bonuses in the Finance, Insurance and Real Estate (FIRE) Sector represent more than half of the total bonuses paid out each year. Under traditional patterns, about 40 percent of FIRE bonuses for a given year are paid in December, with the balance distributed in the beginning of the following year. In the 1992-93 cycle, however, a large share of the bonuses normally paid in January and February 1993 was accelerated into December 1992 to avoid potential Federal tax increases in 1993. It is estimated that as much as 75 percent of FIRE bonuses were paid that month. This unusual pattern recurred in the 1993-1994 period. Bonuses for 1994 through 1998, however, returned to the more traditional pattern, where it is estimated that approximately 30 percent of FIRE bonuses were paid at the end of the calendar year, while 70 percent were paid early in the following year. It is expected, given current financial performance, that a somewhat higher percentage of bonuses will be paid in early 2000.

Change in 1st Quarter Bonuses



Change in 4th Quarter Bonuses



1997 and 1998 Liability

Based on tax collections, total liability for 1997 was approximately $17.5 billion. Of this amount, $17.0 billion was accounted for by the more than eight million returns covered in the annual study of personal income tax returns prepared by the New York State Department of Taxation and Finance. The balance reflects liability received with fiduciary returns, late filed returns and other transactions excluded from the annual study. The AGI amount in the tax study for 1997 was $383 billion, yielding an average effective tax rate of 4.4 percent.

As in 1996 and 1997, 1998 saw a significant increase in income concentrated in the high income segment of taxpayers, a result of a strong performance in the financial sector. AGI is estimated to have grown close to 9 percent, to $417 billion in 1998. Wages and salaries are estimated to have increased about 7.5 percent. Following a 59 percent growth in 1996 and 41 percent growth in 1997, capital gains are estimated to have risen about 27.5 percent in 1998. Interest and dividend income is estimated to have increased around 2.4 percent, following an increase of 4.8 percent in 1997. Business net income and income derived from partnerships and S corporations are expected to have risen more than 5.6 percent following a 12.3 percent increase in 1997.

Legislation, passed in June 1995, implemented the final step of the personal income tax cut in the 1997 tax year, increasing the standard deduction, and reducing the maximum tax rate imposed on taxable income, compared to 1996. The resulting 1998 liability as extrapolated from the 1997 study file is estimated to be close to $19 billion, a 11.4 percent growth compared to 1997. The effective tax rate is estimated to be 4.5 percent.

Under the Federal Taxpayer Relief Act of 1997, the Federal government reduced the tax rate on capital gains effective after May 7, 1997. In addition, starting in 1998 other Federal law changes will impact New York AGI and liability. Some of these changes include the introduction of Education IRAs and "Roth IRAs." Both are expected to have minimal impact on New York liability for the 1998 tax year.

1999 AGI and Liability

By all indicators, the State economy remained strong in 1999. AGI is estimated to have grown 7.2 percent, to $447 billion. Wages and salaries are estimated to have increased 5.8 percent, reflecting continued employment gains and healthy bonus performance, largely linked to 1998 market activity. Interest and dividend income is estimated to have risen 4.4 percent. Again, liability was impacted by another projected large increase in capital gains realizations of 22.5 percent. Over the 1997 through 1999 period, capital gains realizations increased by an estimated 56 percent. Business net income, and income derived from partnerships and S corporations are expected to grow close to 7 percent.

Estimated liability is projected to have increased 8.8 percent, to $20.5 billion.

In addition to qualified senior citizens, the STAR program begins to take effect for all other New York residential homeowners who itemize their deductions.

2000 AGI and Liability

In 2000, AGI is expected to grow approximately 6.8 percent, moderating somewhat from the strong growth of the last few years The increase in wages and salaries is projected to be 6.1 percent. Bonus growth is expected to increase in 2000 from relatively weak results in 1999. Capital gains realizations are expected to grow 12.5 percent, which is more in line with historical trends. The other components of income are expected to grow, in aggregate, by about 6.3 percent. Under current law, estimated liability is projected to increase 8.3 percent, to $22.2 billion.

Risks in Liability Estimates

The composition of the income components for the 1999 and 2000 liability years contributes to significant risk in the personal income tax liability estimates, and, consequently, in the personal income tax fiscal year cash estimates. Indeed, the liability forecasts assume continued strong growth in capital gains income and bonuses. Both of these income components often exhibit much more volatility than most other components of income. The concentration of large amounts of these income sources among high income taxpayers — who have high effective tax rates — compounds the risk for the liability and fiscal year cash estimates. If actual bonus or capital gains incomes vary much from the forecast values, personal income tax collections could be much different than the forecasted collections. (See section entitled Sources of Volatility in the Economic Backdrop section of this Appendix.)

1999-2000 RECEIPTS

Total personal income tax receipts for the 1999-2000 fiscal year are now projected at $21,978 million, up $153 million from the Mid-Year Update. This change largely reflects: higher withholding tax collections due to stronger wage growth than earlier forecast; additional estimated tax installment payments due to stronger than expected financial markets; and the use of $2,961 million for the accelerated payment of refunds in the last quarter of the fiscal year and for deposit in the refund reserve account on March 31, 2000.

Key risks for the remainder of the fiscal year include the amount of withholding tax collections to be received during the first quarter of 2000 and the balance of estimated payments received on 1999 liability.

The current forecast assumes that estimated payments on 1999 liability will end the year more than 9 percent higher than comparable payments on 1998 liability. As already noted, this increase is due in part to strong financial market performance in 1999, and the consequent impact on bonus payments and realized capital gains.

Withholding collections, which increased 8.8 percent through the first nine months of the fiscal year, are expected to increase 9.3 percent for the remainder of 1999-2000. The strong year-to-date increase in withholding is due to increased wages resulting from stronger than expected employment and average wage gains. Continued growth for the remainder of the year reflects strong base wage growth accompanied by a resurgence in bonus growth from the relatively low levels of the prior year.

The estimate for the current year reflects the payment of $460 million in refunds on 1999 liability during the final quarter of the fiscal year, and a net reduction in collections of $655 million from transactions in the refund reserve account. Without the refund reserve account transactions, 1999-2000 net receipts are estimated to grow to $22,633 million, an increase of 10 percent from comparable 1998-99 receipts. The components of the estimate are detailed in Table 6, and are based on estimated collections of $18.5 billion through December.

Table 6
Projected Fiscal-Year Collection Components
All-Funds
(millions)

	1998-99 (Actual)	1999-2000 (Estimated)	2000-01 (Projected)
Receipts			
Withholdings	$16,521	$18,003	$19,186
Estimated Payments	5,155	5,785	6,215
Current Year	4,222	4,620	4,925
Prior Year*	933	1,165	1,290
Final returns	1,229	1,420	1,510
Current Year	89	90	90
Prior Year*	1,140	1,330	1,420
Delinquent collections	466	495	510
Gross Receipts	$23,371	$25,703	$27,421
Refunds			
Prior Year*	$ 1,876	$2,115	$ 2,300
Previous Years	159	145	145
Current Year	460	460	460
State-City Offset*	300	350	390
Total Refunds	$ 2,795	$3,070	$ 3,295
Reserve Transactions	86	(655)	2,394
Net Receipts	$20,662	$21,978	$26,520

*NOTE: These components, collectively, are known as the "settlement" on the prior year's tax liability.

The planned balance in the refund reserve account on March 31, 2000, is $2,961 million. Of this amount, $521 million is attributable to Local Government Assistance Corporation (LGAC) transactions in 1993-94 ($114 million), 1994-95 ($136 million) and 1995-96 ($271 million). These transactions are part of the State's multi-year effort to end the Spring Borrowing and, while the $521 million is available to finance refunds to be issued in the Spring of 2000, it must be restored to the reserve by March 31, 2001. To continue the practice of depositing a portion of the cost of new personal income tax reductions in the reserve fund, $25 million in additional funds will be deposited in the reserve account on March 31. The remaining $2,415 million deposit in the account will include: $1,200 million for a tax reduction reserve, $615 million for 2000-01 expenditures from the 1999-2000 surplus, $50 million for a salary reserve, and $550 million for additional 1999-2000 surplus used in part to offset the cost of proposed tax reductions and to help reduce the debt burden of the State.

An added risk to the estimate of 1999-2000 receipts results from the timing of bonus payments paid by financial services companies. A large portion of these bonuses is paid in the first quarter of the calendar year. As a result, these results are not available when the 1999-2000 estimates were constructed.

2000-01 PROJECTIONS

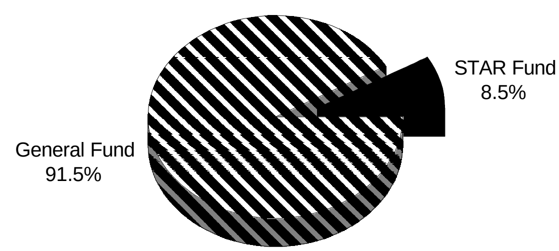
Based on current law, net personal income tax receipts would be expected to increase by 6.6 percent, to $24,126 million, in 2000-01. Reported receipts would include the net increase to collections of $2,394 million from net transactions in the refund reserve account.

Withholding receipts are projected to rise by 6.6 percent. Final payments with 1999 returns are expected to increase by $90 million from 1998 returns, reflecting strong income growth in 1999.

The other major component of collections, estimated payments on 2000 income, will grow moderately. This is consistent with expected non-wage income growth in 2000, the high base level of 1999 estimated tax payments, and lower growth in capital gains realizations following the high 1997 through 1999 levels resulting at least partially from the 1997 Federal capital gains changes.

Legislation proposed with this Budget will permit farmers to receive STAR benefits for their primary residences even if the farm is corporate-owned.

STAR Share of Net Receipts



OTHER FUNDS

Legislation in 1998 created the School Tax Relief (STAR) Fund to help provide school tax reductions under the STAR program, accelerated the fully effective level of the enhanced senior citizens school property tax exemption into 1998-99, and accelerated the final level of the New York City personal income tax credit into the 1998 tax year for taxpayers age 65 or more. In 1999-2000 dedicated personal income tax receipts of $1,195 million will be deposited in the School Tax Relief Fund. This amount is $48 million less than estimated at the time of the Mid-Year Update. In 2000-01, it is estimated that receipts of $3,210 million will be deposited in the Fund. This will include a STAR reserve deposit of $1,200 million.

In addition, in 2000-01 personal income tax receipts of $250 million will be deposited in the Debt Reduction Reserve Fund, a capital projects fund.

GENERAL FUND

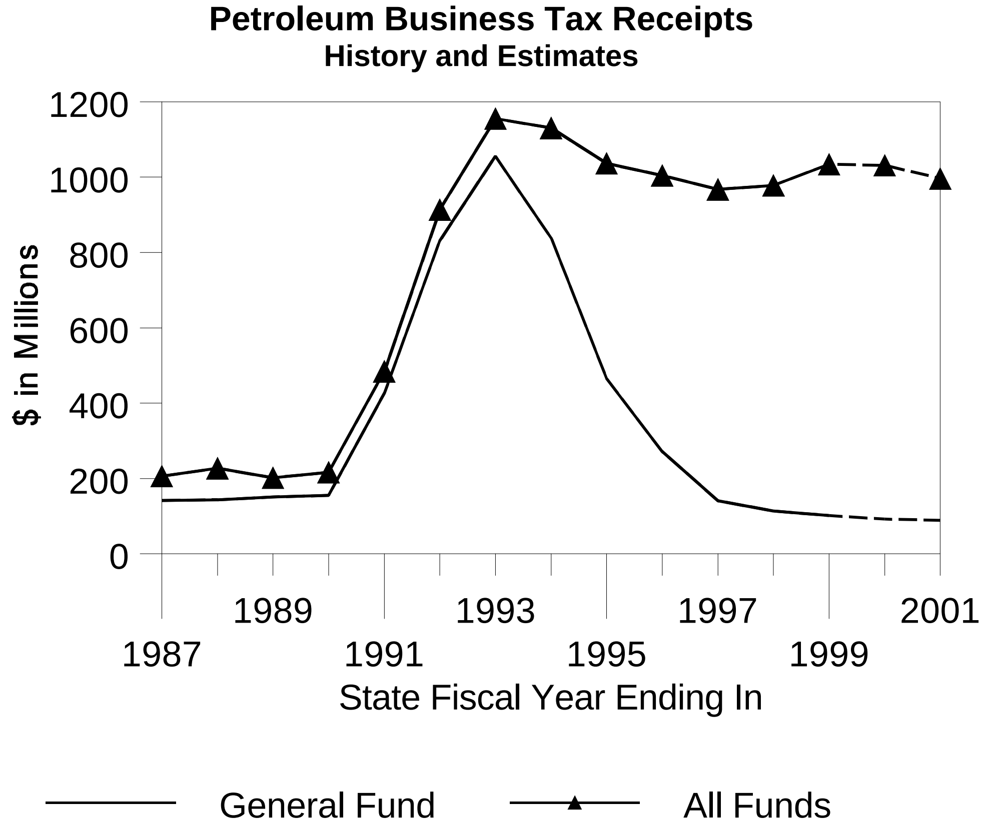
General Fund net personal income tax receipts are estimated at $20,783 million in 1999-2000 and $23,060 million in 2000-01.

Table 7
Personal Income Tax Receipts
(millions)

	Gross General Fund	Refunds & Reserve Transactions	Net General Fund	Special Revenue Funds [1/]	Capital Projects Funds [2/]	Debt Service Funds	All Funds Net Collections
				Actual			
1991-92	$17,028	$2,115	$14,913	. . . .	. . . .	. . . .	$14,913
1992-93	18,074	2,755	15,319	. . . .	. . . .	. . . .	15,319
1993-94	18,727	2,693	16,034	. . . .	. . . .	. . . .	16,034
1994-95	19,028	1,438	17,590	. . . .	. . . .	. . . .	17,590
1995-96	19,857	2,859	16,998	. . . .	. . . .	. . . .	16,998
1996-97	20,238	3,867	16,371	. . . .	. . . .	. . . .	16,371
1997-98	21,088	3,329	17,759	. . . .	. . . .	. . . .	17,759
1998-99	22,789	2,709	20,080	$ 582	. . . .	. . . .	20,662
				Estimated			
1999-2000 . . .	$24,508	$3,725	$20,783	$1,195	. . . .	. . . .	$21,978
2000-01 (Current law) .	23,962	901	23,061	3,209	$250	. . . .	26,520
2000-01 (Proposed law)	23,961	901	23,060	3,210	250	. . . .	26,520

[1/] STAR Fund.
[2/] Debt Reduction Reserve Fund

PETROLEUM BUSINESS TAXES



Article 13-A of the Tax Law imposes a privilege tax on petroleum businesses operating in the State, based upon the quantity of various petroleum products imported for sale or use in the State. The tax is collected monthly with State motor fuel taxes. Article 13-A also imposes the petroleum business carrier tax, which is a complement to, and is collected with, the fuel use tax portion of the highway use tax. Specifically exempted from Article 13-A taxes are fuel used for residential heating purposes, fuel sold to governments, kerosene other than kero-jet fuel, crude oil, liquefied petroleum gas (LPG), and certain bunker fuel.

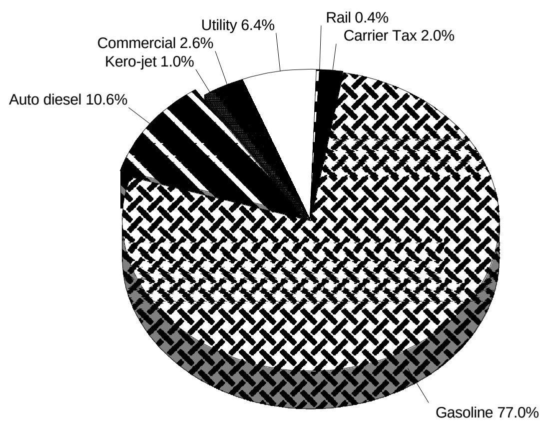
Petroleum business tax (PBT) rates have two components: the base tax, whose rates vary by product type; and the supplemental tax, which is imposed, in general, at a uniform rate. Both components are indexed to reflect petroleum price changes. Table 1 displays the current per gallon PBT rates for 1999 and 2000 as well as estimated rates for 2001, which reflect changes in the index.

Table 1
Petroleum Business Tax Rates
(cents per gallon)

Petroleum Products [2/]	Apr.-Dec. 1999 Base	Supp	Total	2000 Base	Supp	Total	Jan.-Mar. 2001 [1/] Base	Supp	Total	Apr.-Dec. 2001 [1/] Base	Supp	Total
Automotive fuels												
Gasoline and other non-diesel fuels	8.4	5.6	**14.00**	8.0	5.4	**13.40**	8.4	5.6	**14.00**	8.4	5.6	**14.00**
Diesel	8.4	3.85	**12.25**	8.0	3.65	**11.65**	8.4	3.85	**12.25**	8.4	3.85	**12.25**
Aviation gasoline	8.4	5.6	**14.00**	8.0	5.4	**13.40**	8.4	5.6	**14.00**	8.4	5.6	**14.00**
Net rate after credit	5.6	none	**5.60**	5.4	none	**5.40**	5.6	none	**5.60**	5.6	none	**5.60**
Kero-jet fuel	5.6	none	**5.60**	5.4	none	**5.40**	5.6	none	**5.60**	5.6	none	**5.60**
Non-automotive diesel fuels	7.6	5.6	**13.20**	7.3	5.4	**12.70**	7.6	5.6	**13.20**	7.6	5.6	**13.20**
Commercial gallonage after credit	7.6	none	**7.60**	7.3	none	**7.30**	7.6	none	**7.60**	6.08	none	**6.08**
Electric utility after credit	2.51	5.6	**8.11**	2.43	5.4	**7.83**	2.52	5.6	**8.12**	2.52	5.6	**8.12**
Residual petroleum products	6.0	5.6	**11.60**	5.7	5.4	**11.10**	5.9	5.6	**11.50**	5.9	5.6	**11.50**
Commercial gallonage after credit	6.0	none	**6.00**	5.7	none	**5.70**	5.9	none	**5.90**	4.72	none	**4.72**
Electric utility after credit	0.95	5.6	**6.55**	0.87	5.4	**6.27**	0.86	5.6	**6.46**	0.86	5.6	**6.46**
Railroad diesel fuel	8.4	3.85	**12.25**	8.0	3.65	**11.65**	8.4	3.85	**12.25**	8.4	3.85	**12.25**
Net rate after exemption/ refund	7.1	none	**7.10**	6.7	none	**6.70**	7.1	none	**7.10**	7.1	none	**7.10**

[1/] Estimated rates.
[2/] PBT rates on fuel used in manufacturing were eliminated.

PBT Components
(Distribution of 1998-99 Receipts)



PBT rates had been subject to a business tax surcharge. The business tax surcharge was phased out beginning in 1994 and eliminated on June 1, 1997.

The basic and supplemental PBT tax rates have been subject to separately computed annual adjustments, on January 1 of each year, to reflect the change in the producer price index for refined petroleum products for the 12 months ended August 31 of the immediately preceding year.

Early in the decade, PBT tax rates rose substantially due to indexing and the sizable increases in the price of petroleum products. Tax rates rose about 20 percent on April 1, 1991, and by more than 16 percent on January 1, 1992. Annual legislation precluded the 1992 tax rates from being further indexed through 1995.

Legislation in 1994 provided that beginning January 1, 1996, and annually thereafter, the indexed tax rates shall not change by more than 5 percent of the rates of the previous year. In addition to the 5 percent cap on rate changes, the statute also requires the basic and supplemental rates to be rounded to the nearest tenth of one cent. As a result, the tax rates usually do not change by the full 5 percent allowed by the statutory formula.

The index applicable to the 1996 calendar year required the 1995 rates to be increased by up to 4.41 percent on January 1, 1996. Similarly, the index for January 1, 1997, and January 1, 1998, increased by more than 5 percent (6.9 percent and 8 percent, respectively). Therefore, the basic and supplemental tax rates on various products were increased up to 5 percent on these dates. Based on the index, PBT rates for 1999 and 2000 are scheduled to decline by 5 percent. Projections used in this Budget call for the index for January 1, 2001, to increase by more than 5 percent, triggering rate increases of up to 5 percent for 2001.

Table 2
Petroleum Business Tax Index
(percent)

Year	Fuel Price Change	PBT Index
1991	20.19	20.19
1992	16.47	16.47
1993	-14.40	0.00
1994	- 0.46	0.00
1995	- 8.72	0.00
1996	4.41	4.41
1997	6.88	5.00
1998	7.96	5.00
1999	-18.60	- 5.00
2000	- 7.81	- 5.00
2001*	42.01	5.00

*Estimated

The tax rate for kero-jet fuel for both 1999 and 2000 also reflects 1995 legislation, effective September 1, 1995, that reduced the base tax and eliminated the supplemental tax on kero-jet fuel. A credit that reduces the aviation gasoline rate to the kero-jet rate was also provided.

As described below, the base tax adopted in 1990 provides substantial credits for fuel used by corporations in the generation of electricity for sale, and such firms were not subject to the surcharge (now eliminated) on that tax. Those credits are also adjusted to reflect changes in the index.

SIGNIFICANT STATUTORY CHANGES

Base Tax and Rates

Legislation in 1990 revised and simplified the tax on petroleum businesses, converting the annual percentage-rate gross receipts tax to a monthly cents-per-gallon tax as of September 1, 1990 (the base tax). Unlike the prior gross receipts tax, the base tax does not apply to kerosene, bunker fuel or LPG.

The gallonage rates initially set by statute were:
- — 5.5 cents for automotive-type fuel and aviation gasoline;
- — 5.0 cents for nonautomotive middle distillate fuel;
- — 4.0 cents for residual petroleum product; and
- — 1.9 cents for kero-jet fuel.

The 1990 legislation provided for annual indexing of these rates to reflect price changes. Partial credits, also indexed, are provided for middle distillate and residual fuels used by certain electric corporations to generate electricity.

Supplemental Tax

Unlike the base tax, which is imposed at varying rates based upon the type of fuel, the supplemental tax, first imposed in 1991, was originally applied uniformly to all fuels. At that time, certain fuels used in farming were exempted from the supplemental tax, and a credit against the supplemental tax was provided for certain fuels used in manufacturing.

Surcharge

The 1990 statute also imposed a business tax surcharge of 15 percent for two years and 10 percent for one year. Fuel eligible for the utility credits was exempt from the surcharge. The initial kero-jet rate was also exempt from the surcharge. Subsequent legislation extended the imposition of the surcharge at 15 percent until 1994, when legislation was enacted to implement the phase-out of the surcharge. The 1994 legislation reduced the surcharge rate from 15 percent to 12.5 percent on June 1, 1994, to 7.5 percent on June 1, 1995, and to 2.5 percent on June 1, 1996. The surcharge was eliminated on June 1, 1997.

Lubricants

From September 1, 1990, until August 31, 1994, the State imposed a tax of 10 cents per quart on lubricants suitable for use in a motor vehicle engine. The tax was administered with the sales tax and was payable quarterly by the retail seller of the oil. Legislation in 1994 repealed this tax.

Carrier Tax

An additional 1991 modification imposed the petroleum business carrier tax. This tax is a complement to the fuel use tax imposed under the highway use tax, and is imposed on fuel purchased by motor carriers outside the State but consumed within the State.

Payments

Under 1992 legislation, businesses with yearly motor fuel and petroleum business taxes totaling more than $5 million are required to remit taxes for the first 22 days of the month by electronic funds transfer, by the third business day thereafter. The tax for the balance of the month is paid with the monthly returns filed by the 20th of the following month.

In addition to these major structural changes, numerous statutory changes have been made to the petroleum business tax during the last several years. The following is a list which summarizes the major legislation impacting the petroleum business tax enacted since 1994.

Subject	Description	Effective Date
Legislation Enacted in 1994		
Manufacturing	Converted the credit/reimbursement allowed against the supplemental tax for certain manufacturing use to an exemption.	September 1, 1994
Farm Production	Exempted diesel fuel and residual fuel used for off-highway farm production from all petroleum business taxes and provided farmers a reimbursement for the tax on gasoline used for off-highway farm production.	September 1, 1994
Commercial Gallonage	Provided petroleum business taxpayers with a credit or reimbursement against the base tax in the amount of one-half of the supplemental tax and the surcharge on that tax on commercial heating fuels (nonautomotive diesel motor fuel or residual fuel oil) that qualify as commercial gallonage.	September 1, 1994
Fisherman	Allowed commercial fisherman to claim a reimbursement for petroleum business tax paid on diesel fuel and gasoline used in the operation of a commercial fishing vessel.	September 1, 1994
Bad Debts	Allowed petroleum businesses to apply for a refund of petroleum business taxes paid on transactions involving certain consumer bad debts.	September 1, 1994
Refunds/Credits	Allowed highway use taxpayers that purchase more fuel in New York State than they consume in the State to claim refunds or credits for overpayments of the petroleum business carrier tax.	January 1, 1995
Not-for-profit Organizations	Exempted the sale or use of commercial heating oil for the exclusive use and consumption of not-for-profit organizations from the supplemental petroleum business tax and the surcharge on that tax.	September 1, 1995

Subject	Description	Effective Date
Legislation Enacted in 1995		
Aviation Fuels	Effectively eliminated the supplemental tax imposed on aviation gasoline and kero-jet fuel and reduced the base tax rate for those products to a rate that is equivalent to the statutory supplemental tax rate. To maintain the first import system, which imposes the petroleum business tax on aviation gasoline upon importation, and still allow retail sellers of aviation gasoline to sell such product at a reduced rate, distributors of aviation gasoline must remit the full tax imposed on that product and may subsequently take a credit for the difference between the full rate and the reduced rate.	September 1, 1995
Not-for-profit Organizations	Provided full exemption for heating fuel that is for the exclusive use and consumption of certain not-for-profit organizations.	January 1, 1996
Legislation Enacted in 1996		
Railroads	Exempted diesel motor fuel used for railroads from the supplemental portion of the tax.	January 1, 1997
Commercial Heating	Provided full exemption from the supplemental tax imposed on distillate and residual fuels used by the commercial sector for heating.	March 1, 1997
Manufacturing	Expanded to a full exemption, the partial exemption provided for residual and distillate fuels used in manufacturing.	January 1, 1998
Diesel Supplemental Tax	Reduce the supplemental tax imposed on diesel motor fuel by three-quarters of one cent per gallon.	January 1, 1998
	Reduced the supplemental tax imposed on diesel motor fuel by an additional one cent per gallon.	April 1, 1999
Utilities	Increased the base tax credit for residual and distillate fuels used by utilities to generate electricity by one-half cent per gallon.	April 1, 1999
Legislation Enacted in 1997		
Vessels	Created a credit or refund for fuel used in vessels that was purchased in the State and consumed outside the State; clarified that the export credit/refund applies to export for use, as well as sale; stated that the legal incidence of the tax is on consumers; and limited the judicial remedies available to taxpayers.	April 1, 1984
Legislation Enacted in 1999		
Commercial Gallonage	Reduced the petroleum business tax rates on commercial gallons for space heating by 20 percent.	April 1, 2001
Mining and Extraction	Provided for reimbursement of petroleum business tax imposed on fuels used for mining and extraction.	April 1, 2001

Legislation submitted with this Budget will eliminate the minimum taxes on petroleum businesses and aviation fuel businesses under the PBT, effective April 1, 2001. Currently, the Tax Law imposes a minimum tax of $25 per month on petroleum businesses, and $2 per month on aviation fuel businesses under the PBT.

DISPOSITION OF REVENUES

In past years, proceeds of the petroleum business tax have been shared by the General Fund and the Mass Transportation Operating Assistance Fund (MTOAF). Prior to the 1990 revisions, the General Fund received 72.7 percent and MTOAF received 27.3 percent or a guaranteed amount. The 1990 statute converting the tax from a gross receipts to a cents-per-gallon tax, expanded the tax yield, and limited the MTOAF share to slightly more than 17.7 percent of the nonsurcharge proceeds — the dollar equivalent of its share prior to the expansion. Carrier tax receipts are deposited in the General Fund.

Separate 1991 transportation legislation provided that on and after April 1, 1993, 100 percent of the supplemental tax and a portion of the base tax (see table below) would be split between the Dedicated Mass Transportation Trust Fund and the Dedicated Highway and Bridge Trust Fund.

Statutory changes to the PBT base tax fund distributions since 1993 are as follows:

Table 3
PBT Base Tax Fund Distribution
(percent)

Effective Date	General Fund	MTOAF [1/]	Dedicated Funds Pool [2/]
Prior to April 1, 1993	82.3	17.7	. . . .
April 1, 1993	28.3	17.7	54.0
September 1, 1994	22.4	18.6	59.0
September 1, 1995	18.0	19.2	62.8
April 1, 1996	17.4	19.3	63.3
January 1, 1997	14.5	19.3	66.2
January 1, 1998	12.4	19.5	68.1
April 1, 1999	10.7	19.5	69.8
April 1, 2001	9.8	19.7	70.5

[1/] This is split between the Public Transportation System Operating Assistance Account and the Metropolitan Mass Transportation Operating Assistance Account.

[2/] This pool is split 37 percent to the Dedicated Mass Transportation Trust Fund and 63 percent to the Dedicated Highway and Bridge Trust Fund.

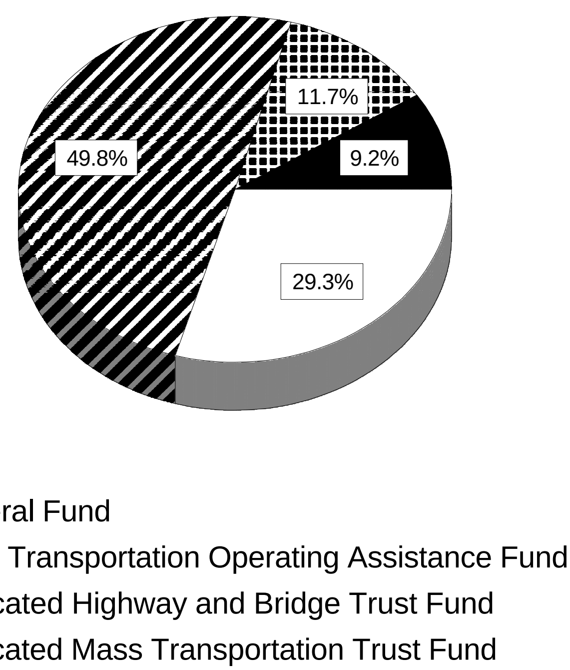
Legislation submitted with this Budget will redistribute PBT receipts. Effective April 1, 2001, all PBT General Fund receipts, including carrier tax receipts, will be redistributed to the Dedicated Highway and Bridge Trust Fund and the Dedicated Mass Transportation Trust Fund.

1999-2000 RECEIPTS

Petroleum business tax receipts derived from motor fuel and diesel motor fuel are projected to follow the same consumption trends as fuel subject to the motor fuel excise tax. (See section titled Motor Fuel Tax.) Residual fuels used by utilities are projected to decline due to their higher relative price.

Estimated collections through December from the petroleum business tax, including audit receipts, surcharges and the carrier tax, have increased by approximately 1.6 percent from comparable receipts in 1998-99. Based on these collection trends, petroleum business tax receipts for the year are projected at $1,031.9 million. Estimated receipts reflect the impact of the 1996 tax reductions for diesel motor fuel consumed by railroads, residual and distillate fuels consumed by the commercial sector, and additional credits or refunds provided to certain purchasers of aviation gasoline. The estimate of receipts for 1999-2000 reflects the 5 percent decrease in PBT rates that took effect on January 1, 1999, and the additional 5 percent decrease effective on January 1, 2000.

PBT Receipts
1999-2000 and 2000-01



2000-01 PROJECTIONS

The forecast for continued economic growth at the State level is expected to produce 0.4 percent and 3.8 percent increases in gasoline and diesel consumption, respectively. The demand for residual fuels consumed by utilities is projected to decline further due to the substantial increase in the relative price of residual fuel oil compared to natural gas.

Projected 2000-01 receipts of $996.7 million assume that automotive fuel prices will decrease by 0.9 percent and that inventories will remain stable. The estimate also reflects the continuation of the 1996 tax reductions. In addition, receipts for 2000-01 anticipate that the index used to set PBT rates in January 2001 will increase by 5 percent.

OTHER FUNDS

In 1998-99, the petroleum business tax provided MTOAF receipts of $117.1 million, Dedicated Highway and Bridge Trust Fund receipts of $513.3 million, and Dedicated Mass Transportation Trust Fund receipts of $301.5 million.

Petroleum business taxes in 1999-2000 are expected to provide MTOAF receipts of $119.3 million, Dedicated Highway and Bridge Trust Fund receipts of $516.7 million, and Dedicated Mass Transportation Trust Fund receipts of $303.5 million.

Petroleum business tax receipts in 2000-01 are projected at $115.7 million for MTOAF, $498.6 million for the Dedicated Highway and Bridge Trust Fund, and $292.8 million for the Dedicated Mass Transportation Trust Fund.

GENERAL FUND

In 1998-99, petroleum business tax receipts of $102.0 million were deposited in the General Fund. General Fund receipts in 1999-2000 are projected at $92.4 million. The decline in receipts is due to legislative changes and mandated reductions in the General Fund share of total petroleum business taxes. The share changes were implemented to hold the Dedicated Funds revenue stream harmless from recent tax reductions reducing the overall amount of PBT receipts collected.

General Fund receipts for 2000-01 are projected at $89.6 million, reflecting additional reductions in the General Fund share of petroleum business taxes as a result of the 1996 tax reductions.

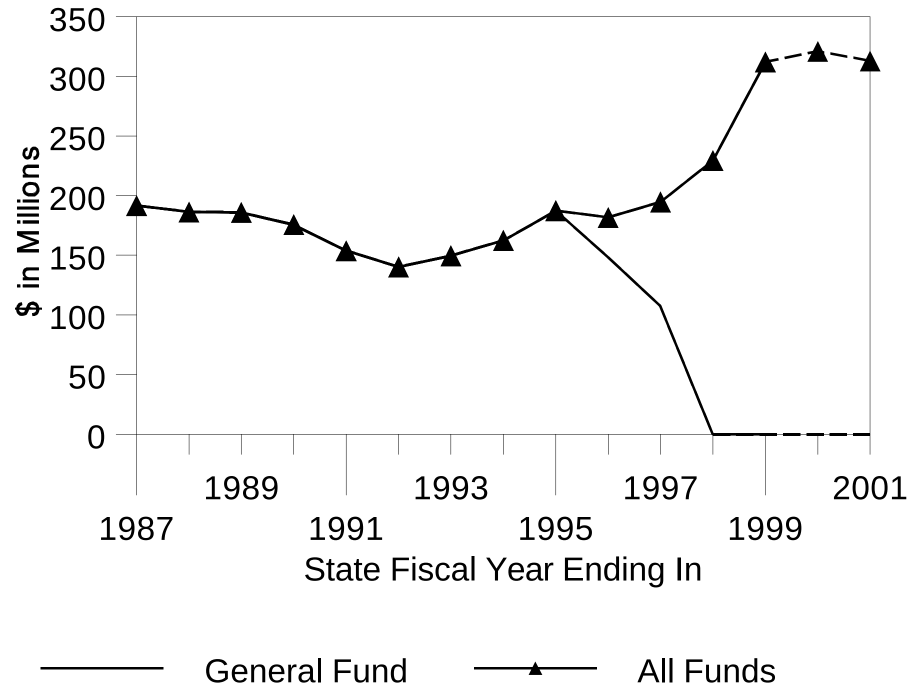
Petroleum Business Tax Receipts

	Gross General Fund	Refunds	Net General Fund	Gross Special Revenue Fund [1/]	Refunds	Net Special Revenue Funds [1/]	Gross Capital Projects [2/] Funds	Refunds	Net Capital Projects [2/] Funds	All Funds Net Collections
	Actual									
1991-92 . .	$ 847,134	$ 1,340	$ 845,794	$ 83,003	$ 844	$ 82,159	. . . .	. . . .	. . . .	$ 927,953
1992-93 . .	1,083,798	10,797	1,073,001	100,578	1,002	99,576	. . . .	. . . .	. . . .	1,172,577
1993-94 . .	870,846	16,218	854,628	240,167	4,473	235,694	$ 56,070	$ 1,044	$ 55,026	1,145,348
1994-95 . .	482,522	7,558	474,964	347,434	5,442	341,992	232,626	3,644	228,982	1,045,938
1995-96 . .	275,989	3,439	272,550	303,167	3,778	299,389	429,192	5,349	423,843	995,782
1996-97 . .	143,469	2,570	140,899	379,155	6,791	372,364	462,341	8,281	454,060	967,323
1997-98 . .	116,573	2,477	114,096	396,454	8,424	388,030	486,846	10,345	476,501	978,627
1998-99 . .	104,048	2,019	102,029	426,881	8,283	418,598	523,460	10,157	513,303	1,033,930
Estimated										
1999-2000	$ 94,191	$ 1,791	$ 92,400	$430,995	$ 8,195	$422,800	$526,715	$10,015	$516,700	$1,031,900
2000-01 . .	91,398	1,798	89,600	416,697	8,197	408,500	508,605	10,005	498,600	996,700

[1/] Dedicated Mass Transportation Trust Fund and Mass Transportation Operating Assistance Fund.
[2/] Dedicated Highway and Bridge Trust Fund.

REAL ESTATE TRANSFER TAX

Real Estate Transfer Tax Receipts
History and Estimates



The New York State real estate transfer tax is imposed by Article 31 of the Tax Law on each conveyance of real property or interest therein, when the consideration exceeds $500, at a rate of $4 per $1,000 of consideration. Prior to May 1983, the rate was $1.10 per $1,000 of consideration. The tax became effective August 1, 1968. An additional tax, effective July 1, 1989, is imposed on conveyances of residential real property for which the consideration is $1 million or more. The rate is 1 percent of the consideration attributable to residential property.

Typically, the person conveying the property (grantor) is responsible for payment of the tax, either through the purchase of adhesive documentary stamps or by the use of a metering machine or through other devices, provided by the Commissioner of Taxation and Finance.

The tax rate imposed on conveyances into new or existing real estate investment trusts (REITS) is $2 per $1,000 of consideration. The following governmental entities are exempt from the real estate transfer tax: New York State (including agencies, instrumentalities, subdivisions, and public corporations); the United States (including agencies and instrumentalities); and the United Nations. If an exempt entity is the grantor in a transfer, the tax burden falls upon the grantee. Significant exemptions from the tax are: conveyances to an exempt governmental agency, conveyances given pursuant to the Federal bankruptcy act, and mere change of identity conveyances. A deduction from the taxable consideration is allowed for any lien or encumbrance remaining at the time of sale involving a one-, two-, or three-family house or individual residential condominium unit.

ADMINISTRATION

For deeded transfers, the tax is paid to a recording agent (generally, the county clerk). For non-deeded transactions, payments are made directly to the Commissioner of the Department of Taxation and Finance. All payments are due to the recording agent within 15 days of the transfer. For counties with more than $1.2 million in liability during the previous calendar year, payments received between the 1st and 15th day of the month are due to the Commissioner by the 25th day of the same month. Payments received in such counties between the 16th and the final day of the month are due to the Commissioner by the 10th day of the following month. Payments from all other counties are due to the Commissioner by the 10th day of the month following their receipt. Although the county payment schedule is statutory, it is not useful for predicting monthly cash flows due to the unpredictable payment behavior of some large counties.

1999-2000 RECEIPTS

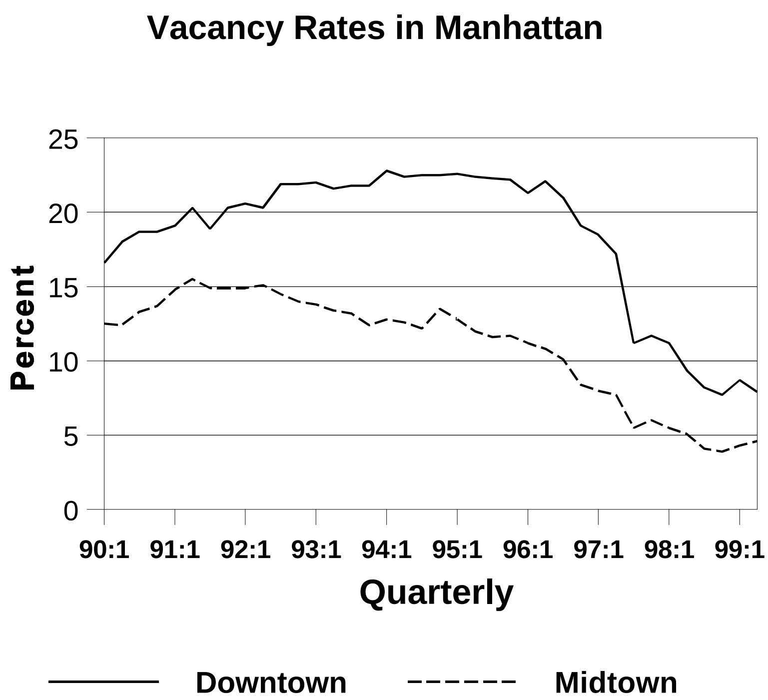
Reported collections during the first nine months of 1999-2000 are estimated to be $254.8 million, up 3.0 percent from 1998-99 collections for the comparable period. Unlike State fiscal year 1998-99, when downstate residential and commercial transactions (particularly in Manhattan) were responsible for much of the strength in collections, State fiscal year 1999-2000 collections are being driven by somewhat different factors.

In Manhattan, commercial prices and transactions are running below last year's record-setting pace, and vacancy rates have risen slightly in midtown since the end of 1998. During State fiscal year 1998-99, several large buildings were sold in Manhattan, while at the same time speculation regarding expected returns drove prices to all-time highs. Falling vacancy rates and rising commercial rents caused some tenants to negotiate future leases that contained large rent increases, in hopes that completing negotiations early would avoid even larger increases at the conclusion of existing contracts. This resulted in a temporary and rapid rise in expected returns and, hence, in asking prices for commercial real estate in Manhattan. According to Insignia Data, a company specializing in analyzing real estate industry activity, 102 Manhattan office buildings were transferred in calendar year 1998, for $6.6 billion in consideration. The projected total for 1999 is about $5.6 billion, with $4.6 billion of transfers completed through November.

In comparison with 1998-99, tax liabilities through October from Manhattan declined 29.5 percent to $36.0 million. For the remainder of New York City, receipts increased 34.1 percent to $29.3 million. On Long Island, receipts are up 12.8 percent to $42.0 million. The rest of the State has reported receipts up 8.5 percent, to $58.3 million. Central office collections (through November), which are mostly non-deeded transactions, were up 1.1 percent to $38.0 million.

Collections for the remainder of the fiscal year are expected to be $66.2 million, up 1.8 percent from 1998-99 collections for the same period. Net All Funds receipts in 1999-2000 are estimated at $321 million, up 2.8 percent.

2000-01 PROJECTIONS



Source: C.B. Richard Ellis

The estimate assumes that mortgage rates will be higher during 2000-01 than during 1999-2000. Accordingly, residential transfers are expected to fall somewhat in State fiscal year 2000-01. The estimate also relies on continued strength in the State economy, resulting in an increase in receipts from non-residential transactions. Net All Funds receipts are projected to decrease to $313 million, down 2.5 percent from the record setting pace of State fiscal year 1999-2000 results.

OTHER FUNDS

During 1999-2000 and 2000-01, the statutory amount of real estate transfer tax receipts diverted to the Environmental Protection Fund is $112 million. The remainder of such receipts, estimated at $209 million in 1999-2000 and $201 million in 2000-01, are to be deposited in the Clean Water/Clean Air Bond Debt Service Fund.

GENERAL FUND

The General Fund will receive no direct deposit of real estate transfer tax receipts in 1999-2000 or 2000-01. However, the balance of the Clean Water/Clean Air Fund, not needed for debt service, is transferred to the General Fund.

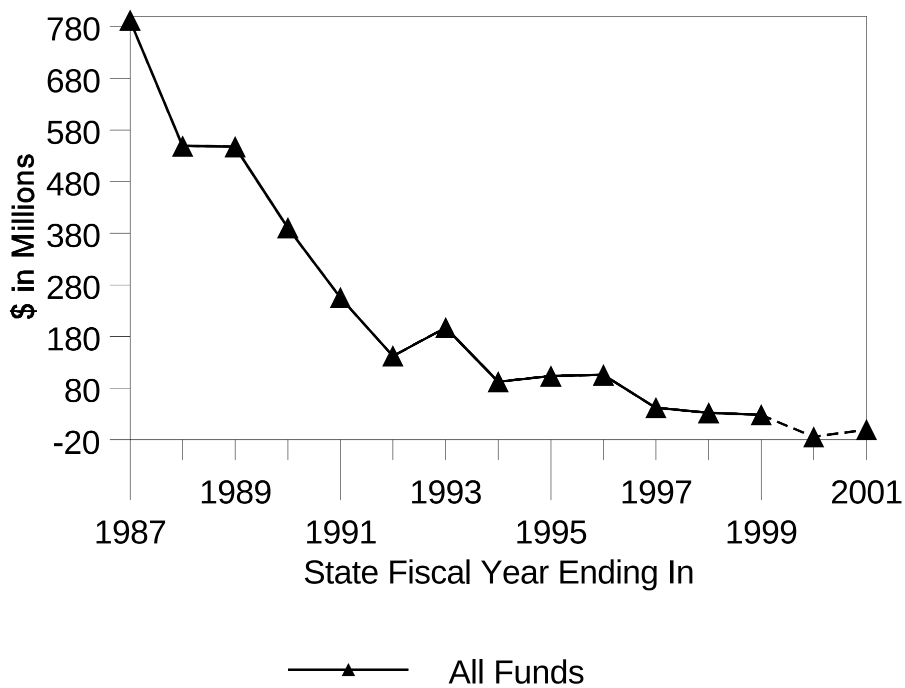
Real Estate Transfer Tax Receipts
(thousands)

	Gross General Fund	Refunds	Net General Fund	Special Revenue	Capital Projects [1] Funds	Gross Debt Service [2] Funds	Refunds	Debt Service [2] Funds	All Funds Net Collections
				Actual					
1991-92 . .	$140,413	$246	$140,167	. . . .	. . . .	. . . .	. . . .	. . . .	$140,167
1992-93 . .	150,085	532	149,553	. . . .	. . . .	. . . .	. . . .	. . . .	149,553
1993-94 . .	163,174	618	162,556	. . . .	. . . .	. . . .	. . . .	. . . .	162,556
1994-95 . .	187,801	278	187,523	. . . .	. . . .	. . . .	. . . .	. . . .	187,523
1995-96 . .	148,505	307	148,198	. . . .	$ 33,500	. . . .	. . . .	. . . .	181,698
1996-97 . .	107,859	371	107,488	. . . .	87,000	. . . .	. . . .	. . . .	194,488
1997-98 . .	. . . .	. . . .	. . . .	. . . .	87,000	$142,747	$115	$142,632	229,632
1998-99 . .	. . . .	. . . .	. . . .	. . . .	112,000	200,383	14	200,369	312,369
					Estimated				
1999-2000	. . . .	. . . .	. . . .	. . . .	$112,000	$209,015	$15	$209,000	$321,000
2000-01 . .	. . . .	. . . .	. . . .	. . . .	112,000	201,015	15	201,000	313,000

[1] Environmental Protection Fund.
[2] Clean Water/Clean Air Bond Debt Service Fund.

REAL PROPERTY GAINS TAX

Real Property Gains Tax Receipts
History and Estimates



The real property gains tax, enacted in 1983, was repealed on July 13, 1996. All property transferred after June 15, 1996, is exempt from the provisions of the real property gains tax. This tax was levied at a rate of 10 percent of the gain from sales of New York commercial property of $1 million or greater, including anything of value arising from land ownership, such as air rights or zoning credits. This tax was unique to New York State, and its elimination has made real property located in New York more appealing to investors.

1999-2000 RECEIPTS

Remaining collections stem primarily from installments for tax liability arising from sales of condominium and cooperative housing for projects that were still being sold at the time of the gains tax repeal. These deferred payments amounted to $10 million through December, with another $1 million expected by year end. Collections from assessments processed through the Case and Assessment Resources Tracking System (CARTS) and other sources are estimated at $9 million through December, with an additional $3 million expected by the end of the State fiscal year. Total refunds for the year are estimated at $37 million, reflecting an adverse Tax Tribunal finding on the taxability of installment sales. As a result, net real property gains tax collections for 1999-2000 are estimated at -$14 million.

2000-01 PROJECTIONS

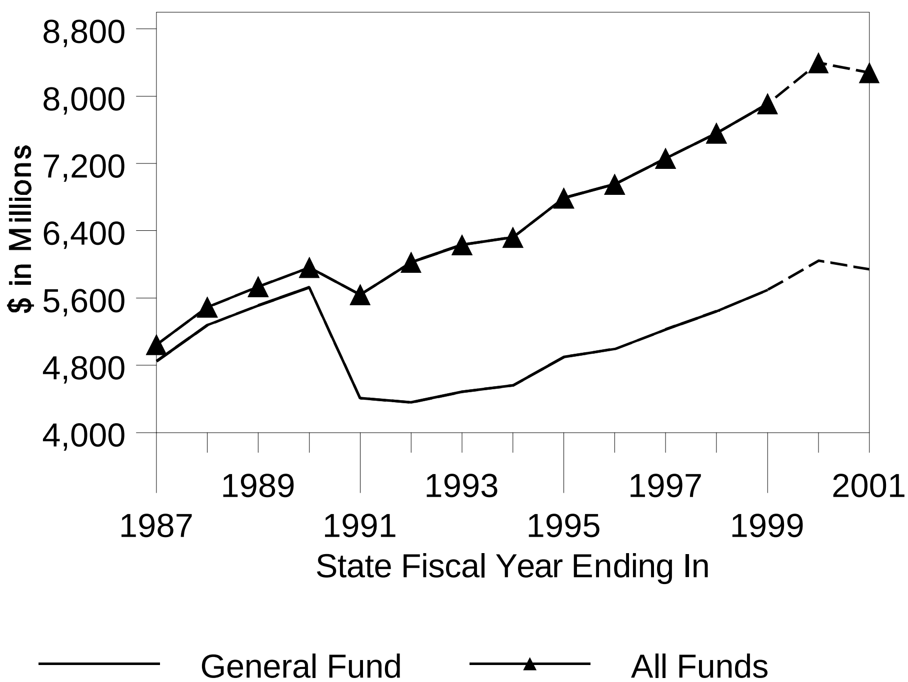
It is projected that collections from outstanding audits and installments will produce $4 million and $3 million, respectively. Refunds of $7 million of prior year liability will result in net real property gains tax collections of $0 million for 2000-01.

General Fund Receipts from the Real Property Gains Tax
(thousands)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
			---------- Actual ----------				
1991-92	$161,579	$18,659	$142,920	. . . .	. . . .	. . . .	$142,920
1992-93	209,246	11,920	197,326	. . . .	. . . .	. . . .	197,326
1993-94	119,116	26,494	92,622	. . . .	. . . .	. . . .	92,622
1994-95	125,806	22,238	103,568	. . . .	. . . .	. . . .	103,568
1995-96	150,412	44,503	105,909	. . . .	. . . .	. . . .	105,909
1996-97	68,319	25,964	42,355	. . . .	. . . .	. . . .	42,355
1997-98	68,181	35,551	32,630	. . . .	. . . .	. . . .	32,630
1998-99	34,284	5,345	28,939	. . . .	. . . .	. . . .	28,939
			---------- Estimated ----------				
1999-2000 . .	$ 23,000	$37,000	-$14,000	. . . .	. . . .	. . . .	-$ 14,000
2000-01	7,000	7,000	. . . .	. . . .	. . . .	. . . .	. . . .

SALES AND USE TAX

Sales and Use Tax Receipts
History and Estimates



The sales and compensating use tax, which accounted for over 16 percent of General Fund revenues, not including transfers from other funds, in State fiscal year 1998-99, is the second largest State tax revenue source behind the personal income tax. The tax is levied on sales or uses within the State of most tangible personal property and on selected services.

TAX RATE

The tax, imposed by Article 28 of the Tax Law, was enacted in 1965 at the rate of 2 percent. The tax rate was increased to 3 percent in 1969 and to the current 4 percent rate in 1971.

Counties and cities are authorized to impose the tax at up to a combined 3 percent rate. However, 20 counties and 4 cities (including New York City) that impose the tax have sought and received temporary legislative authority to impose at a higher rate. Thus, the combined State-local sales and use tax rate exceeds 7 percent in many instances. More than 75 percent of the State's population resides in areas where the tax rate is 8 percent or higher. An additional 0.25 percent sales and use tax is imposed in the 12 county Metropolitan Commuter Transportation District (MCTD). The entire proceeds from the MCTD tax are earmarked for the Mass Transportation Operating Assistance Fund.

BASE OF TAX

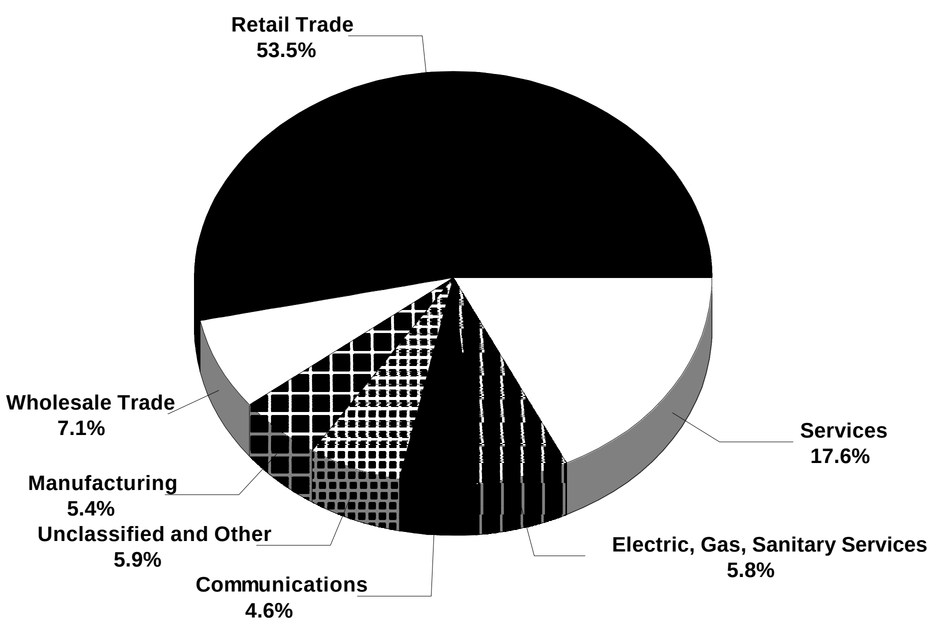
In general, all retail sales of tangible personal property are taxed unless specifically exempt, but services are taxable only if they are enumerated in the Tax Law.

Specifically, the sales tax is applied to receipts from the retail sale of:
— tangible personal property (unless specifically exempt);
— certain gas, electricity, refrigeration and steam, and telephone service;
— selected services;
— food and beverages sold by restaurants, taverns and caterers;
— hotel occupancy; and
— certain admission charges and dues.

Examples of taxable services include information services, installing or maintaining tangible personal property, and protective and detective services. An additional 5 percent sales tax is imposed on the receipts from the sale of telephone entertainment services that are exclusively delivered aurally.

Although numerous exemptions of tangible personal property from tax have been enacted (see discussion below), nearly 54 percent of total taxable sales and purchases are reported by the retail trade industry. This includes, for example, automobile dealers, eating and drinking establishments, and general merchandise stores. The service industry, including hotels, automobile repair and business services, accounts for the next largest share of taxable sales and purchases at nearly 18 percent of the statewide total. Taxable purchases refers to purchases of tangible personal property or services on which use tax has been remitted.

Industry Shares of Taxable Sales and Purchases
March 1998 to August 1998



Source: NYS Department of Taxation and Finance

States are currently constrained by United States Supreme Court decisions limiting which out-of-state vendors can be required to collect the sales tax on their behalf. In general, a vendor must have some physical presence or nexus in a state to be required to collect that particular state's sales tax. Thus, a compensating use tax complements the sales tax, and is imposed on the use of taxable property or services in-state, if the transaction has not already been subject to tax. This would include, for example, taxable items purchased via mail order or over the Internet if the vendor has no nexus with New York. The use tax also applies to certain uses of self-produced property or services. With some exceptions, the base of the use tax mirrors the base of the sales tax. For example, no use tax is imposed on gas or electric service. The use tax is remitted by the purchaser directly to the New York State Department of Taxation and Finance, but low compliance for certain transactions is a continuing issue.

EXEMPTIONS

A myriad of exemptions from sales tax has been enacted over the life of the tax for various reasons. Broad exemptions have been provided for sales for resale, and machinery and equipment used in production or in research and development. This prevents multiple taxation of the same property, or tax pyramiding. Additionally, items including food, medicines, medical supplies, and residential energy have been excluded from tax to lessen its regressiveness.[1]

Other exemptions such as sales to exempt organizations, certain vending machine sales and certain other coin-operated sales are also provided. Services including legal, medical and other professional services, sales of real property, and rent payments are also beyond the scope of the sales tax.

ADMINISTRATION

Persons selling taxable property or services are required to register with the Department of Taxation and Finance as sales tax vendors. Vendors generally are required to remit the tax quarterly. However, vendors that collect more than $300,000 of tax in one of the immediately preceding four quarters must remit the tax monthly, by the 20th of the month following the month of collection. Vendors collecting less than $3,000 yearly may elect to file annually, in June. Prior to June 1998, the threshold for opting to file annually was $250 in tax collected.

Vendors collecting more than $1 million annually in State and local tax are required to remit the tax by electronic funds transfer (EFT). Collections for the first 22 days of the month must be remitted electronically or by certified check within three business days thereafter. Legislation enacted in 1992 started the EFT program, originally with the threshold for mandatory participation at $5 million in annual tax liability. Legislation in 1994 and 1995 reduced the threshold to $4 million and the current $1 million threshold, respectively. Approximately 34 percent of the tax is remitted via EFT.

Special provisions for remitting the sales tax on gasoline motor fuel and cigarettes, targeted at reducing tax evasion, have been enacted. Since 1985 the sales tax on gasoline has been remitted by the first importer of the fuel into New York. The tax is prepaid at

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[1] Taxing a good or service is regressive if low-income persons pay a relatively greater share of their income on the taxed good or service than higher-income persons.

a per gallon rate based on regional prices. Legislation enacted in 1995 required prepayment of the sales tax on cigarettes. The tax is prepaid by cigarette agents at the same time as they pay for cigarette excise tax stamps.

Sales tax vendors are allowed to retain a portion of the sales tax that they have collected both as partial compensation for the administrative costs of collecting and remitting the tax and as an incentive for timely payment of the tax to the State. The vendor credit, enacted in 1994, is currently 3.5 percent of tax liability up to a maximum of $150 per quarter for returns filed on time.

SIGNIFICANT STATUTORY CHANGES

Numerous statutory changes have been made to the sales tax since its inception. The following is not a comprehensive list, but summarizes major sales tax legislation enacted since 1991.

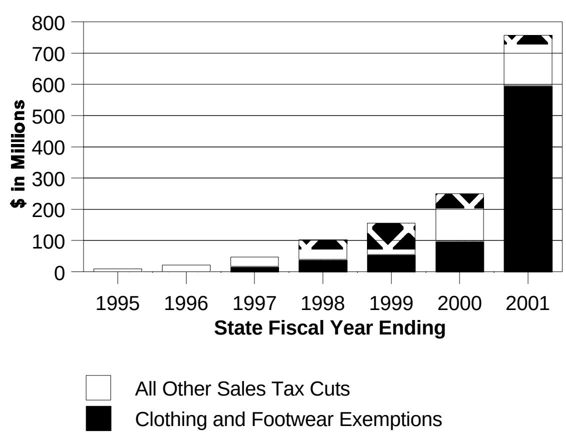
Subject	Description	Effective Date
Legislation Enacted in 1991		
Prewritten Computer Software	Expanded the types of computer software that are subject to the sales tax to include all prewritten software.	September 1, 1991
Shipping and Delivery	Included charges for shipping and delivery in the definition of taxable receipts.	September 1, 1991
Telephone Answering Services	Imposed tax on the receipts from the sale of telephone answering services.	September 1, 1991
Legislation Enacted in 1992		
Alternative Fuel Vehicles	Exempted incremental costs of new alternative fuel vehicles and related parts and services to the alternative fuel vehicles.	September 1, 1992
Legislation Enacted in 1994		
Racehorses	Exempted certain registered racehorses used in authorized pari-mutuel events.	June 1, 1994
Vendor Allowance	Enacted the vendor allowance credit for timely filed quarterly or annual returns at the rate of 1.5 percent of State sales tax collected up to a maximum of $100 per return.	September 1, 1994
Legislation Enacted in 1995		
Homeowners' Associations	Exempted dues paid to homeowners' associations operating social or athletic facilities for their members.	September 1, 1995
Meteorological Services	Exempted the sale of meteorological information services.	September 1, 1995
Legislation Enacted in 1996		
Clothing and Footwear	Exempted clothing and footwear priced under $500 for the one-week period of January 18-24, 1997.	January 18-24, 1997
Promotional Materials	Expanded the exemption for certain printed promotional materials distributed by mail to customers in New York State.	March 1, 1997

Subject	Description	Effective Date
Legislation Enacted in 1997		
Buses	Provided an exemption for buses used to transport persons for hire, and related parts and services.	December 1, 1997
Clothing and Footwear	Exempted clothing priced under $100 for the one-week periods of September 1-7, 1997, and September 1-7, 1998.	September 1-7, 1997; September 1-7, 1998
	Permanently exempted clothing priced under $100.	December 1, 1999
Homeowner Association Parking	Exempted parking services sold by a homeowners' association to its members.	December 1, 1997
Various Coin-Operated Devices	Raised the exemption threshold for bulk vending machine sales to 50 cents from 25 cents, exempted coin-operated car washes, exempted coin-operated photocopying costing under 50 cents, and exempted certain hot food and beverages sold through vending machines.	December 1, 1997
Vendor Allowance	Increased the sales tax vendor allowance from 1.5 percent to 3.5 percent of State tax collected capped at $150 per quarter.	March 1, 1999
Legislation Enacted in 1998		
Clothing and Footwear	Included footwear in the September 1-7, 1998, temporary clothing exemption and raised exemption threshold to $500 from $100.	September 1-7, 1998
	Exempted clothing and footwear priced under $500 during the January 17-24, 1999 period.	January 17-24, 1999
	Included footwear in the permanent clothing exemption beginning on December 1, 1999, and raised exemption threshold from $100 to $110.	December 1, 1999
Coin Telephones	Increased the exemption threshold for coin-operated telephone calls to 25 cents from 10 cents.	September 1, 1998
College Textbooks	Exempted textbooks purchased by college students which are required for their courses.	June 1, 1998
Computer Hardware	Exempted computer system hardware used to design and develop computer software for sale.	June 1, 1998
Internet Access Service	Codified State policy of exempting charges for Internet access services.	February 1, 1997
Materialmen	Allowed certain materialmen (i.e., building materials suppliers) to remit sales tax returns on either a cash or an accrual basis.	June 1, 1999
Telephone Central Office Equipment	Expanded existing exemption for telephone central office equipment to include such equipment or apparatus used in amplifying, receiving, processing, transmitting, and re-transmitting telephone signals.	September 1, 1998

Subject	Description	Effective Date
Legislation Enacted in 1999		
Clothing and Footwear	Changed the effective date of the permanent exemption for clothing and footwear priced under $110 from December 1, 1999, to March 1, 2000.	March 1, 2000
	Temporarily exempted clothing and footwear priced under $500 for the periods of September 1-7, 1999, and January 15-21, 2000.	September 1-7, 1999; January 15-21, 2000
Computer Hardware	Provided an exemption for computer system hardware used to design and develop Internet web sites for sale.	March 1, 2001
Farming	Expanded the farm production exemption to include fencing and certain building materials. Converted the refund for tax paid on motor vehicles to an exemption.	March 1, 2001
Telecommunications Equipment	Exempted machinery and equipment used to upgrade cable television systems to provide telecommunications services for sale and to provide Internet access service for sale.	March 1, 2001
Theater	Exempted certain tangible personal property and services used in the production of live dramatic or musical arts performances.	March 1, 2001

The tax cuts enacted since 1994-95 have had a substantial impact on sales tax receipts. In State fiscal year 1997-98, the sales tax savings accruing to taxpayers was over $100 million. Taxpayers saved an additional $53 million in 1998-99 and are estimated to save an additional $93 million in 1999-2000 and an additional $507 million in 2000-01. In total, these tax cuts are expected to save taxpayers over $750 million in 2000-01.

Value of Sales Tax Cuts Enacted Since 1994

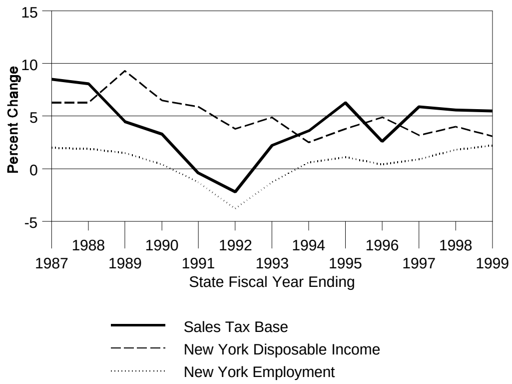


EXPLANATION OF ESTIMATES

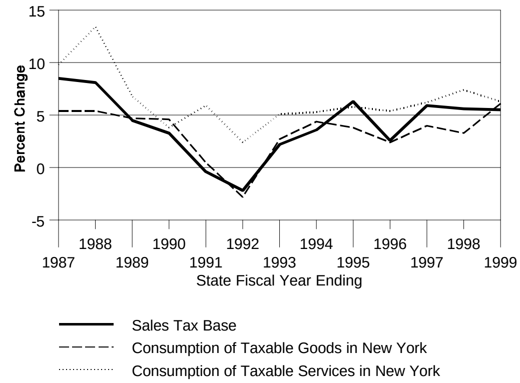
To generate a sales tax forecast, the Division of the Budget estimates an econometric model which establishes a relationship between quarterly economic growth and the underlying taxable sales base.

This forecast of taxable sales is supplemented by adjusting for Tax Law changes, audit collections, refunds, court decisions, administrative adjustments, and changes in collection procedures to arrive at a final sales tax estimate.

Growth in State Sales Tax Base, Income & Employment



Growth in State Sales Tax Base & Taxable Consumption



The years since the late 1980's represent a good example of the relationship between sales tax receipts and underlying economic factors. State fiscal years 1986-87 and 1987-88 were marked by growth in the continuing sales tax base of over eight percent, which is clearly related to the strong employment and income growth in New York and the associated robust growth in the consumption of goods and services taxable in New York. Conversely, State fiscal years 1988-89 through 1991-92 were characterized by slower growth or actual declines in the sales tax base, and this parallels declines in New York employment, New York disposable income, and taxable consumption. State fiscal years 1992-93 to 1996-97 witnessed improved growth rates in New York taxable consumption, but the State's economy came out of the recession more slowly and employment and personal income grew more modestly. This resulted in growth in the sales tax base that, although improved from the early 1990's, was moderate compared with the late 1980's. Since State fiscal year 1997-98, base sales tax receipts have grown over 5 percent per year reflecting the robust economy and continued strength in taxable consumption, State employment and disposable income.

1999-2000 RECEIPTS

State fiscal year 1999-2000 receipts from the State 4 percent sales tax are estimated at $8,057 million, an increase of $466 million, or 6.1 percent, above 1998-99. Growth in the underlying sales tax base is estimated at a healthy 7.0 percent. Year-to-date sales and use tax receipts are approximately 7.3 percent, or $418 million, above the comparable period in 1998-99. Receipts in the final quarter will be reduced by the exemptions for certain items of clothing and footwear as described below.

The strong growth in receipts can be attributed largely to the prospering State and national economies. Taxable consumption of goods in New York is expected to grow by 8.6 percent in 1999-2000 and taxable consumption of services to grow by 6.2 percent.

Several other factors have impacted 1999-2000 sales tax receipts, including:

— A carry-over of $33 million in receipts from State fiscal year 1998-99 due to the year-end closeout process;

— Taxpayer savings of nearly $100 million from the temporary clothing and footwear exemptions in September 1999 and January 2000, and the permanent exemption that begins March 1, 2000;

— Taxpayer savings of $45 million from the first full-year impact of tax cuts enacted in 1998, including exemptions for college textbooks, 25 cent coin-operated telephone calls and certain telecommunications and computer hardware equipment;
— Taxpayer savings of $25 million from the increased vendor credit that took effect on March 1, 1999;
— Revenue gains of nearly $17 million from the cigarette manufacturers price increases resulting from the Tobacco Settlement; and
— Audit and compliance receipts from the Case Resource and Tracking System (CARTS) program, which are projected to increase by $7 million over 1998-99 levels.

2000-01 PROJECTIONS

The current economic forecast projects slower growth in the variables believed to impact the level of taxable sales. Slower growth in State personal income, employment, and taxable consumption is anticipated. These factors combine to produce an increase of 4.5 percent in the continuing sales tax base.

Despite moderated but continuing growth anticipated in State taxable sales, cash receipts from the State 4 percent sales tax in 2000-01 are estimated to be $134 million (1.6 percent) below 1999-2000 levels, primarily due to the full-year impact of the permanent clothing and footwear exemption. This decrease will be partially offset by approximately $7 million in added sales tax receipts due to the 55 cent cigarette excise tax increase on March 1, 2000. It should be noted that hold-harmless provisions in the Tax Law prevent the clothing exemption from decreasing receipts that would have otherwise been available from the 0.25 percent MCTD tax in the Mass Transportation Operating Assistance Fund.

The primary risk factor for the sales and use tax estimate is the economic forecast, which provides the basis for the projection of growth in the taxable sales base. Unexpected slowdowns in income or employment would affect consumption and therefore impact the level of taxable sales. The forecast error in prior years can be largely attributed to the forecasts of economic variables.

Legislation submitted with this Budget will: expand the sales tax exemptions available to farmers and exempt certain equipment used in Internet web hosting facilities. These exemptions will have no impact on 2000-01 sales and use tax receipts.

FUNDS

The Local Government Assistance Corporation (LGAC) was created in 1990 to help the State eliminate its annual spring borrowing. To pay the debt service on the bonds issued by LGAC, the State has diverted the yield of one-fourth of net sales and use tax collections from the 4 percent statewide sales tax to the Local Government Assistance Tax Fund (LGATF). The Fund received $1,894 million in 1998-99 and will receive an estimated $2,013 million in 1999-2000 and $1,980 million in 2000-01. LGATF receipts in excess of debt service requirements on LGAC bonds are transferred to the General Fund.

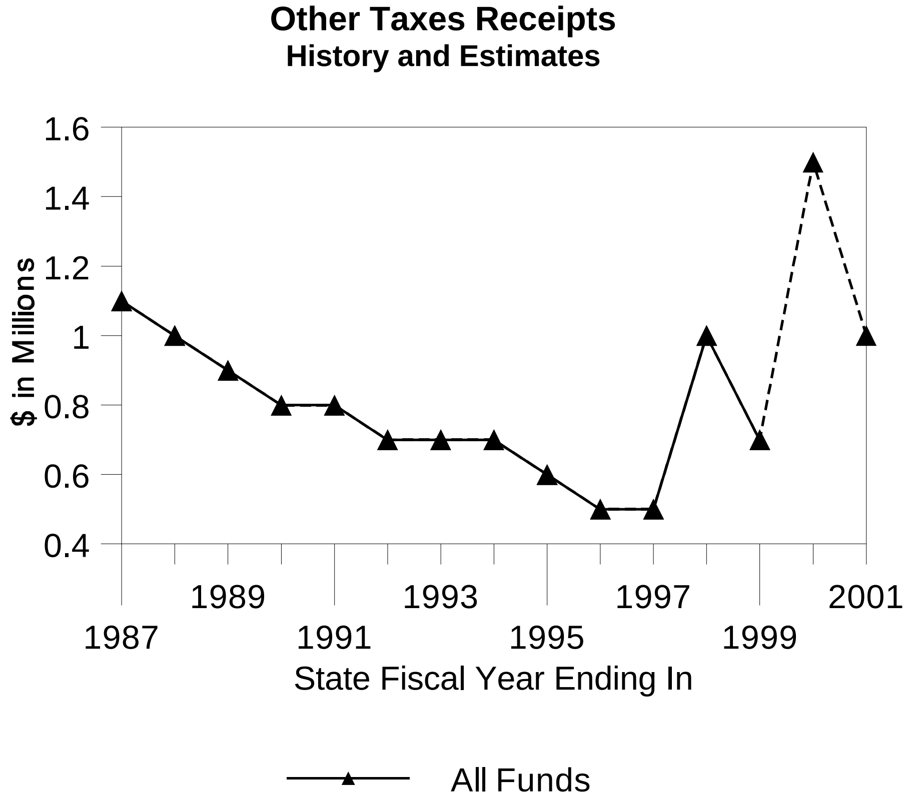
The Mass Transportation Operating Assistance Fund was created in 1981 to finance State public transportation needs. The Fund derives part of its revenues from the 0.25 percent sales and compensating use tax imposed in the Metropolitan Commuter Transportation District. The Fund, which received $321 million in sales and use tax receipts in 1998-99, will receive an estimated $341 million in 1999-2000 and $358 million in 2000-01.

Sales and Use Tax Receipts — All Funds
(thousands)

	Gross General Fund	Refunds	Net General Fund Receipts	Special Revenue Funds [1]	Capital Projects Funds	Debt Service Funds [2]	All Funds Net Collections
				Actual			
1991-92	$4,372,199	$12,989	$4,359,210	$231,300	. . . .	$1,434,827	$6,025,337
1992-93	4,514,288	27,538	4,486,750	241,589	. . . .	1,504,019	6,232,358
1993-94	4,578,362	18,785	4,559,577	248,163	. . . .	1,514,826	6,322,566
1994-95	4,918,969	21,151	4,897,818	263,607	. . . .	1,627,246	6,788,671
1995-96	5,036,299	41,451	4,994,848	292,199	. . . .	1,665,744	6,953,791
1996-97	5,265,260	40,212	5,225,048	289,129	. . . .	1,746,575	7,260,752
1997-98	5,466,602	24,254	5,442,348	305,949	. . . .	1,813,532	7,561,829
1998-99	5,728,834	32,136	5,696,698	321,405	. . . .	1,893,821	7,911,924
				Estimated			
1999-2000	$6,076,200	$32,000	$6,044,200	$341,200	. . . .	$2,012,500	$8,397,900
2000-01	5,974,800	32,000	5,942,800	357,700	. . . .	1,980,200	8,280,700

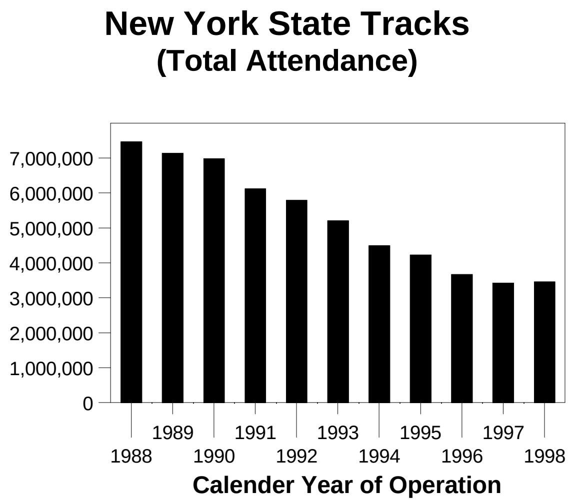
[1] Mass Transportation Operating Assistance Fund
[2] Local Government Assistance Tax Fund

OTHER TAXES

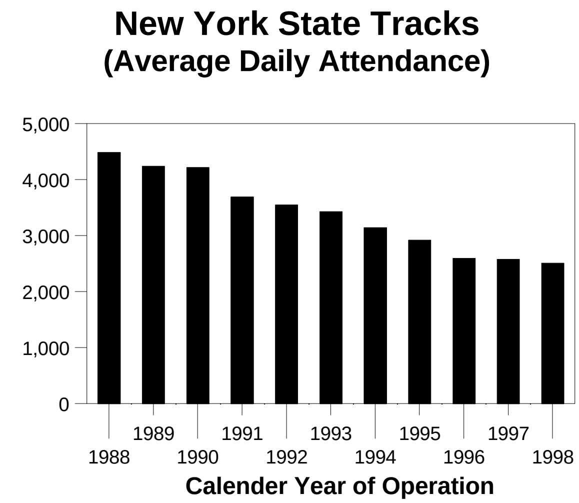


RACING ADMISSIONS TAX

A 4 percent tax is levied on the charge for admissions to racetracks and simulcast theaters throughout the State. Expanded interstate competition (e.g., the Meadowlands in New Jersey, OTB and jai alai in Connecticut) and growth in off-track betting activity within New York, as well as the proliferation of casinos within and outside New York State, have led to declines in total paid attendance at tracks (see charts) and in receipts from this source. Collections in 1996-97 were substantially reduced due to poor weather that resulted in a reduction in the number of racing days.



Source: New York Racing Association



Source: New York Racing Association

Despite a successful extended racing season at Saratoga Racecourse, total 1999-2000 collections are estimated at $280,000. Receipts from this tax for 2000-01 are projected at $270,000. Increased attendance at simulcast facilities and the Saratoga Racecourse meeting are entirely offset by continued admissions declines at other New York racetracks.

BOXING AND WRESTLING EXHIBITIONS TAX

A 5.5 percent tax is levied on gross receipts from boxing and wrestling exhibitions, including receipts from broadcast and motion picture rights. Single events of high spectator interest, such as the heavyweight championship fight early in 1999, can influence the yield of the tax substantially, causing receipts to vary considerably from year to year. Collections in 1997-98 were augmented by a one-time payment of back taxes.

Based on estimated collections through the first nine months of the current fiscal year, 1999-2000 receipts are expected to reach $1.22 million, primarily the result of the aforementioned heavyweight fight. The continued growth of on-site wrestling and boxing events are expected to increase base receipts. However, the absence of any significantly large events will lower collections to $630,000 for 2000-01.

General Fund Receipts from Other Taxes
(thousands)

	General Fund		Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Collections
	Admissions	Exhibitions				
				Actual		
1991-92	$438	$ 258	....	....	....	$ 696
1992-93	405	336	....	....	....	741
1993-94	399	262	....	....	....	661
1994-95	357	277	....	....	....	634
1995-96	310	182	....	....	....	492
1996-97	272	232	....	....	....	504
1997-98	310	639	....	....	....	949
1998-99	294	400	....	....	....	694
						Estimated
1999-2000	$280	$1,220	....	....	....	$1,500
2000-01	270	630	....	....	....	900

MISCELLANEOUS USER TAXES

AUTO RENTAL TAX

Since June 1, 1990, the State has imposed a 5 percent tax on charges for any rental or use in New York State of a passenger car with gross vehicle weight of 9,000 pounds or less that has seating capacity for nine or fewer passengers. The tax applies to a vehicle rented by a resident or a nonresident, regardless of where the vehicle is registered. The tax does not apply to a car lease covering a period of a year or more.

1999-2000 Receipts and 2000-01 Projections

Receipts from the auto rental tax are influenced by the overall health of the economy, including consumer and business spending, and by the strength of the State's tourism industry. Collections for the first nine months of the current fiscal year are estimated to be 19.0 percent, or $5.2 million, higher than receipts in the comparable period of 1998-99. Based on collections to date and the expectation of continuing growth in the economy for the remaining months of the fiscal year, General Fund auto rental tax receipts for 1999-2000 are estimated at $40.4 million.

Continued economic growth and demand for auto rentals are projected to increase 2000-01 receipts by $2 million over 1999-2000 levels.

CONTAINER TAX

From September 1, 1990, until November 30, 1995, New York State imposed a two cent tax on all nonrefillable soda containers that are in the State's bottle and can recycling deposit system. The deposit system was created in 1983 by the New York State Returnable Container Law, which imposes a refundable five cent deposit on soda and beer bottles and cans and wine cooler containers. Legislation enacted in 1995, effective December first of that year, cut the container tax to one cent per container. Legislation enacted in 1997 repealed the container tax effective October 1, 1998.

1999-2000 Receipts and 2000-01 Projections

Container tax receipts for the first nine months of State fiscal year 1999-2000 were approximately $6,000. This reflects the repeal of the tax effective October 1, 1998, and the net effect of audit collections and refunds. Receipts for 2000-01 are projected to be zero.

HOTEL OCCUPANCY TAX

From June 1, 1990, through August 31, 1994, New York State imposed a special hotel and motel occupancy tax at the rate of 5 percent of the daily charge for hotel or motel rooms or suites. Exemptions were provided for permanent residents and for rooms where the daily rate was less than $100.

On September 1, 1994, the State repealed the State hotel and motel occupancy tax, saving taxpayers approximately $75 million annually. State and, to a lesser extent, City hotel tax reductions have been credited with contributing to the recent boom in New York City hotel occupancy and revenues.

1999-2000 Receipts and 2000-01 Projections

The minimal year-to-date hotel occupancy receipts of approximately $4,300 reflect audit efforts and residual payments. Net residual payments for the remainder of 1999-2000 and for 2000-01 are projected to be zero.

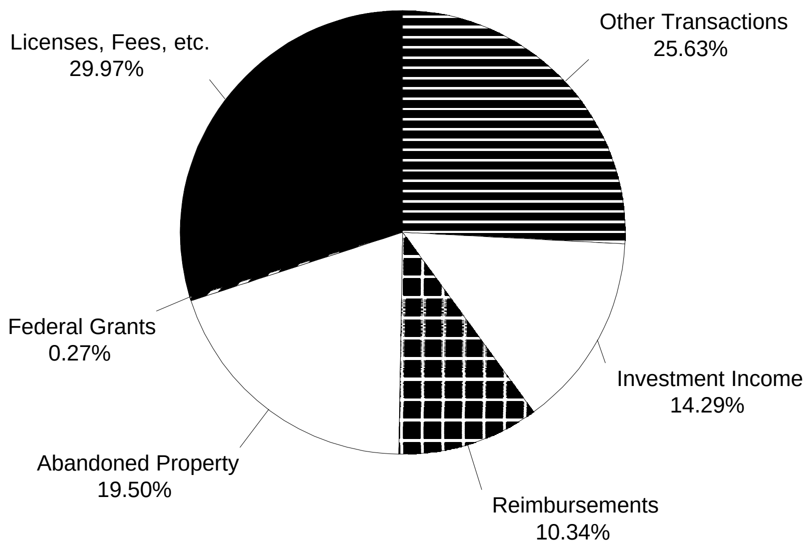
Receipts from Miscellaneous User Taxes
(thousands)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
				Actual			
1991-92	$129,948	$ 8	$129,940	....	....	....	$129,940
1992-93	152,538	19	152,519	....	....	....	152,519
1993-94	148,159	15	148,144	....	....	....	148,144
1994-95	121,686	115	121,571	....	....	....	121,571
1995-96	75,728	27	75,701	....	....	....	75,701
1996-97	57,416	36	57,380	....	....	....	57,380
1997-98	59,134	103	59,031	....	....	....	59,031
1998-99	53,275	1	53,274				53,274
				Estimated			
1999-2000	$ 40,400	....	$ 40,400	....	....	....	$ 40,400
2000-01	42,400	....	42,400	....	....	....	42,400

MISCELLANEOUS RECEIPTS
General Fund

Miscellaneous Receipts cover a broad range of unrelated revenue sources with significant recurring income derived from abandoned property, investment earnings, fees, and transfers from the funds of other State entities. Income is also received from licenses, fines, and various reimbursements to the State's General Fund. Each year, the reported receipts are also affected by various nonrecurring transactions.

Main Components of Miscellaneous Receipts
State Fiscal Year 1998-99



In fiscal year 1998-99, Miscellaneous Receipts totaled $1,505 million. Major revenue sources in that year included: $293 million in unclaimed and abandoned property; $215 million in interest earnings on short-term investments and bank accounts (this amount is net of certain expenses incurred in providing banking services to various State agencies); $451 million in fees, licenses, fines, royalties, and rents; $373 million in medical provider assessments; $156 million in reimbursements; and $4 million in Federal grants. In addition, the receipts included $2 million from the Energy Research and Development Authority and a $11 million repayment from the Long Island Power Authority.

1999-2000 RECEIPTS

Miscellaneous Receipts are estimated at $1,474 million in 1999-2000, a decrease of $31 million from the prior year. The estimate includes receipts of $299 million in unclaimed and abandoned property; $231 million in net investment earnings; $551 million in fees, licenses, fines, royalties and rents; $158 million in medical provider assessments, reflecting the final year of the gradual phase-out of most assessments (only the assessments on State and voluntary OMRDD facilities will continue); $146 million in reimbursements; $4 million in Federal grants; $3 million from the Energy Research and Development Authority; and a one-time deposit of $82 million of HCRA moneys.

2000-01 PROJECTIONS

Miscellaneous Receipts are projected at $1,339 million in 2000-01, a decrease of $135 million from the amount estimated for 1999-2000. This projection includes receipts of $319 million in unclaimed and abandoned property; $219 million in net investment earnings; $146 million in reimbursements; $497 million in fees, licenses, fines, royalties and rents; $129 million in the continuing medical provider assessments; $4 million in Federal grants; $3 million from the Power Authority of the State of New York; and $1.5 million from the Energy Research and Development Authority.

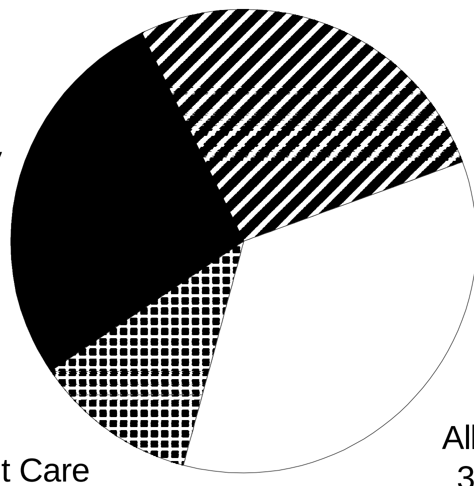
Legislation submitted with this Budget proposes an amnesty on interest and penalties for health facility providers who pay any outstanding assessments during the period April 1, 2000, through December 31, 2000. The amnesty program is expected to bring in $20 million in receipts.

General Fund
Miscellaneous Receipts
(millions)

	1996-97	1997-98	1998-99	1999-2000	2000-01
	--------------- Actual		--------------------	----------Estimated	--------- -
License, Fees, Etc.	$ 446	$ 490	$ 451	$ 551	$ 497
Federal Grants	4	4	4	4	4
Abandoned Property	265	270	293	299	319
Reimbursements	187	199	156	146	146
Investment Income	72	125	215	231	219
Other Transactions	1,098	510	386	243	154
Total	$2,072	$1,598	$1,505	$1,474	$1,339

MISCELLANEOUS RECEIPTS
Special Revenue Funds

Miscellaneous Receipts
1998-99 Special Revenue Funds Receipts



Miscellaneous receipts in the Special Revenue fund type represent approximately 20 percent of total receipts in that fund type, excluding transfers from other funds. These receipts include State University of New York (SUNY) tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses, all of which are dedicated to support specific programs.

STATE UNIVERSITY INCOME

The majority of receipts in the Special Revenue Funds which support the State University's operations are tuition, patient revenue, and user fees. SUNY's three teaching hospitals at Brooklyn, Stony Brook and Syracuse receive patient revenue from third-party payors including Medicare, Medicaid, Blue Cross, commercial insurers, and individuals. User fees, which include fees for food, parking, career placement and recreation, are generated from those who use these services, including students, faculty, staff, and the general public.

LOTTERY

A portion of the receipts from the sale of lottery tickets is earmarked for the support of education and the administrative costs associated with Lottery operations. The Lottery is discussed in detail in a separate section.

INDIGENT CARE

The Indigent Care Fund allows the State to claim Federal reimbursements to fund health care provided by hospitals to the medically indigent. Revenue is received from a bad debt and charity care pool funded with non-Federal Medicaid dollars, and money from various payors including Blue Cross, commercial insurers, and hospitals.

ALL OTHER

The remaining revenues in this category include a wide variety of fees, licenses, and assessments collected by State agencies primarily to support all or specific components of their operations. Receipts from assessments primarily reflect reimbursements from regulated industries, which fund the administrative costs of State agencies charged with their oversight. State agencies funded entirely from assessments include the Banking Department, the Insurance Department, the Public Service Commission, and the Workers' Compensation Board.

Miscellaneous Receipts
Special Revenue Funds
(millions)

	1996-97	1997-98	1998-99	1999-2000	2000-01
	------------------- Actual	-------------------	-------------------	--------- Estimated	---------
State university income	$1,564	$1,545	$1,561	$1,602	$1,649
Lottery	1,646	1,658	1,576	1,499	1,626
Indigent care	568	574	666	680	858
All other	1,647	1,754	2,010	2,161	2,772
Total	$5,425	$5,531	$5,813	$5,942	$6,905

LOTTERY

In 1966, New York State voters approved a referendum authorizing a State lottery, and ticket sales commenced under the auspices of the Division of the Lottery. Under the original lottery legislation, a lotto-type game was offered with 30 percent of gross receipts earmarked to prizes, 55 percent to education, and the remaining 15 percent represented a limit on administrative expenses. Since then, numerous games have been introduced with varying prize payout schedules to make them attractive to the consumer.

The Lottery Division manages the sale of lottery tickets, operating as an independent agency within the Department of Taxation and Finance. It currently operates four types of games:

— Instant games, in which most prizes are won immediately;

— Lotto games, which are pari-mutuel, pick-your-own-numbers games offering large top prizes with drawings conducted six times weekly: four 5-of-39 draws (Take 5), and two 6-of-51 draws (Lotto 51). For the Lotto 51 game, the value of any top prize not won is added to the top prize in the subsequent drawing;

— Daily numbers games, which are fixed-odds games with daily drawings in which players select either a three digit number (Daily Numbers game) or a four digit number (Win 4 game); and

— Keno-like games, which are pari-mutuel pick-your-own 10 of 80 numbers games with drawings conducted either daily (Pick 10) or every five minutes (Quick Draw). Lottery pays top prizes of $500,000 in Pick 10 and $100,000 in Quick Draw.

Under current law, the Comptroller, pursuant to an appropriation, distributes all net receipts from the lottery directly to school districts for the purposes of providing school aid. This aid includes special allowances for textbooks for all school children and additional amounts for pupils in approved State-supported schools for the deaf and the blind.

After the earmarking for prizes, Lottery uses a portion of net sales (not exceeding 15 percent) for its administrative expenses and the remainder is available to support education. The minimum statutory allocation to education for Lotto 51 games is 45 percent of ticket sales; for Take 5, numbers and Pick 10 games, 35 percent; for instant games, 20 percent; and for Quick Draw, 25 percent. At the end of each fiscal year, any unspent portion of the 15 percent of ticket sales not used for administration is also used for education. Net lottery receipts from sales totaled $1,297 million for 1998-99. Disbursements of $1,442.4 million supported education, including $145.4 million from surplus administrative funds.

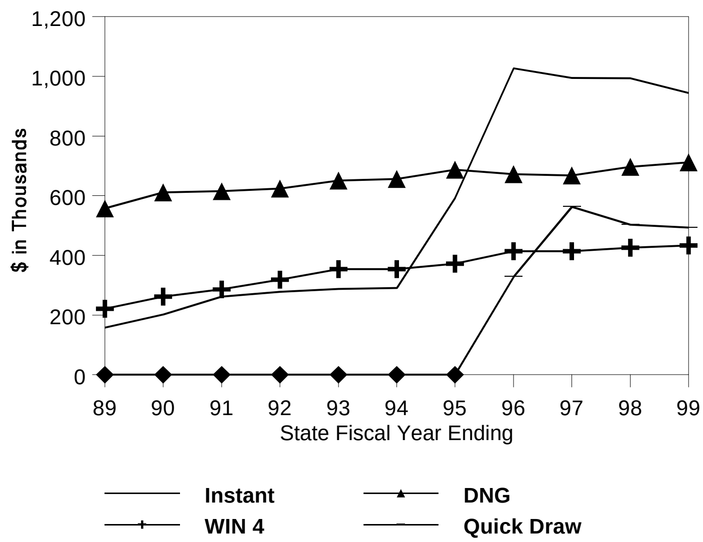
1999-2000 RECEIPTS

Sales of lottery games are expected to be $3.57 billion in 1999-2000.

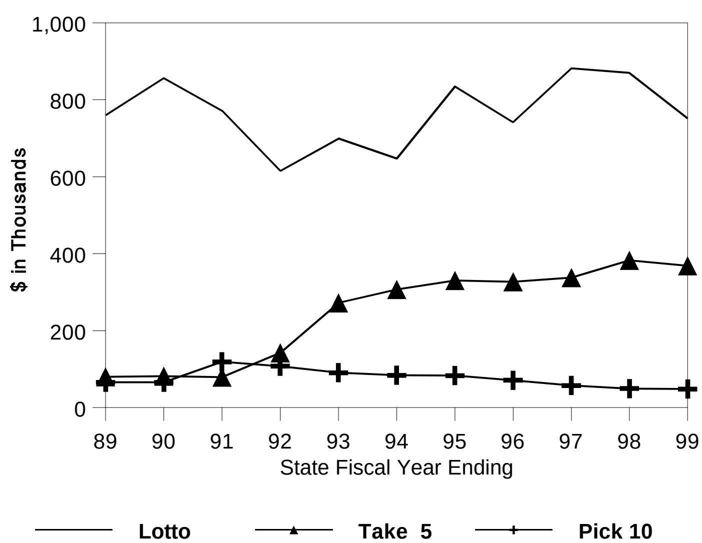
A gradual weakening in Lotto sales has developed over the past several years, stemming from several factors: (1) the low level of interest rates over recent years, which inhibits the rapid increase in jackpot levels because it increases the cost of purchasing annuities; (2) raised expectations of exceptionally large jackpots, resulting from the competitive Big Game and Power-Ball games offered in other states; (3) increased competition from Indian casinos in and around New York; and (4) waning consumer interest, based on the maturity of the game. This same phenomenon of declining trends in Lotto sales has been experienced in most states with similar Lotto structures.

Despite revising the Lotto game to improve the chance of winning a prize, Lotto 51, a jackpot driven game, is experiencing continuing weakness, primarily the result of a low number of very large jackpots. In addition, the recently concluded promotional Lotto 31 and Lotto Millennium games, which enjoyed limited success accounting for some $100 million in sales, may have siphoned off some Lotto 51 sales.

Fixed Odds/Instant Prize Games
(DNG, Win 4, QD, Instant)



Pari-Mutuel Prize Games
(Lotto, Take 5, Pick 10)



Instant ticket game sales have increased largely as the result of legislation passed in 1999 increasing the prize payout. Instant ticket sales had been down 6 percent prior to the impact of this legislation. Current sales levels from the new mix of instant games remain strong, but some erosion in the older games is noticeable.

Numbers game sales are benefitting from the addition of new agents and player awareness. Quick Draw sales are down significantly due to a four month shutdown, resulting from a temporary sunset of legislative authorization from April through July of 1999. Take 5 and Pick 10 are continuing the downtrends exhibited in recent years.

Total sales of all lottery games are estimated at $3,567 million, are expected to provide $1,232 million for education. After including $128 million from unspent administrative allowances and miscellaneous income, total net lottery receipts earned for education in 1999-2000 are expected to total $1,360 million. However, the 1999-2000 lottery appropriation caps disbursements to education at $1,345 million; this results in a $15 million carry-out from 1999-2000 into 2000-01.

Table 1
Components of Lottery Receipts
(millions)

	1994-95 Actual	1995-96 Actual	1996-97 Actual	1997-98 Actual	1998-99 Actual	1999-2000 Estimated	2000-01 Projected
Instant Game	$ 177.9	$ 308.0	$ 298.4	$ 298.5	$ 283.2	$ 271.5	$ 271.6
Lotto Games	375.8	333.9	399.0	395.9	338.3	345.5	301.9
Take-5 Games	116.0	114.5	118.3	133.9	128.9	115.0	111.1
Daily Numbers Games	240.5	235.6	233.7	243.9	249.2	244.0	245.5
Win-4 Games	145.1	144.8	149.0	151.7	157.0	159.0	160.9
Pick 10 Games	29.2	24.9	20.2	17.4	17.0	14.5	13.5
Quick Draw	0	82.0	140.7	125.8	123.4	82.5	123.5
Subtotal	$1,084.5	$1,243.7	$1,359.3	$1,367.1	$1,297.0	$1,232.0	$1,228.0
Administrative Surplus *	131.5	138.8	168.8	166.8	145.4	128.0	130.0
Current Receipts Subtotal	$1,216.0	$1,382.5	$1,527.9	$1,533.9	$1,442.4	1,360.0	$1,358.0
Carry-In from Prior Year	10.0	64.1	5.3	0	0	0	15.0
Carry-Out from Current Year	-64.2	-5.3	0	0	0	-15.0	0
Net Receipts for Education	$1,161.8	$1,441.3	$1,533.2	$1,533.9	$1,442.4	$1,345.0	$1,373.0

* Reflects miscellaneous income and the balance of the 15 percent administrative allowance, after deducting actual expenses, vendor allowances, and agent commissions.

2000-01 PROJECTIONS

Under current law, this Budget projects Lottery sales for 2000-01 of $3.70 million, with current receipts for the support of education projected at $1,373 million (see Table 1) after including a carry-in of $15 million from the prior year, paying prizes, and budgeting $111 million for administration.

Instant ticket sales, reflecting increased participation by players resulting from higher prize payouts, are expected to increase significantly. However, instant game receipts for education will improve only slightly, as the allocation for education was reduced. Nevertheless, it is projected that without the improved instant game payout, instant game sales in 2000-01 would have declined over 12 percent from 1998-99 results. Quick Draw receipts will benefit from a full year of sales, while all other game sales are projected to continue their recent trends, assuming no significant changes to their current format.

Legislation is being submitted with this Budget that would authorize the State to join a multi-state lottery. The proposal calls for an April 1, 2000, authorization. The proposal is projected to raise an additional $124 million in lottery aid for education and result in total lottery receipts for education of $1,497 million.

Table 2
Net Lottery Receipts for Education
(thousands)

Actual	
1991-92	$ 845,448
1992-93	961,000
1993-94	1,054,000
1994-95	1,161,850
1995-96	1,441,300
1996-97	1,533,203
1997-98	1,533,904
1998-99	1,442,427
Estimated	
1999-2000	$1,345,000
2000-01 (Current law)	1,373,000
2000-01 (Proposed law)	1,497,000

MISCELLANEOUS RECEIPTS
Capital Projects Funds

Miscellaneous receipts in the Capital Projects fund type include reimbursements from the proceeds of bonds sold by public authorities, fees, and other sources of revenue dedicated to specific funds primarily for environmental or transportation capital purposes.

REIMBURSEMENT FROM AUTHORITY BOND PROCEEDS

Pursuant to statutory authorizations, State agencies enter into contractual arrangements with public authorities to provide for the financing of State capital projects. The State makes payments directly for projects and is reimbursed by the public authority from the proceeds of bonds. The amount of reimbursements received annually is a direct result of the level of bondable capital spending in that year, and the timing of bond sales. As bondable spending fluctuates with the progress of capital programs, so do the bond receipts reimbursing such spending. Reimbursements from authority bond proceeds will account for approximately 81 percent of all miscellaneous receipts flowing to capital project funds in 2000-01. Compared to the current year, authority reimbursements in 2000-01 are projected to remain level at approximately $1.70 billion.

STATE PARKS FEES AND ENVIRONMENTAL REVENUES

User fees and other revenues generated by State parks are deposited into the State Parks Infrastructure Fund. These revenues, which are projected at $26 million in 2000-01, will be used to finance improvements in the State's park system.

The Environmental Protection Fund is projected to receive miscellaneous receipts in 2000-01 from the sale of surplus State lands, leases of coastal State property, settlements, and the sale of environmental license plates. Other environmental revenues, from settlements with individuals and other parties who are liable for damage caused to State environmental properties, are deposited in the Natural Resource Damages Fund.

ALL OTHER

Various other monies are received in the Capital Projects funds to support capital programs and to reimburse the State for capital spending on behalf of municipalities and public authorities, such as the Housing Finance Agency. The remaining receipts are repayments of monies advanced or loaned to municipalities, authorities, and private corporations.

The All Other Miscellaneous Receipts category for 2000-01 is projected to increase $213 million over the current year and primarily reflects the deposit of $250 million in the Debt Reduction Reserve Fund (DRRF) from one-time moneys received by the State as part of its revenues under the tobacco settlement agreement. This deposit, together with an additional one-time deposit to DRRF of $250 million from the 1999-2000 surplus, will increase the DRRF balance at the beginning of 2000-01 to an historic high of $750 million. DRRF funds will be used to pay off the State's high cost debt or increase pay-as-you-go spending for previously bond-financed projects.

Miscellaneous Receipts
Capital Projects Funds
(millions)

	Actual			Estimated	
	1996-97	1997-98	1998-99	1999-2000	2000-01
Authority Bond Proceeds					
Transportation	$ 413	$ 480	$ 697	$ 893	$ 906
Public protection	133	213	351	278	210
Education	143	169	117	249	290
Mental hygiene	226	215	132	164	96
Housing	96	50	70	89	90
Other	143	97	92	27	83
State park fees	25	23	27	27	26
Environmental revenues	14	29	25	25	35
All other	86	49	56	114	327
Total	$1,279	$1,325	$1,567	$1,866	$2,063

MISCELLANEOUS RECEIPTS
Debt Service Funds

Miscellaneous receipts in the Debt Service fund type include patient revenues, fees, interest income, and other revenues. These revenues are dedicated in the first instance for the payment of lease-purchase agreements, contractual obligations, and debt service, and support about 15 percent of the State's debt service payments. These revenues have been pledged as security for bonds issued for mental hygiene and health facilities, and dormitories, or are used by the State to pay debt service on general obligation housing bonds. After such requirements are satisfied, the balance of most miscellaneous receipts together with other receipts and transfers, flow back to the General Fund or to Special Revenue funds which are used to offset the General Fund share of State operations.

MENTAL HYGIENE RECEIPTS

Payments from patients and various third-party payers, including Medicare and insurance companies, for services provided by the mental hygiene agencies are deposited in the Mental Health Services Fund as miscellaneous receipts. Additionally, portions of State and local assistance and Federal Medicaid payments to not-for-profit community facilities are earmarked to pay their share of debt service, and are also deposited as miscellaneous receipts in the Mental Health Services Fund. These receipts, together with the transferred Medicaid money, secure bonds sold by the Dormitory Authority for State and community mental hygiene facilities.

DORMITORY FEES

Miscellaneous receipts in the State University of New York (SUNY) Dormitory Fund are composed primarily of fees charged to SUNY students for room rentals in the dormitories. The receipts of the Fund are pledged for debt service on bonds sold by the Dormitory Authority for the construction and improvement of the dormitories pursuant to a lease agreement.

HEALTH PATIENT RECEIPTS

Patient care reimbursements at the Department of Health's hospitals (Roswell Park Cancer Institute — whose operations were transferred to a public corporation — and Helen Hayes) and veterans' homes (Oxford, New York City and Western New York) are deposited into the Health Income Fund. Similar to mental hygiene receipts, they are composed of payments from Medicaid, Medicare, insurance, and individuals. Although Roswell Park's receipts in excess of debt service requirements are no longer reflected in the State's Financial Plan, its patient care reimbursements are required to continue to be deposited into the Fund to satisfy bondholder security and debt service obligations. Those receipts are pledged as security for bonds sold by the Dormitory Authority for the construction and improvement of Health Department facilities.

Miscellaneous Receipts
Debt Service Funds
(millions)

	1996-97	1997-98	1998-99	1999-2000	2000-2001
	Actual			Estimated	
Mental hygiene patient receipts	$255	$266	$269	$284	$251
SUNY dormitory fees	187	194	202	202	205
Health patient receipts	145	145	126	85	89
All other	37	34	33	35	30
Total	$624	$639	$630	$606	$575

FEDERAL GRANTS

To qualify to receive Federal grants, the State must comply with a broad spectrum of guidelines established by the Federal government. Each Federal grant is assigned a Catalog of Federal Domestic Assistance number which provides specific purposes for which grants must be used pursuant to Federal laws and regulations. Also, the State is required to follow specific cash management practices regarding the timing of cash draws from the Federal government pursuant to regulations for each grant award. In most cases, the State finances this spending in the first instance, and then subsequently receives reimbursement from the Federal government.

Total receipts from the Federal government are projected at $22.88 million in 1999-2000 and $24.39 million in 2000-01. These revenues represent approximately 31 percent of total receipts in governmental funds, excluding general obligation bond proceeds, and are deposited into the Special Revenue and the Capital Projects fund types.

SPECIAL REVENUE FUNDS

Federal grants account for approximately three-quarters of all receipts in the Special Revenue fund type, and are used to support a wide range of programs at the State and local government level. The single largest program supported by Federal funds is Medicaid.

The Medicaid program provides care, treatment, maintenance, medical supplies, and professional services to eligible persons. The State receives monies from the Federal government to make payments to providers for both State-operated and non-State- operated facilities. The State-operated category includes facilities of the Offices of Mental Health and Mental Retardation and Developmental Disabilities and the Department of Health, as well as teaching hospitals of the State University. These facilities receive Medicaid funds for the delivery of eligible services to patients.

Receipts for State-operated facilities represent 13 percent of total Federal Medicaid reimbursements, while receipts for non-State-operated facilities represent the remaining 87 percent.

Other Federal grants in the Special Revenue Funds support programs administered primarily by the departments of Education, Family Assistance, Health, and Labor. These programs include Welfare, Foster Care, Food and Nutrition Services, and Supplementary Educational Services.

CAPITAL PROJECTS FUNDS

Federal grants in the Capital Projects fund type finance transportation planning, engineering, and construction projects. Federal grants also support local wastewater treatment projects financed through the State's Revolving Loan Fund. Other Federal grants are for the rehabilitation of state armories, eligible housing programs, and other environmental purposes.

Federal Grants
(millions)

	General Fund	Special Revenue Funds			Total Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total All Funds
		Medicaid	Welfare	All Other				
	-- Actual --							
1991-92	. . . .	$ 8,401	$1,523	$4,382	$14,306	$ 943	. . . .	$15,249
1992-93	. . . .	9,152	1,714	4,824	15,690	975	. . . .	16,665
1993-94	. . . .	10,620	1,873	5,067	17,560	913	. . . .	18,473
1994-95	. . . .	11,251	2,050	5,182	18,483	892	. . . .	19,375
1995-96	. . . .	11,849	2,041	5,326	19,216	1,011	. . . .	20,227
1996-97	. . . .	12,424	1,743	4,838	19,005	1,043	. . . .	20,048
1997-98	. . . .	13,183	2,219	5,109	20,511	1,132	. . . .	21,643
1998-99	. . . .	13,612	1,488	6,322	21,422	1,219	. . . .	22,641
	-- Estimated --							
1999-2000 . . .	. . . .	$14,123	$1,112	$6,321	$21,556	$1,319	. . . .	$22,875
2000-01	. . . .	14,914	1,100	6,996	23,010	1,377	. . . .	24,387

PART III

CAPITAL PROGRAM AND FINANCING PLAN

CAPITAL PROGRAM AND FINANCING PLAN

HIGHLIGHTS

DEBT REFORM — CONTROLLING STATE DEBT AND REDUCING TAXPAYER COSTS

A cornerstone of Governor Pataki's restoration of fiscal integrity and discipline in New York State's finances has been his policy to control both the costs and levels of State debt. The success of these efforts have been acknowledged by the financial community — the State's credit rating has been upgraded twice in two years, improving the marketability of State-supported debt. This year, the Governor proposes a tripling of the State's Debt Reduction Reserve Fund and a series of Constitutional and statutory changes that will ensure his policy of prudent debt management remains in place for generations to come.

CONSTITUTIONAL AND STATUTORY DEBT REFORM

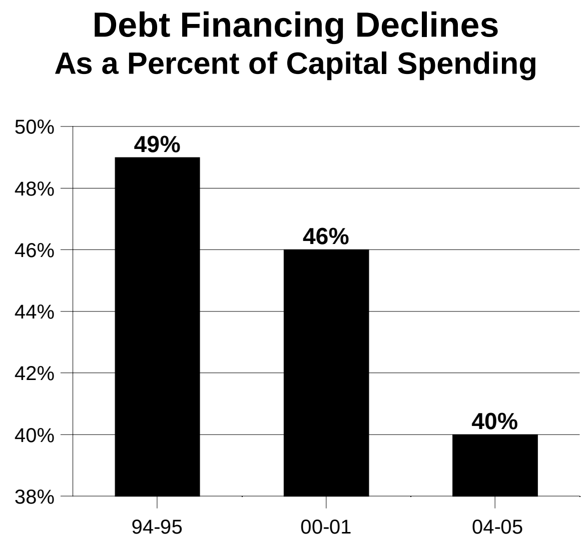
The Governor's new Constitutional and statutory debt reform effort will:

— Cap new debt outstanding at 3.5 percent of personal income, reflecting a significant decline from the current level of 6 percent of personal income;
— Cap new debt service costs at 5 percent of All Funds receipts. This will ensure that ultimate debt service costs as a percent of All Funds receipts will not grow from their current levels of about 5 percent;
— Ban "back door" borrowing and Constitutionally authorize a limited amount of revenue-backed debt (no more than 1.75 percent of personal income);
— Authorize multiple general obligation bond act proposals;
— Restrict the use of debt to financing capital purposes only;
— Reduce the maximum term of debt to 30 years; and
— Require that proposals which would increase debt be aired publically for 14 days prior to Legislative action.

The Governor's debt reform proposal will permanently improve the State's debt practices, and is consistent with proposals recently advanced by the State Comptroller and the Assembly Minority. Statutory caps will be imposed, beginning in 2000-01, and will remain in effect until the Constitutional amendment takes effect. Since Constitutional amendments require passage by two separately-elected Legislatures and approval by the voters, they could not take effect until January 1, 2002.

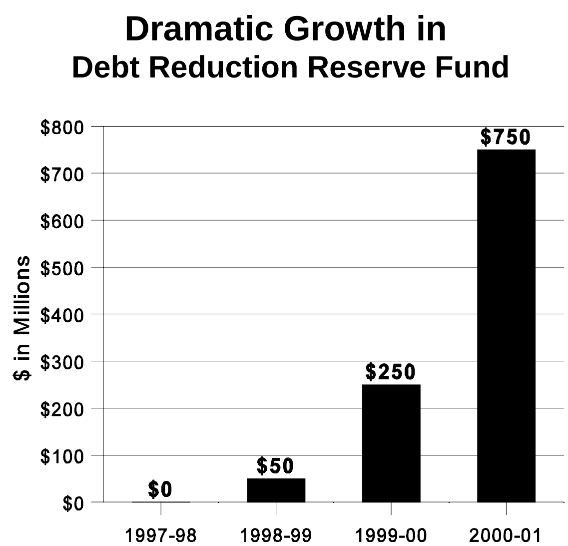
CAPITAL PROGRAM AND FINANCING PLAN CONTINUES TO REDUCE RELIANCE ON DEBT

The five-year Capital Program and Financing Plan reduces State debt levels by financing strategic investments in vital capital projects with a larger portion of State and Federal pay-as-you-go resources. The portion of the Plan financed with debt will decline from 49 percent in 1994-95 to 40 percent in 2004-05.



DEBT REDUCTION RESERVE FUND — THIRD CONSECUTIVE DEPOSIT CONTINUES TO LOWER DEBT

In 1998-99, the Governor created the Debt Reduction Reserve Fund (DRRF) with an initial deposit of $50 million, as a "down payment" on reducing New York's debt. In 1999-2000 the Governor increased the Fund to $250 million. The 2000-01 Executive Budget adds an additional $500 million to bring the Fund's balance to $750 million — fifteen times the initial "down payment" — in just three years.



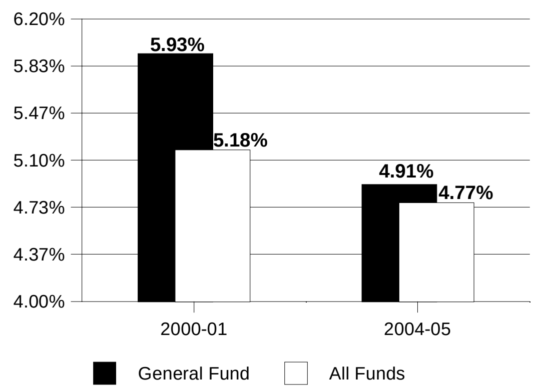
Governor Pataki's third consecutive deposit into DRRF consists of $250 million from one-time moneys received by the State as part of its recoveries under the tobacco settlement agreement and $250 million from the 1999-2000 surplus. Two thirds, or $500 million, of the moneys will be used in the upcoming Budget to retire the State's high cost debt and increase pay-as-you-go spending for previously bond-financed programs. The balance, or $250 million, will recapitalize DRRF in 2000-01 — ensuring that debt is reduced further in 2001-02. Over the life of the five-year Capital Plan, these actions will reduce State debt by $750 million and generate $1.5 billion in savings to taxpayers in the form of decreased debt service costs.

TARGETED CAPITAL SPENDING CONTROLS OVERALL DEBT AND COSTS

Capital spending will average $4.3 billion annually over the life of the five-year Plan and is targeted to high priority investments in vital programs. Financing resources for the Capital Plan reflect a prudent balance between controlling debt through debt reform and an increased use of pay-as-you-go resources to ensure that sound investments in the State's infrastructure continue to promote economic development, protect the health and safety of New Yorkers and educate our children and the next workforce.

— Average annual growth in total State-supported debt outstanding through the end of the five-year Capital Plan is limited to 1.4 percent — less than the rate of inflation.
— Total debt outstanding declines as a percent of personal income — from about 6 percent in 1999-2000 to 5.1 percent in 2004-05.
— Debt service costs as a percent of General Fund and All Funds receipts declines as shown below.

Debt Service Cost Decline
As a Percent of Revenues



OVERVIEW

The Plan is submitted with the Executive Budget in accordance with section 22-c of the State Finance Law. It consists of two sections, the Financing Plan and the Capital Program Plan, which provide capital planning and financing information for the current fiscal year and the five-year period 2000-01 through 2004-05.

The Financing Plan section provides a summary of agency capital spending by financing source and on a program, agency and issuer basis. It also shows the level of debt issuances, retirements, outstanding State-supported debt and the resultant impact on future debt service costs.

The Capital Program Plan section provides agency capital goals and objectives, including a discussion of recommended projects and changes from prior year plans. Also included in this section are the recommended methods for financing new and ongoing capital programs or initiatives, and agency schedules of projected appropriations, commitments and disbursements. The agency narratives provide a summary of each agency's capital goals and maintenance efforts.

FINANCING PLAN

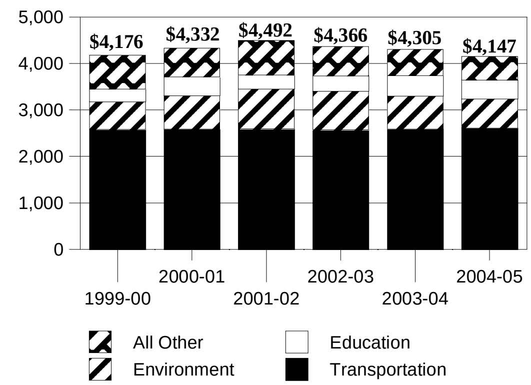
This section discusses the financing sources for each agency's capital program. Projected levels of spending by fiscal year are arrayed according to the expected source of funding. These include State and Federal pay-as-you-go resources, and proceeds of general obligation or authority bonds.

The Financing section of the Capital Program and Financing Plan presents the State's current assumptions about future Federal grants, general obligation bond authorizations, the use of State-supported debt, General Fund transfers, and support from other resources. The capital spending and financing receipts presented in this section correspond to the financial projections contained in the Executive Budget. Five-year financial plans for the Capital Projects Funds and the Debt Service Funds are also included to provide the reader with a consolidated summary of all financial activity described in this Plan. Finally, this section includes schedules of bond issuances, retirements, debt outstanding and associated debt service costs for all State-supported debt. This information is provided separately for each program, by issuer.

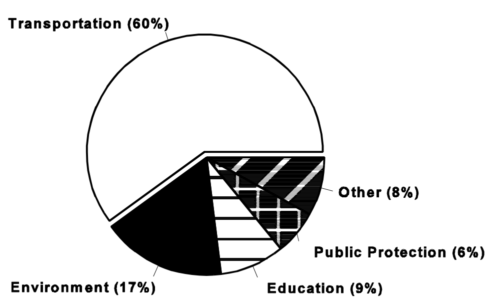
CAPITAL SPENDING FOCUSED ON HIGH PRIORITY CAPITAL INVESTMENTS

Recommended 2000-01 capital spending increases by about $160 million, or less than 4 percent, from the estimate for 1999-2000. Average annual spending over the outyears of the Plan remains relatively flat. The Plan recommends capital appropriations and reappropriations of $37.2 billion (net of transfers), which will continue to support the State's diverse capital investments. Almost 97 percent of new appropriations are targeted for the preservation of existing facilities while the balance provides for new capital facilities to accommodate additional capacity needs. Total capital spending over the Plan is projected at $21.6 billion, and will average $4.3 billion annually.

Capital Spending Targeted to Essential Investments



Capital Spending for Critical Investments



Transportation spending, primarily for improvements to the State's highways and bridges, continues to account for the largest share of total spending — 60 percent. Another 17 percent is for environmental purposes, including the Clean Water/Clean Air Bond Act and approximately 15 percent is projected for education and public protection. The remainder will be spent in other areas, including mental hygiene, economic development and housing. Key spending recommendations included in the Plan are discussed below.

— The State's transportation infrastructure is a key element in the State's overall commitment to making investments that encourage economic development and promote commerce. A new Department of Transportation (DOT) five-year (2000-01 through 2004-05) transportation plan will provide more than $14 billion for DOT programs that will continue to support State highways and bridges, rail, industrial access and aviation. Construction contract levels for highways and bridges will be funded at an unprecedented $8 billion over the DOT five-year plan — averaging $1.6 billion annually. When engineering costs and programs for other modes of transportation are added, average capital spending to support the new five-year DOT plan will grow to almost $2.6 billion annually. Additional dedicated resources from existing taxes and fees of almost $1.5 billion will be deposited to the Dedicated Highway and Bridge Trust Fund to support this spending.

— The new DOT five-year plan also continues to support local transportation programs. Funding for the Consolidated Highway Improvement Program (CHIPS) and the Marchiselli Program will be $258 million in 2000-01 and will reach a record $1.29 billion over the Plan.

— Clean Water/Clean Air Bond Act appropriations and reappropriations over the five-year Plan are recommended for the balance of the $1.75 billion Bond Act approved by the voters in 1996 to finance spending for air and water quality improvements and the restoration of industrial sites. Annual spending during the five-year Plan from the Environmental Protection Fund will average over $118 million. New appropriations of $125 million are recommended to continue important environmental projects, including the development of the Hudson River Park. Beginning in 2001-02, pay-as-you-go disbursements of $105 million annually from the new Remedial Program Transfer Fund will finance the cleanup of hazardous substance sites and will continue to support the clean up of hazardous waste sites after the 1986 Environmental Quality Bond Act funds are fully committed.

— The Executive Budget consolidates the State's criminal justice agencies into a new Department of Justice that will improve efficiency by streamlining those agencies. Capital appropriations and reappropriations of over $2.1 billion are provided for the Department of Justice (which includes the former Department of Correctional Services and the Division of State Police). These funds will primarily support capital construction and maintenance of the State's correctional and State Police facilities. In conjunction with the Governor's sentencing reforms and Jenna's Law, the Capital Plan will accommodate the need to "right-size" the correctional system with the completion of a new maximum security prison in Seneca County and funding for a new 750-cell maximum security prison.

— New appropriations and reappropriations of almost $4.4 billion will continue to support the Governor's multi-year Capital Investment Plan for the State and City Universities of New York. The Capital Investment Plan will finance critical health and safety projects; preservation and handicapped access projects; the rehabilitation of existing facilities and the construction of new facilities to meet current academic needs; and the use of technology for instruction, research and community service at SUNY and CUNY campuses.

— The Capital Plan includes annual spending of approximately $100 million to maintain State support for low and moderate-income rental and home ownership and homeless housing programs.

— Appropriations of almost $1.1 billion are recommended for Mental Hygiene projects. Spending will support essential health and safety, rehabilitation and maintenance projects needed to preserve and maintain both State and community-based facilities operated and/or licensed by the Office of Mental Health, the Office of Mental Retardation and Developmental Disabilities, and the Office of Alcoholism and Substance Abuse Services. Bonded capital projects for State mental hygiene facilities are now funded directly from bond proceeds held at the Dormitory Authority. This results in a technical accounting change such that disbursements will no longer be reported in the State's accounting system. However, State support for mental hygiene facilities will not be impacted, and the Capital Plan will continue to display appropriation and commitment levels.

— Funding is continued for the construction of a State office building for the Office of the State Comptroller, a new parking garage for downtown Albany and a new

Department of Environmental Conservation building. In addition, the Plan reflects spending for a new Department of Transportation Region One Headquarters building in the City of Schenectady and the rehabilitation and consolidation of other State office buildings to reduce operational costs and achieve space efficiencies.

— Funding is included to expand capacity and to replace the Harlem Valley Youth Facility. Spending for the new youth facility is anticipated to occur over the first four years of the Plan.

— The Capital Plan also reflects a request by the Judiciary for a new appropriation of almost $8 million for expenses associated with improvements to the Court of Appeals building in Albany.

Capital Spending by Function
1999-2000 through 2004-2005
(thousands)

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Transportation	$2,581,946	$2,588,262	$2,597,053	$2,576,144	$2,586,367	$2,609,459
Environment and Recreation						
Clean Water/Clean Air Bonds, Environmental Protection Fund and Remedial Program Transfer Fund	228,817	290,920	406,089	399,661	395,724	363,320
Federal and Other Programs	368,354	430,610	450,952	428,887	325,451	267,150
Education	267,230	401,230	297,030	327,430	431,530	402,730
Public Protection	372,035	260,686	331,678	240,425	199,225	199,225
Mental Hygiene	174,669	133,547	145,504	159,678	163,711	144,526
Housing and Economic Development	118,100	130,550	136,450	113,450	100,450	99,200
Other	65,243	96,325	126,921	120,069	102,922	61,560
Total	$4,176,394	$4,332,130	$4,491,677	$4,365,744	$4,305,380	$4,147,170

DEBT REDUCTION INITIATIVES REDUCE DEPENDENCE ON BOND FINANCING

Capital spending in the Plan is financed by four sources: State and Federal pay-as-you-go resources, State general obligation bonds, and public authority State-supported bonds. The State's dependence on bond financing will be reduced as the share of capital spending financed with State and Federal pay-as-you-go resources increases from 54 percent in 2000-01 to 60 percent in 2004-05. The portion of the plan financed with bond proceeds similarly declines from 46 percent in 2000-01 to 40 percent in 2004-05.

Over the five-year Plan, 57 percent of total capital spending will be financed with cash resources — with 25 percent of total capital spending attributable to State pay-as-you-go resources and 32 percent attributable to Federal grants. The percentage of the Plan financed with authority bond proceeds and general obligation bonds is 37 percent and 6 percent, respectively. Reducing the State's dependency on bond-financing ensures that by the last year of the Plan, 60 percent of total spending will be financed by a combination of State and Federal pay-as-you-go resources.

Capital Projects
Capital Spending by Financing Source
1999-2000 through 2004-2005
(thousands)

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Financing Source						
General Obligation Bonds	$274,605	$333,170	$311,166	$294,092	$214,577	$149,103
Authority Bonds	1,592,301	1,642,660	1,698,067	1,623,517	1,618,453	1,528,150
State Pay-As-You-Go	997,306	999,919	1,138,377	1,086,919	1,056,795	1,027,752
Federal Funds Pay-As-You-Go	1,312,182	1,356,381	1,344,067	1,361,216	1,415,555	1,442,165
Total	$4,176,394	$4,332,130	$4,491,677	$4,365,744	$4,305,380	$4,147,170

Capital Projects
Mix of Financing Sources
1999-2000 through 2004-2005

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Financing Source						
General Obligation Bonds	7%	8%	7%	7%	5%	3%
Authority Bonds	38%	38%	38%	37%	37%	37%
State Pay-As-You-Go	24%	23%	25%	25%	25%	25%
Federal Funds Pay-As-You-Go	31%	31%	30%	31%	33%	35%
Total	100%	100%	100%	100%	100%	100%

STATE PAY-AS-YOU-GO

State pay-as-you-go financing refers to payments for capital programs on a current basis from current State revenues. Pay-as-you-go resources include: General Fund taxes; other taxes and user fees set aside or dedicated for specific capital programs; repayments from local governments and public authorities for their share of projects; and transfers from other funds, including the General Fund.

Over the five-year Plan, State pay-as-you-go financing will total 25 percent or approximately $5.3 billion of total capital projects spending. Nearly half of State pay-as-you-go resources will support the new DOT five-year transportation plan — a level consistent with transportation's share of total capital spending.

Capital spending supported by General Fund receipts is classified as a transfer to the Capital Projects Funds. The General Fund transfer, which is reflected in total State pay-as-you-go spending, is projected at $238 million in 2000-01 and will average $280 million annually over the Plan. The General Fund transfer primarily finances minor rehabilitation projects of State facilities of the Office of General Services, the Department of Environmental Conservation and the Department of Mental Hygiene. Beginning in 2001-02, it is anticipated that $69 million annually will be transferred to the Remedial Program Transfer Fund which will finance the clean up of hazardous waste sites.

Dedicated revenues financing State pay-as-you-go projects for environmental and recreational purposes are projected to average approximately $260 million during the Plan. In each year of the Plan, the Environmental Protection Fund (EPF) will continue to receive $112 million from the State’s real estate transfer tax, as well as other miscellaneous revenues. The EPF is the largest environmental fund with average annual spending of $118 million, while the State Parks Infrastructure Fund (SPIF), supported exclusively by park fees and other miscellaneous revenues, is expected to finance an average of more than $26 million annually of improvements to the State's park system. Spending for the new Hudson River Park will average almost $28 million annually through 2004-05.

The largest dollar component of State pay-as-you-go financing is for the Dedicated Highway and Bridge Trust Fund, which receives a significant portion of the petroleum business tax, the motor fuel tax, and motor vehicle fees, and all of the highway use tax. Over the five-year Plan, approximately $1.5 billion in additional existing taxes and fees will be deposited to the Fund, increasing total Dedicated Fund receipts to approximately $6.8 billion. Receipts deposited into the Trust Fund are used to finance projects on a pay-as-you-go basis and to pay debt service on bonds secured by the Fund to finance the new five-year transportation plan.

Capital Projects Financed By
State Pay-As-You-Go Resources
1999-2000 through 2004-2005
(thousands)

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Transportation						
Department of Transportation	$559,748	$514,372	$518,760	$502,363	$491,921	$481,373
Thruway Authority	2,334	2,800	2,800	2,800	2,800	2,800
Environment and Recreation						
Department of Environmental Conservation	146,974	147,491	263,770	255,146	251,428	249,240
Office of Parks, Recreation and Historic Preservation	24,900	25,450	25,400	25,200	25,300	25,500
Olympic Regional Development Authority	10,617	0	0	0	0	0
Hudson River Park Trust	3,800	27,700	54,600	42,600	10,400	3,600
Adirondack Park Agency	0	0	0	0	0	0
Energy Research and Development Authority	12,500	13,900	15,400	14,800	15,100	15,400
Public Protection						
Department of Justice	3,483	7,086	3,953	2,700	1,500	1,500
Division of Military and Naval Affairs	5,500	6,300	6,300	6,300	6,300	6,300
Education						
State Education Department	1,130	3,630	3,630	3,630	3,630	3,630
City University of New York	9,100	9,100	9,100	9,100	9,100	9,100
State University of New York:						
Senior Colleges	48,500	95,000	95,800	96,200	107,800	96,500
Community Colleges	3,500	3,500	3,500	3,500	3,500	3,500
Mental Hygiene						
Office of Mental Health	31,519	31,112	32,644	34,609	36,400	37,818
Office of Mental Retardation and Developmental Disabilities	30,975	35,915	37,755	38,342	41,215	40,734
Office of Alcohol and Substance Abuse	5,712	10,771	6,030	5,588	5,706	5,722
Housing and Economic Development						
Division of Housing and Community Renewal	4,660	1,660	575	575	575	575
Other						
Office of General Services	72,676	35,150	38,500	34,200	36,000	39,500
Office of Children and Family Services	8,946	7,150	5,764	2,250	1,050	1,000
Office of Temporary and Disability Assistance	3,400	7,500	2,850	0	0	0
Council on the Arts	0	0	0	0	0	0
Department of Health	3,222	5,272	5,146	4,558	4,610	1,500
Department of State	460	460	460	458	460	460
Department of Agriculture and Markets	3,650	3,500	2,965	2,000	2,000	2,000
Judiciary	0	5,100	2,675	0	0	0
Total State Pay-As-You-Go Financing	$997,306	$999,919	$1,138,377	$1,086,919	$1,056,795	$1,027,752

FEDERAL PAY-AS-YOU-GO

Federal pay-as-you-go spending includes spending financed by grants from the Federal Government, primarily for highways and bridges, drinking water and water pollution control facilities, correctional facilities and housing. During the Plan, Federal grants account for 32 percent of all spending.

The largest components of Federal pay-as-you-go spending are for transportation and the environment (including Federal spending for Department of Health Safe Drinking Water projects), averaging $1.2 billion and more than $180 million per year, respectively.

Capital Projects Financed By Federal Grants Pay-As-You-Go 1999-2000 through 2004-2005 (thousands)

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Transportation						
Department of Transportation	$1,095,373	$1,121,623	$1,140,180	$1,158,919	$1,214,880	$1,267,910
Environment and Recreation						
Department of Environmental Conservation	71,356	140,535	140,950	141,174	140,550	140,000
Office of Parks, Recreation and Historic Preservation	500	800	1,200	500	0	0
Public Protection						
Division of Military and Naval Affairs	2,000	3,300	3,425	3,425	3,425	3,425
Department of Justice	88,000	34,000	0	0	0	0
Housing and Economic Development						
Division of Housing and Community Renewal	10,000	10,000	10,000	10,000	10,000	10,000
Other						
Department of Health	44,953	46,123	48,312	47,198	46,700	20,830
Total Federal Grants Pay-As-You-Go Financing	$1,312,182	$1,356,381	$1,344,067	$1,361,216	$1,415,555	$1,442,165

GENERAL OBLIGATION BOND FINANCING

General obligation bond financing of capital projects is accomplished through the issuance of full faith and credit State bonds which have been authorized by the voters. The Plan assumes the continued implementation of nine previously authorized Bond Acts, (five for transportation and four for environmental and recreational programs). Most of the general obligation spending over the five years is financed by the 1996 Clean Water/Clean Air Bond Act; 1988 ACTION bonds for highways and bridges; and the 1986 Environmental Quality Bond Act, which primarily funds hazardous waste remediation. Spending authorizations from the remaining six bond acts will be virtually depleted by the end of the Plan.

Spending supported by general obligation bonds totals 8 percent in 2000-01, as spending continues primarily from the voter-approved 1996 Clean Water/Clean Air Bond Act and 1986 Environmental Quality Bond Act. Capital spending supported by general obligation bonds declines to 3 percent by the end of the Plan, reflecting the impact of the spend-down from authorizations other than the Clean Water/Clean Air Bond Act. Overall, this category accounts for 6 percent of the Plan's capital spending.

Capital Projects Financed By
General Obligation Bonds
1999-2000 through 2004-2005
(thousands)

Transportation	**1999-2000**	**2000-2001**	**2001-2002**	**2002-2003**	**2003-2004**	**2004-2005**
Department of Transportation						
Action -1988	$27,859	$29,758	$21,130	$11,633	$5,088	$544
Infrastructure Renewal - 1983	3,234	12,218	11,316	8,629	6,053	1,000
Energy Conservation - 1979	500	200	200	200	200	200
Transportation Capital Facilities - 1967	1,800	1,463	1,076	700	539	459
Environment and Recreation						
Department of Environmental Conservation						
Clean Water/Clean Air 1996	72,121	122,290	122,190	122,090	141,981	141,870
EQBA 1986	92,000	92,000	91,000	91,000	25,791	0
EQBA 1972	11,312	9,031	492	2,130	1,106	1,100
Pure Waters 1965	2,900	3,100	3,725	4,800	800	800
Office of Parks, Recreation and Historic Preservation						
Clean Water/Clean Air 1996	1,384	1,453	1,526	1,600	1,682	1,766
EQBA 1986	10,000	10,000	7,227	0	0	0
EQBA 1972	0	400	0	0	0	0
Environmental Facilities Corporation						
Clean Water/Clean Air 1996	552	292	292	292	292	292
Energy Research and Development Authority						
Clean Water/Clean Air 1996	117	117	117	117	117	117
Other						
Department of Agriculture and Markets						
Clean Water/Clean Air 1996	478	500	527	553	580	607
Department of State						
Clean Water/Clean Air 1996	348	348	348	348	348	348
Department of Health						
Clean Water/Clean Air 1996	50,000	50,000	50,000	50,000	30,000	0
Total General Obligation Bond Financing	$274,605	$333,170	$311,166	$294,092	$214,577	$149,103

AUTHORITY BOND FINANCING

Authority bond-financed capital spending is reimbursed by the proceeds of bonds sold by State public authorities pursuant to contractual agreements with the State. Consistent with the Governor's debt reform proposal and other efforts to control debt, the portion of the plan financed with authority bond proceeds remains level at about 37 percent.

The table of authority bond-financed spending includes those capital programs for which spending is included in the State's Financial Plan. While this includes the majority of such financings, certain programs that are financed directly from bond proceeds (such as the Dormitory Authority-financed CUNY program, the Thruway Authority-financed CHIPS Program, and now the Dormitory Authority-financed State mental hygiene program) are not counted as spending (although they are counted as State-supported debt), since neither the disbursements nor the receipt of bond proceeds are reflected by the Comptroller as activity from State funds or accounts.

The largest component, 55 percent, of spending financed by authority bonds is within the Dedicated Highway and Bridge Trust Fund. Spending supported by Dedicated Highway and Bridge Trust Fund bonds issued to support the new five-year DOT Plan will average $880 million annually over the Plan.

Authority bond-financed spending for non-transportation programs decreases from approximately $737 million in 2000-01 to about $673 million in 2004-05. As the multi-year

Capital Investment Plan for SUNY and new education projects are implemented, bond-financed spending for education increases and then declines by 2004-05. Bond-financed spending for public protection returns to traditional levels following the completion of a new maximum security correctional facility to "right-size" the State's correctional facilities.

Capital Projects Financed By Authority Bonds 1999-2000 through 2004-2005 (thousands)

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Transportation						
Department of Transportation	$891,098	$905,828	$901,591	$890,900	$864,886	$855,173
Environment and Recreation						
Department of Environmental Conservation	14,000	28,000	28,000	28,000	28,000	28,000
Environmental Facilities Corporation	0	11,000	11,500	0	0	0
Public Protection						
Department of Justice	259,000	210,000	318,000	228,000	188,000	188,000
Education						
State University of New York	175,000	175,000	185,000	215,000	307,500	290,000
State Education Department	30,000	115,000	0	0	0	0
Mental Hygiene						
Office of Mental Health	84,812	31,057	39,911	54,628	53,579	33,367
Office of Mental Retardation and Developmental Disabilities	8,700	4,236	4,273	4,311	4,351	4,416
Office of Alcohol and Substance Abuse	12,951	20,456	24,891	22,200	22,460	22,469
Housing and Economic Development						
Division of Housing and Community Renewal	65,440	64,890	66,875	66,875	66,875	65,625
Other						
Office of Children and Family Services	8,300	19,928	51,626	43,503	19,502	7,400
Office of Science, Technology and Academic Research	0	10,000	24,500	13,000	0	0
Office of Temporary and Disability Assistance	23,000	23,000	23,000	23,000	23,000	23,000
Department of Health	5,000	14,265	0	0	0	0
All State Departments and Agencies	15,000	10,000	0	0	0	0
Office of General Services	0	0	18,900	34,100	40,300	10,700
Total Authority Bond Financing	$1,592,301	$1,642,660	$1,698,067	$1,623,517	$1,618,453	$1,528,150

FINANCIAL PLANS

The following table provides an explanation of the fiscal year receipt, disbursement, transfer and general obligation bond amounts contained in the Plan and how they correspond to the applicable Governmental Funds financial plans. All amounts are reflected on a cash basis in the fiscal year during which the spending or receipt activity occurs. Since capital disbursements have been discussed in previous sections, the following information is provided as a description of the receipt categories which support capital spending. Receipts include taxes, miscellaneous receipts (authority and general obligation bond reimbursements, miscellaneous receipts and other repayments), Federal grants, and transfers from other Governmental Fund Types.

Taxes dedicated to capital programs are estimated to account for approximately 30 percent of the total receipts supporting capital spending during the Plan. A larger portion of the existing petroleum business tax, motor fuel tax, and motor vehicle fees and all of the highway use tax will be deposited into the Dedicated Highway Bridge and Trust Fund to finance the new plan. Over the five-year Plan, approximately $6.8 billion in receipts will be dedicated to the Trust Fund to implement the new five-year transportation plan. Total dedicated taxes and fees deposited to the Trust Fund increase from approximately $1.1 billion in 2000-01 to about $1.6 billion in 2004-05. The total increase in resources of about $1.5 billion over the Plan is derived from existing General Fund taxes and fees and thus does not rely upon tax and fee increases. In addition, $112 million of the real estate transfer tax is deposited annually into the Environmental Protection Fund.

Miscellaneous receipts also include receipts, such as State park and environmental fees, which are deposited into capital projects funds for specific programs, but not directly linked to spending levels. Although the bulk of tobacco moneys are now being used to support health-related expenses, miscellaneous receipts for 2000-01 will reflect the deposit of $250 million in one-time tobacco moneys to the Debt Reduction Reserve Fund. Those receipts will be used to reduce State debt and taxpayer costs. Authority bond proceeds, which reimburse the State for capital disbursements, are linked directly to spending, although these receipts may not be received in the same fiscal year in which spending activity transpires. For example, some design work or site acquisition may occur prior to construction and the sale of bonds. For this Plan, miscellaneous receipts are projected to comprise 36 percent of capital projects funds receipts. A further description of this receipts category is provided in the "Explanation of Receipt Estimates" section.

Federal grants reimburse the State for the Federal share of construction projects. Reimbursements are received primarily for spending on transportation, environment and recreation, housing and public protection projects. Federal grants are anticipated to provide 28 percent of capital projects receipts in this Plan.

The balance of capital project financing, 6 percent, is supported by transfers from other funds. The primary transfer in support of capital spending is made from the State's General Fund and is comprised of transfers to the Capital Projects Fund for routine project spending and for the Remedial Program Transfer Fund for the cleanup of hazardous substance sites and to continue the clean up of hazardous waste sites after the 1986 Environmental Quality Bond Act funds are committed. Over the five years of the Plan, the transfer from the General Fund represents approximately 1 percent of the total State General Fund spending.

Capital Projects Funds Financial Plan
Prepared on the Cash Basis of Accounting
(thousands of dollars)

	1999-2000	2000-2001*	2001-2002	2002-2003	2003-2004	2004-2005
Opening funds balances	$68,853	$382,038	$365,270	$88,509	$78,342	$128,597
Receipts:						
Taxes	$1,151,300	$1,489,800	$1,369,500	$1,473,800	$1,581,300	$1,661,300
Miscellaneous receipts	1,866,358	2,062,782	1,903,791	1,833,878	1,843,153	1,690,381
Federal grants	1,318,926	1,377,216	1,352,536	1,369,316	1,424,005	1,450,615
Total receipts	$4,336,584	$4,929,798	$4,625,827	$4,676,994	$4,848,458	$4,802,296
Disbursements:						
Grants to local governments	$600,340	$871,079	$767,751	$737,298	$646,236	$548,360
State operations	0	0	0	0	0	0
Debt service	0	0	0	0	0	0
Capital projects	3,575,854	3,461,051	3,723,926	3,628,446	3,659,144	3,598,810
Total disbursements	$4,176,194	$4,332,130	$4,491,677	$4,365,744	$4,305,380	$4,147,170
Other financing sources (uses):						
Transfers from other funds	$185,117	$263,287	$318,739	$282,309	$292,675	$293,239
Transfers to other funds	(532,242)	(663,923)	(782,460)	(902,926)	(1,022,208)	(1,097,266)
Bond and note proceeds	249,920	286,200	302,810	299,200	236,710	148,000
Use of Debt Reduction Reserve Fund	0	(500,000)	(250,000)	0	0	0
Net other financing sources (uses)	($97,205)	($614,436)	($410,911)	($321,417)	($492,823)	($656,027)
Changes in fund balances	$63,185	($16,768)	($276,761)	($10,167)	$50,255	($901)
Closing fund balances	$132,038	$365,270	$88,509	$78,342	$128,597	$127,696

*-Opening balance for 2000-01 reflects an increase of $250 million for the reclassification of the Debt Reduction Reserve Fund as a Capital Projects Fund.

DEBT FINANCING

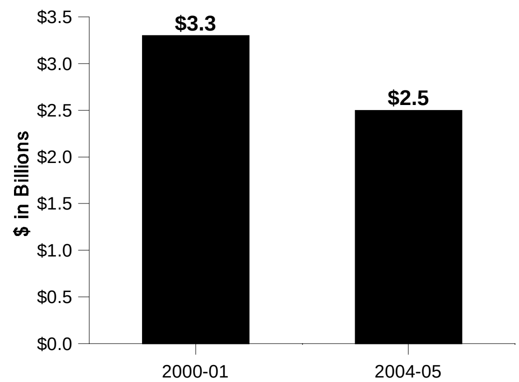
Financing the construction of, and improvements to, long-term capital assets through borrowing is an integral part of the State's Capital Program and Financing Plan. This section describes the impact of bond-financed capital spending on the amount of State-supported debt and on debt service expenditures through the Plan. Supporting this analysis are separate tables for debt issuances, debt retirements, debt outstanding, and debt service.

The analysis reflects all State general obligation and State-supported debt that is currently outstanding and expected to be issued by the State and its public authorities for State financed capital programs. It includes bonds which support capital initiatives for SUNY, CUNY, the Department of Mental Hygiene, Department of Justice (formerly the Department of Correctional Services), Department of Environmental Conservation, State buildings and State and local transportation programs. Also included is existing State-supported debt for non-State programs, such as the Javits Convention Center and the MTA service contracts, and the non-capital debt service of the Local Government Assistance Corporation. The analysis also reflects the refinancing of a pre-existing pension liability undertaken by the Dormitory Authority (DA), which previously was recorded as a long-term liability in the State's financial statements, and is projected to be retired by 2003-04.

DEBT ISSUANCES

In conjunction with the Governor's comprehensive debt reform proposal to control debt, average annual debt issuances over the five-year Plan will decline more than 7 percent. This prudent level of debt issuances will finance strategic investments in the

Annual Issuances Decline Over the Five Year Capital Plan



State's capital infrastructure to support the State's vast transportation network, maintain and develop the State's educational, correctional and mental hygiene facilities, and protect the environment.

The commercial paper program and variable rate general obligation bonds are two tools the State has used to effectively diversify its debt portfolio with short-term obligations. Since the cost of borrowing for both the commercial paper program and variable rate debt are comparable, and both instruments preserve the effective use of short-term instruments, the commercial paper program will be replaced with variable general obligation debt issuances. As a result, variable rate general obligation bond issuances are projected to increase $185 million over the five-year Plan. Approximately 9 percent of the issuances will implement projects financed by the voter-approved Clean Water/Clean Air Act, and other prior bond acts, predominantly the 1986 Environmental Quality Bond Act.

Transportation debt issuances over the Capital Plan reflect the new five-year transportation plan which will support $14 billion in transportation programs. Consistent with transportation's share of overall capital spending, transportation accounts for the largest share of the Plan's issuances, or 44 percent. These issuances will finance State and local highway and bridge projects that will foster commerce and promote economic development.

Approximately 17 percent of issuances over the Plan will continue to support commitments for the SUNY and CUNY multi-year Capital Investment Plan. Nine percent of the Plan's issuances will support public protection initiatives to complete a maximum security prison under construction in Seneca County, begin construction of a new prison, and support maintenance and rehabilitation projects of the State's correctional and youth facilities.

The Plan also includes issuances that will support bonding programs enacted in last year's budget, including $154 million to support school construction and renovation; about $74 million for the Jobs 2000 program, including University Facilities and Pipeline for Jobs; $16 million for various housing programs, $16 million for Child Care Facilities; and $27 million for Economic Development and Natural Resources Preservation.

COPs issuances of approximately $276 million in 2000-01 include $199 million for new welfare computer systems to augment case management capacity and to comply with Federal data requirements. The authorization includes $175 million for welfare systems and $22 million for "Connections" to be purchased by the Office of Children and Family Services, the Office of Temporary and Disability Assistance, the Department of Labor and the Department of Health. COPs issuances over the remaining years of the Plan are projected to average $90 million annually and will support the purchase of equipment, computers and vehicles for various State agencies.

The Financing Plan will continue to increase the use of short-term debt instruments as a percentage of total debt outstanding. This is expected to broaden the market base for State-supported debt and, since short-term instruments have historically been less expensive than long-term obligations, generate debt service savings. Current and planned short-term debt instruments include variable rate State general obligation bonds, Housing Finance Agency (HFA) bonds, Local Government Assistance Corporation (LGAC) bonds, and swaps (interest rate exchanges) for LGAC, Dormitory Authority SUNY Educational Facilities, and Urban Development Corporation Correctional Facilities. Market conditions permitting, the Executive Budget's recommendation to extend the current authorization to issue interest rate swaps under a limited, experimental program will support the expansion of the State's short-term portfolio.

By the end of 2000-01, it is anticipated that approximately $2.6 billion, or about 6.8 percent, of total State-supported debt will be short-term. The State expects to gradually increase this percentage to approximately 8.8 percent by the last year of the Plan — a level which is consistent with rating agency guidelines.

Short-Term Debt Instruments
Percentage of Total Debt Outstanding

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Short-Term Debt Outstanding (Thousands)	$2,264,000	$2,583,000	$2,856,000	$3,183,000	$3,443,000	$3,526,000
Percentage of Total Debt Outstanding	6.1%	6.8%	7.4%	8.1%	8.6%	8.8%

In addition, the Division of the Budget will continue to coordinate State-supported debt issuances to reduce market crowding and the competition among State programs to improve the conditions under which State-supported debt is marketed.

DEBT RETIREMENTS

The retirements table presents the annual retirements of principal for State-supported debt for each fiscal year within the Plan. It accounts for retirements as of the payment date due to bondholders, rather than the actual date the State makes the cash payment. For instance, if principal payments are due on April 1, the bonds are considered outstanding on March 31, even if the State makes payments to the trustee prior to that date. Retirements from both outstanding State-supported debt and debt expected to be issued during the course of the Plan are included in the retirements table.

The rate at which State-supported debt is retired or paid off has a significant impact on the State's ability to utilize bonds for its capital programs. The Plan's significant reductions in State debt issuances, and efforts to expand the amount of debt issued with shorter-term maturities, including bonds issued for the Community Enhancement Facilities Assistance Program, and the continued use of ten year maturities for taxable programs have a positive impact on the relationship of retirements to new issuances.

Over the Plan, retirements of State-supported debt are projected to increase by an annual average of 5 percent to $2.4 billion in 2004-05.

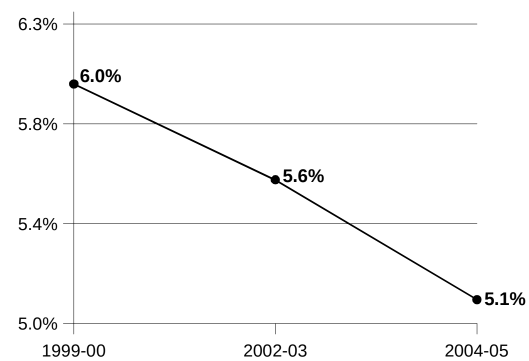
DEBT OUTSTANDING

As a result of the Governor's ongoing program to reduce debt, the growth in State-supported debt, which is directly supported by taxpayer dollars, has already declined dramatically. Under Governor Pataki's Administration, the average annual rate of growth in State debt has been reduced to 3.6 percent. Over the five year Capital Plan, debt outstanding will grow by an annual average of only 1.4 percent.

The new debt reform proposal includes a phased-in cap which will restrict new State debt to 3.5 percent of personal income. The cap on debt outstanding and recommended additional deposits to the Debt Reduction Reserve Fund to decrease debt by $750 million will continue to improve debt affordability over the Capital Plan period. Debt outstanding as a percent of personal income will decline from 6 percent in 1999-2000 to about 5 percent in 2004-05.

In the last year of the Plan, over half of the State's debt outstanding is attributable to transportation (28 percent) and education (23 percent). The remaining balance finances important capital projects for health and mental health (11 percent); public protection (11 percent); housing (3 percent); economic development and State buildings (4 percent); and general obligation and LGAC (20 percent).

Debt Outstanding As a Percent of Personal Income Declines



DEBT SERVICE

The debt service table shows the amount of resources devoted to financing the debt service on new and currently outstanding State-supported debt. The table includes projected total annual debt service by program and issuer, and includes debt service on general obligation bonds, as well as lease-purchase and contractual obligations issued by State agencies, public authorities, and municipalities through financing agreements with the State.

- — Debt service costs as a percent of All Funds will decline from 5.2 percent in 2000-01 to 4.8 percent in 2004-05.
- — Debt service costs as a percent of General Fund resources decline from 5.9 percent in 2000-01 to 4.9 percent in 2004-05.
- — Outstanding debt to personal income is projected to decline from 5.9 percent in 2000-01 to 5.1 percent in 2004-05.

Two-thirds, or $500 million of the moneys deposited to DRRF, will be used in 2000-01 to reduce the State's high cost debt and increase pay-as-you-go spending for previously bond-financed projects. The balance, or $250 million, will recapitalize DRRF, ensuring that State debt is reduced further in 2001-02. Over the five-year Capital Plan, DRRF will reduce State debt by $750 million — reducing debt service costs by $35 million in 2000-01, $60 million in 2001-02 and by $70 million thereafter, saving taxpayers $1.5 billion in avoided debt service costs.

The State's ability to effectively manage its debt portfolio has reduced borrowing costs. Debt management strategies include the use of shorter maturities for certain bonding programs and increasing the percentage of short-term instruments in the State's debt portfolio. Shorter-term maturities are employed to improve the coordination between the useful life of assets and the terms by which they are financed. Increasing the use of short-term instruments is being accomplished through the expanded use of variable rate debt obligations and, market conditions permitting, the issuance of a limited amount of interest rate swaps. In addition, the State will continue its policy of not using capitalized interest on bonds sold for projects which are not revenue-generating facilities.

The continued economic expansion of the State and nation results in an interest rate environment that continues to remain relatively favorable for municipal bond issuers. The Plan forecasts that long-term fixed rates will range from 4.95 to 6.25 percent throughout the Capital Plan period. Short-term rates are expected to average about 4 percent.

BOND AUTHORIZATIONS

Legal authorizations for the State to enter into contractual agreements with public authorities are provided in the enabling statutes of each authority. Those statutes generally contain limits, or caps, on the amount of bonds that can be issued for a program. As the bond cap is reached, or additional bondable appropriations are recommended, legislation may be proposed to raise the statutory caps to the level needed to accommodate bondable capital needs.

Bond caps can provide authorizations to finance a single year's appropriations, such as recommended for corrections and youth facilities, or can be for multi-year periods, such as those recommended to implement the new five-year transportation plan and to support mental hygiene programs through the end of the Plan and beyond. In addition, the authorizations specify whether the cap is on the total bonds sold, including costs of issuance (gross), or only for project costs (net). The table provides the recommended cap increases for 2000-01 and indicates whether the cap is gross or net.

Bond Authorizations — Recommended Cap Changes in 2000-2001
(thousands $)

Issuer	Program	Current Cap	Recommended Cap	Type of Cap
Dormitory Authority	Mental Health	$4,400,000	$6,600,000	Gross
Thruway Authority	Dedicated Highway and Bridges	4,750,000	10,250,000	Net
Thruway Authority	Local Highways and Bridges	2,499,550	3,787,550	Net
Housing Finance Agency	Housing	1,110,000	1,210,000	Net
Urban Development Corporation	State Buildings	0	25,000	Net
Urban Development Corporation	Corrections	4,281,693	4,741,693	Gross
Urban Development Corporation	Youth Facilities	235,815	328,515	Gross

State-Supported Debt
Projected Bond Issuances
1999-2000 Through 2004-2005
(thousands)

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
GENERAL OBLIGATION	$390,230	$331,200	$302,800	$299,200	$236,700	$148,000
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Transportation						
Thruway Authority:						
Consolidated Local Highway Improvement	370,920	369,240	320,311	296,821	275,176	274,116
Dedicated Highway & Bridge	845,279	960,178	955,686	944,354	916,779	906,483
Education						
Dormitory Authority:						
SUNY Educational Facilities	246,110	265,000	265,000	265,000	265,000	265,000
SUNY Dormitory Facilities	186,403	0	0	2,120	37,100	37,100
SUNY Upstate Community Colleges	83,579	37,100	37,100	37,100	37,100	37,100
CUNY Educational Facilities	163,585	169,600	169,600	169,600	169,600	169,600
RESCUE	31,800	121,900	0	0	0	0
Health						
Dormitory Authority/DOH	0	28,090	0	0	0	0
Mental Health						
Dormitory Authority/MCFFA:	192,323	203,607	205,061	200,276	200,708	196,434
Public Protection						
Urban Development Corp/ESDC:						
Prison Facilities	290,300	222,600	337,080	241,680	199,280	199,280
Youth Facilities	9,540	17,944	44,124	44,520	20,140	8,480
Environment						
Environmental Facilities Corp:						
Water Pollution Control	14,840	29,680	29,680	29,680	29,680	29,680
Pipeline for Jobs (Jobs 2000)	0	23,850	0	0	0	0
State Building/Equipment						
Dormitory Authority:						
State Buildings	51,700	0	110,240	0	0	0
Certificates of Participation	107,200	276,021	83,025	87,125	94,300	97,375
Housing						
Housing Finance Agency	0	94,923	100,223	101,760	101,760	94,340
Economic Development						
UDC/ESDC/DA						
Community Enhancement Facilities	98,152	106,141	88,285	0	0	0
University Facilities (Jobs 2000)	0	36,570	13,780	0	0	0
Natural Resources Preservation	26,500	0	0	0	0	0
Child Care Facilities	0	15,900	0	0	0	0
Total Other Financing Arrangements	2,718,232	2,978,344	2,759,195	2,420,037	2,346,623	2,314,988
TOTAL STATE-SUPPORTED DEBT	$3,108,462	$3,309,544	$3,061,995	$2,719,237	$2,583,323	$2,462,988

State-Supported Debt
Projected Retirements
1999-2000 Through 2004-2005
(thousands)

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
GENERAL OBLIGATION	$501,785	$451,225	$416,204	$394,895	$352,142	$335,630
LOCAL GOVERNMENT ASSISTANCE CORPORATION	282,525	99,715	107,837	105,150	133,725	407,457
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Transportation						
Metropolitan Trans Authority	57,365	56,890	60,035	69,855	73,870	77,953
Dormitory Authority						
Albany County Airport	1,360	1,415	1,475	1,550	1,630	1,710
Thruway Authority:						
Emergency Highway	52,110	55,070	58,250	19,595	0	0
Consolidated Local Highway Improvement	69,895	79,080	92,960	95,723	129,120	135,942
Dedicated Highway & Bridge	156,990	205,190	252,804	311,965	372,033	435,215
Education						
Dormitory Authority:						
SUNY Educational Facilities	117,370	124,040	131,411	130,008	147,997	154,270
SUNY Dormitory Facilities	21,290	23,148	21,941	20,040	18,760	15,867
SUNY Upstate Community Colleges	15,135	14,290	9,265	10,478	11,547	12,611
CUNY Educational Facilities	97,863	101,676	102,646	118,083	121,422	128,960
State Education Department	1,520	1,600	1,670	1,755	1,830	1,925
Library for the Blind	545	565	590	620	640	670
SUNY Athletic Facilities	965	0	0	0	0	930
RESCUE	0	0	12,073	12,708	13,376	14,080
Health						
Dormitory Authority/DOH	9,030	14,340	16,075	10,480	11,219	12,034
Mental Health						
Dormitory Authority/MCFFA:	127,201	137,661	148,218	160,590	170,488	182,983
Public Protection						
Urban Development Corp/ESDC:						
Prison Facilities	68,220	78,334	84,852	101,671	109,003	116,820
Youth Facilities	5,560	6,010	6,634	7,520	9,393	10,948
Environment						
Environmental Facilities Corp:						
Riverbank Park	0	0	1,230	1,600	1,680	1,755
Water Pollution Control	22,765	27,447	31,650	28,371	32,699	38,465
Pilgrim Sewage Treatment	400	400	400	400	400	400
State Park Infrastructure	705	740	775	820	865	910
Fuel Tanks	2,250	2,265	2,305	2,350	2,400	2,455
Pipeline for Jobs (Jobs 2000)	0	1,702	1,826	1,959	2,102	2,256
Energy Res & Dev Authority	8,890	10,355	10,965	11,530	12,095	12,705
Urban Development Corp/ESDC:						
Pine Barrens	515	540	560	585	615	645
State Building/Equipment						
Urban Development Corp/ESDC:						
Empire State Plaza	9,454	10,347	12,214	11,762	10,804	9,988
State Buildings	436	471	507	546	589	634
State Capital Projects	0	3,095	6,700	7,035	7,480	7,945
Albany County-ESP	11,880	11,690	3,870	0	0	0
Dormitory Authority						
State Buildings	665	1,535	1,595	3,054	3,198	3,352
Certificates of Participation	114,900	193,815	202,873	194,892	96,955	72,343
Housing						
Housing Finance Agency	33,400	39,949	47,374	55,543	62,881	67,610
Economic Development						
Triborough Bridge and Tunnel Authority/Javits Center	24,000	24,180	24,180	24,185	24,180	25,940
UDC/ESDC/DA						
University Technology Centers	10,275	11,132	11,529	10,264	10,599	11,007
Onondaga Convention Center	1,190	1,250	1,305	1,375	1,445	1,535
Sports Facilities	3,245	3,650	3,885	4,135	4,395	4,695
Community Enhancement Facilities	0	27,925	57,757	79,409	70,789	51,146
University Facilities (Jobs 2000)	0	0	0	1,010	1,448	1,533
Natural Resources Preservation	0	0	748	790	835	882
Child Care Facilities	0	0	439	465	492	521
Other State Purposes						
Dormitory Authority						
Pension Refinancing	123,475	131,580	140,445	150,095	78,915	0
Total Other Financing Arrangements	1,170,864	1,403,378	1,566,032	1,664,816	1,620,189	1,621,639
TOTAL STATE-SUPPORTED DEBT	$1,955,174	$1,954,317	$2,090,073	$2,164,862	$2,106,056	$2,364,725

State-Supported Debt
Projected Bonds Outstanding
1999-2000 Through 2004-2005
(thousands)

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
BANs - COMMERCIAL PAPER	$45,000	$0	$0	$0	$0	$0
GENERAL OBLIGATION	4,668,583	4,593,558	4,480,154	4,384,459	4,269,017	4,081,387
LOCAL GOVERNMENT ASSISTANCE CORPORATION	4,832,035	4,732,320	4,624,483	4,519,333	4,385,608	3,978,151
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Transportation						
Metropolitan Trans Authority	1,957,369	1,900,479	1,840,444	1,770,589	1,696,719	1,618,766
Dormitory Authority						
Albany County Airport	40,035	38,620	37,145	35,595	33,965	32,255
Thruway Authority:						
Emergency Highway	132,915	77,845	19,595	0	0	0
Consolidated Local Highway Improvement	2,048,525	2,338,685	2,566,036	2,767,134	2,913,190	3,051,365
Dedicated Highway & Bridge	3,491,954	4,246,942	4,949,824	5,582,213	6,126,960	6,598,228
Education						
Dormitory Authority:						
SUNY Educational Facilities	3,998,524	4,139,484	4,273,073	4,408,065	4,525,068	4,635,798
SUNY Dormitory Facilities	371,403	348,255	326,314	308,394	326,734	347,967
SUNY Upstate Community Colleges	405,534	428,344	456,179	482,801	508,354	532,843
CUNY Educational Facilities	3,120,246	3,188,170	3,255,124	3,306,641	3,354,820	3,395,460
State Education Department	74,845	73,245	71,575	69,820	67,990	66,065
Library for the Blind	18,445	17,880	17,290	16,670	16,030	15,360
SUNY Athletic Facilities	25,200	25,200	25,200	25,200	25,200	24,270
RESCUE	31,800	153,700	141,627	128,919	115,543	101,463
Health						
Dormitory Authority/DOH	469,090	482,840	466,765	456,285	445,066	433,032
Mental Health						
Dormitory Authority/MCFFA:	3,821,576	3,887,523	3,944,366	3,984,053	4,014,273	4,027,724
Public Protection						
Urban Development Corp/ESDC:						
Prison Facilities	3,243,281	3,387,547	3,639,775	3,779,784	3,870,061	3,952,521
Youth Facilities	162,920	174,854	212,343	249,343	260,090	257,622
Environment						
Environmental Facilities Corp:						
Riverbank Park	62,350	62,350	61,120	59,520	57,840	56,085
Water Pollution Control	220,300	222,533	220,563	221,872	218,852	210,067
Pilgrim Sewage Treatment	9,800	9,400	9,000	8,600	8,200	7,800
State Park Infrastructure	13,570	12,830	12,055	11,235	10,370	9,460
Fuel Tanks	16,810	14,545	12,240	9,890	7,490	5,035
Pipeline for Jobs (Jobs 2000)	0	22,148	20,322	18,363	16,260	14,004
Energy Res & Dev Authority	88,010	77,655	66,690	55,160	43,065	30,360
Urban Development Corp/ESDC:						
Pine Barrens	15,055	14,515	13,955	13,370	12,755	12,110
State Building/Equipment						
Urban Development Corp/ESDC:						
Empire State Plaza	100,235	89,888	77,674	65,912	55,108	45,120
State Buildings	15,529	15,058	14,551	14,005	13,416	12,782
State Capital Projects	245,090	241,995	235,295	228,260	220,780	212,835
Albany County-ESP	15,560	3,870	0	0	0	0
Dormitory Authority						
State Buildings	91,945	90,410	199,055	196,001	192,803	189,451
Certificates of Participation	503,040	585,246	465,398	357,631	354,975	380,007
Housing						
Housing Finance Agency	1,093,641	1,148,615	1,201,463	1,247,680	1,286,559	1,313,289
Economic Development						
Triborough Bridge and Tunnel Authority/Javits Center	364,765	340,585	316,405	292,220	268,040	242,100
UDC/ESDC/DA						
University Technology Centers	200,335	189,203	177,674	167,410	156,811	145,804
Onondaga Convention Center	45,435	44,185	42,880	41,505	40,060	38,525
Sports Facilities	134,465	130,815	126,930	122,795	118,400	113,705
Community Enhancement Facilities	285,202	363,418	393,946	314,538	243,749	192,603
University Facilities (Jobs 2000)	0	36,570	50,350	49,340	47,892	46,359
Natural Resources Preservation	26,500	26,500	25,752	24,962	24,127	23,245
Child Care Facilities	0	15,900	15,461	14,996	14,504	13,983
Other State Purposes						
Dormitory Authority						
Pension Refinancing	501,035	369,455	229,010	78,915	0	0
Total Other Financing Arrangements	27,462,335	28,537,301	29,740,464	30,505,684	31,242,118	31,945,468
TOTAL STATE-SUPPORTED DEBT	$37,007,953	$37,863,179	$38,845,101	$39,409,476	$39,896,743	$40,005,006

Note: Totals reflect assumed use of $500 million in DRRF funds in 2000-01 to reduce debt outstanding, with reduced retirements of $10 million annually thereafter.

State-Supported Debt
Projected Debt Service
1999-2000 through 2004-2005
(thousands)

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
BANs - COMMERCIAL PAPER	$6,000	$4,675	$0	$0	$0	$0
GENERAL OBLIGATION	717,102	682,734	638,607	609,475	562,050	537,156
LOCAL GOVERNMENT ASSISTANCE CORPORATION	317,035	329,349	314,900	304,667	337,710	357,154
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Transportation						
Metropolitan Trans Authority	152,174	151,762	152,113	158,147	158,227	158,277
Dormitory Authority						
Albany County Airport	3,509	3,533	3,534	3,537	3,535	3,535
Thruway Authority:						
Emergency Highway	57,028	59,259	59,259	17,315	0	0
Consolidated Local Highway Improvement	166,980	208,031	236,614	262,906	287,309	311,024
Dedicated Highway & Bridge	339,022	429,297	526,906	621,431	715,970	776,303
Education						
Dormitory Authority:						
SUNY Educational Facilities	319,056	343,694	356,535	376,267	401,435	419,611
SUNY Dormitory Facilities	34,064	44,528	44,250	41,597	38,488	38,197
SUNY Upstate Community Colleges	33,466	30,123	33,331	36,086	38,897	42,046
CUNY Educational Facilities	287,906	295,165	311,646	324,659	339,395	353,244
State Education Department	6,332	5,782	5,786	5,775	5,779	5,776
Library for the Blind	1,552	1,594	1,597	1,595	1,591	1,593
SUNY Athletic Facilities	1,659	1,176	1,206	1,206	1,671	2,135
RESCUE	0	18,272	20,156	20,156	20,156	20,156
Health						
Dormitory Authority/DOH	36,286	39,378	37,184	34,632	36,657	36,653
Mental Health						
Dormitory Authority/MCFFA:	322,178	344,155	357,620	373,862	386,703	401,786
Public Protection						
Urban Development Corp/ESDC:						
Prison Facilities	232,808	255,634	269,749	303,759	320,451	334,655
Youth Facilities	14,619	15,457	17,082	21,361	25,127	26,657
Environment						
Environmental Facilities Corp:						
Riverbank Park	3,303	4,523	4,836	4,841	4,835	4,839
Water Pollution Control	37,351	43,016	47,293	43,876	48,408	54,046
Pilgrim Sewage Treatment	749	717	694	672	649	627
State Park Infrastructure	1,490	1,475	1,471	1,475	1,475	1,472
Fuel Tanks	2,413	2,623	2,572	2,522	2,474	2,426
Pipeline for Jobs (Jobs 2000)	0	2,572	3,443	3,443	3,443	3,443
Energy Res & Dev Authority	14,682	14,638	14,642	14,631	14,633	14,640
Urban Development Corp/ESDC:						
Pine Barrens	1,291	1,287	1,287	1,290	1,291	1,289
State Building/Equipment						
Urban Development Corp/ESDC:						
Empire State Plaza	21,347	25,482	32,872	34,432	37,247	34,432
State Buildings	17,706	19,077	19,077	19,077	19,077	19,077
State Capital Projects	16,594	20,122	20,122	20,127	20,124	20,123
Albany County-ESP	14,112	9,984	2,077	0	0	0
Dormitory Authority						
State Buildings	6,406	5,986	10,692	13,996	13,995	13,999
Certificates of Participation	112,455	198,112	203,385	190,029	87,809	77,996
Housing						
Housing Finance Agency	99,111	105,597	115,703	127,053	135,541	140,424
Economic Development						
Triborough Bridge and Tunnel Authority/Javits Center	41,865	41,892	41,892	41,897	41,892	41,899
UDC/ESDC/DA:						
University Technology Centers	21,088	24,687	24,680	22,966	22,961	22,958
Onondaga Convention Center	3,912	3,909	3,902	3,905	3,903	3,906
Sports Facilities	10,973	10,975	10,972	10,975	10,993	10,963
Community Enhancement Facilities	40,332	72,952	96,520	85,994	63,188	40,625
University Facilities (Jobs 2000)	0	0	3,506	4,477	4,341	4,341
Natural Resource Preservation	0	2,495	2,245	2,245	2,245	2,245
Child Care Facilities	0	904	1,369	1,369	1,369	1,369
Other State Purposes						
Dormitory Authority						
Pension Refinancing	163,442	162,929	162,944	162,955	0	0
Total Other Financing Arrangements	$2,639,261	$2,987,794	$3,202,764	$3,348,538	$3,253,284	$3,378,786
TOTAL STATE-SUPPORTED DEBT	$3,679,398	$4,004,551	$4,156,271	$4,262,679	$4,153,043	$4,273,096

Note: Totals reflect assumed debt reduction savings of $35 million in 2000-01, $60 million in 2001-02, and $70 million annually thereafter.

Debt Service Funds Financial Plan
Prepared on the Cash Basis of Accounting
1999-2000 through 2004-2005
(thousands)

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Opening Fund Balances	$169,604	$169,918	$158,742	$140,712	$151,255	$166,173
Receipts						
Taxes	$2,336,000	$2,296,500	$2,412,100	$2,527,000	$2,532,500	$2,659,700
Miscellaneous Receipts	$606,464	$575,317	$555,300	$550,927	$563,586	$565,238
Federal Grants	0	0	0	0	0	0
Subtotal Receipts	$2,942,464	$2,871,817	$2,967,400	$3,077,927	$3,096,086	$3,224,938
Disbursements						
State Operations	$13,875	$7,000	$7,000	$7,000	$7,000	$16,200
Debt Service	3,560,943	3,801,763	3,952,885	4,072,649	4,065,234	4,195,101
Subtotal Disbursements	$3,574,818	$3,808,763	$3,959,885	$4,079,649	$4,072,234	$4,211,301
Other Financing Sources (Uses)						
Transfers From Other Funds	$4,563,976	$4,897,478	$4,939,818	$5,075,663	$5,010,201	$5,110,215
Transfers To Other Funds	(3,931,308)	(3,971,708)	(3,965,363)	(4,063,398)	(4,019,135)	(4,108,271)
Net Other Financing Sources (Uses)	$632,668	$925,770	$974,455	$1,012,265	$991,066	$1,001,944
Changes in Fund Balances	$314	($11,176)	($18,030)	$10,543	$14,918	$15,581
Closing Fund Balances	$169,918	$158,742	$140,712	$151,255	$166,173	$181,754

CAPITAL PROGRAM PLAN

This section provides a narrative description of the purposes, goals and objectives of agencies with capital programs over the five-year Capital Plan. These agency narratives also highlight accomplishments, specific new initiatives, and long-term financial requirements.

The accompanying tables provide five years of appropriation, commitment and disbursement projections for each program. Commitment levels in these tables reflect the value of contracts expected to be entered into by each agency in a given year. Each agency narrative compares the Plan's recommended commitment levels with last year's levels. The reappropriation projections reflect the unexpended balance of the original appropriation, and any unused amounts continue to be shown until the project is completed.

This section also includes summary schedules of disbursements, which aggregate the information presented in the individual agency tables. These summary tables eliminate transactions which simply move monies from one fund to another and, therefore, appropriately reflect only projections of disbursements for capital projects. This adjustment provides comparability between the Plan's summary of disbursements and the State's Financial Plan.

This section of the Plan is organized programmatically. Each program area begins with a functional overview, followed by each agency's narrative and financial summary tables. The programmatic areas are transportation; environment and recreation; public protection; education; mental hygiene; housing and economic development; and other.

All State agencies and authorities with State-supported capital programs have capital maintenance systems. Agencies are required to develop five-year maintenance plans, which include an assessment of assets with a replacement value of at least $5 million, that reflect an asset's age, condition, condition goals, maintenance activities, and remaining useful life. In addition, every five years, agencies are also required to perform an independent evaluation of their maintenance plans to ensure that the recommended maintenance activities are consistent with current capital needs — the first evaluation is due in the year 2000.

The capital maintenance plan summaries are included in the agency narratives, since the maintenance plans are a critical part of an agency's five-year capital plan. Agencies with new or existing capital maintenance plans have begun to identify the financial requirements for preventive maintenance. The appropriations reflected in each agency's five-year capital plan reflect a needs-assessment which will continue to be refined as an agency implements an asset maintenance system.

TRANSPORTATION

New York's remarkable economic resurgence has relied on an extensive transportation system that rivals any in the world. The State's 235,000 lane miles of roads, 4,600 railroad miles, 600 public and private airports, 12 major ports and over 70 mass transit systems are among our most valuable resources. These important assets are managed and maintained by a network of State agencies, public authorities, local governments and private entities.

The Executive Budget proposes a new five-year transportation plan that includes $14.3 billion for Department of Transportation capital programs and over $2.3 billion of State support for the capital programs of transit systems throughout the State. By continuing our investment in the State's transportation network, this new plan will help sustain the State's unprecedented economic rejuvenation.

DEPARTMENT OF TRANSPORTATION

The Department of Transportation (DOT) is primarily responsible for maintaining and rehabilitating the State's system of highways and bridges, which includes over 40,000 State highway lane miles and 7,500 bridges. Private contractors perform all major construction and repair work, while the Department provides seasonal maintenance and repair. The Department also oversees and funds programs that help defray local capital expenses associated with road and bridge projects, including the Consolidated Highway Improvement Program (CHIPS) and the Marchiselli Program.

The 1999-2000 budget completed the Governor's initial five year transportation program. Over the course of the five years, almost 44,000 lane miles of highway were treated and 31,000 bridge treatments were completed.

The new $14.3 billion plan for Department of Transportation programs through 2004-05 represents the highest level ever for a five-year period. Highlights of the plan include:

— $8 billion for highway and bridge construction contracts, averaging $1.6 billion annually;

— $2.8 billion for engineering design, inspection and planning of the new program;

— $1.29 billion for local capital programs, including the CHIPS and Marchiselli programs;

— $80 million for a new rail freight and passenger program that will preserve and improve the State's rail system;

— $125 million for the Industrial Access Program which promotes job creation and retention by encouraging business expansion with highway, rail and port projects; and

— $38 million to help local and State airports match new Federal aid that is anticipated from reauthorization of the Federal aviation program.

Preventive maintenance continues to be a key component of the Department's activities. Since preventive activities extend the life of a road or bridge, they are more cost-effective in the long run than major reconstruction. For highways, the goal of keeping water and other materials away from the base of the highway is accomplished through such activities as crack sealing, pothole repair, joint repair and drainage repair. Painting, washing, joint repair and maintaining drainage are key elements to extending the life of State bridges. A total of $1.9 billion will be available for the planned preventive maintenance activities over the next five years.

The Department's maintenance activities are supported by 308 sites around the State which encompass over 700 building types, including 60 maintenance headquarters, 183 maintenance sub-headquarters, 42 salt storage areas, 20 bridge crew facilities, 2 special crew facilities and a sign shop. The average age of the infrastructure is over 30 years. The total size of the infrastructure is approximately 4.0 million gross square feet. The overall condition of the Department's maintenance facilities is fair and the remaining useful life is over ten years.

The Department's maintenance facilities plan consists of an annual review of its overall needs and a prioritization of its projects. The program goal is to upgrade and repair its infrastructure based on evaluation of the condition, proposed use and corresponding health, safety and environmental concerns.

TRANSIT PROGRAMS

Mass transportation systems play an essential role in the State's economic and social networks. More than 25 percent of workers in New York State travel to work via mass transportation. Mass transit systems also alleviate ill effects on air quality by relieving traffic congestion.

The new five-year transportation plan will provide $2.34 billion of State support for the capital programs of transit systems throughout New York. This State assistance includes:

— Nearly $2.2 billion of State funding for the Metropolitan Transportation Authority's (MTA) capital program, including over $800 million of newly dedicated State funding.

— $146 million of State aid for the capital programs of other transit systems throughout the State, that will be used for bus acquisitions, maintenance facility improvements and other projects. In addition, a portion of the non-MTA transit dedicated fund resources will be used to enhance operating aid for these systems.

FINANCING THE NEW PLAN

The new five-year transportation plan will be financed with approximately $9.2 billion of State revenues during the next five years, an increase of more than $3 billion over the previous five-year period. Importantly, the plan will not rely on new taxes or fees. Instead, the Executive Budget will redirect additional revenues from the General Fund to the State's dedicated transportation funds, ensuring the State's multi-year commitment. In addition to State funds, Federal aid will support a significant portion of the plan.

THRUWAY AUTHORITY

In addition to operating a 641-mile toll-highway system, the Thruway Authority has jurisdiction over the New York State Canal System. Through its subsidiary, the New York State Canal Corporation, the Thruway maintains, operates, develops and makes capital improvements to the 524-mile navigable waterway which includes 57 locks, numerous dams, reservoirs and water control structures. Revenues from canal tolls and other user fees are deposited into the Canal System Development Fund and, in accordance with the State Constitution, are used exclusively for the canals. Commitments from the Fund are used to reimburse the Thruway for projects advanced by the Authority. Maintenance on the canals is conducted on an ongoing basis to ensure that canal facilities operate properly and that public safety is maintained.

TRANSPORTATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop- riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Aviation	$87,076	$16,000	$11,000	$11,000	$11,000	$11,000	$60,000
Highway Facilities	7,982,506	3,383,052	3,308,012	3,269,031	3,280,906	3,295,378	16,536,379
Maintenance Facilities	61,717	30,000	30,000	30,000	30,000	30,000	150,000
Mass Transportation and Rail Freight	224,542	52,568	51,566	63,566	63,566	65,566	296,832
Ports and Waterways	1,565	...	...	...	...	...	...
Total	$8,357,406	$3,481,620	$3,400,578	$3,373,597	$3,385,472	$3,401,944	$17,043,211
Fund Summary:							
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	$83,672	...	...	...	...	...	...
Capital Projects Fund - Advances	25,826	...	...	...	...	...	...
Capital Projects Fund - Aviation (Bondable)	6,411	...	...	...	...	...	...
Capital Projects Fund - Energy Conservation (Bondable)	2,136	...	...	...	...	...	...
Capital Projects Fund - Infrastructure Renewal (Bondable)	49,751	...	...	...	...	...	...
Community Projects Fund	...	...	...	...	...	...	...
Dedicated Highway and Bridge Trust Fund	2,819,353	$1,412,138	$1,336,118	$1,337,160	$1,307,565	$1,314,801	$6,707,782
Dedicated Mass Transportation Fund	143,583	42,568	41,566	43,566	43,566	45,566	216,832
Engineering Services Fund	987,997	558,704	563,184	533,161	574,631	581,867	2,811,547
Federal Capital Projects Fund	4,056,854	1,410,000	1,400,000	1,400,000	1,400,000	1,400,000	7,010,000
Fiduciary funds - Misc. Combined Expendable Trust Fund	50,000	50,000	50,000	50,000	50,000	50,000	250,000
NY Metro Transportation Council Account	18,664	8,210	8,210	8,210	8,210	8,210	41,050
Passenger Facility Charge Fund	4,150	...	1,500	1,500	1,500	1,500	6,000
Regional Aviation Fund	35,000	...	...	...	...	...	...
Suburban Transportation Fund	74,009	...	...	...	...	...	...
Total	$8,357,406	$3,481,620	$3,400,578	$3,373,597	$3,385,472	$3,401,944	$17,043,211

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Aviation	$16,000	$11,000	$11,000	$11,000	$11,000
Highway Facilities	3,383,052	3,308,012	3,269,031	3,280,906	3,295,378
Maintenance Facilities	30,000	30,000	30,000	30,000	30,000
Mass Transportation and Rail Freight	52,568	51,566	63,566	63,566	65,566
Total	$3,481,620	$3,400,578	$3,373,597	$3,385,472	$3,401,944
Fund Summary:					
Dedicated Highway and Bridge Trust Fund	$1,412,138	$1,336,118	$1,337,160	$1,307,565	$1,314,801
Dedicated Mass Transportation Fund	42,568	41,566	43,566	43,566	45,566
Engineering Services Fund	558,704	563,184	533,161	574,631	581,867
Federal Capital Projects Fund	1,410,000	1,400,000	1,400,000	1,400,000	1,400,000
Fiduciary funds - Misc. Combined Expendable Trust Fund	50,000	50,000	50,000	50,000	50,000
NY Metro Transportation Council Account	8,210	8,210	8,210	8,210	8,210
Passenger Facility Charge Fund	...	1,500	1,500	1,500	1,500
Total	$3,481,620	$3,400,578	$3,373,597	$3,385,472	$3,401,944

TRANSPORTATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Aviation	$21,272	$18,793	$24,270	$23,540	$23,839	$15,459	$105,901
Highway Facilities	3,091,558	3,155,597	3,139,934	3,091,813	3,111,354	3,150,241	15,648,939
Maintenance Facilities	25,702	28,895	30,842	30,198	29,938	30,000	149,873
Mass Transportation and Rail Freight	50,130	46,669	54,897	49,592	56,799	67,116	275,073
Ports and Waterways	66	...	...	...	...	...	...
Total	$3,188,728	$3,249,954	$3,249,943	$3,195,143	$3,221,930	$3,262,816	$16,179,786
Fund Summary:							
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	$27,859	$29,758	$21,130	$11,633	$5,088	$544	$68,153
Capital Projects Fund - Advances	1,500	1,500	1,280	1,000	500	500	4,780
Capital Projects Fund - Aviation (Bondable)	1,800	1,463	1,076	700	539	459	4,237
Capital Projects Fund - Energy Conservation (Bondable)	500	200	200	200	200	200	1,000
Capital Projects Fund - Infrastructure Renewal (Bondable)	3,234	12,218	11,316	8,629	6,053	1,000	39,216
Community Projects Fund	...	...	...	...	...	...	...
Dedicated Highway and Bridge Trust Fund	1,445,046	1,411,700	1,412,071	1,384,763	1,348,807	1,333,546	6,890,887
Dedicated Mass Transportation Fund	37,895	40,296	43,393	36,892	40,599	49,416	210,596
Engineering Services Fund	560,661	616,286	601,887	574,896	586,243	596,531	2,975,843
Federal Capital Projects Fund	1,095,373	1,121,623	1,140,180	1,158,919	1,214,880	1,267,910	5,903,512
Fiduciary funds - Misc. Combined Expendable Trust Fund	...	...	...	...	...	...	...
NY Metro Transportation Council Account	7,910	7,910	8,910	8,511	8,521	8,710	42,562
Passenger Facility Charge Fund	2,650	...	1,500	1,500	3,000	1,500	7,500
Regional Aviation Fund	4,000	6,000	6,000	6,500	6,500	1,500	26,500
Suburban Transportation Fund	300	1,000	1,000	1,000	1,000	1,000	5,000
Total	$3,188,728	$3,249,954	$3,249,943	$3,195,143	$3,221,930	$3,262,816	$16,179,786

THRUWAY AUTHORITY, NEW YORK STATE
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Canal Development Program	$3,134	$2,000	$2,800	$2,800	$2,800	$2,800	$13,200
Total	$3,134	$2,000	$2,800	$2,800	$2,800	$2,800	$13,200
Fund Summary:							
New York State Canal System Development Fund	$3,134	$2,000	$2,800	$2,800	$2,800	$2,800	$13,200
Total	$3,134	$2,000	$2,800	$2,800	$2,800	$2,800	$13,200

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Canal Development Program	$2,000	$2,800	$2,800	$2,800	$2,800
Total	$2,000	$2,800	$2,800	$2,800	$2,800
Fund Summary:					
New York State Canal System Development Fund	$2,000	$2,800	$2,800	$2,800	$2,800
Total	$2,000	$2,800	$2,800	$2,800	$2,800

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Canal Development Program	$2,334	$2,800	$2,800	$2,800	$2,800	$2,800	$14,000
Total	$2,334	$2,800	$2,800	$2,800	$2,800	$2,800	$14,000
Fund Summary:							
New York State Canal System Development Fund	$2,334	$2,800	$2,800	$2,800	$2,800	$2,800	$14,000
Total	$2,334	$2,800	$2,800	$2,800	$2,800	$2,800	$14,000

ENVIRONMENT AND RECREATION

The Department of Environmental Conservation (DEC) and the Office of Parks, Recreation and Historic Preservation (OPRHP) are the principal agencies responsible for preserving and protecting the State's extensive environmental, historic and cultural resources and providing recreational opportunities for its citizens. Each agency is responsible for the development and maintenance of a wide array of capital facilities integral to this mission.

A major focus of DEC and OPRHP over the next five years is the implementation of the Clean Water/Clean Air Bond Act (CWCA), proposed by the Governor, and endorsed by the voters in November 1996. The Bond Act authorized a total of $1.75 billion for projects vital to the State's environmental and economic health.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

The Department of Environmental Conservation (DEC) is charged with protecting the State's natural resources. Department responsibilities include cleaning up solid and hazardous waste disposal sites, enforcing air and water quality standards, maintaining hundreds of flood and coastal erosion projects and stewardship of approximately four million acres of State land. The Department also provides safe opportunities for outdoor recreation including hunting, fishing, camping, hiking and other activities. DEC manages hundreds of facilities including dams, boat launch sites, campgrounds, fish hatcheries, wildlife management areas and a ski area.

DEC's capital program enhances and maintains the infrastructure necessary to provide a safe environment, and an estimated $572 million in capital disbursements will support these activities in 2000-01. DEC's Capital Plan directs resources to projects to ensure compliance with health and safety requirements and State and Federal environmental mandates. In 2000-01, new General Fund appropriations of $27.3 million are recommended to address these needs and to maintain and upgrade campgrounds, environmental centers and camps, fish hatcheries and other Department-owned buildings and facilities, maintain flood control structures, and fund shore protection projects for communities threatened by coastal erosion.

The 2000-01 Executive Budget recommends new appropriations totaling $162 million from the Clean Water/Clean Air (CWCA) Bond Act for projects to be administered by DEC. Another $60 million is appropriated in the Department of Health for the Safe Drinking Water Program. The CWCA Bond Act funds such important activities as: water quality improvement projects, landfill closure and recycling projects, brownfields projects, safe drinking water projects and air quality improvement projects. Combined with $1.1 billion in prior year appropriations, a total of $1.3 billion will have been made available from the Bond Act by 2000-01.

The Capital Program and Financing Plan recommends additional appropriations of $312 million from CWCA bonds through 2002-03 for projects administered by DEC. Another $120 million is appropriated in the Department of Health. In total, CWCA appropriations of $1.75 billion will be available by 2002-03 to support critical environmental projects.

Another key element of DEC's capital program is the Environmental Protection Fund (EPF), a dedicated fund supported by revenues of approximately $125 million annually. The Executive Budget includes new appropriations of $125 million, funding a host of critical environmental and recreational activities including: local landfill closure and recycling; waterfront revitalization projects; non-point source water pollution control; farmland preservation; open space land acquisition; Hudson River Estuary Management and municipal parks projects; and the Hudson River Park project. Additional EPF appropriations of $500 million through 2004-05 will continue funding these important activities.

The Department's Capital Plan also fully supports the Governor's State Superfund Refinancing Program Bill which calls for annual pay-as-you-go spending of $138 million for three cleanup programs — State Superfund, Voluntary Cleanup, and Oil Spill. This program will be funded equally by the State and industry and will maintain the most stringent environmental and public health standards in the nation. The new State Superfund is scheduled to begin in 2001-02 after the existing 1986 Environmental Quality Bond Act hazardous waste funds of $1.1 billion are fully committed.

In 2000-01, the level of contract commitments projected in the Department's capital plan is $589.8 million. This is an increase of over $64 million from the level of 2000-01 commitments projected in the 1999-2000 capital plan. The increase is consistent with increased appropriations for several capital programs. Future year commitments are also consistent with planned appropriation levels over the next five years.

The Department's capital maintenance plan focuses on preservation and preventive maintenance at its various lands, facilities and other structures. The Department manages a vast array of assets that vary in age, condition and useful life, including: approximately 4 million acres of land; 260 boat launch sites; 425 fishing access sites; 92 flood control structures; 51 campgrounds; 12 fish hatcheries; 1 game farm; 4 environmental education camps; 3 environmental education centers; 1 tree nursery; and the Belleayre Mountain ski center. The Department is developing a computerized maintenance management system which will facilitate planning and preventive maintenance for these extensive resources.

OFFICE OF PARKS, RECREATION AND HISTORIC PRESERVATION

The Office of Parks, Recreation and Historic Preservation operates 158 State parks and 35 historic sites that provide a place for visitors to relax and learn about New York's natural, historic and recreational treasures. More than 65 million people visit the State parks each year.

New York State's park system is one of the oldest and best developed in the nation, featuring 27 golf courses, 76 developed beaches, 51 swimming pools, and more than 5,000 buildings. The majority of facilities at State parks were built more than 50 years ago. Accordingly, a primary component of the capital program is devoted to maintenance and rehabilitation of existing facilities.

For 2000-01, the capital plan supports approximately $38.5 million in capital disbursements from various sources. In the area of new appropriations, $29 million is recommended for capital projects from the State Park Infrastructure Fund (SPIF), a dedicated fund consisting of revenues generated from day use and camping fees at the parks, as well as other miscellaneous revenues. Support is also provided for the Office's capital program from Fiduciary funds (notably $5 million from the Maid of the Mist Corporation for the Niagara Observation Tower), Federal resources, and the 1986 Environmental Quality Bond Act.

In addition, funding will be available from the Environmental Protection Fund (EPF) and the Clean Water/Clean Air Bond Act to improve park facilities and protect the fragile natural resources at State parks. These funds are included in the Department of Environmental Conservation's capital budget.

The Office's five-year capital plan reflects the needs of the various parks and historic sites. A total of $151 million, mainly from the SPIF, is planned to be spent on projects that are primarily targeted at correcting health and safety risks and preserving park facilities and include actions to:

— restore historic sites;
— rehabilitate park utility and sanitary systems;
— improve selected roads and bridges;
— upgrade public comfort stations and campground wash houses;
— maintain and improve park buildings, cabins and pool facilities; and
— develop newly acquired park lands.

The Office's capital maintenance plan also indicates that 2000-01 investments will be concentrated in preservation and protection of its many facilities. The Office's assets consist of approximately 5,000 buildings which vary in age, condition and useful life, including: historic buildings, offices, cabins, comfort stations, maintenance/storage buildings, restaurants, visitor/nature centers, pump houses and toll booths. The Office plans to focus its 2000-01 maintenance efforts primarily on site restoration, roof repair, and exterior construction projects.

In 2000-01, preparation will continue at Bethpage State Park for the 2002 U. S. Open Golf Championship. This event, held for the first time at a public golf course, will provide substantial economic and other benefits for the State's park system and the entire Long Island community.

The level of contract commitments projected in the Office's capital plan is approximately $41.3 million in 2000-01, which is consistent with the level projected in the 1999-2000 plan. Future year commitments reflect projected activity from both new appropriations and prior year appropriations.

HUDSON RIVER PARK TRUST

The Hudson River Park Trust (HRPT) is responsible for designing, developing, constructing, and maintaining the 550 acre Hudson River Park, which will extend 5 miles along the Hudson River waterfront from Battery Park City to 59th Street. During 2000-01, the Trust will continue to refine the framework and scope of the Hudson River Park, finalize design contracts, develop detailed cost estimates, explore alternative sources of funding and continue to oversee capital projects to build the Park.

The 2000-01 Executive Budget recommends $85 million in new appropriations for the Trust for capital costs associated with the planning, design and construction of Park projects. Specifically, Budget recommendations provide $13 million from the Hudson River Park Fund, which consists of revenues generated at the properties that comprise the Park. In addition, $20 million is provided for Park development from the Environmental Protection Fund (EPF) within the budget for the Department of Environmental Conservation. Finally, the Budget provides a State-funded advance appropriation of $52 million, which will be repaid by New York City as part of its share of the Park's initial development costs. The level of contract commitments projected in the Trust's capital plan is approximately $30 million. Additional commitments are reflected in the EPF. Future year commitments reflect projected activity from both new appropriations and prior year appropriations.

ENVIRONMENTAL CONSERVATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Administration	$1,976	$500	...	...	...	...	$500
Air Resources	136,942	29,500	$159,000	$159,000	$3,000	$3,000	353,500
Clean Water Clean Air Implementation	6,027	6,027	6,027	6,027	6,027	6,027	30,135
Clean Water/Clean Air 96	86,477	10,000	...	...	...	...	10,000
Design and Construction Supervision	14	...	...	...	...	...	...
Environment and Recreation	295,367	125,000	125,000	125,000	125,000	125,000	625,000
Environment Protection and Enhancements	34,475	...	...	...	...	...	...
Fish and Wildlife	7,126	3,200	1,000	1,000	1,000	1,000	7,200
Lands and Forests	18,422	1,250	1,000	1,000	1,000	1,000	5,250
Marine Resources	3,224	3,850	...	...	...	...	3,850
Operations	33,657	10,900	10,000	10,000	10,000	10,000	50,900
Recreation	2,535	150	700	700	700	700	2,950
Solid and Hazardous Waste Management	450,785	...	...	...	...	...	...
Solid Waste Management	292,424	20,525	105,725	105,725	105,725	105,725	443,425
Water Resources	1,039,630	379,872	104,400	103,920	93,000	23,000	704,192
Total	$2,409,081	$590,774	$512,852	$512,372	$345,452	$275,452	$2,236,902
Fund Summary:							
Capital Projects Fund	$177,196	$70,708	$37,325	$37,245	$35,425	$35,425	$216,128
Capital Projects Fund - 1996 CWCA (Bondable)	742,127	162,000	156,000	156,000	...	...	474,000
Capital Projects Fund - Advances	117,114	1,275	1,000	1,000	1,000	1,000	5,275
Capital Projects Fund - EQBA (Bondable)	72,974	...	...	...	...	...	...
Capital Projects Fund - EQBA 86 (Bondable)	450,796	...	...	...	...	...	...
Capital Projects Fund - PWBA (Bondable)	33,889	...	...	...	...	...	...
Clean Air Fund	9,235	3,000	3,000	3,000	3,000	3,000	15,000
Clean Water Clean Air Implementation Fund	6,027	6,027	6,027	6,027	6,027	6,027	30,135
Enterprise Fund	175	...	...	...	...	...	...
Environmental Protection Fund	329,842	125,000	125,000	125,000	125,000	125,000	625,000
Federal Capital Projects Fund	456,162	222,764	79,500	79,100	70,000	...	451,364
Financial Security Fund	1,982	...	...	...	...	...	...
Forest Preserve Expansion Fund	146	...	...	...	...	...	...
Hudson River Habitat Restor. Fund	351	...	...	...	...	...	...
Natural Resource Damages Fund	11,065	...	...	...	...	...	...
Remedial Program Transfer Fund	...	...	105,000	105,000	105,000	105,000	420,000
Total	$2,409,081	$590,774	$512,852	$512,372	$345,452	$275,452	$2,236,902

ENVIRONMENTAL CONSERVATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Administration	$500	$200	$100	$100	$100
Air Resources	5,700	5,200	4,000	4,000	4,000
Clean Water Clean Air Implementation	6,027	6,027	6,027	6,027	6,027
Clean Water/Clean Air 96	162,000	156,000	156,000	...	...
Environment and Recreation	125,000	125,000	125,000	125,000	125,000
Fish and Wildlife	1,000	1,000	1,000	1,000	1,000
Lands and Forests	2,075	1,000	1,000	1,000	1,000
Marine Resources	200	250	200	200	200
Operations	12,200	9,000	8,000	8,000	8,000
Recreation	3,000	2,800	2,500	2,500	2,500
Solid and Hazardous Waste Management	107,100	170,673	117,372	105,000	105,000
Solid Waste Management	4,000	2,000	1,500	500	500
Water Resources	161,035	160,027	162,702	178,000	178,000
Total	$589,837	$639,177	$585,401	$431,327	$431,327
Fund Summary:					
Capital Projects Fund	$48,000	$48,000	$48,000	$50,550	$50,550
Capital Projects Fund - 1996 CWCA (Bondable)	162,000	156,000	156,000	...	...
Capital Projects Fund - Advances	4,000	1,000	1,000	1,000	1,000
Capital Projects Fund - EQBA (Bondable)	3,000	2,000	...	...	...
Capital Projects Fund - EQBA 86 (Bondable)	95,000	51,000	...	...	...
Clean Air Fund	3,000	3,000	3,000	3,000	3,000
Clean Water Clean Air Implementation Fund	6,027	6,027	6,027	6,027	6,027
Environmental Protection Fund	125,000	125,000	125,000	125,000	125,000
Federal Capital Projects Fund	140,535	140,950	141,174	140,550	140,550
Financial Security Fund	200	200	200	200	200
Forest Preserve Expansion Fund	75	...	...	...	...
Natural Resource Damages Fund	3,000	1,000	...	...	...
Remedial Program Transfer Fund	...	105,000	105,000	105,000	105,000
Total	$589,837	$639,177	$585,401	$431,327	$431,327

ENVIRONMENTAL CONSERVATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Administration	$334	$450	$750	$489	...	...	$1,689
Air Resources	37,301	55,166	49,492	65,180	$80,314	$80,300	330,452
Clean Water Clean Air Implementation	6,027	6,027	6,027	6,027	6,027	6,027	30,135
Clean Water/Clean Air 96	2,000	4,147	5,000	7,000	8,000	8,500	32,647
Design and Construction Supervision	14	...	...	...	...	...	...
Environment and Recreation	103,327	99,317	114,107	116,846	114,724	113,320	558,314
Environment Protection and Enhancements	490	16,603	11,982	2,815	1,000	...	32,400
Fish and Wildlife	1,245	609	1,118	1,025	750	1,000	4,502
Lands and Forests	13,358	2,592	888	1,175	1,866	1,220	7,741
Marine Resources	663	100	280	524	100	...	1,004
Operations	7,718	6,912	9,985	9,244	8,522	10,875	45,538
Recreation	1,026	905	724	643	560	950	3,782
Solid and Hazardous Waste Management	110,000	110,000	100,000	100,000	34,791	...	344,791
Solid Waste Management	24,398	27,598	124,625	130,222	125,167	120,475	528,087
Water Resources	134,168	241,758	245,986	224,087	228,881	230,500	1,171,212
Total	$442,069	$572,184	$670,964	$665,277	$610,702	$573,167	$3,092,294
Fund Summary:							
Capital Projects Fund	$46,830	$49,181	$50,657	$49,499	$50,229	$50,500	$250,066
Capital Projects Fund - 1996 CWCA (Bondable)	75,000	125,000	125,000	125,000	145,000	145,000	665,000
Capital Projects Fund - Advances	6,997	7,360	7,012	7,152	7,450	7,400	36,374
Capital Projects Fund - EQBA (Bondable)	11,312	9,031	492	2,130	1,106	1,100	13,859
Capital Projects Fund - EQBA 86 (Bondable)	110,000	110,000	100,000	100,000	34,791	...	344,791
Capital Projects Fund - PWBA (Bondable)	2,900	3,100	3,725	4,800	800	800	13,225
Clean Air Fund	4,500	3,000	3,000	3,000	3,000	3,000	15,000
Clean Water Clean Air Implementation Fund	6,027	6,027	6,027	6,027	6,027	6,027	30,135
Enterprise Fund	...	...	...	...	...	...	...
Environmental Protection Fund	103,817	115,920	126,089	119,661	115,724	113,320	590,714
Federal Capital Projects Fund	71,356	140,535	140,950	141,174	140,550	140,000	703,209
Financial Security Fund	500	500	482	500	...	...	1,482
Forest Preserve Expansion Fund	30	30	30	20	25	20	125
Hudson River Habitat Restor. Fund	300	...	...	...	...	...	...
Natural Resource Damages Fund	2,500	2,500	2,500	1,314	1,000	1,000	8,314
Remedial Program Transfer Fund	...	...	105,000	105,000	105,000	105,000	420,000
Total	$442,069	$572,184	$670,964	$665,277	$610,702	$573,167	$3,092,294

**PARKS, RECREATION AND HISTORIC PRESERVATION, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)**

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Clean Water Clean Air Implementation	...	$1,453	$1,526	$1,600	$1,682	$1,766	$8,027
Federal Capital Projects Fund	$2,574	1,000	...	...	...	...	1,000
Maintenance and Improvement of Existing Facilities	55,647	34,780	24,400	25,500	26,000	30,000	140,680
Natural Heritage Trust	300	...	...	...	...	...	...
New Facilities	2,425	1,250	...	...	...	...	1,250
Outdoor Recreation	1,026	...	...	...	...	...	...
Parks EQBA	24,409	...	...	...	...	...	...
Total	$86,381	$38,483	$25,926	$27,100	$27,682	$31,766	$150,957
Fund Summary:							
Capital Projects Fund	$300	...	...	...	...	...	...
Capital Projects Fund - EQBA (Bondable)	406	...	...	...	...	...	...
Capital Projects Fund - EQBA 86 (Bondable)	24,003	...	...	...	...	...	...
Clean Water Clean Air Implementation Fund	...	$1,453	$1,526	$1,600	$1,682	$1,766	$8,027
Community Projects Fund	...	...	...	...	...	...	...
Federal Capital Projects Fund	2,574	1,000	...	...	...	...	1,000
Fiduciary Funds - Miscellaneous Combined Expendable Trust Fund	400	6,000	...	...	...	...	6,000
Misc. Capital Projects	2,046	1,000	500	500	1,000	1,000	4,000
Outdoor Recreation Development Bond Fund	230	...	...	...	...	...	...
Parks and Recreation Land Acquisition Bond Fund	796	...	...	...	...	...	...
State Parks Infrastructure Fund	55,626	29,030	23,900	25,000	25,000	29,000	131,930
Total	$86,381	$38,483	$25,926	$27,100	$27,682	$31,766	$150,957

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Clean Water Clean Air Implementation	$1,453	$1,526	$1,600	$1,682	$1,766
Federal Capital Projects Fund	1,000	...	...	...	...
Maintenance and Improvement of Existing Facilities	27,650	21,625	22,700	22,500	22,500
New Facilities	1,150	1,175	...	...	...
Parks EQBA	10,000	7,660	...	...	...
Total	$41,253	$31,986	$24,300	$24,182	$24,266
Fund Summary:					
Capital Projects Fund - EQBA 86 (Bondable)	$10,000	$7,660	...	...	...
Clean Water Clean Air Implementation	1,453	1,526	$1,600	$1,682	$1,766
Federal Capital Projects Fund	1,000	...	...	...	...
Fiduciary Funds - Miscellaneous Combined Expendable Trust Fund	6,000	...	...	...	...
Misc. Capital Projects	700	700	600	400	...
State Parks Infrastructure Fund	22,100	22,100	22,100	22,100	22,500
Total	$41,253	$31,986	$24,300	$24,182	$24,266

PARKS, RECREATION AND HISTORIC PRESERVATION, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Clean Water Clean Air Implementation	$1,384	$1,453	$1,526	$1,600	$1,682	$1,766	$8,027
Federal Capital Projects Fund	500	800	1,200	500	...	...	2,500
Maintenance and Improvement of Existing Facilities	24,500	24,800	24,625	25,400	25,300	25,500	125,625
Natural Heritage Trust	200	...	...	...	...	...	...
New Facilities	200	1,050	1,175	...	...	...	2,225
Outdoor Recreation	...	...	...	...	...	...	...
Parks EQBA	10,000	10,400	7,227	...	...	...	17,627
Total	$36,784	$38,503	$35,753	$27,500	$26,982	$27,266	$156,004
Fund Summary:							
Capital Projects Fund	...	...	...	...	...	...	...
Capital Projects Fund - EQBA (Bondable)	...	$400	...	...	...	...	$400
Capital Projects Fund - EQBA 86 (Bondable)	$10,000	10,000	$7,227	...	...	...	17,227
Clean Water Clean Air Implementation Fund	1,384	1,453	1,526	$1,600	$1,682	$1,766	8,027
Community Projects Fund	200	...	...	...	...	...	...
Federal Capital Projects Fund	500	800	1,200	500	...	...	2,500
Fiduciary Funds - Miscellaneous Combined Expendable Trust Fund	...	400	400	200	...	...	1,000
Misc. Capital Projects	100	850	800	600	700	900	3,850
Outdoor Recreation Development Bond Fund	...	...	...	...	...	...	...
Parks and Recreation Land Acquisition Bond Fund	...	...	...	...	...	...	...
State Parks Infrastructure Fund	24,600	24,600	24,600	24,600	24,600	24,600	123,000
Total	$36,784	$38,503	$35,753	$27,500	$26,982	$27,266	$156,004

HUDSON RIVER PARK TRUST
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Regional Development	$18,845	$65,000	$49,600	$3,600	$3,600	$3,600	$125,400
Total	$18,845	$65,000	$49,600	$3,600	$3,600	$3,600	$125,400
Fund Summary:							
Capital Projects Fund - Advances	...	$52,000	$46,000	...	...	...	$98,000
Hudson River Park Fund	$18,845	13,000	3,600	$3,600	$3,600	$3,600	27,400
Total	$18,845	$65,000	$49,600	$3,600	$3,600	$3,600	$125,400

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Regional Development	$30,000	$55,000	$35,000	$19,800	$3,600
Total	$30,000	$55,000	$35,000	$19,800	$3,600
Fund Summary:					
Capital Projects Fund - Advances	$20,000	$40,000	$25,000	$13,000	...
Hudson River Park Fund	10,000	15,000	10,000	6,800	$3,600
Total	$30,000	$55,000	$35,000	$19,800	$3,600

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Regional Development	$3,800	$27,700	$54,600	$42,600	$10,400	$3,600	$138,900
Total	$3,800	$27,700	$54,600	$42,600	$10,400	$3,600	$138,900
Fund Summary:							
Capital Projects Fund - Advances	...	$20,000	$40,000	$32,000	$6,000	...	$98,000
Hudson River Park Fund	$3,800	7,700	14,600	10,600	4,400	$3,600	40,900
Total	$3,800	$27,700	$54,600	$42,600	$10,400	$3,600	$138,900

ENVIRONMENTAL FACILTITIES CORPORATION
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Clean Water Clean Air Implementation	...	$292	$292	$292	$292	$292	$1,460
Pipeline for Jobs Program	$22,500	...	...	...	...	...	...
Total	$22,500	$292	$292	$292	$292	$292	$1,460
Fund Summary:							
Capital Projects Fund	$22,500	...	...	...	...	...	...
Clean Water Clean Air Implementation Fund	...	$292	$292	$292	$292	$292	$1,460
Total	$22,500	$292	$292	$292	$292	$292	$1,460

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Clean Water Clean Air Implementation	$292	$292	$292	$292	$292
Pipeline for Jobs Program	11,000	11,500	...	...	...
Total	$11,292	$11,792	$292	$292	$292
Fund Summary:					
Capital Projects Fund	$11,000	$11,500	...	...	...
Clean Water Clean Air Implementation Fund	292	292	$292	$292	$292
Total	$11,292	$11,792	$292	$292	$292

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Clean Water Clean Air Implementation	$552	$292	$292	$292	$292	$292	$1,460
Pipeline for Jobs Program	...	11,000	11,500	...	...	...	22,500
Total	$552	$11,292	$11,792	$292	$292	$292	$23,960
Fund Summary:							
Capital Projects Fund	...	$11,000	$11,500	...	...	...	$22,500
Clean Water Clean Air Implementation	$552	292	292	$292	$292	$292	1,460
Total	$552	$11,292	$11,792	$292	$292	$292	$23,960

PUBLIC PROTECTION

The Executive Budget recommendation provides for the consolidation of eight criminal justice agencies, including the Department of Correctional Services and the Division of State Police, into a new Department of Justice. The capital planning process is essential to the Department of Justice (DOJ) as a means of providing additional capacity and maintaining a safe and secure environment in existing facilities. The Division of Military and Naval Affairs (DMNA) capital programs ensure that existing facilities continue to be maintained.

DEPARTMENT OF JUSTICE

Division of Correctional Services (DOCS)

The focus of the 2000-01 capital projects recommendation is the completion of a capital expansion plan to meet population demands resulting from truth-in-sentencing legislation, including Jenna's Law, and maintenance of the Division's vast infrastructure.

To provide the additional space required to allow violent offenders to serve longer sentences commensurate with their crimes, a new 750 cell maximum security prison under construction in Seneca County, is on schedule to be occupied by inmates in the Fall of 2000. The Capital Plan includes funds to construct a third, 750-cell maximum security prison to be opened in 2002.

DOCS is currently responsible for incarcerating approximately 72,000 convicted criminals and preparing them for successful return to the community. The capital program assists in this mission by ensuring that all housing, medical, program, and support space in 70 facilities remains functional, safe and secure.

The Division's substantial rehabilitation and preservation requirements are due to several factors, including the age of many of the State's prisons and the changing needs of the inmate population, particularly in the area of health care. "New" capacity was created during the 1980's often by converting older institutions from other uses to prisons. The focus of that effort was on security, not upgrading the structural integrity and infrastructure of these older facilities. In addition, virtually all of these facilities operate above capacity due to extensive double-bunking, further straining the physical plant.

The Division of Correctional Services Preventative Maintenance Program Plan addresses this situation by providing funds for additional system repairs and replacements necessary to keep capacity in service. Analysis indicates that the heating, ventilation, hot water, electric and roofing systems are the major problem areas requiring appropriations.

The Division continues to require improvements to its medical facilities. The prevalence of AIDS, tuberculosis and other infectious conditions in the prison population prompted a significant capital program to provide cost efficient access to health care. An appropriation of $15 million is included in the recommendations to continue the renovation and replacement of medical facilities.

The Capital Asset Maintenance Plan is designed to preserve the useful life of the facilities and infrastructure. In evaluating assets, DOCS has established a rating system to identify the condition of its physical plant as a tool for prioritizing essential rehabilitation projects. The following table identifies the capital asset group, age and condition of DOCS assets:

		Condition			
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**	**Total**
Minimum Security	4 to 75 yrs.	15	2	0	17
Medium Security	8 to 100 yrs.	33	4	0	37
Maximum Security	0 to 150 yrs.	13	3	0	16
Support	40 to 60 yrs.	2	0	0	2
	Total	63	9	0	72

The program, consistent with the above objectives, recommends new capital project appropriations of approximately $1.2 billion over the next five years, and $907 million in reappropriations. These appropriations are grouped programmatically, thereby allowing the agency to manage the flow of projects, respond to emergencies and adjust priorities to accommodate for changes in facility conditions.

The DOCS capital program is funded primarily from appropriations made from the Correctional Facilities Capital Improvement Fund which is reimbursed by proceeds from bonds issued by the Empire State Development Corporation. The five year disbursement projection of more than $1.1 billion includes $230 million to complete construction of additional capacity including $180 million for a third, 750-cell maximum security prison recommended in the 2000-01 Executive Budget; $92 million for the Health Care Infrastructure program; and $776 million for capital rehabilitation.

The 2000-01 Five Year Capital Plan reflects nearly $1.1 billion in commitments for the 2000-05 period, commensurate with anticipated available appropriations. The Plan reflects the pressing need for capacity expansion, infrastructure maintenance and rehabilitation projects and improvements to the Division's health care facilities.

Division of State Police (DSP)

The priorities of the Division of State Police (DSP) Capital Plan are to maintain the safety and integrity of State Police facilities across the State. Total capital disbursements for the Division are estimated at $6 million in 2000-01, which will accommodate construction of a new facility in Central Islip and ongoing maintenance and improvement of State Police facilities.

The Capital Asset Maintenance Plan for the facilities of the Division of State Police is designed to preserve the useful life of the facilities and infrastructure. Over the past several years capital initiatives have been focused on the repair and replacement of roofs, windows, parking lots and access roadways, heating and ventilation systems, and improvements to facilities to meet health and safety needs. The plan for the next five years maintains the same focus.

Capital Asset Group	Age Range	Condition Good	Fair	Poor	Total
Forensic Investigation Center	2 yrs.	1	0	0	1
Troop Headquarters	10 to 40 yrs.	9	0	0	9
Zone Headquaters	40 yrs.	0	2	0	2
Stations	1 yr.	1	0	0	1
	Total	11	2	0	13

The 2000-01 Executive Budget includes funding for completing the construction of a new Zone Headquarters in the Town of Islip, in Suffolk County. The completed new facility will be centrally located and readily accessible to the major highways in that area. In addition, the new facility will be handicapped accessible and have women's locker facilities.

The commitments for 1999-2000 were $2.6 million which will increase to $3.5 million in 2000-01. The 2000-01 Capital Plan assumes entering into commitments for new projects to rehabilitate State Police facilities.

DIVISION OF MILITARY AND NAVAL AFFAIRS

The Division of Military and Naval Affairs operates over 120 facilities statewide which include: over 60 Army National Guard Armories, 28 operations and maintenance facilities, six Air Guard bases, three aviation support facilities, four training facilities and Camp Smith.

An analysis conducted by the National Guard Bureau has concluded that New York's infrastructure is among the oldest in the nation and its overall condition is fair. The total size of the infrastructure is over five million square feet, and its average age is over 72 years.

Over the last five years, the Division has been refining its mission to not only maintaining its military readiness posture, but to include joint partnerships with local communities. The Division's capital projects planning is undertaken in the context of this restructured mission which encompasses both Federal and State priorities.

The Division annually prepares a Five-Year Comprehensive Capital Maintenance Plan which emphasizes continued investment in maintenance and repair programs, implements technological upgrades and addresses energy efficiency concerns. Infrastructure repair and upgrade is measured and prioritized by the affected structure condition, proposed use, and corresponding health, safety and environmental concerns.

JUSTICE, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Maintenance and Improvement of Existing Facilities	$606,355	$385,000	$200,000	$190,000	$205,000	$205,000	$1,185,000
Maintenance and Improvement of State Police Facilities	6,388	2,700	2,000	2,000	2,000	2,000	10,700
Medical Facilities	54,827	15,000	15,000	15,000	...	...	45,000
New State Police Facilities	2,385	...	...	...	...	...	...
UDC Financed and Other New Faciltity Capacity Expansion	246,132	...	...	...	...	...	...
Total	$916,087	$402,700	$217,000	$207,000	$207,000	$207,000	$1,240,700
Fund Summary:							
Capital Projects Fund	$11,773	$2,700	$2,000	$2,000	$2,000	$2,000	$10,700
Correctional Facilities Capital Improvement Fund	790,127	400,000	215,000	205,000	205,000	205,000	1,230,000
Federal Capital Projects Fund	114,187	...	...	...	...	...	...
Total	$916,087	$402,700	$217,000	$207,000	$207,000	$207,000	$1,240,700

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Maintenance and Improvement of Existing Facilities	$383,000	$160,000	$160,000	$165,000	$175,000
Maintenance and Improvement of State Police Facilities	1,500	1,000	1,000	1,000	1,000
Medical Facilities	15,000	15,000	15,000	10,000	...
New State Police Facilities	2,000	1,000	1,000	1,000	1,000
Total	$401,500	$177,000	$177,000	$177,000	$177,000
Fund Summary:					
Capital Projects Fund	$6,500	$2,000	$2,000	$2,000	$2,000
Correctional Facilities Capital Improvement Fund	395,000	175,000	175,000	175,000	175,000
Total	$401,500	$177,000	$177,000	$177,000	$177,000

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Maintenance and Improvement of Existing Facilities	$321,500	$213,000	$305,365	$213,000	$173,000	$188,000	$1,092,365
Maintenance and Improvement of State Police Facilities	2,145	3,825	2,453	2,700	1,500	1,500	11,978
Medical Facilities	26,000	32,000	14,135	15,000	15,000	...	76,135
New State Police Facilities	838	2,261	...	...	...	...	2,261
UDC Financed and Other New Faciltity Capacity Expansion	...	...	...	...	...	...	...
Total	$350,483	$251,086	$321,953	$230,700	$189,500	$189,500	$1,182,739
Fund Summary:							
Capital Projects Fund	$3,483	$7,086	$3,953	$2,700	$1,500	$1,500	$16,739
Correctional Facilities Capital Improvement Fund	259,000	210,000	318,000	228,000	188,000	188,000	1,132,000
Federal Capital Projects Fund	88,000	34,000	...	...	...	...	34,000
Total	$350,483	$251,086	$321,953	$230,700	$189,500	$189,500	$1,182,739

MILITARY AND NAVAL AFFAIRS, DIVISION OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Administration - Federal Capital Projects Fund	...	...	...	...	...	...	...
Army National Guard	$1,043	...	...	...	...	...	...
Design and Construction Supervision	4,014	$2,025	$3,025	$3,600	$3,350	$3,675	$15,675
Maintenance and Improvement of Existing Facilities	13,302	7,700	6,700	6,125	6,375	6,050	32,950
Total	$18,359	$9,725	$9,725	$9,725	$9,725	$9,725	$48,625
Fund Summary:							
Capital Projects Fund	$10,101	$6,300	$6,300	$6,300	$6,300	$6,300	$31,500
Federal Capital Projects Fund	8,258	3,425	3,425	3,425	3,425	3,425	17,125
Total	$18,359	$9,725	$9,725	$9,725	$9,725	$9,725	$48,625

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Design and Construction Supervision	$3,200	$3,200	$3,100	$3,100	$3,100
Maintenance and Improvement of Existing Facilities	6,525	6,525	6,625	6,625	6,625
Total	$9,725	$9,725	$9,725	$9,725	$9,725
Fund Summary:					
Capital Projects Fund	$6,300	$6,300	$6,300	$6,300	$6,300
Federal Capital Projects Fund	3,425	3,425	3,425	3,425	3,425
Total	$9,725	$9,725	$9,725	$9,725	$9,725

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Administration - Federal Capital Projects Fund	$700	...	...	...	...	...	...
Army National Guard	1,431	...	...	...	...	...	...
Design and Construction Supervision	1,254	$3,000	$3,200	$3,100	$3,100	$3,100	$15,500
Maintenance and Improvement of Existing Facilities	4,115	6,600	6,525	6,625	6,625	6,625	33,000
Total	$7,500	$9,600	$9,725	$9,725	$9,725	$9,725	$48,500
Fund Summary:							
Capital Projects Fund	$5,500	$6,300	$6,300	$6,300	$6,300	$6,300	$31,500
Federal Capital Projects Fund	2,000	3,300	3,425	3,425	3,425	3,425	17,000
Total	$7,500	$9,600	$9,725	$9,725	$9,725	$9,725	$48,500

EDUCATION

Capital planning is vital to the teaching, research and public service missions of both the State University (SUNY) and the City University (CUNY) systems. Capital Plans ensure that facilities are appropriately designed and developed to meet current and future needs and provide a safe and healthy environment for students, faculty and staff. The State Education Department's (SED) capital programs encompass the rehabilitation of schools for the deaf, the blind and Native Americans; its administrative offices; and the State Museum, State Library and State Archives.

STATE UNIVERSITY OF NEW YORK

The State University of New York is the largest public university system in the nation, with 64 campuses (including 30 community colleges) serving nearly 370,000 students. The goal of SUNY's capital program is to provide and preserve the physical infrastructure needed for the education of its students.

The 34 State-operated campuses include more than 2,000 classroom, dormitory, library, laboratory, athletic, and student activity buildings. Nearly 85 percent of SUNY's facilities exceed 20 years of age and are in need of renovation, rehabilitation and repair. Accordingly, SUNY's capital program continues to emphasize the preservation of its existing State-operated facilities. Capital priorities at SUNY's 30 community colleges include major rehabilitation as well as selected new buildings at various campuses to accommodate changing academic needs.

SUNY's capital planning process starts with the development of facility master plans for each campus to identify new construction and rehabilitation projects. For State-operated colleges, these plans are then developed into a system wide, five-year University Master Capital Plan approved by the SUNY Board of Trustees. For community colleges, master plans are submitted to the local Boards of Trustees for approval and are used to develop budget requests for submission to the SUNY Board of Trustees. The Trustees then select priority projects for inclusion in SUNY's formal capital budget request.

SUNY's $2 billion Multi-Year Capital Investment Program is financed with $1.575 billion in State-supported bonding and the remainder by hospital and dormitory revenues and local community college sponsors. The long-term Capital Investment Program enables the University to develop a comprehensive plan for revitalizing campuses through the rehabilitation of existing buildings; construction and adaptation of facilities to meet current academic needs; and the use of technology for instruction, research and community service.

Major components of the capital program for 2000-01 through 2004-05 include:

- campus core projects to meet critical health, safety and preservation needs and respond to new and changing academic requirements;
- technology and campus development projects to respond to new ways of teaching and learning;
- campus matching projects to leverage private donations;
- system wide infrastructure projects to address such needs as underground utility projects;
- campus improvements and quality of life projects to improve the overall appearance of SUNY campuses and their responsiveness to student needs; and

— community college capital projects ranging in scope from replacement of heating and cooling systems to construction of new academic facilities.

SUNY's Capital Investment Program will continue to emphasize projects that address health and safety, rehabilitation and preservation needs. These include projects to address code violations, meet accreditation standards, provide access for the disabled, preserve the integrity of the capital plant and address deferred maintenance. Given the age of SUNY's physical plant, more than half of the capital funding for senior colleges will be spent on campus core projects and system wide infrastructure needs. Unlike other State agencies, SUNY has the in-house capability to perform building condition surveys. As a result, the "remaining useful life" of SUNY buildings is based on the actual condition of the asset or building components, rather than age. According to this assessment, fewer than a dozen SUNY buildings have reached the end of their useful life.

In 2000-01, the third-year of SUNY's Multi-Year Capital Investment program, contract commitments are projected to reach $280 million which reflect increased activity levels consistent with the award of major construction contracts for educational facilities. Total disbursements for both the State-operated and community colleges are estimated at $273.5 million in 2000-01 and will reach $390.0 million in 2004-2005. In future years, disbursements are expected to increase commensurate with increased activity levels.

CITY UNIVERSITY OF NEW YORK

The City University of New York’s physical plant is comprised of 11 senior colleges, 6 community colleges, a graduate center, law school and the Central Administration facility, serving approximately 199,000 degree credit students in nearly 24 million gross square feet of space.

CUNY’s capital planning process begins with the development of a facility master plan for each campus which details existing and anticipated facilities necessary to accommodate projected campus enrollment within certain time periods. The facility master plans provide the framework for development of the annual capital budget request and the University’s Five-Year Capital Plan.

CUNY’s rehabilitation projects are identified through building condition surveys, conducted jointly by the Dormitory Authority and CUNY. New construction projects generally reflect the CUNY Board of Trustees’ policy to replace leased and temporary facilities with new, university-owned structures.

Major projects at CUNY senior and community colleges are supported by bonds issued by the Dormitory Authority. The State pays the debt service on senior college projects other than Medgar Evers College. For community colleges and Medgar Evers College, debt service costs are shared with the City of New York. CUNY’s minor rehabilitation projects for health, safety and preservation purposes are primarily supported by State General Fund appropriations.

The 1999-2000 Budget continued CUNY's 1998-99 capital appropriations totaling $1.0 billion for the Governor’s multi-year Capital Investment Program, which provided for additional facility and infrastructure improvements at City University senior and community colleges consistent with the University’s needs and priorities. Funded projects encompass critical health and safety, preservation and handicapped access projects, as well as major renovations and new facilities at a number of CUNY campuses. Language accompanying the appropriation specified that amounts to be obligated from subsequent reappropriations were to be pursuant to a plan developed by the Governor Concomitantly.

CUNY's bond cap was increased by $660 million, for a total bonding authorization of $3.4 billion, to cover CUNY's planned bond sales for the course of the Capital Investment Program.

For 2000-01, the level of contract commitments projected in the Capital Plan is $172 million, $5.1 million below the 2000-01 commitment level projected in the 1999-2000 five-year Capital Plan which reflects a refinement of project schedules.

STATE EDUCATION DEPARTMENT

The State Education Department's capital program provides for the maintenance of administrative facilities in Albany — the Education Building and Cultural Education Center — the School for the Blind in Batavia, the School for the Deaf in Rome, and the three Native American schools on the Onondaga, St. Regis Mohawk and Tuscarora reservations.

The 2000-01 Executive Budget recommends the transfer of Cultural Education functions currently administered by the State Education Department. Consistent with that recommendation, portions of capital funding for SED's Cultural Education Center are authorized to be transferred in 2000-01.

Under the Capital Plan, the 2000-01 Budget includes Capital Project Fund appropriations of $5.1 million with disbursements projected to total $118.6 million. Included in these appropriations are $1.6 million for the Cultural Education Center. These appropriations will fund minor maintenance projects at various sites and a number of health, safety and preservation projects including installation of central air-conditioning in summer dormitories at the School for the Blind and the School for the Deaf, improvement of sidewalks at the School for the Blind, and funds to preserve the collections of the State Museum. No new Capital Advance Funds are recommended.

For fiscal year 2000-01, the level of contract commitments projected in the Capital Plan is $5.1 million, or $1.5 million above projections made in the 1999-2000 Capital Plan primarily due to a change in project scheduling. Projects previously funded are being designed and awarded as anticipated.

The Capital Plan will enable the State Education Department to maintain and preserve its assets, ensure health and safety of staff, students and the general public and reduce its dependence on leased space by maximizing the effective use of State-owned buildings. It will also allow the State Museum, Library and Archives to fulfill their obligations relating to maintenance of facilities, collections and public safety.

STATE UNIVERSITY OF NEW YORK
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)
(Includes Community Colleges)

APPROPRIATIONS

	Reappropriations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Maintenance and Improvements	$2,554,671	...	...	...	$75,000	$430,000	$505,000
New Facilities	19,666	...	...	...	...	...	...
Total	$2,574,337	...	...	...	...	$430,000	$505,000
Fund Summary:							
Capital Projects Fund	$181,133	...	...	...	$5,000	$30,000	$35,000
Capital Projects Fund - Advances	1,993,132	...	...	...	35,000	330,000	365,000
State University Capital Projects Fund	129,701	...	...	...	20,000	20,000	40,000
State University Residence Hall Rehabilitation Fund	270,371	...	...	...	15,000	50,000	65,000
Total	$2,574,337	...	...	...	$75,000	$430,000	$505,000

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Maintenance and Improvements	$280,000	$295,000	$310,000	$355,000	$400,000
Total	$280,000	$295,000	$310,000	$355,000	$400,000
Fund Summary:					
Capital Projects Fund	$35,000	$38,000	$41,000	$43,000	$50,000
Capital Projects Fund - Advances	205,000	247,000	254,000	297,000	325,000
State University Residence Hall Rehabilitation Fund	40,000	10,000	15,000	15,000	25,000
Total	$280,000	$295,000	$310,000	$355,000	$400,000

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Maintenance and Improvements	$227,000	$273,500	$284,300	$314,700	$418,800	$390,000	$1,681,300
New Facilities	...	...	...	...	...	...	...
Total	$227,000	$273,500	$284,300	$314,700	$418,800	$390,000	$1,681,300
Fund Summary:							
Capital Projects Fund	$35,000	$35,500	$36,300	$36,700	$41,300	$40,000	$189,800
Capital Projects Fund - Advances	175,000	175,000	185,000	215,000	307,500	290,000	1,172,500
State University Capital Projects Fund	1,000	20,000	20,000	20,000	20,000	20,000	100,000
State University Residence Hall Rehabilitation Fund	16,000	43,000	43,000	43,000	50,000	40,000	219,000
Total	$227,000	$273,500	$284,300	$314,700	$418,800	$390,000	$1,681,300

CITY UNIVERSITY OF NEW YORK
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Maintenance and Improvements	$720,309	...	...	...	...	$115,000	$115,000
New Facilities	352,556	...	...	...	...	90,000	90,000
Preservation of Facilities	559	...	...	...	...	...	...
Program Changes and Expansion	9,382	...	...	...	...	...	...
Total	$1,082,806	...	...	...	...	$205,000	$205,000
Fund Summary:							
Capital Projects Fund	$93,229	...	...	...	...	$5,000	$5,000
Capital Projects Fund - Advances	985,546	...	...	...	...	200,000	200,000
City University of New York							
Capital Projects Fund	4,031	...	...	...	...	...	...
Total	$1,082,806	...	...	...	...	$205,000	$205,000

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Maintenance and Improvements	$128,900	$132,000	$108,000	$82,000	$122,000
New Facilities	43,100	40,000	64,000	90,000	90,000
Total	$172,000	$172,000	$172,000	$172,000	$212,000
Fund Summary:					
Capital Projects Fund	$12,000	$12,000	$12,000	$12,000	$12,000
Capital Projects Fund - Advances	160,000	160,000	160,000	160,000	200,000
Total	$172,000	$172,000	$172,000	$172,000	$212,000

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Maintenance and Improvements	$8,100	$8,546	$8,868	$9,000	$7,600	$7,900	$41,914
Program Changes and Expansion	...	...	...	:...	...	...	...
Preservation of Facilities	100	54	232	...	...	...	286
New Facilities	900	500	:...	100	1,500	1,200	3,300
Total	$9,100	$9,100	$9,100	$9,100	$9,100	$9,100	$45,500
Fund Summary:							
Capital Projects Fund	$9,100	$9,100	$9,100	$9,100	$9,100	$9,100	$45,500
Capital Projects Fund - Advances	...	...	...	...	...	...	...
City University of New York							
Capital Projects Fund	...	...	...	...	...	...	...
Total	$9,100	$9,100	$9,100	$9,100	$9,100	$9,100	$45,500

EDUCATION DEPARTMENT, STATE
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Administration	$2,352	$950	...	...	...	...	$950
Cultural Education Center	20,550	1,500	...	...	...	...	1,500
Design and Construction Supervision	237	...	...	...	...	...	...
Education Building	3,133	1,365	$3,630	$3,630	$3,630	$3,630	15,885
Rebuild Schools to Uphold Education Program	145,000	...	...	...	...	...	...
School for the Blind	2,856	700	...	...	...	...	700
School for the Deaf	2,033	550	...	...	...	...	550
Schools For Native American Reservations	500	...	...	...	...	...	...
Washington Avenue Armory	8,215	...	...	...	...	...	...
Total	$184,876	$5,065	$3,630	$3,630	$3,630	$3,630	$19,585
Fund Summary:							
Capital Projects Fund	$148,483	$5,065	$3,630	$3,630	$3,630	$3,630	$19,585
Capital Projects Fund - Advances	36,393	...	...	...	...	...	...
Total	$184,876	$5,065	$3,630	$3,630	$3,630	$3,630	$19,585

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Cultural Education Center	$1,500	...	...	...	...
Education Building	2,315	$3,630	$3,630	$3,630	$3,630
School for the Blind	700	...	...	...	...
School for the Deaf	550	...	...	...	...
Total	$5,065	$3,630	$3,630	$3,630	$3,630
Fund Summary:					
Capital Projects Fund	$5,065	$3,630	$3,630	$3,630	$3,630
Total	$5,065	$3,630	$3,630	$3,630	$3,630

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Administration	$642	$1,290	$825	$375	$135	...	$2,625
Cultural Education Center	...	875	375	250	...	...	1,500
Design and Construction Supervision	150	221	...	...	...	...	221
Education Building	258	695	1,773	2,705	3,495	$3,630	12,298
Rebuilding Schools to Uphold Education Program	30,000	115,000	...	...	...	...	115,000
School for the Blind	40	339	365	200	...	...	904
School for the Deaf	40	210	292	100	...	...	602
Schools For Native American Reservations	...	...	...	...	...	...	...
Washington Avenue Armory	...	...	...	...	...	...	...
Total	$31,130	$118,630	$3,630	$3,630	$3,630	$3,630	$133,150
Fund Summary:							
Capital Projects Fund	$31,130	$118,630	$3,630	$3,630	$3,630	$3,630	$133,150
Capital Projects Fund - Advances	...	...	...	...	...	...	...
Total	$31,130	$118,630	$3,630	$3,630	$3,630	$3,630	$133,150

MENTAL HYGIENE

The Department of Mental Hygiene capital program is administered through the three agencies within the Department — the Office of Mental Health (OMH), the Office of Mental Retardation and Developmental Disabilities (OMRDD), and the Office of Alcoholism and Substance Abuse Services (OASAS).

Capital projects for all Mental Hygiene agencies are supported by the General Fund and bonds issued by the Dormitory Authority. These financing mechanisms support the maintenance and rehabilitation of facilities operated by both the State and not-for-profit agencies, as well as the development of new community services for populations which the State serves.

State capital projects are now funded directly from bond proceeds held at the Dormitory Authority. This results from a technical accounting change which eliminated most State spending of bond proceeds from the published tables shown in this document. This change will have no impact on State support of capital projects for the Mental Hygiene agencies.

OFFICE OF MENTAL HEALTH

The Office of Mental Health (OMH) provides high quality services to an ongoing client population of approximately 6,100 on 23 separate, active campuses containing 28 institutions: 17 Adult, 6 Children and Youth, 3 Forensic and 2 Research facilities. In addition, the agency helps fund the capital construction of hundreds of community residential sites, various mental health related general hospital projects, including psychiatric inpatient and specialized emergency rooms, and a number of non-residential community programs.

The 2000-01 Capital Plan includes appropriations and disbursements for OMH State-operated institutions that will continue to fund projects necessary to meet health and life safety codes, Joint Commission on Accreditation of Healthcare Organizations (JCAHO) accreditation standards, current Federal Medicaid certification requirements, and other projects which remediate environmental deficiencies, improve energy efficiency, preserve long-term facilities and consolidate campus facilities.

New 2000-01 appropriations of $121 million and reappropriations of $363 million for OMH State-operated institutions, support essential rehabilitation projects which preserve patient and staff health and safety, ensure compliance with facility accreditation standards, support the agency's efforts to close vacant buildings to achieve operating and energy efficiencies, and, as part of the program to enhance community services, provide for development of psychiatric center transitional residences to facilitate community placements.

It should be noted that reported disbursement levels for bonded capital are lower than those projected in the 1999-2000 Capital Plan. However, this reflects an accounting change rather than any real reduction in capital contracting activity, as explained in the introduction to this section.

As required by law, OMH has implemented a maintenance management program. Over the past decade, OMH has invested over $1 billion in its capital facilities. The benefits of these efforts are evident with 85 percent of OMH buildings in fundamentally sound condition. The focus of capital maintenance planning is to ensure that the investments in the OMH infrastructure are preserved, both to realize its maximum useful life and to prevent costly repairs in the future.

Capital Asset Group	Age Range	Condition: Good	Fair	Poor	Total
Residential/Hospital Buildings	1-100+	98	31	1	130
Psychiatric Rehabilitation Buildings	1-100+	55	37	7	99
Administrative Support Buildings	1-100+	274	77	93	444
	Total	427	145	101	673*

*excludes 307 vacant buildings

For OMH community programs, new 2000-01 appropriations of over $13 million and reappropriations of $189 million will make funds available for the preservation and maintenance of the community infrastructure and the development of residential beds previously authorized through New York/New York II, Community Mental Health Reinvestment and other housing initiatives, including the $50 million capital initiative appropriated in the 1999-2000 budget. A total of $32 million in disbursements, including $8 million financed from the General Fund, is recommended for 2000-01. This local capital funding will support the State's development of almost 1,400 new Single Room Occupancy (SRO) and Community Residential (CR) beds, including 112 beds for children and youth.

OFFICE OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES

The 2000-01 Five-Year Capital Plan for the Office of Mental Retardation and Developmental Disabilities (OMRDD) will ensure maintenance of current health and safety standards for State and community programs. OMRDD's service system includes more than 34,000 community-based beds operated by the State and the voluntary not-for-profit sector, along with some 2,000 developmental center (DC) and special unit beds and thousands of community-based day program slots.

The main focus of OMRDD's capital program is on:

— maintaining health and safety standards for existing facilities and ensuring conformance with all Federal and State certification standards;
— preserving long-term institutional and community facilities under both State and voluntary auspices;
— creating specialized residential space for persons with severe behavioral treatment needs, e.g., the Norwich Center for Intensive Treatment, scheduled to open in early 2001-02; and
— developing a limited number of State-operated community beds for specific targeted populations, complementing voluntary provider development.

For 2000-01, the Capital Plan recommends new appropriations of $63 million and reappropriations of $112 million. Specifically, the Plan recommends $42 million in new hard-dollar appropriations, mainly for the renovation and preservation of existing structures, inclusive of several projects related to the alternate use of all or portions of former developmental center campuses. New bonded appropriations of $21 million primarily support preservation projects at State institutions which are planned to remain in long-term operation.

Only $2.7 million in new bonded appropriations is necessary to support the development of new not-for-profit community facilities, as the preponderance of such development since 1996-97 has been accomplished through private financing rather than the use of State-backed Dormitory Authority bonding. Accordingly, capital costs associated with the majority of not-for-profit community development — including the NYS-CARES initiative — are not reflected in the five-year Capital Plan.

Capital costs associated with the development of State-operated residences are the exception to this rule. A reappropriation of a 1999-2000 bonded appropriation for $5 million will fund construction of State-operated community placements for 100 persons under NYS-CARES. Due to the late passage of the 1999-2000 budget, as well as naturally-occurring delays, these projects cannot begin construction until 2000-01 and are projected to open in 2001-02.

It should be noted that reported disbursement levels for bonded capital are lower than those projected in the 1999-2000 Capital Plan. However, this reflects an accounting change rather than any real reduction in capital contracting activity, as explained in the introduction to this section.

The following table identifies the capital asset group, age and condition of the Office of Mental Retardation and Developmental Disabilities' buildings:

		Condition (Number of Buildings)			
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**	**Total**
Institutional	1-75	61	281	249*	591
Community	1-55	949	50**	0	999
	Total	1,010	331	249	1,590

* All 249 buildings rated "poor" are vacant and classified as programmatically obsolete, meaning they are not scheduled for short or long-term use.

** According to agency estimates, at any point in time approximately 5 percent of State-operated community homes require minor maintenance work and are, therefore, rated as fair.

OFFICE OF ALCOHOLISM AND SUBSTANCE ABUSE SERVICES

The Office of Alcoholism and Substance Abuse Services (OASAS) supports a network of providers offering a continuum of services to treat and prevent chemical dependency. While the majority of this system is operated by voluntary not-for-profit organizations, the State itself operates 13 Addiction Treatment Centers (ATCs). The Capital Plan recommends new appropriations of $156 million over the next five years to support projects throughout the system. These projects focus primarily on ensuring the health and safety of the system's clients, and the preservation of both State and voluntary facilities.

Approximately $25 to $30 million annually is appropriated to support capital projects within a network of community based residential and ambulatory treatment centers, alcohol outpatient clinics, and methadone clinics. These amounts include a new initiative for the development of an additional 100 residential treatment beds for either women with children or adolescents, both priority populations identified by OASAS. In addition, amounts are included for the final completion of the 700 bed expansion enacted as part of the 1997-98 budget.

Similarly, approximately $2.5 million is annually appropriated to support critical maintenance projects in the State ATCs. While twelve of the thirteen State-operated facilities are considered fixed assets of other agencies, OASAS is responsible for their maintenance. Eleven of the thirteen facilities are located on the grounds of Office of Mental Health Psychiatric Centers while another facility is located at the Department of Corrections Willard Drug Treatment Campus. The following table presents the age and condition of the single Office of Alcoholism and Substance Abuse Services capital asset.

		Condition		
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**
Kingsboro ATC	4	X		

It should be noted that reported disbursement levels for bonded capital are lower than those projected in the 1999-2000 Capital Plan. However, this reflects an accounting change rather than any real reduction in capital contracting activity, as explained in the introduction to this section.

Contract commitments of approximately $30 to $35 million annually reflect projected activity from both new and prior year appropriations and fully support the Capital Plan priorities outlined above.

MENTAL HEALTH, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Administration	$7,300	$3,300	$3,300	$3,300	$3,300	$3,300	$16,500
Design and Construction Supervision	21,574	10,750	9,500	9,500	9,500	8,500	47,750
Maintenance and Improvements of State Facilities	334,341	98,658	95,200	95,200	95,200	96,200	480,458
Non-Bondable Projects	...	11,000	7,000	6,000	6,000	6,000	36,000
Voluntary Facilities	188,997	10,412	10,424	11,437	11,450	11,464	55,187
Total	$552,212	$134,120	$125,424	$125,437	$125,450	$125,464	$635,895
Fund Summary:							
Capital Projects Fund	$56,909	$43,988	$38,000	$40,000	$42,000	$44,000	$207,988
Mental Hygiene Capital Improvement Fund	495,303	90,132	87,424	85,437	83,450	81,464	427,907
Total	$552,212	$134,120	$125,424	$125,437	$125,450	$125,464	$635,895

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Administration	$3,300	$3,300	$3,300	$3,300	$3,300
Design and Construction Supervision	17,000	14,000	10,500	9,500	9,500
Maintenance and Improvements of State Facilities	119,000	123,000	126,000	122,000	120,000
Non-Bondable Projects	7,000	7,000	6,000	6,000	6,000
Voluntary Facilities	40,000	50,000	51,000	31,000	16,000
Total	$186,300	$197,300	$196,800	$171,800	$154,800
Fund Summary:					
Capital Projects Fund	$34,000	$37,000	$39,500	$40,500	$43,500
Mental Hygiene Capital Improvement Fund	152,300	160,300	157,300	131,300	111,300
Total	$186,300	$197,300	$196,800	$171,800	$154,800

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Administration	$1,500	$4,117	$3,300	$3,300	$3,300	$3,300	$17,317
Design and Construction Supervision	6,188	1,400	1,500	1,500	1,500	1,500	7,400
Maintenance and Improvements of State Facilities	84,881	23,565	25,682	28,282	30,282	31,700	139,511
Non-Bondable Projects	5,600	7,000	7,000	6,000	6,000	6,000	32,000
Voluntary Facilities	23,762	29,087	38,073	53,155	51,897	31,685	203,897
Total	$121,931	$65,169	$75,555	$92,237	$92,979	$74,185	$400,125
Fund Summary:							
Capital Projects Fund	$31,519	$31,112	$32,644	$34,609	$36,400	$37,818	$172,583
Mental Hygiene Capital Improvement Fund	90,412	34,057	42,911	57,628	56,579	36,367	227,542
Total	$121,931	$65,169	$75,555	$92,237	$92,979	$74,185	$400,125

MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Community Services Program	$38,766	$12,700	$12,900	$11,300	$11,100	$11,200	$59,200
Design and Construction Supervision	...	5,000	5,000	5,000	5,000	5,000	25,000
Institutional Services Program	61,293	32,356	25,350	29,650	26,950	27,545	141,851
Non-Bondable Projects	...	2,000	2,000	2,000	2,000	2,000	10,000
Voluntary Facilities	12,202	11,061	11,540	12,128	12,741	13,072	60,542
Total	$112,261	$63,117	$56,790	$60,078	$57,791	$58,817	$296,593
Fund Summary:							
Capital Projects Fund	$52,390	$42,028	$35,232	$37,237	$37,365	$37,991	$189,853
Mental Hygiene Capital Improvement Fund	59,871	21,089	21,558	22,841	20,426	20,826	106,740
Total	$112,261	$63,117	$56,790	$60,078	$57,791	$58,817	$296,593

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Community Services Program	$9,075	$11,402	$12,676	$13,739	$12,308
Design and Construction Supervision	3,000	3,000	3,000	3,000	3,000
Institutional Services Program	12,851	13,041	12,787	12,572	13,950
Voluntary Facilities	9,950	10,705	11,464	12,228	12,728
Total	$34,876	$38,148	$39,927	$41,539	$41,986
Fund Summary:					
Capital Projects Fund	$30,640	$33,875	$35,616	$37,188	$37,570
Mental Hygiene Capital Improvement Fund	4,236	4,273	4,311	4,351	4,416
Total	$34,876	$38,148	$39,927	$41,539	$41,986

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Community Services Program	$15,060	$9,898	$11,051	$12,113	$13,203	$13,433	$59,698
Design and Construction Supervision	2,600	5,000	5,000	5,000	5,000	5,000	25,000
Institutional Services Program	12,815	14,634	14,922	13,942	15,197	14,190	72,885
Non-Bondable Projects	1,000	1,000	1,000	1,000	1,000	1,000	5,000
Voluntary Facilities	9,200	9,619	10,055	10,598	11,166	11,527	52,965
Total	$40,675	$40,151	$42,028	$42,653	$45,566	$45,150	$215,548
Fund Summary:							
Capital Projects Fund	$30,975	$35,915	$37,755	$38,342	$41,215	$40,734	$193,961
Mental Hygiene Capital Improvement Fund	9,700	4,236	4,273	4,311	4,351	4,416	21,587
Total	$40,675	$40,151	$42,028	$42,653	$45,566	$45,150	$215,548

ALCOHOLISM AND SUBSTANCE ABUSE SERVICES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop- riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Administration	...	$798	$824	$850	$878	$903	$4,253
Community Alcoholism and Substance Abuse Facilities	$105,398	26,850	23,288	23,288	23,288	23,288	120,002
Design and Construction Supervision	7,416	4,466	3,500	3,500	3,500	3,500	18,466
Institutional Services Program	16,087	2,320	2,500	2,500	2,500	2,500	12,320
Non-Bondable Projects	...	752	100	100	100	100	1,152
Total	$128,901	$35,186	$30,212	$30,238	$30,266	$30,291	$156,193
Fund Summary:							
Capital Projects Fund	$26,518	$10,904	$5,671	$5,688	$5,706	$5,722	$33,691
Mental Hygiene Capital Improvement Fund	102,383	24,282	24,541	24,550	24,560	24,569	122,502
Total	$128,901	$35,186	$30,212	$30,238	$30,266	$30,291	$156,193

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Administration	$798	$824	$850	$878	$903
Community Alcoholism and Substance Abuse Facilities	27,465	22,907	23,288	23,288	23,288
Design and Construction Supervision	3,300	4,475	3,500	3,500	3,500
Institutional Services Program	3,619	2,455	2,500	2,500	2,500
Non-Bondable Projects	752	100	100	100	100
Total	$35,934	$30,761	$30,238	$30,266	$30,291
Fund Summary:					
Capital Projects Fund	$12,143	$6,261	$5,688	$5,706	$5,722
Mental Hygiene Capital Improvement Fund	23,791	24,500	24,550	24,560	24,569
Total	$35,934	$30,761	$30,238	$30,266	$30,291

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Administration	$773	$798	$824	$850	$878	$903	$4,253
Community Alcoholism and Substance Abuse Facilities	12,657	25,929	25,697	23,288	23,288	23,288	121,490
Design and Construction Supervision	1,354	3,850	3,500	3,000	3,500	3,500	17,350
Institutional Services Program	3,879	650	900	650	500	500	3,200
Non-Bondable Projects	100	752	100	100	100	100	1,152
Total	$18,763	$31,979	$31,021	$27,888	$28,266	$28,291	$147,445
Fund Summary:							
Capital Projects Fund	$5,712	$10,771	$6,030	$5,588	$5,706	$5,722	$33,817
Mental Hygiene Capital Improvement Fund	13,051	21,208	24,991	22,300	22,560	22,569	113,628
Total	$18,763	$31,979	$31,021	$27,888	$28,266	$28,291	$147,445

DIVISION OF HOUSING AND COMMUNITY RENEWAL

The State's housing capital programs provide grants, low-interest loans and technical assistance to facilitate the construction and preservation of the State's low- and moderate-income housing stock. State capital funds are combined with Federal funds, low-cost mortgages and available private sector investments to finance activities that, absent the State's involvement, would not be financially feasible.

In addition to developing and maintaining low-cost housing, the housing capital programs foster economic growth across the State by creating additional construction jobs and encouraging new private sector investment in distressed areas. Since 1990, State disbursements in support of housing capital programs have been financed by bond funds. Housing capital disbursements in 2000-01 will continue to be financed in this manner.

The State's housing capital appropriations are made to the Division of Housing and Community Renewal (DHCR), the State agency charged with coordinating the State's housing policy and programs. The individual housing programs are implemented through three public benefit corporations: the Housing Trust Fund Corporation (HTFC), the Affordable Housing Corporation and the Housing Finance Agency (HFA). DHCR personnel perform the administrative functions associated with HTFC programs and oversee the State's involvement in Federal capital programs. HFA personnel provide administrative support for the Affordable Housing Corporation's programs, the State's Housing Project Repair Program as well as several small programs financed from the State's Housing Assistance Fund.

The Capital Plan recommends $66.2 million in 2000-01 to fund five housing capital programs:

- $25 million to the Low-Income Housing Trust Fund program to provide grants of up to $75,000 per unit to construct or renovate low-income apartment projects. The Capital Plan maintains 2000-01 funding levels for this program through 2004-05.
- $25 million to the Affordable Home Ownership Development Program, which provides grants of up to $25,000 to low and moderate-income households to assist in the acquisition or renovation of their homes. The Capital Plan maintains 2000-01 funding levels for this program through 2004-05.
- $12.8 million to the Public Housing Modernization Program to subsidize repairs at 74 State-supervised public housing projects across the State. A total of $400,000 from this appropriation will be reserved to fund capital activities aimed at reducing illegal drug activity at these projects. The Capital Plan maintains 2000-01 funding levels for this program through 2004-05.
- $3.0 million for the Homes for Working Families program, continuing this innovative initiative which combines State funds with other available public and private sector moneys, Federal Low Income Tax Credit proceeds and non-State supported bond funds to construct affordable rental housing units for low and moderate-income households.
- $400,000 for the Housing Opportunities Program for the elderly, which provides grants to low-income elderly homeowners for emergency home repairs. The Capital Plan maintains 2000-01 funding levels for this program through 2004-05.

In addition to these State-funded programs, HTFC also awards and disburses Federal moneys pursuant to the U.S. Department of Housing and Urban Development's HOME program. This program provides grants to not-for-profit groups and local governments to partially fund the construction or rehabilitation of low and moderate-income housing.

Additionally, the Executive Budget includes a reappropriation of $17.9 million to continue programs funded from the State's Housing Assistance Fund (HAF). The HAF was established in 1988 with a one-time appropriation to fund eight housing construction and development programs serving low and moderate-income households with specific housing needs. The moneys reappropriated in 2000-01 will meet the State's remaining commitments supported by the Fund.

The 2000-01 Capital Plan contemplates the commitment of State housing funds during the year in which the funds are appropriated. Requests for funding from the State's various housing programs are reviewed and evaluated on an annual basis by program staff. These applications are submitted by private and not-for-profit sponsors of proposed low and moderate-income housing projects. The applications are scored and ranked on a competitive basis and the review process culminates in award notifications that commit the State's housing capital appropriations to the most worthwhile of these projects.

HOUSING AND COMMUNITY RENEWAL, DIVISION OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Affordable Housing Corporation	$58,600	$25,000	$25,000	$25,000	$25,000	$25,000	$125,000
Homes for Working Families Program	3,000	3,000	3,000	3,000	3,000	3,000	15,000
Housing Assistance Fund	17,933	...	...	...	...	...	...
Housing Opportunity Program For Elderly	1,800	400	400	400	400	400	2,000
Housing Program Capital Improvement	19,720	...	...	...	...	...	...
Low Income Housing Trust Fund	108,325	25,000	25,000	25,000	25,000	25,000	125,000
Maintenance and Improvements of Existing Facilities	15,892	...	...	...	...	...	...
New Facilities	45,830	...	...	10,000	10,000	10,000	30,000
Public Housing Modernization Program	70,700	12,800	12,800	12,800	12,800	12,800	64,000
State Housing Bond Fund	7,344	...	...	...	...	...	...
Total	$349,144	$66,200	$66,200	$76,200	$76,200	$76,200	$361,000
Fund Summary:							
Capital Projects Fund	$23,120	...	...	...	...	...	...
Federal Capital Projects Fund	42,430	...	...	$10,000	$10,000	$10,000	$30,000
Housing Assistance Fund	17,933	...	...	...	...	...	...
Housing Program Fund	258,317	$66,200	$66,200	66,200	66,200	66,200	331,000
State Housing Bond Fund	7,344	...	...	...	...	...	...
Total	$349,144	$66,200	$66,200	$76,200	$76,200	$76,200	$361,000

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Affordable Housing Corporation	$25,000	$25,000	$25,000	$25,000	$25,000
Homes for Working Families Program	3,000	3,000	3,000	3,000	3,000
Housing Opportunity Program For Elderly	400	400	400	400	400
Low Income Housing Trust Fund	25,000	25,000	25,000	25,000	25,000
New Facilities	10,000	10,000	10,000	10,000	10,000
Public Housing Modernization Program	12,800	12,800	12,800	12,800	12,800
Total	$76,200	$76,200	$76,200	$76,200	$76,200
Fund Summary:					
Federal Capital Projects Fund	$10,000	$10,000	$10,000	$10,000	$10,000
Housing Program Fund	66,200	66,200	66,200	66,200	66,200
Total	$76,200	$76,200	$76,200	$76,200	$76,200

HOUSING AND COMMUNITY RENEWAL, DIVISION OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Affordable Housing Corporation	$24,200	$24,900	$25,000	$25,000	$25,000	$25,000	$124,900
Homes for Working Families Program	1,600	3,000	3,000	3,000	3,000	3,000	15,000
Housing Assistance Fund	3,400	...	...	...	...	...	...
Housing Opportunity Program For Elderly	900	900	400	400	400	400	2,500
Housing Program Capital Improvement	1,360	1,660	575	575	575	575	3,960
Low Income Housing Trust Fund	22,000	24,850	27,150	27,150	27,150	25,000	131,300
Maintenance and Improvements of Existing Facilities	2,000	1,000	...	...	...	...	1,000
New Facilities	13,300	10,000	10,000	10,000	10,000	10,000	50,000
Public Housing Modernization Program	12,700	11,900	11,900	11,900	11,900	12,800	60,400
State Housing Bond Fund	...	...	...	...	...	...	...
Total	$81,460	$78,210	$78,025	$78,025	$78,025	$76,775	$389,060
Fund Summary:							
Capital Projects Fund	$4,660	$1,660	$575	$575	$575	$575	$3,960
Federal Capital Projects Fund	10,000	10,000	10,000	10,000	10,000	10,000	50,000
Housing Assistance Fund	3,400	...	...	...	...	...	...
Housing Program Fund	63,400	66,550	67,450	67,450	67,450	66,200	335,100
State Housing Bond Fund	...	...	...	...	...	...	...
Total	$81,460	$78,210	$78,025	$78,025	$78,025	$76,775	$389,060

OTHER

OFFICE OF GENERAL SERVICES

The Office of General Services (OGS) is responsible for the operation, maintenance, and renovation of 41 major and 85 ancillary State-owned and operated buildings located throughout the State. The 2000-01 Executive Budget emphasizes investments in the Office's asset management program, which includes a preventive maintenance component aimed at reducing the number of emergencies and avoiding costly out year projects. Maintenance activities are undertaken by in-house staff and outside contractors to protect existing capital assets, while preventing further deterioration of the infrastructure. The asset management program for 2000-01 will fund high priority projects that will preserve the integrity of buildings, and maintain a safe and healthy environment for the State's employees and the public. The Office will also have the flexibility to address critical infrastructure needs, while accommodating significant customer-tenant issues.

The Office also is making significant capital investments in office facilities in the Albany area. The need for this investment results from years of under-investment and the need for State offices to accommodate modern technology. This effort includes new office buildings for the Department of Environmental Conservation and the Office of the State Comptroller, a new parking garage in downtown Albany, engineering design for the modernization of the Alfred E. Smith State Office Building and the development of the Harriman State Office Campus. Funding is also continued for critical repairs at the State Capitol. These and other investments in the Office's capital plan will result in commitment levels that are consistent with those of prior years, after adjusting for the new building modernization effort.

The OGS preventive maintenance program plan concentrates on maintenance projects that are preventative or have been deferred to bring essential capital assets to a level at which they can achieve their life expectancy at a minimal cost to the State. To accomplish this, the Office is revising its system to assess the architectural, structural, mechanical, electrical and site components of each facility. This system identifies resource requirements and assures maintenance adequacy, while allowing managers to define, develop, and prioritize cost estimates for capital repairs and replacement projects.

The preventive maintenance program plan is focused on the goals of maximizing the useful life of facilities, improving the reliability of systems and equipment, and providing the means for determining equipment management and replacement needs. According to industry standards, the average building is constructed to last a minimum of 40 years, while parking lots can last more than 25 years with routine maintenance. However, since many of the assets managed by the Office, such as the State Capitol and the Executive Mansion, are historically significant, their useful life can be considered indefinite. Over the long-term, maintenance efforts will continue to enhance facilities by improving the building appearance and upgrading the overall condition as a capital asset. The program is estimated to require $7 million in capital funding in 2000-01 and maintaining that approximate level through 2004-05.

In evaluating its assets, the Office has established the following rating categories: very good, has minor deterioration visible; good, shows normal wear and tear; poor, displays definite deterioration and may have unusable portions; and unrated. The average age of office and support buildings is 34 years, and of stand-alone parking lots is 16 years. The following table identifies the capital asset group, age and condition of the Office's assets.

Capital Asset Group	Age Range	Condition: Very Good	Good	Poor	Unrated	Total
Empire State Plaza and Downtown Operations	To 120 yrs.	0	37	0	0	37
Harriman State Office Building Campus	To 40 yrs.	0	12	14	0	26
Upstate Region	To 70 yrs.	0	14	14	0	28
Lease/Purchase	To 50 yrs.	0	4	0	0	4
Downstate Region	To 70 yrs.	0	7	1	3	11
Parking Services	To 40 yrs.	0	14	6	0	20
	Total	0	88	35	3	126

To address the challenges that lie ahead, the Office has developed a Strategic Plan. That Plan, coupled with the Office's on-going maintenance efforts, will ensure that the Office will achieve its long-term goals, while addressing the pressing needs of the State's deteriorating infrastructure.

OFFICE OF CHILDREN AND FAMILY SERVICES

The Office of Children and Family Services (OCFS) operates 48 residential youth facilities and non-residential programs which serve over 2,000 youth, ages 7 to 21. These facilities operate at a variety of security levels which range from secure centers, primarily housing juvenile offenders who were tried as adults, to community-based residences. The OCFS Capital Plan reflects the State's continued commitment to ensure that housing, program and support space remains functional, safe and secure.

The OCFS capital planning process will continue to identify improvements to its facilities to meet health and safety standards. Trends in the agency's capital program have focused on the need to maintain the structural integrity of existing capital assets and to initiate facility modifications necessary to house an increasing number of Juvenile Delinquents and Juvenile Offenders who are more violent and difficult to manage. This year's Capital Plan includes funding to design and construct a new secure youth facility, to increase limited secure capacity, and to undertake health and safety, environmental, facility preservation and security projects.

The Capital Plan also includes funding for the Child Care Facilities Development Program, which will provide financial assistance for the construction or rehabilitation of child day care centers throughout the state. Additionally, Section 529 of Social Services Law requires OCFS to maintain the community house within the Tonawanda Indian Reservation. This year's plan continues funding for improvements to the community house which was built in 1936.

The Office of Children and Family Services' Capital Asset Maintenance Plan is designed to preserve the useful life of its facilities and infrastructure. Many of the Office's youth facilities are over 30 years old and in fair condition. As indicated in the chart below, OCFS has grouped its assets by facility size, further categorized by age, remaining useful life and condition. The five-year Plan for capital maintenance includes $18.7 million in spending to support maintenance and improvement activities.

The OCFS capital program is funded from the Capital Projects Fund, the Youth Facilities Improvement Fund and the miscellaneous Capital Projects Fund. Disbursements from the Youth Facilities Improvement Fund are reimbursed by bond proceeds issued by the Empire State Development Corporation. Disbursements for the Child Care Facilities Development Project are reimbursed by bond proceeds issued by the Dormitory Authority.

The five-year recommended disbursements of $159 million include $75 million for the development of youth facility capacity, $41.4 million for projects related to rehabilitation and improvements of facilities, $17.4 million for security enhancements and $15 million for the Child Care Facilities Development Program. Four million dollars is provided for the Youth Centers Program, which will be financed from the Miscellaneous Capital Projects Fund. For fiscal year 2000-01, the level of contract commitments projected in the capital plan is $43.6 million, up $27.7 million from 1999-2000 projected levels.

			Condition			
Asset/Asset Group	**Age**	**Remaining Useful Life**	**Good**	**Fair**	**Poor**	**Obsolete**
Brookwood SC	32/3	>10	•			
Goshen SC	37	5-10		•		
MacCormick SC	15	5-10		•		
Allen RC	52	5-10		•		
Bronx RC	50+	5-10		•		
Gossett RC	6	>10	•			
Highland RC	35	<5			•	
Industry School	33+	5-10		•		
Lansing RC	52-3	5-10	•	•		
McQueen RC	50+	<5				
Oatka RC	2	5-10	•	•		
Parker Training	30+	>10	•	•		
Pyramid RC	50+	<5		•		
Tyron RC	29	5-10		•		
Buffalo	50+	<5				•
New 25 Bed Facilities	3-5	>10	•			
Old 25 Bed Facilities	27-32	5-10		•		
All Group Homes	30+	<5		•	•	
Youth Leadership Academy	6	>10	•			
Adirondack Wilderness Challenge	6	>10	•			

DEPARTMENT OF HEALTH

The focus of the Department of Health's (DOH) capital program is the protection of the health and safety of patients, residents, employees and visitors of its facilities. An integral part of this plan is to preserve, rehabilitate and improve its capital assets which include four health care facilities: Helen Hayes Hospital in West Haverstraw and three Veterans' Homes at Oxford, St. Albans and Batavia. The Department's assets also include the Wadsworth Center for Laboratories and Research which is comprised of three laboratories located in Albany County.

In January of 1999, responsibility for the operations of the Roswell Park Cancer Institute was transferred from the Department to a public benefit corporation, the Roswell Park Cancer Institute Corporation, pursuant to an operating agreement between the Corporation and the Department. The Corporation will be responsible for the ongoing maintenance of Roswell's capital assets.

For 2000-01, DOH's Capital Program includes both ongoing and new projects to address major capital needs with estimated total disbursements of $117.8 million. Planned projects will avert potentially costly projects in the future and corresponding interruptions in clinical care services and crucial laboratory functions, and will continue DOH's participation in the Safe Drinking Water Program.

The 2000-01 Plan includes spending for the October 2000 planned completion of the $241 million major modernization project at the Roswell Park Cancer Institute which will result in a revitalized physical plant at Roswell. The Plan also includes spending for the construction of a new 252 bed Veterans' Home in Montrose.

The Department continues its participation in the implementation of the Safe Drinking Water Program, funded by Federal grants and State matching funds. A total of $175 million has been appropriated to DOH for safe drinking water projects since the approval of the Clean Water/Clean Air Bond (CWCA) Act in 1996. A new $60 million Bond Act appropriation is recommended for 2000-01 as well as a $48 million Federal appropriation.

Commitments are estimated at $358 million over the five-year Plan, including $180 million from the Clean Water/Clean Air Bond Act and $88 million from Federal funds for safe drinking water projects. The balance reflects planned projects for DOH's facilities.

In 2000-01, DOH will continue implementing a long term capital maintenance program. This program is a systematic approach to making repairs, replacing equipment and carrying out other activities necessary to ensure the useful life of its 92 buildings. This initiative, as required by State Law, is part of an ongoing effort to enhance capital planning and maintain the facilities owned and operated by the Department. In 2000-01, $5.3 million in disbursements from new appropriations and reappropriations will support this crucial activity.

The Capital Plan includes spending of $11.2 million over the next five years for capital maintenance. The Department's goals are to ensure a safe environment and also the preservation of infrastructure and related equipment as well as promotion of energy efficiency.

		Condition			
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**	**Total**
Roswell Park Cancer Institute	1-45	8	6	3	17
Helen Hayes Hospital	18-100	4	14	1	19
Wadsworth Center for Laboratories & Research	4-50	5	19	0	24
Veterans's Nursing Home					
Oxford	3-92	3	3	1	7
St. Albans	2-5	2	0	0	2
Batavia	4	1	0	0	1
	Total	23	42	5	70

The Department's capital program is financed by CWCA Bond Act proceeds, Federal grants, Special Revenue funds, and the State's General Fund. Debt service on outstanding Dormitory Authority bonds will continue to be supported by patient care revenues.

ENERGY RESEARCH AND DEVELOPMENT AUTHORITY

The Energy Research and Development Authority (ERDA) owns and manages the Western New York Nuclear Service Center at West Valley in Cattaraugus County, the site of a former nuclear fuel reprocessing facility and an inactive low-level radioactive waste disposal area.

The Authority's Capital Plan reflects its continuing role in a joint Federal-State Demonstration Project to treat and dispose of liquid nuclear waste at the Center and decommission the reprocessing facility. The Plan also includes ERDA's on-going maintenance costs at the disposal area to ensure its compliance with environmental laws.

ERDA's Capital Maintenance Plan indicates that the Western New York Service Center is approximately 32 years of age, in good condition, with a remaining useful life that will extend to the conclusion of the decommissioning of the site. The maintenance goal at the site is to preserve the facility in a state of good repair.

The 2000-01 commitment level of $14,017,000 includes the anticipated cost for ERDA's role in the Clean Water/Clean Air Bond Act, estimated to be $117,000 in each of the next five years.

DEPARTMENT OF STATE

The Department of State oversees the Academy of Fire Science in Montour Falls, Schuyler County. Capital Projects Fund appropriations are funded entirely by a transfer from the General Fund and are targeted primarily at preserving the structural integrity of the Academy and addressing health and safety concerns.

The Capital Assets Maintenance Plan for the Fire Academy is designed to preserve the useful life of the 130 year-old Academy and ensure the health and safety of individuals using the Academy's facilities. In general, the facilities and infrastructure of the Academy are rated as "fair" with a useful life of between 10 and 40 years.

The 2000-01 Executive Budget includes $460,000 in Capital Projects Fund spending for commitments originally made in 1999-2000 principally for the design and construction of a new equipment storage facility, design of miscellaneous rehabilitation projects, and modifications necessary to comply with the Americans With Disabilities Act. The central air conditioning system, designed in 1999-2000, will be completed in 2001-02.

Finally, the Department receives funding for six positions from the Clean Water/Clean Air Implementation Fund. These dedicated positions fulfill DOS's role in implementation of projects funded by the Clean Water/Clean Air Bond Act.

DEPARTMENT OF AGRICULTURE AND MARKETS

The Department of Agriculture and Markets, in conjunction with the Industrial Exhibit Authority, is responsible for operating the New York State Fair and maintaining its buildings and grounds. The Fairgrounds include 14 major buildings and 113 other structures, the majority of which have a useful life of greater than 10 years and are in good overall condition.

		Condition			
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**	**Total**
Various Fair Buildings	3 to 91 yrs.	109	14	4	127

For 2000-01, the Capital Plan supports approximately $4 million in capital disbursements. In the area of new appropriations, $600,000 is recommended from the General Fund to repair and rehabilitate the Fair's facilities to ensure a safe and enjoyable experience for all Fair patrons and participants. An additional $3.6 million will be made available for similar projects through 2004-2005.

The 2000-01 Executive Budget also recommends continued spending from special revenue funds for the Fair (financed by revenues from public/private partnership agreements and year-round operation of the Fairgrounds) to complete needed improvements at various Fair buildings.

The Department's capital maintenance plan for the next five years prioritizes those projects that will preserve, rehabilitate and improve the Fair buildings, land and infrastructure for year-round use, and continue to protect the State's investment in the facility. In addition, Fair structures are upgraded continually to meet more stringent building code requirements, including safety and accessibility for the disabled.

For 2000-01 the level of commitments projected in the capital plan is $3 million. Projects that were previously funded are being designed and awarded as anticipated. Future year commitments are consistent with planned appropriation levels over the next five years.

OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

The Office of Temporary and Disability Assistance administers the Homeless Housing Assistance Program (HHAP) which provides grants to not-for-profit corporations and municipalities to expand and improve the supply of permanent, transitional, and emergency housing for homeless persons. HHAP also links its projects to other State and Federal funding sources to deliver appropriate support services to help tenants to move toward greater self-determination and economic self-sufficiency.

The Capital Plan maintains the HHAP appropriation at $30 million, including $5 million for the development of housing for persons with HIV or AIDS. The value of approved projects is expected to equal the appropriations in each of the five years of the Plan. The 2000-01 recommendation also continues a $14 million initiative begun in 1997-98, to develop 250 new domestic violence shelter beds in New York City.

ECONOMIC DEVELOPMENT

The New York Office of Science, Technology and Academic Research (NYSTAR) will administer a $95 million capital program to provide funding for construction and rehabilitation of public and private university research facilities. This funding will support the construction and rehabilitation of state-of-the-art laboratories, and assist New York State in attracting and retaining high technology-related jobs. The program will be financed through bonds issued by the Dormitory Authority.

Other economic development provisions of the Capital Plan include continuation of the $25 million Economic Development and Natural Resources Preservation Program (EDNRP), which was established with the 1999-2000 Enacted Budget. This program will fund projects that facilitate the creation or retention of jobs, increase business activity, heritage trail and historic preservation projects, and open space and park conservation and acquisition projects. In addition, the Community Enhancement Facilities Assistance Program (CEFAP), which was originally authorized in the 1997-98 Budget, will be continued. Both EDNRP and CEFAP will be financed with Empire State Development Corporation bonds.

Finally, the Plan discontinues capital appropriations for the Olympic Regional Development Authority (ORDA). This reflects a transfer of facility maintenance funding to ORDA's State Operations budget in order to more accurately reflect the nature of these expenditures.

JUDICIARY

The 2000-01 request submitted by the Judiciary includes a new appropriation of $7,775,000 for expenses associated with improvements to the Court of Appeals building in Albany. Historically, the Judiciary budget has not included Capital Project Fund appropriations. The improvement projects will be funded entirely by a transfer from the General Fund and are intended to preserve the structural integrity of the court house and address on-going usage demands of this historic building.

GENERAL SERVICES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Design and Construction Supervision	$30,575	$6,500	$7,000	$8,000	$13,000	$14,000	$48,500
Maintenance and Improvement of Real Property Facilities	100,894	64,800	112,500	30,000	33,000	34,000	274,300
Petroleum Storage Tank	500	...	...	...	...	...	...
Total	$131,969	$71,300	$119,500	$38,000	$46,000	$48,000	$322,800
Fund Summary:							
Capital Projects Fund	$126,461	$71,300	$119,500	$38,000	$46,000	$48,000	$322,800
Capital Projects Fund - Advances	5,508	...	...	...	...	...	...
Federal Capital Projects Fund	...	...	...	...	...	...	...
Total	$131,969	$71,300	$119,500	$38,000	$46,000	$48,000	$322,800

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Design and Construction Supervision	$118	$87	$82	$40	$70
Maintenance and Improvement of Real Property Facilities	15,080	31,558	39,069	46,983	28,080
Petroleum Storage Tank	75	75	...	...	...
Total	$15,273	$31,720	$39,151	$47,023	$28,150
Fund Summary:					
Capital Projects Fund	$15,273	$31,720	$39,151	$47,023	$28,150
Total	$15,273	$31,720	$39,151	$47,023	$28,150

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Design and Construction Supervision	$16,858	$11,800	$8,700	$8,194	$4,018	$7,000	$39,712
Maintenance and Improvement of Real Property Facilities	40,240	23,200	48,550	60,106	72,282	43,200	247,338
Petroleum Storage Tank	15,578	150	150	...	...	...	300
Total	$72,676	$35,150	$57,400	$68,300	$76,300	$50,200	$287,350
Fund Summary:							
Capital Projects Fund	$72,676	$35,150	$57,400	$68,300	$76,300	$50,200	$287,350
Capital Projects Fund - Advances	...	...	...	...	...	...	...
Federal Capital Projects Fund	...	...	...	...	...	...	...
Total	$72,676	$35,150	$57,400	$68,300	$76,300	$50,200	$287,350

CHILDREN AND FAMILY SERVICES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Child Care Facilities Development Program	$15,000	...	...	...	...	...	...
Child Care Program	...	...	...	...	...	...	...
Design and Construction Supervision	1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$5,000
Executive Direction and Administrative Services	1,947	4,000	...	...	...	...	4,000
Maintenance and Improvement of Facilities	22,550	9,600	5,100	5,000	5,000	5,000	29,700
New Construction	...	75,000	...	...	...	...	75,000
Program Improvement or Program Change	10,200	3,000	3,000	3,000	3,000	3,000	15,000
Rehabilitative Services	726	...	...	...	...	...	...
Youth Center	9,838	...	...	...	...	...	...
Total	$61,261	$92,600	$9,100	$9,000	$9,000	$9,000	$128,700
Fund Summary:							
Capital Projects Fund	$29,857	$1,900	$1,100	$1,000	$1,000	$1,000	$6,000
Misc. Capital Projects	...	4,000	...	...	...	...	4,000
Youth Facilities Improvement Fund	31,404	86,700	8,000	8,000	8,000	8,000	118,700
Total	$61,261	$92,600	$9,100	$9,000	$9,000	$9,000	$128,700

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Child Care Facilities Development Program	$3,000	$10,000	$2,000	...	...
Design and Construction Supervision	1,000	...	...	...	...
Executive Direction and Administrative Services	5,047	900	...	...	...
Maintenance and Improvement of Facilities	12,950	6,600	7,000	$7,000	$7,000
New Construction	7,000	60,000	8,000	...	...
Program Improvement or Program Change	7,000	5,000	4,000	4,000	3,200
Rehabilitative Services	576	...	...	...	...
Youth Center	7,000	...	...	...	...
Total	$43,573	$82,500	$21,000	$11,000	$10,200
Fund Summary:					
Capital Projects Fund	$15,897	$11,300	$3,200	$1,000	$1,000
Misc. Capital Projects	3,100	900	...	...	...
Youth Facilities Improvement Fund	24,576	70,300	17,800	10,000	9,200
Total	$43,573	$82,500	$21,000	$11,000	$10,200

CHILDREN AND FAMILY SERVICES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Child Care Facilities Development Program	...	$3,000	$10,000	$2,000	...	...	$15,000
Child Care Program	$200	...	...	...	...	...	...
Design and Construction Supervision	500	500	750	1,250	$1,000	$1,000	4,500
Executive Direction and Administrative Services	600	1,850	2,009	500	...	...	4,359
Maintenance and Improvement of Facilities	5,404	8,694	9,565	7,803	8,052	4,200	38,314
New Construction	...	7,000	30,000	30,000	8,000	...	75,000
Program Improvement or Program Change	2,811	3,000	4,000	3,700	3,500	3,200	17,400
Rehabilitative Services	800	534	46	...	...	...	580
Youth Center	6,931	2,500	1,020	500	...	...	4,020
Total	$17,246	$27,078	$57,390	$45,753	$20,552	$8,400	$159,173
Fund Summary:							
Capital Projects Fund	$8,946	$8,650	$13,764	$3,750	$1,050	$1,000	$28,214
Misc. Capital Projects	...	1,500	2,000	500	...	...	4,000
Youth Facilities Improvement Fund	8,300	16,928	41,626	41,503	19,502	7,400	126,959
Total	$17,246	$27,078	$57,390	$45,753	$20,552	$8,400	$159,173

HEALTH, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Design and Construction Supervision	$2,340	...	...	...	...	...	...
Laboratories and Research	6,385	$4,000	$4,000	$4,000	$4,000	$4,000	$20,000
Maintenance and Improvements of Existing Institutions	8,526	7,600	7,600	7,600	7,600	7,600	38,000
New Institution Construction	45,765	...	...	...	...	...	...
Rehabilitation and Improvements	15,979	...	...	...	...	...	...
Safe Drinking Water - Clean Water/Clean Air 96	...	60,000	60,000	60,000	...	...	180,000
Water Resources	126,844	48,477	45,000	...	...	...	93,477
Total	$205,839	$120,077	$116,600	$71,600	$11,600	$11,600	$331,477

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Fund Summary:							
Batavia Rehabilitation & Improvement	$500	...	...	...	...	...	...
Capital Projects Fund	21,830	$11,600	$11,600	$11,600	$11,600	$11,600	$58,000
Capital Projects Fund - 1996 CWCA (Bondable)	...	60,000	60,000	60,000	...	...	180,000
Capital Projects Fund - Advances	26,500	...	...	...	...	...	...
Department of Health Facilities Capital Improvement Fund	19,265	...	...	...	...	...	...
Federal Capital Projects Fund	126,844	48,477	45,000	...	...	...	93,477
Helen Hayes Rehabilitation & Improvement	9,700	...	...	...	...	...	...
Oxford Rehabilitation & Improvement	1,000	...	...	...	...	...	...
St. Albans Rehabilitation & Improvement	200	...	...	...	...	...	...
Total	$205,839	$120,077	$116,600	$71,600	$11,600	$11,600	$331,477

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Laboratories and Research	$1,440	$2,550	$2,350	$2,370	$1,500
Maintenance and Improvements of Existing Institutions	3,960	2,170	3,520	3,700	3,500
New Institution Construction	2,000	39,400	5,000	...	...
Rehabilitation and Improvements	2,400	2,000	4,500	4,000	4,000
Safe Drinking Water - Clean Water/Clean Air 96	50,000	50,000	50,000	30,000	...
Water Resources	65,500	22,500	...	...	...
Total	$125,300	$118,620	$65,370	$40,070	$9,000

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Fund Summary:					
Batavia Rehabilitation & Improvement	...	...	...	...	$1,000
Capital Projects Fund	$7,800	$6,720	$10,370	$10,070	5,000
Capital Projects Fund - 1996 CWCA (Bondable)	50,000	50,000	50,000	30,000	...
Capital Projects Fund - Advances	...	21,500	5,000	...	...
Department of Health Facilities Capital Improvement Fund	2,000	17,900	...	...	...
Federal Capital Projects Fund	65,500	22,500	...	...	...
Helen Hayes Rehabilitation & Improvement	...	...	...	...	1,000
Oxford Rehabilitation & Improvement	...	...	...	...	1,000
St. Albans Rehabilitation & Improvement	...	...	...	...	1,000
Total	$125,300	$118,620	$65,370	$40,070	$9,000

HEALTH, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Design and Construction Supervision	$53	$309	$337	$393	$692	...	$1,731
Laboratories and Research	744	1,800	1,203	937	1,000	$500	5,440
Maintenance and Improvements of Existing Institutions	2,239	2,567	2,981	2,799	1,866	1,000	11,213
New Institution Construction	5,000	14,265	...	...	...	...	14,265
Rehabilitation and Improvements	1,211	2,696	2,325	3,054	3,872	...	11,947
Safe Drinking Water - Clean Water/Clean Air 96	50,000	50,000	50,000	50,000	30,000	...	180,000
Water Resources	44,953	46,123	48,312	47,198	46,700	20,830	209,163
Total	$104,200	$117,760	$105,158	$104,381	$84,130	$22,330	$433,759
Fund Summary:							
Batavia Rehabilitation & Improvement	$25	$350	$100	$25	...	...	$475
Capital Projects Fund	3,222	5,272	5,146	4,558	$4,610	$1,500	21,086
Capital Projects Fund - 1996 CWCA (Bondable)	50,000	50,000	50,000	50,000	30,000	...	180,000
Capital Projects Fund - Advances	...	...	...	...	...	...	...
Department of Health Facilities Capital Improvement Fund	5,000	14,265	...	...	...	...	14,265
Federal Capital Projects Fund	44,953	46,123	48,312	47,198	46,700	20,830	209,163
Helen Hayes Rehabilitation & Improvement	600	1,230	1,400	2,600	2,820	...	8,050
Oxford Rehabilitation & Improvement	200	520	200	...	...	...	720
St. Albans Rehabilitation & Improvement	200	...	...	...	...	...	...
Total	$104,200	$117,760	$105,158	$104,381	$84,130	$22,330	$433,759

ENERGY RESEARCH AND DEVELOPMENT AUTHORITY, NEW YORK STATE
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Clean Water Clean Air Implementation	...	$117	$117	$117	$117	$117	$585
Western New York Nuclear Service Center Program	...	13,900	15,400	14,800	15,100	15,400	74,600
Total	...	$14,017	$15,517	$14,917	$15,217	$15,517	$75,185
Fund Summary:							
Capital Projects Fund	...	$13,900	$15,400	$14,800	$15,100	$15,400	$74,600
Clean Water Clean Air Implementation Fund	...	117	117	117	117	117	585
Total	...	$14,017	$15,517	$14,917	$15,217	$15,517	$75,185

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Clean Water Clean Air Implementation	$117	$117	$117	$117	$117
Western New York Nuclear Service Center Program	13,900	15,400	14,800	15,100	15,400
Total	$14,017	$15,517	$14,917	$15,217	$15,517
Fund Summary:					
Capital Projects Fund	$13,900	$15,400	$14,800	$15,100	$15,400
Clean Water Clean Air Implementation Fund	117	117	117	117	117
Total	$14,017	$15,517	$14,917	$15,217	$15,517

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Clean Water Clean Air Implementation	$117	$117	$117	$117	$117	$117	$585
Western New York Nuclear Service Center Program	12,500	13,900	15,400	14,800	15,100	15,400	74,600
Total	$12,617	$14,017	$15,517	$14,917	$15,217	$15,517	$75,185
Fund Summary:							
Capital Projects Fund	$12,500	$13,900	$15,400	$14,800	$15,100	$15,400	$74,600
Clean Water Clean Air Implementation Fund	117	117	117	117	117	117	585
Total	$12,617	$14,017	$15,517	$14,917	$15,217	$15,517	$75,185

STATE, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Clean Water Clean Air Implementation	...	$348	$348	$348	$348	$348	$1,740
Design and Construction Supervision	$365	...	...	200	...	...	200
Office of Fire Prevention and Control	1,079	...	340	720	...	...	1,060
Total	$1,444	$348	$688	$1,268	$348	$348	$3,000
Fund Summary:							
Capital Projects Fund	$1,444	...	$340	$920	...	...	$1,260
Clean Water Clean Air Implementation Fund	...	$348	348	348	$348	$348	1,740
Total	$1,444	$348	$688	$1,268	$348	$348	$3,000

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Clean Water Clean Air Implementation	$348	$348	$348	$348	$348
Design and Construction Supervision	...	120	80	...	...
Office of Fire Prevention and Control	...	500	380	460	60
Total	$348	$968	$808	$808	$408
Fund Summary:					
Capital Projects Fund	...	$620	$460	$460	$60
Clean Water Clean Air Implementation Fund	$348	348	348	348	348
Total	$348	$968	$808	$808	$408

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Clean Water Clean Air Implementation	$348	$348	$348	$348	$348	$348	$1,740
Design and Construction Supervision	124	53	222	134	60	40	509
Office of Fire Prevention and Control	336	407	238	324	400	420	1,789
Total	$808	$808	$808	$806	$808	$808	$4,038
Fund Summary:							
Capital Projects Fund	$460	$460	$460	$458	$460	$460	$2,298
Clean Water Clean Air Implementation Fund	348	348	348	348	348	348	1,740
Total	$808	$808	$808	$806	$808	$808	$4,038

AGRICULTURE AND MARKETS, DEPARMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Clean Water Clean Air Implementation	...	$500	$527	$553	$580	$607	$2,767
Design and Construction Supervision	$520	...	...	...	...	...	...
State Fair	6,870	2,600	1,600	2,000	2,000	2,000	10,200
Total	$7,390	$3,100	$2,127	$2,553	$2,580	$2,607	$12,967
Fund Summary:							
Capital Projects Fund	$5,160	$600	$600	$1,000	$1,000	$1,000	$4,200
Clean Water Clean Air Implementation Fund	...	500	527	553	580	607	2,767
Misc. Capital Projects	2,230	2,000	1,000	1,000	1,000	1,000	6,000
Total	$7,390	$3,100	$2,127	$2,553	$2,580	$2,607	$12,967

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Clean Water Clean Air Implementation	$500	$527	$553	$580	$607
State Fair	2,500	2,000	2,000	2,000	2,000
Total	$3,000	$2,527	$2,553	$2,580	$2,607
Fund Summary:					
Capital Projects Fund	$1,500	$1,000	$1,000	$1,000	$1,000
Clean Water Clean Air Implementation Fund	500	527	553	580	607
Misc. Capital Projects	1,000	1,000	1,000	1,000	1,000
Total	$3,000	$2,527	$2,553	$2,580	$2,607

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Clean Water Clean Air Implementation	$478	$500	$527	$553	$580	$607	$2,767
Design and Construction Supervision	222	113	100	250	...	...	463
State Fair	3,428	3,387	2,865	1,750	2,000	2,000	12,002
Total	$4,128	$4,000	$3,492	$2,553	$2,580	$2,607	$15,232
Fund Summary:							
Capital Projects Fund	$2,650	$1,500	$1,000	$1,000	$1,000	$1,000	$5,500
Clean Water Clean Air Implementation Fund	478	500	527	553	580	607	2,767
Misc. Capital Projects	1,000	2,000	1,965	1,000	1,000	1,000	6,965
Total	$4,128	$4,000	$3,492	$2,553	$2,580	$2,607	$15,232

TEMPORARY AND DISABILITY ASSISTANCE, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Information Management Technology Program	$361	...	...	...	...	...	...
Supported Housing Program	139,542	$30,000	$30,000	$30,000	$30,000	$30,000	$150,000
Total	$139,903	$30,000	$30,000	$30,000	$30,000	$30,000	$150,000
Fund Summary:							
Capital Projects Fund	$14,111	...	...	...	...	...	...
Housing Program Fund	125,792	$30,000	$30,000	$30,000	$30,000	$30,000	$150,000
Total	$139,903	$30,000	$30,000	$30,000	$30,000	$30,000	$150,000

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Supported Housing Program	$30,000	$30,000	$30,000	$30,000	$30,000
Total	$30,000	$30,000	$30,000	$30,000	$30,000
Fund Summary:					
Housing Program Fund	$30,000	$30,000	$30,000	$30,000	$30,000
Total	$30,000	$30,000	$30,000	$30,000	$30,000

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Information Management Technology Program	...	...	...	...	...	...	...
Supported Housing Program	$26,400	$30,500	$25,850	$23,000	$23,000	$23,000	$125,350
Total	$26,400	$30,500	$25,850	$23,000	$23,000	$23,000	$125,350
Fund Summary:							
Capital Projects Fund	$3,400	$7,500	$2,850	...	...	...	$10,350
Housing Program Fund	23,000	23,000	23,000	$23,000	$23,000	$23,000	115,000
Total	$26,400	$30,500	$25,850	$23,000	$23,000	$23,000	$125,350

SCIENCE, TECHNOLOGY AND ACADEMIC RESEARCH, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Research Facilities	$47,500	...	...	...	...	...	...
Total	$47,500	...	...	...	...	...	...
Fund Summary:							
Capital Projects Fund	$47,500	...	...	...	...	...	...
Total	$47,500	...	...	...	...	...	...

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Research Facilities	$10,000	$24,500	$13,000	...	...
Total	$10,000	$24,500	$13,000	...	...
Fund Summary:					
Capital Projects Fund	$10,000	$24,500	$13,000	...	...
Total	$10,000	$24,500	$13,000	...	...

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Research Facilities	...	$10,000	$24,500	$13,000	...	...	$47,500
Total	...	$10,000	$24,500	$13,000	...	...	$47,500
Fund Summary:							
Capital Projects Fund	...	$10,000	$24,500	$13,000	...	...	$47,500
Total	...	$10,000	$24,500	$13,000	...	...	$47,500

MISCELLANEOUS STATE AGENCIES
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Economic Development	$25,000	...	...	...	...	...	...
Total	$25,000	...	...	...	...	...	...
Fund Summary:							
Capital Projects Fund	$25,000	...	...	...	...	...	...
Total	$25,000	...	...	...	...	...	...

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Economic Development	...	...	...	...	...
Total	...	...	...	...	...
Fund Summary:					
Capital Projects Fund	...	...	...	...	...
Total	...	...	...	...	...

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Economic Development	$15,000	$10,000	...	...	...	...	$10,000
Total	$15,000	$10,000	...	...	...	...	$10,000
Fund Summary:							
Capital Projects Fund	$15,000	$10,000	...	...	...	...	$10,000
Total	$15,000	$10,000	...	...	...	...	$10,000

EMPIRE STATE DEVELOPMENT CORPORATION
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Regional Development	$425,000	...	...	...	...	...	...
Total	$425,000	...	...	...	...	...	...
Fund Summary:							
Community Enhancement Facilities Assistance Fund	$425,000	...	...	...	...	...	...
Total	$425,000	...	...	...	...	...	...

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Regional Development	...	...	...	...	...
Total	...	...	...	...	...
Fund Summary:					
Community Enhancement Facilities Assistance Fund	...	...	...	...	...
Total	...	...	...	...	...

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Regional Development	...	...	...	...	...	...	...
Total	...	...	...	...	...	...	...
Fund Summary:							
Community Enhancement Facilities Assistance Fund	...	...	...	...	...	...	...
	...	...	...	...	...	...	...

**OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)**

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Administration	...	...	...	...	...	...	...
Total	...	...	...	...	...	...	...
Fund Summary:							
Capital Projects Fund	...	...	...	...	...	...	...
Total	...	...	...	...	...	...	...

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Administration	...	...	...	...	...
Total	...	...	...	...	...
Fund Summary:					
Capital Projects Fund	...	...	...	...	...
	...	...	...	...	...

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Administration	$10,617	...	...	...	...	...	...
Total	$10,617	...	...	...	...	...	...
Fund Summary:							
Capital Projects Fund	$10,617	...	...	...	...	...	...
Total	$10,617	...	...	...	...	...	...

JUDICIARY
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Courthouse Improvements	...	$7,775	...	...	...	...	$7,775
Total	...	$7,775	...	...	...	...	$7,775
Fund Summary:							
Capital Projects Fund	...	$7,775	...	...	...	...	$7,775
Total	...	$7,775	...	...	...	...	$7,775

COMMITMENTS

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Program Summary:					
Courthouse Improvements	$7,775	...	...	...	...
Total	$7,775	...	...	...	...
Fund Summary:					
Capital Projects Fund	7,775	...	...	...	...
Total	$7,775	...	...	...	...

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Program Summary:							
Courthouse Improvements	...	$5,100	$2,675	...	...	...	$7,775
Total	...	$5,100	$2,675	...	...	...	$7,775
Fund Summary:							
Capital Projects Fund	...	$5,100	$2,675	...	...	...	$7,775
Total	...	$5,100	$2,675	...	...	...	$7,775

SUMMARY OF
PROJECTED APPROPRIATIONS, ALL FUNDS, ALL PROGRAMS,
BY FUND TYPE, AND MAJOR FUND, 2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Capital Projects Funds Type							
Capital Projects Fund	$1,075,015	$288,768	$276,698	$199,420	$212,126	$247,068	$1,224,080
Capital Projects Fund- Advances	3,226,019	53,275	47,000	1,000	36,000	531,000	668,275
Capital Projects Fund- A.C. and T.I. Fund (Bondable)	83,672	...	...	...	...	...	...
Capital Projects Fund- EQBA (Bondable)	73,380	...	...	...	...	...	...
Capital Projects Fund- PWBA (Bondable)	33,889	...	...	...	...	...	...
Capital Projects Fund- Infrastructure Renewal (Bondable)	49,751	...	...	...	...	...	...
Capital Projects Fund- Aviation (Bondable)	6,411	...	...	...	...	...	...
Capital Projects Fund- Energy Conservation (Bondable)	2,136	...	...	...	...	...	...
Capital Projects Fund- EQBA 86 (Bondable)	474,799	...	...	...	...	...	...
Capital Projects Fund- 1996 CWA (Bondable)	742,127	222,000	216,000	216,000	...	...	654,000
Department of Health Facilities Capital Improvement Fund	19,265	...	...	...	...	...	...
Dedicated Highway and Bridge Trust Fund	2,819,353	1,412,138	1,336,118	1,337,160	1,307,565	1,314,801	6,707,782
State University Residence Hall Rehabilitation Fund	270,371	...	...	...	15,000	50,000	65,000
New York State Canal System Development Fund	3,134	2,000	2,800	2,800	2,800	2,800	13,200
State Parks Infrastructure Fund	55,626	29,030	23,900	25,000	25,000	29,000	131,930
Environmental Protection Fund	329,842	125,000	125,000	125,000	125,000	125,000	625,000
Clean Water Clean Air Implementation Fund	6,027	8,737	8,837	8,937	9,046	9,157	44,714
Hudson River Park Fund	18,845	13,000	3,600	3,600	3,600	3,600	27,400
Federal Capital Projects Fund	4,807,309	1,685,666	1,527,925	1,492,525	1,483,425	1,413,425	7,602,966
Youth Facilities Improvement Fund	31,404	86,700	8,000	8,000	8,000	8,000	118,700
Housing Program Fund	384,109	96,200	96,200	96,200	96,200	96,200	481,000
Mental Hygiene Capital Improvement Fund	657,557	135,503	133,523	132,828	128,436	126,859	657,149
Correctional Facilities Capital Improvement Fund	790,127	400,000	215,000	205,000	205,000	205,000	1,230,000
Remedial Program Transfer Fund	...	...	105,000	105,000	105,000	105,000	420,000
Regional Aviation Fund	35,000	...	...	...	...	...	...
Other Funds	1,669,186	565,704	566,184	536,161	598,131	605,367	2,871,547
Eliminations*	(1,100,737)	(581,193)	(582,621)	(551,698)	(594,777)	(600,624)	(2,910,913)
Type Subtotal	$16,563,617	$4,542,528	$4,109,164	$3,942,933	$3,765,552	$4,271,653	$20,631,830
Capital Projects Funds - Bond Proceeds	$2,180,897	...	...	...	...	...	...
Fiduciary Fund Type	50,400	$56,000	$50,000	$50,000	$50,000	$50,000	$256,000
Special Revenue Fund Type	182,882	53,778	52,776	54,776	54,776	56,776	272,882
Eliminations*	(2,180,897)	...	...	...	...	...	...
Total (All Fund Types)	$16,796,899	$4,652,306	$4,211,940	$4,047,709	$3,870,328	$4,378,429	$21,160,712

*Reflects eliminations for "netting out" of transfers between funds which are not capital program disbursements.

SUMMARY OF
PROJECTED DISBURSEMENTS, ALL FUNDS, ALL PROGRAMS,
BY FUND TYPE, AND MAJOR FUND, 2000-2001 THROUGH 2004-2005
(THOUSANDS OF DOLLARS)

DISBURSEMENTS

	Estimated 1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Total 2000-2005
Capital Projects Funds Type							
Capital Projects Fund	$333,380	$413,787	$321,639	$292,909	$294,475	$265,439	$1,588,249
Capital Projects Fund- Advances	183,497	203,860	233,292	255,152	321,450	297,900	1,311,654
Capital Projects Fund- A.C. and T.I. Fund (Bondable)	27,859	29,758	21,130	11,633	5,088	544	68,153
Capital Projects Fund- EQBA (Bondable)	11,312	9,431	492	2,130	1,106	1,100	14,259
Capital Projects Fund- PWBA (Bondable)	2,900	3,100	3,725	4,800	800	800	13,225
Capital Projects Fund- Infrastructure Renewal (Bondable)	3,234	12,218	11,316	8,629	6,053	1,000	39,216
Capital Projects Fund- Aviation (Bondable)	1,800	1,463	1,076	700	539	459	4,237
Capital Projects Fund- Energy Conservation (Bondable)	500	200	200	200	200	200	1,000
Capital Projects Fund- EQBA 86 (Bondable)	120,000	120,000	107,227	100,000	34,791	...	362,018
Capital Projects Fund- 1996 CWA (Bondable)	125,000	175,000	175,000	175,000	175,000	145,000	845,000
Department of Health Facilities Capital Improvement Fund	5,000	14,265	...	...	...	...	14,265
Dedicated Highway and Bridge Trust Fund	1,445,046	1,411,700	1,412,071	1,384,763	1,348,807	1,333,546	6,890,887
State University Residence Hall Rehabilitation Fund	16,000	43,000	43,000	43,000	50,000	40,000	219,000
New York State Canal System Development Fund	2,334	2,800	2,800	2,800	2,800	2,800	14,000
State Parks Infrastructure Fund	24,600	24,600	24,600	24,600	24,600	24,600	123,000
Environmental Protection Fund	103,817	115,920	126,089	119,661	115,724	113,320	590,714
Clean Water Clean Air Implementation Fund	8,906	8,737	8,837	8,937	9,046	9,157	44,714
Hudson River Park Fund	3,800	7,700	14,600	10,600	4,400	3,600	40,900
Federal Capital Projects Fund	1,312,182	1,356,381	1,344,067	1,361,216	1,415,555	1,442,165	6,919,384
Youth Facilities Improvement Fund	8,300	16,928	41,626	41,503	19,502	7,400	126,959
Housing Program Fund	86,400	89,550	90,450	90,450	90,450	89,200	450,100
Mental Hygiene Capital Improvement Fund	113,163	59,501	72,175	84,239	83,490	63,352	362,757
Correctional Facilities Capital Improvement Fund	259,000	210,000	318,000	228,000	188,000	188,000	1,132,000
Remedial Program Transfer Fund	...	...	105,000	105,000	105,000	105,000	420,000
Regional Aviation Fund	4,000	6,000	6,000	6,500	6,500	1,500	26,500
Other Funds	572,441	644,666	632,164	601,330	612,968	621,951	3,113,079
Eliminations*	(598,277)	(648,435)	(624,899)	(598,008)	(610,964)	(610,863)	(3,093,169)
Type Subtotal	$4,176,194	$4,332,130	$4,491,677	$4,365,744	$4,305,380	$4,147,170	$21,642,101
Capital Projects Funds - Bond Proceeds	...	...	...	...	...	...	...
Fiduciary Fund Type	...	$400	$400	$200	...	...	$1,000
Special Revenue Fund Type	$51,530	53,306	57,003	51,028	$54,940	$61,126	277,403
Eliminations*	...	...	...	...	...	...	...
Total (All Fund Types)	$4,227,724	$4,385,836	$4,549,080	$4,416,972	$4,360,320	$4,208,296	$21,920,504

*Reflects eliminations for "netting out" of transfers between funds which are not capital program disbursements.