EXECUTIVE BUDGET APPENDIX II

CONTENTS

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PART I

FINANCIAL PLAN OVERVIEW

FINANCIAL PLAN OVERVIEW

The Financial Plan Overview summarizes the Governor's Executive Budget for 2002-03. 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.

TABLE OF CONTENTS

SUMMARY

Over the past seven years, New York State has been a nationwide leader in creating new jobs and cutting taxes, actions which have vastly improved the State's economic competitiveness. Under Governor Pataki, New York has continued to increase its investment in key programs and physical infrastructure, while restraining overall spending and increasing reserves to record levels. The growth in debt has been contained and debt management significantly improved. These efforts have been rewarded by three consecutive credit rating upgrades from both Standard & Poor's and Fitch IBCA, bringing New York's credit rating to its highest level in 23 years, and have left the State well-positioned for any economic downturn.

Even before the events of September 11, the national economic slowdown was forcing many states to cut programs and services due to declining revenues. By recognizing the downturn and resisting efforts to increase State spending beyond manageable levels, Governor Pataki insured that New York could avoid the disruptive mid-year cuts and tax increases occurring in other states.

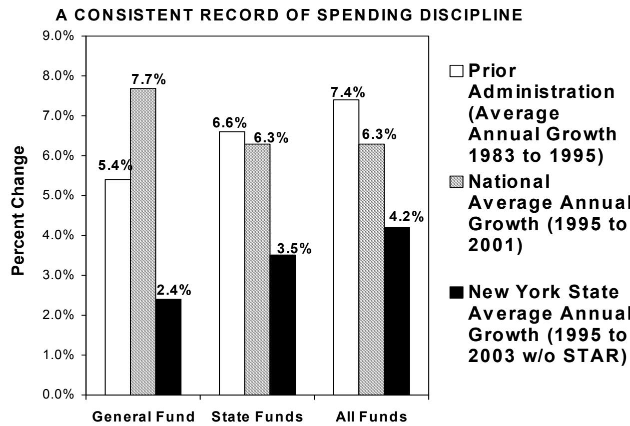
Unfortunately, the September 11 attack on the World Trade Center turned the national economic slowdown into a full recession and struck a key segment of New York's tax revenue base. New York now faces a budget gap of $6.8 billion through the end of 2002-03.

In confronting the fiscal impact of the World Trade Center attacks, Governor Pataki acted swiftly to limit spending by instituting a strict hiring freeze and eliminating non-essential spending. The Governor also recommended legislation, enacted in October, which generated additional fiscal relief for 2001-02 and subsequent fiscal years, including school building aid reforms, enhanced lottery receipts and debt restructuring. These efforts, when combined with the use of $646 million in reserves set aside for fiscal uncertainties, will close the entire 2001-02 budget shortfall of $1.1 billion without disruptive mid-year budget cuts and will lower the 2002-03 gap by $581 million.

The 2002-03 Executive Budget closes the remaining $5.1 billion budget gap without deferring tax cuts, increasing tuition, requiring layoffs or impacting essential services. Roughly $3.1 billion of the gap is addressed through spending reductions that include program restructuring, workforce downsizing through early retirement and attrition, and maximizing existing Federal funding and other resources to offset General Fund costs. Nearly $900 million in savings is generated from the use of available Temporary Assistance to Needy Families (TANF) reserves to finance TANF-related programs. The remaining $1.1 billion gap is closed by using all fiscal reserves set aside for a possible economic downturn. These actions:

- Produce a soundly balanced budget that restrains spending and positions New York for an economic recovery;
- Retain reserves of $710 million that will be available to protect against unforeseen mid-year shortfalls; and
- Continue enacted tax cuts and economic development efforts to stimulate the State's economy.

General Fund spending for 2002-03 is projected to decline by $1.2 billion, or 3.0 percent from 2001-02. State Funds spending will increase by $929 million, or 1.6 percent, while All Governmental Funds spending will grow by $4.0 billion, or 4.7 percent, as use of Federal resources is maximized.



2002-03 SPENDING PROJECTIONS (millions of dollars)				
	Size of the Budget	Dollar Change from 2001-02	% Change from 2001-02	Average Annual % Growth Without STAR (94-95 to 02-03)
General Fund	40,221	(1,234)	(3.0)	2.4
State Funds	58,634	929	1.6	3.5
All Governmental Funds	88,595	3,997	4.7	4.2

EXPLANATION OF THE FINANCIAL PLAN

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

This Overview summarizes the updated Financial Plan projections of receipts and disbursements for 2001-02, and describes the recommended Financial Plan for 2002-03. It then provides an explanation of the State's estimates for 2003-04 and 2004-05.

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 projections and results by fund and category.

FINANCIAL PLAN OVERVIEW

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 Governmental Funds, which includes State Funds and Federal Funds, 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 Overview. Summary charts display the annual change for each category of the Financial Plan, and a narrative explanation of major changes follows each chart. The tables at the end of the Overview summarize projected General Fund, State Funds and All Governmental Funds receipts and disbursements for the 2001-02 through 2004-05 fiscal years.

THE 2001-02 FINANCIAL PLAN UPDATE

The State expects to close the 2001-02 fiscal year with a cash balance of $2.08 billion in the General Fund, an increase of $862 million from the Mid-Year Update. This increase in the balance results from $344 million in higher projected receipts and $518 million in lower spending, as described in more detail below. The updated Financial Plan reflects enactment in October of the Governor's revenue generating and other budgetary proposals, revisions based on a review of actual operating results through December 2001, and an updated analysis of underlying economic and revenue trends in the aftermath of the September 11 attacks that will affect the Financial Plan for the balance of the fiscal year. The Financial Plan also reflects savings from the implementation of the Governor's announced plan in September to limit spending.

The State plans to make a deposit of $83 million into the State's Tax Stabilization Reserve to guard against mid-year budget cuts — the seventh consecutive maximum annual deposit — bringing that fund to $710 million, and will close the year with an additional reserve of $1.13 billion, which will be used in 2002-03 to help offset the reduction in revenues resulting from the impact of the World Trade Center (WTC) attacks.

UPDATE TO 2001-02 RECEIPTS ESTIMATES

Total General Fund receipts, including transfers to other funds, are now estimated at $42.43 billion, an increase of $2.55 billion from 2000-01. General Fund receipts are projected to increase $344 million from the projections contained in the Mid-Year Update. The upward revisions are largely the result of more up to date information on the economy and receipt collections. The estimated impact of the WTC disaster on 2001-02 receipts remains significant, and within the range estimated in the immediate aftermath of the September 11 attacks.

Personal income tax receipts for 2001-02 are estimated to reach $26.98 billion, an increase of $3.41 billion (14 percent) from 2000-01. The growth is due mainly to a large increase in the net contribution from the refund reserve fund and a lower STAR fund deposit, partially offset by decreases in withholding and estimated tax payments. The net refund reserve transaction for 2001-02 is $2.91 billion. It is comprised of a $3.52 billion draw-down of the refund reserve account in April 2001 offset by a deposit to the fund of $612 million on March 31, 2002.

Estimates of General Fund personal income tax receipts have been lowered by $119 million since the Mid-Year Update. The estimated decrease is primarily comprised of downward revisions to prepayments on 2001 tax liability. The positive reestimates are marginally offset by an additional $11 million deposit into the refund reserve fund at the end of the fiscal year to provide a reserve for the reduction in the marriage penalty effective January 1, 2001.

User tax and fee receipts in 2001-02 are projected at $7.08 billion, $322 million or 4.4 percent below 2000-01 collections but $40 million above the Mid-Year Update. The revision reflects modestly improved collections experience since the Mid-Year Update.

Total business taxes are now projected at $3.83 billion in 2001-02, $499 million below 2000-01 receipts. Corporation and utility tax receipts in 2001-02 are expected to total $987 million, an increase of $170 million from 2000-01. Corporate franchise tax receipts for 2001-02 are estimated to fall by $581 million, due largely to the effects of the WTC disaster on financial sector profitability. Enacted tax cuts, the recessionary economy and lower corporate profits also contribute to the decline. Receipts from the bank tax in 2001-02 are projected to decline by $48 million from 2000-01 results, reflecting both the negative impact of the WTC attack and overall economic weakness. Net collections from insurance taxes are expected to reach $630 million in 2001-02, an increase of $46 million from the prior year. Business tax receipts are estimated at $179 million above the Mid-Year Update.

The yield from other taxes in 2001-02 is estimated at $780 million, $15 million below 2000-01 results. The estimated decline reflects year-to-date collection results in the estate tax, the first full-year impact of prior year tax reductions, and the impact of the decline in equity market values on taxable estates. Since the Mid-Year Update, the estimate of other taxes has increased by $59 million.

Miscellaneous receipts for 2001-02 are estimated at $1.61 billion, a $56 million increase from 2000-01. The single largest change is an estimated decline in investment income resulting from the large decline in interest rates during 2001. Miscellaneous receipts are now estimated at $103 million above the Mid-Year Update. The change reflects an unanticipated payment from the Thruway Authority and higher than expected receipts from abandoned property and investment income.

Transfers from other funds in 2001-02 are expected to decrease $80 million from 2000-01, reflecting a reduction in amounts available for transfer to the General Fund, especially from the Clean Water/Clean Air Fund. Transfers from other funds are now estimated at $82 million above the Mid-Year Update. The increase reflects better-than-anticipated year-to-date collection experience for the sales and real estate transfer taxes, as well as a reduction in debt service requirements from the Thruway Authority.

CASH FLOW IMPACT OF WORLD TRADE CENTER DISASTER

Following the WTC tragedy, President Bush, at the request of Governor Pataki, declared New York City a major Federal disaster area. When taxpayers are impacted by a disaster declared by the President or the Governor, section 171 of the Tax Law authorizes the

Commissioner of Taxation and Finance to extend, for a period of up to 90 days, certain tax filing and payment deadlines. As a result, tax filing, payment, and other deadlines from September 11, 2001 through December 10, 2001 were extended to December 10, 2001 for any taxpayer directly affected by the occurrences at the WTC, the Pentagon and in Western Pennsylvania. The extension effectively changes the 2001-02 cash flow by moving receipts from the extension period to December 10, 2001.

Based on results to date, an estimated $160 million in delayed September payments were received in December. This level of delayed tax payments was significantly less than expected given the large receipt losses after the attack. As a result, it appears receipt losses in September were the result of actual declines in the receipts base and not due to tax payment delays.

The State's overall cash flow for 2001-02 will have balances no lower than $2.1 billion by the end of the year.

UPDATE TO 2001-02 DISBURSEMENTS ESTIMATES

The State projects total General Fund disbursements, including transfers to other funds, of $41.46 billion in 2001-02, a net decrease of $518 million from the Mid-Year estimate. The change is comprised of approximately $578 million in lower spending in the current year, partially offset by $60 million in higher costs related to the WTC attacks ($30 million) and homeland security efforts ($30 million).

The lower spending of $578 million is composed of reduced school aid costs resulting from revised school aid data submitted to the State by school districts including lottery initiatives and reestimates ($310 million), as well as various management initiatives across state agencies ($268 million). The management initiatives reflect savings from the statewide hiring freeze, a reduction in discretionary non-personal service spending in all state agencies, and lower debt service costs due to use of the Debt Reduction Reserve Fund (DRRF) to defease high-cost state debt.

The World Trade Center costs reflect spending to promote tourism ($20 million) and to provide loan guarantees for businesses affected by the disaster ($5 million). The homeland security costs reflect increased overtime and other costs incurred primarily by the Division of State Police, the Department of Correctional Services, and the Division of Military and Naval Affairs to ensure the safety of the public and State infrastructure and facilities.

RESERVES/CLOSING BALANCE IN THE GENERAL FUND

Reserves will total $2.08 billion at the end of the 2001-02 fiscal year. This includes $1.13 billion in reserves for WTC related revenue losses, $710 million in the Tax Stabilization Reserve Fund to guard against unforeseen mid-year shortfalls (after an $83 million deposit this year), $81 million in the Contingency Reserve Fund (after the use of $70 million to finance a portion of the Yonkers school desegregation settlement). In addition, $142 million is available in the Community Projects Fund, which pays for Legislative and gubernatorial initiatives, and $11 million in the Universal Pre-Kindergarten Fund.

UPDATE TO 2001-02 STATE FUNDS

State Funds spending in 2001-02 is projected at $57.71 billion, a decrease of $232 million from the Mid-Year Update. This net decrease is primarily due to lower than expected spending for school aid ($228 million), transportation ($146 million), environmental conservation ($89 million), the STAR local property tax relief program ($61 million), and State University programs ($54 million). These declines are offset in part by higher spending in debt service due to the use of DRRF to defease high-cost state debt ($273 million which counts as debt service spending), WTC costs ($31 million), and homeland security efforts ($30 million).

UPDATE TO 2001-02 ALL GOVERNMENTAL FUNDS

All Governmental Funds spending in 2001-02 is projected at $84.60 billion, an increase of $324 million from the Mid-Year Update. This net increase primarily reflects higher-than-projected federal spending for children and family services ($323 million) and WTC costs ($204 million), as well as the program reestimates described in the State Funds update above.

THE 2002-03 GENERAL FUND FINANCIAL PLAN

ECONOMIC AND RECEIPTS OUTLOOK

When projecting receipts, DOB 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.

The Division of the Budget also adjusts for the impact of changes in the State's tax laws on the receipts projections. The 2002-03 Executive Budget reflects the continued phase-in of tax actions for a variety of taxes, including additional tax cuts, that total $13.36 billion for 2002-03. 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 the national economy to remain in recession through the first quarter of 2002. Real U.S. GDP is expected to grow at an annual rate of 0.4 percent in 2002, down from 1.0 percent in 2001. In an effort to stimulate the economy, the Federal Reserve has reduced interest rates by 475 basis points since January 2001. This has resulted in the lowest short-term interest rates since the early 1960s. In addition, a number of Federal fiscal initiatives are expected to aid in stimulating the nation's economy. These actions are projected to help begin an economic recovery by the second quarter of 2002. However, the national economy is expected to remain weak throughout most of next year. The unemployment rate is expected to reach 6.8 percent during the third quarter of 2002 — the highest level in nine years.

State Economy

The economic impact of the September 11 attacks will be greater for New York than for the nation as a whole. The New York City financial center was the epicenter of the attack. As a direct result, there was a substantial loss in prime office space and a major dislocation of high wage employment. In addition to the loss in infrastructure and employment, financial markets were closed for several days. Accordingly, following a significant decline in overall financial service activity, the profitability of Wall Street firms was adversely impacted and companies supporting the financial services industry have been forced to reduce employment, and in many cases, relocate outside the City and State. Further, the tourism industry was crippled by the attacks as hotel vacancy rates have soared and retail activity has declined significantly.

Consequently, the State's economic recovery will lag that of the rest of the country. State employment is expected to fall 1.2 percent in 2002, following growth of 0.1 percent for 2001. Private sector employment is expected to fall 1.5 percent in 2002, following growth of 0.1 percent for 2001. Growth in State employment is not expected to resume until the fourth quarter of 2002. Wages are expected to decline 1.5 percent in 2002, the first decline since 1991. Total State personal income is projected to increase only 1.1 percent in 2002.

Receipts Outlook

GENERAL FUND RECEIPTS (millions of dollars)			
SFY:	**2001-02**	**2002-03**	**Annual Change**
Total Tax Receipts	38,668	34,919	(3,749)
All Other Receipts	3,766	3,935	169
Total Receipts	42,434	38,854	(3,580)

Estimated General Fund tax receipts for 2002-03 are projected at $34.92 billion or $3.75 billion below 2001-02 estimates. This decline reflects a net decline in the refund reserve account of $2.91 billion and the planned use of $1.2 billion in STAR Tax Relief Fund reserves to balance the 2001-02 Financial Plan. Absent these adjustments, total tax receipts are projected to increase by $291 million.

Miscellaneous receipts and transfers from other funds are projected to modestly increase in 2002-03.

PERSONAL INCOME TAX (millions of dollars)			
SFY:	**2001-02**	**2002-03**	**Annual Change**
Personal Income Tax	26,977	23,292	(3,685)

Personal income tax collections for 2002-03 are projected to reach $23.29 billion, a decrease of $3.69 billion (14 percent) from 2001-02 due, in part, to a 5.4 percent estimated decrease in 2001 liability and a projected 0.9 percent liability decrease for 2002. These large decreases in income tax liability are mainly attributable to the significant economic weaknesses due to the events of September 11 and their aftermath. Decreases in State employment, wages, Wall Street bonuses, and non-wage income contribute to an adjusted gross income decline for 2001 and a minimal increase for 2002.

The decrease in 2002-03 receipts will also reflect increased deposits into the School Tax Relief Fund, which provides the revenue resources to finance the STAR tax reduction program. The 2002-03 deposit of $2.63 billion will represent an added fiscal year cost of $1.32 billion compared with the 2001-02 cost of the STAR program, which benefited from the use of the $1.2 billion STAR reserve.

USER TAXES AND FEES (millions of dollars)			
SFY:	2001-02	2002-03	Annual Change
User Taxes and Fees	7,082	7,069	(13)

User tax and fee receipts in 2002-03 will decrease by $13 million to $7.07 billion. This reflects an incremental impact of approximately $72 million in already enacted tax reductions, and the earmarking of certain motor vehicle fees and the auto rental tax to dedicated transportation funds. Adjusted for these changes, the underlying growth of user tax and fee receipts is projected at 3.7 percent.

The sales and use tax accounts for nearly 89 percent of projected user tax and fee receipts. Sales and use tax receipts are responsive to economic trends, such as growth in income, prices, and employment. Weakness in the economy in 2001 produced an actual decline in the base of the sales and use tax for 2001-02 of 1.9 percent.

In 2002-03, receipts from the sales and use tax are projected to total $6.29 billion, an increase of $165 million from 2001-02. The most significant statutory changes affecting 2002-03 General Fund sales tax receipts are the next phase of the rate reduction applied to the transmission and distribution of electricity and gas.

User taxes and fees also include cigarette, tobacco and alcoholic beverage taxes and fees. 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.

BUSINESS TAXES (millions of dollars)			
SFY:	2001-02	2002-03	Annual Change
Business Taxes	3,829	3,775	(54)

In 2002-03, business taxes are expected to total $3.78 billion — $54 million below 2001-02 estimated results.

Corporation and utility tax receipts in 2002-03 are projected to total $995 million, an increase of $8 million from 2001-02. This small increase is primarily due to moderate increases in energy consumption, offset by the next phase of rate reductions on energy utilities, and continued growth in telecommunications revenues.

Corporate franchise receipts are projected to increase by $6 million to $1.76 billion in 2002-03, resulting from improved corporate profitability, offset by the impact of enacted and proposed tax reductions.

Other business taxes include franchise taxes on insurance companies and banks. In 2002-03, bank taxes are projected to be $503 million — $46 million above estimates for 2001-02, reflecting a modest rebound in bank earnings. Net collections from insurance taxes are projected at $516 million, a decline of $114 million from 2001-02, largely due to losses attributable to the WTC disaster.

OTHER TAXES (millions of dollars)			
SFY:	2001-02	2002-03	Annual Change
Other Taxes	780	783	3

Other taxes include receipts from the estate and gift taxes, the real property gains tax, pari-mutuel taxes, the racing admissions tax and the boxing and wrestling exhibitions tax.

In 2002-03, other taxes will yield a projected $783 million, $3 million above expected 2001-02 results. The estimate reflects the expectation of growth in the value of taxable estates offset somewhat by the acceleration of the unified credit/exemption. Pari-mutuel tax receipts are expected to remain flat and gift tax receipts are anticipated to be zero. A small amount of receipts from the repealed real property gains tax is expected as final payment is received on transactions outstanding at the time of repeal.

MISCELLANEOUS RECEIPTS (millions of dollars)			
SFY:	2001-02	2002-03	Annual Change
Miscellaneous Receipts	1,609	1,606	(3)

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

Miscellaneous receipts for 2002-03 are projected to be $1.61 billion. This amount reflects a large reduction in investment income, more than offset by several one-time transactions, which include $150 million from the State of New York Mortgage Agency, $50 million from the New York State Housing Finance Agency, and $16 million from the Port Authority of New York and New Jersey.

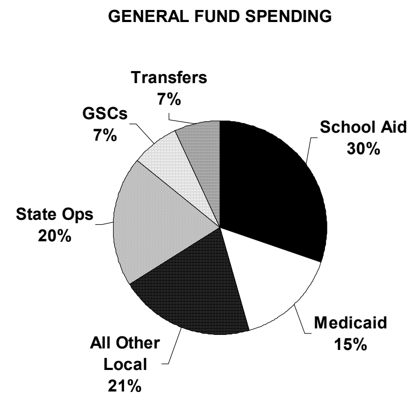
TRANSFERS FROM OTHER FUNDS (millions of dollars)			
SFY:	2001-02	2002-03	Annual Change
Sales Tax in Excess of LGAC Debt Service	1,742	1,784	42
All Other Transfers	415	545	130
Total Transfers from Other Funds	2,157	2,329	172

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 (LGAC), account for 77 percent of the transfer receipts. The remaining 23 percent includes excess real estate transfer tax receipts not required for debt service on the Clean Water/Clean Air bonds.

In addition to the $1.78 billion transfer from LGAC, the other large transfers are $170 million from the Clean Water/Clean Air Fund and $114 million from the Emergency Highway Funds.

DISBURSEMENTS OUTLOOK

GENERAL FUND DISBURSEMENTS (millions of dollars)			
SFY:	2001-02	2002-03	Annual Change
Total Disbursements	41,455	40,221	(1,234)



The State projects General Fund disbursements of $40.22 billion in 2002-03, a decrease of $1.23 billion (3.0 percent) from the current year. The spending is consistent with 2001-02 funding levels for most ongoing programmatic activities. The annual decline results primarily from the utilization of Federal TANF revenues ($885 million) and other revenue sources ($1.1 billion), including assessment increases, to maintain program commitments at a reduced General Fund cost. These reductions are partially offset by increases for the Judiciary ($38 million), pensions and other fringe benefit costs ($227 million), and underlying programmatic cost increases in health care. The annual change in spending is explained in more detail below.

GRANTS TO LOCAL GOVERNMENTS (millions of dollars)			
SFY:	2001-02	2002-03	Annual Change
Grants to Local Governments	28,040	26,627	(1,413)

Grants to Local Governments include financial aid to local governments and non-profit organizations, as well as entitlement payments to individuals. The largest areas of spending in local assistance are for aid to public schools (46 percent) and for the State's share of Medicaid payments to medical providers (23 percent). Spending for mental hygiene programs (6 percent), higher education programs (5 percent), children and families services (4 percent), public health programs (2 percent) and welfare assistance (2 percent) represent the next largest areas of local aid.

Local assistance spending reflects continuation of the same level of program spending in education and higher education, with generally flat spending or modest reductions in all other local assistance programs. Spending declines primarily from maximizing the use of non-General Fund revenue sources. These include the use of nursing home assessments ($289 million), alternate funding sources for various Medicaid and health programs ($546 million), and the use of Federal TANF funds for higher education and welfare assistance programs ($885 million).

General Fund spending for school aid is projected at $12.13 billion in 2002-03 (on a State fiscal year basis), essentially unchanged from 2001-02. This reflects the recommendation to effectively maintain the 2002-03 school year funding at the current school year level and the latest estimate of available lottery funds. Funding for most major aid components will be maintained at current year levels; increases provided for certain expense-based aids, like transportation aid and various pupil-based aids (e.g., textbook aid) are offset by reductions in other programs.

Medicaid spending is estimated at $6.16 billion in 2002-03, an increase of $22 million (0.4 percent) from 2001-02. Expected underlying spending growth of 7.2 percent is offset by

$512 million for various proposed revenue actions and modest program restructuring initiatives. Proposed revenue actions that will lower General Fund costs include implementation of a nursing home assessment ($289 million), as well as increased Intergovernmental Transfers and Upper Payment Limit payments ($74 million) and other financing supported by HCRA ($149 million).

General Fund spending for health programs is projected at $477 million, a net decrease of $204 million (30 percent) from 2001-02. Higher costs for a projected increase in participation in the Early Intervention program and other programmatic growth is more than offset by utilizing dedicated funding sources of $323 million for various health programs. These dedicated funding sources will support the cost of the Elderly Pharmaceutical Insurance Coverage program ($194 million), State support for the Roswell Park Cancer Institute ($60 million), and various other programs currently funded in the General Fund, including AIDS programs, the Public Health Campaign program, Indian Health programs, Immunization and Water Supply Protection ($69 million).

Spending on welfare is projected at $540 million, a decrease of $429 million (44.3 percent) from 2001-02. This decrease is largely attributable to the additional use of Federal TANF funds ($479 million), which more than offsets a $34 million increase associated with projected welfare caseloads. The projected welfare caseload of 687,500 represents an increase from 2001-02 of approximately 13,000 recipients.

Higher Education Service Corporation (HESC) spending is projected at $198 million, a decrease of $497 million (71.5 percent) from 2001-02. This decrease primarily reflects the use of Federal TANF funds to finance spending on HESC programs ($345 million), and savings achieved through restructuring of the Tuition Assistance Program (TAP) to provide greater incentives for timely degree completion ($182 million). Partially offsetting these decreases is projected growth in the number of TAP recipients and increasing award levels ($12 million).

Spending for all other local assistance programs will total $7.13 billion in 2002-03, a net decrease of $296 million (4 percent) from the current year. This decrease includes program restructuring and the use of Federal TANF funds to finance various programs within the Education Department ($133 million), program reductions and revenue maximization actions in mental hygiene programs ($36 million), spending reductions in the Office of Science, Technology and Academic Research ($35 million), restructuring and proposed efficiencies in public protection programs ($19 million), and other savings initiatives proposed across all agencies and local assistance programs.

STATE OPERATIONS (millions of dollars)			
SFY:	**2001-02**	**2002-03**	**Annual Change**
State Operations	7,846	7,889	43

State Operations accounts for the cost of running the Executive, Legislative, and Judicial branches of government. The projected $43 million spending increase is primarily attributable to a $38 million spending increase in the Judiciary. Spending for the Legislature and Executive Branch agencies remains essentially flat from 2001-02.

State Operations spending includes $366 million for the annualized costs of labor agreements and related costs with State employee unions, as well as increasing costs for homeland security and emergency preparedness following the WTC attacks. The State's homeland security response costs in 2002-03 reflect continued use of National Guard troops to guard critical public infrastructure and facilities; State Police costs for troopers and investigators; Environmental Conservation costs for toxic assessments, explosives and hazardous materials monitoring; and water infrastructure security.

These costs are partially offset by proposed spending restraint and revenue maximization efforts totaling $323 million. The imposition of a strict hiring freeze, offering a retirement incentive to State employees, and various actions to restrain spending in all agencies are anticipated to save $124 million. A total of roughly $200 million in additional savings are projected to be available in 2002-03 from various revenue maximization efforts to finance State Operations spending. These efforts include $107 million in additional Patient Income Account revenues to offset spending on mental hygiene programs, $31 million in additional Federal and HCRA revenues to finance spending on health programs and $19 million in savings from funding cultural education programs in the State Education Department through establishment of the New York Institute for Cultural Education.

The State's Executive Branch All Funds workforce is projected to be 191,100 by the end of 2002-03, a decrease of approximately 5,000 from November 2001, primarily through attrition.

GENERAL STATE CHARGES (millions of dollars)			
SFY:	2001-02	2002-03	Annual Change
General State Charges	2,663	2,890	227

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.

The projected growth of $227 million is primarily attributable to rising health insurance costs and pension fund investment losses. Pension losses are expected to result in the need for $66 million in additional contributions to the New York State and Local Employees Retirement System (ERS) for fiscal year 2002-03. The pension estimate assumes an ERS contribution rate of 1.5 percent of salary for the 2002-03 fiscal year, an increase from 0.7 percent in 2001-02. Significant growth is also expected in costs for health insurance premiums, which are projected to increase 11 percent in calendar year 2002.

TRANSFERS TO OTHER FUNDS (millions of dollars)			
SFY:	2001-02	2002-03	Annual Change
Transfers in Support of Debt Service	2,106	1,839	(267)
Transfers in Support of Capital Projects	234	318	84
Transfers in Support of State University	69	105	36
All Other Transfers	497	553	56
Total Transfers to Other Funds	2,906	2,815	(91)

The decrease in debt service transfers of $267 million is primarily attributable to continued savings from the use of $1 billion in Debt Reduction Reserve Fund proceeds, the use of lower cost revenue bonds, and the impact of proposed legislation that will enhance the State's ability to reduce borrowing costs.

The increase in capital projects transfers primarily reflects the use of $69 million of General Fund resources to finance pay-as-you-go spending from the Hazardous Waste Remedial Program Transfer Fund (Superfund).

The increase in transfers to the State University of $36 million is due to a larger State subsidy for SUNY hospitals ($23 million) and growth in the State's share of outstanding SUNY loan repayments ($13 million).

All other transfers increased $56 million in 2002-03 primarily as a result of an increase in Medicaid payments to SUNY hospitals ($48 million) and in the State's subsidy to the Court Facilities Incentive Aid Fund ($14 million) to support Judiciary capital projects.

NON-RECURRING ACTIONS

A total of $562 million in non-recurring actions are incorporated in the 2002-03 Financial Plan, including transferring available balances from the State of New York Mortgage Agency ($150 million), the New York State Housing Finance Agency ($50 million), the Port Authority of New York and New Jersey ($16 million), the Environmental Protection Fund ($100 million) and various health and Medicaid Special Revenue Funds ($114 million). Recoveries of school aid and welfare recipient overpayments ($39 million), change in collection procedures ($38 million), and various routine fund transfers ($55 million) account for the remainder of the non-recurring resources.

RESERVES/CLOSING BALANCE IN THE GENERAL FUND

The State projects a closing balance of $710 million at the end of the 2002-03 fiscal year, a decline of $1.37 billion from 2001-02. The closing balance of $710 million represents the monies on deposit in the Tax Stabilization Reserve Fund to help avoid the need for mid-year budget cuts. The decline is due to the planned use of reserves during 2002-03 for WTC related revenue losses ($1.13 billion), the Contingency Reserve Fund ($151 million) for the recent settlement of outstanding litigation, the Community Projects Fund ($142 million), and the Universal Pre-Kindergarten Fund ($11 million).

To permanently improve the State's reserve levels, the Executive Budget includes legislation to gradually increase the maximum size of the State's rainy day fund from 2 percent of General Fund spending to 5 percent, and to increase maximum annual deposits from 0.2 percent to 0.5 percent of spending.

GOVERNMENTAL FUNDS FINANCIAL PLANS

FEDERAL DISASTER ASSISTANCE TO LOCALITIES

Over the next several years, a substantial amount of Federal aid is projected to flow through the State to localities for disaster response and reconstruction activities related to the WTC attacks. At the request of Governor Pataki, the President has waived any matching requirement for the State and City (which is typically 25 percent of eligible costs), so that the Federal government will provide 100 percent reimbursement for the cost of rescue, recovery, debris removal and public infrastructure repair and reconstruction. This Federal "pass-through" disaster aid is projected to total $1.53 billion in the current year and $3.74 billion in 2002-03 as recovery and rebuilding efforts reach full capacity. Nearly all of the Federal disaster aid is expected to flow from the Federal Emergency Management Agency through the State Emergency Management Office (SEMO) to New York City and other localities affected by the disaster. This "flow-through" spending is not counted in the All Governmental Funds estimates contained in this Overview.

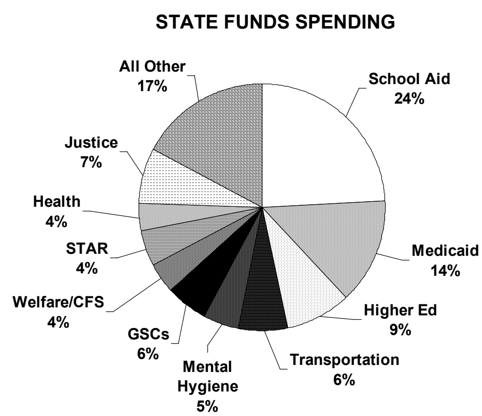
On an All Governmental Funds basis, the State Financial Plan includes spending for WTC costs of $214 million in 2001-02 and $329 million in 2002-03. Unlike the pass-through aid, the disbursements in the Financial Plan finance State government activities. Most of the spending that flows through the Financial Plan is supported by Federal funds ($180 million in 2001-02 and $292 million in 2002-03). Over the next two years, Federal money will finance, among other things, payments to the victims of the attack ($203 million), State Police and DMNA staffing costs directly related to the disaster ($98 million), expanded counseling and trauma services ($59 million), and infrastructure repairs ($40 million).

State-supported spending for WTC costs will total $71 million over the next two years, with $57 million of this amount financed by General Fund and $14 million from State special revenue funds. The General Fund is primarily providing support for tourism and marketing activities to attract visitors to New York City, and bridge loans to small businesses. State special revenue funds will primarily support expanded case processing costs for insurance and workers' compensation.

STATE FUNDS

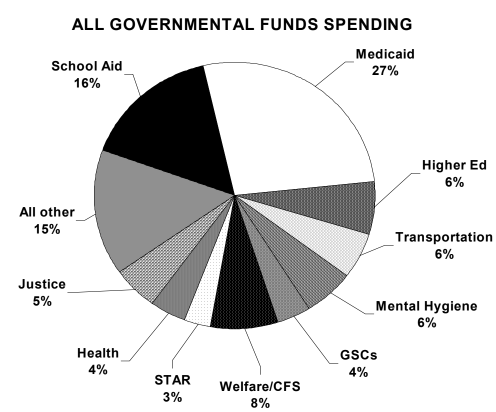
State Funds represent the portion of the State's budget supported exclusively by State revenues: taxes, fees, fines, and other revenues imposed and collected by the State. Federal grants are not included as part of State Funds.

In 2002-03, spending from State Funds is estimated at $58.63 billion, an increase of $929 million or 1.6 percent from 2001-02. The increase is primarily comprised of higher spending for Medicaid ($873 million), school aid ($370 million), fringe benefits ($301 million), transportation ($222 million), State University programs ($172 million), health care programs including Child Health Plus ($106 million), and the STAR local property tax relief program ($120 million). These increases are partially offset by lower spending for debt service ($520 million) and the use of TANF funds to lower state support for the Tuition Assistance Program ($345 million) and welfare ($429 million).



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. All Governmental Funds excludes Fiduciary, Internal Service, and Enterprise funds. In 2002-03, spending from All Governmental Funds is estimated at $88.60 billion, an increase of $4.0 billion or 4.7 percent from 2001-02.



In addition to the State Funds increase of $929 million described above, the annual increase in All Governmental Funds spending is financed by growth in Federal grants of $3.07 billion. In 2002-03, federally-supported spending grows primarily for Medicaid ($1.23

billion), social welfare initiatives authorized under TANF ($480 million), the share of the college tuition assistance program financed by TANF ($345 million), services for children and families ($158 million), and education ($186 million).

SPECIAL REVENUE FUNDS

Special Revenue Funds (SRFs) receive dedicated sources of State and Federal revenues and disburse funds for specified purposes. SRFs ensure that dedicated revenues are used solely for their intended purposes. Spending from SRFs is projected to total $42.46 billion in 2002-03, accounting for 48 percent of All Governmental Funds disbursements. Of this amount, $14.07 billion in spending is from funds supported by State revenues, and $28.39 billion from funds supported by Federal grants, primarily for social welfare programs.

State Special Revenue Funds

Disbursements from State SRFs are projected at $14.07 billion, an increase of $2.19 billion or 18.5 percent from 2001-02. Major components of State SRFs are discussed in more detail below.

- **Medicaid**: Spending for the State's Medicaid program is projected to total $2.06 billion in 2002-03, an increase of $852 million over 2001-02. The State's Medicaid program is supported by various revenues sources as detailed below:
  - **Indigent Care**: The State assists hospitals that provide care for uninsured people through the Indigent Care Fund. The fund receives revenues from a bad debt and charity care pool financed by third-party payers. Total disbursements from the Indigent Care Fund are estimated at $1.0 billion in 2002-03. The increase of $162 million from 2001-02 primarily reflects the distribution of available NYPHRM balances ($64 million) and HCRA bad debt and charity care funds ($80 million).
  - **Provider Assessments**: The new Provider Assessment account proposed in the Executive Budget will receive the proceeds from a 6.0 percent assessment on nursing homes. The estimated revenues in 2002-03 are projected to be $463 million and will be used to lower Medicaid costs.
  - **Health Care Reform Act Transfer**: This fund is supported by transfers from the Tobacco Control & Insurance Initiatives Pool and finances certain health programs, primarily the State's Medicaid program, as authorized by HCRA Medicaid spending from this fund is projected at $540 million, an increase of $277 million over 2001-02, and primarily funds new initiatives.
  - **Tobacco Transfer**: This fund receives money from the Tobacco Settlement Fund. Spending from the Tobacco Transfer Fund is projected at $91 million in 2002-03, unchanged form 2001-02.
- **STAR**: This fund receives personal income tax receipts dedicated to support the STAR program. Spending for STAR is estimated at $2.63 billion in 2002-03, an increase of $120 million from 2001-02. STAR will provide $2.09 billion in local property tax relief for eligible homeowners statewide. In addition, residents of New York City, who pay property, income and other taxes to fund City services including schools, will receive $540 million in City personal income tax reductions. Increased participation by taxpayers and higher local taxes account for the higher projected spending in 2002-03.
- **Lottery**: The Lottery Fund supports education aid from the net proceeds of lottery activity. The 2002-03 Executive Budget projects the receipt of $2.09 billion in lottery proceeds. After payment of administrative expenses, the Fund will distribute $1.91 billion for education purposes, an increase of $349 million from 2001-02. This increase includes implementation of a new multi-state lottery game ($125 million), the introduction of video lottery terminals at racetracks ($60 million), and enhancements to Quick Draw ($43 million).
- **State University of New York**: The State University (SUNY) receives revenues from tuition, third-party payers, room rents, and user fees. SUNY revenues support the

costs of operating hospitals, dormitories, and regular campus services. The University's spending from State SRFs is projected to total $2.22 billion in 2002-03, an increase of $73 million from the current year. This increase primarily reflects anticipated increases in revenues, which will be available for program operations.

- **Transportation**: The Mass Transportation Operating Assistance (MTOA) Fund and the Dedicated Mass Transportation Trust Fund receive taxes earmarked for mass transportation programs throughout the State. Total disbursements from these two funds in 2002-03 are projected at $1.72 billion, $172 million more than in 2001-02. This increase reflects the disbursement of $137 million in available MTOA balances dedicated for use by the MTA and other transit systems and $51 million for the Dedicated Mass Transportation Fund supported by higher revenues.
- **Child Health Plus**: The Child Health Plus (CHP) program subsidizes health insurance coverage for children of low-income families. Revenues authorized in HCRA fund the State's share of CHP. The 2002-03 Financial Plan budgets $431 million in State spending for this program. The increase of $106 million in State special revenue spending results from CHP-funded Medicaid expansion and costs associated with an increased estimate of the immigrant population who are ineligible for Federal Medicaid participation.
- **All Other**: Fees, licenses, and assessments collected by State agencies support the costs of providing specific services, including health care. Spending for these SRFs is projected at $3.09 billion for 2002-03, an increase of $522 million over 2001-02. This growth includes increases in the EPIC prescription drug program ($154 million), increase in health programs funded through HCRA ($95 million) and homeland security costs ($40 million).

Federal Special Revenue Funds

Federal SRFs account for grants and other Federal aid 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 limits the time between the State's draw down of moneys from the Federal government and its disbursement to recipients. In most cases, the State finances programs in the first instance, then receives reimbursement from the Federal government.

Total disbursements for programs supported by Federal grants account for approximately three-quarters of all special revenue spending. Federal SRF disbursements are estimated at $28.39 billion in 2002-03, an increase of $2.97 billion or 11.7 percent from 2001-02. The projections for both fiscal years exclude the flow-through of Federal aid to localities for WTC costs. The higher spending is primarily due to increased spending for Medicaid ($1.23 billion), welfare ($480 million) and college tuition assistance ($345 million) programs. Major components of Federal SRFs are discussed in more detail below.

- **Medicaid**: The single largest program in Federal SRFs is Medicaid, which comprises 54 percent of Federal SRF spending. Disbursements are made to health care providers and to reimburse local governments for administrative costs. The 2002-03 Budget projects $15.43 billion in total Federal Medicaid payments, an increase of $1.23 billion from 2001-02. This growth is primarily attributable to underlying growth in the Medicaid program of 7.2 percent ($854 million) and efforts to utilize existing Federal resources including additional Upper Payment Limit disbursements ($228 million) to help finance program growth.
- **Welfare**: The State receives Federal welfare funding through the TANF block grant. The difference between the block grant and current spending requirements ("the TANF reserve") allows the State and localities to provide services that help welfare recipients and at-risk families secure and retain employment. In 2002-03, Federal welfare spending financed by TANF will total $2.33 billion, an increase of $480 million over fiscal year 2001-02. TANF supports a wide range of services, including child welfare services, tax credits for the working poor, and other welfare reform initiatives.

The growth in TANF spending in 2002-03 consists primarily of retroactive claims related to the Earned Income Tax Credit ($200 million) and the Child and Dependent Care Tax Credit ($47 million), and other Federal maximization efforts ($233 million).

- **Education**: Education spending is projected at $2.08 billion in 2002-03, an increase of $186 million from 2001-02. Increased Federal funding, including use of the TANF block grant, for elementary and secondary education programs supports this growth in spending, as well as the disbursement of Federal school construction grants originally awarded in 2001-02.
- **Higher Education Services Corporation**: Spending for Higher Education Services Corporation increased by $345 million from 2001-02 as a result of the financing of the college tuition assistance program by the TANF block grant.
- **Children and Family Services**: Funding for Children and Family Services is projected at $1.67 billion in 2002-03, an increase of $155 million from 2001-02. The increase results from projected higher spending levels from the child care reserve fund and Title IV-E programs such as adoption and foster care.
- **Labor**: Labor spending is estimated at $667 million in 2002-03, an increase of $11 million from 2001-02. This modest growth is primarily attributable to salary increases and inflation.
- **Child Health Plus**: Federal support for the CHP program (in conjunction with State money) facilitates access to comprehensive health care coverage for every eligible child in New York through age 18. The Federal share of spending is projected at $619 million in 2002-03, an increase of $200 million from 2001-02, reflecting CHP expansion and increased enrollment estimates.
- **All Other**: All other Federal spending is projected at $4.99 billion for 2002-03 and includes support for health care, public protection and general government programs. The increase of $283 million results primarily from an increase in Medicaid payments to state-operated mental health and retardation facilities and SUNY hospitals ($345 million), which total $2.38 billion in 2002-03.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds group includes the Capital Projects Fund that is supported 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 that support capital programs for correctional services and housing. 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 are proceeds from the sale of bonds, including voter-approved general obligation bonds or public authority bonds.

Capital Projects Funds spending in 2002-03 is projected at $5.06 billion, or $501 million higher than the revised projection for 2001-02. The increase is primarily attributable to housing, economic development and other areas of spending ($177 million), transportation ($110 million), environment ($100 million), education ($84 million), and mental hygiene and public protection ($30 million). In addition, Federal funding in 2002-03 will support Department of Transportation (DOT) spending for the reconstruction of Route 9A on the lower side of Manhattan which was damaged during the WTC disaster.

Highlights of the 2002-03 capital spending plan include:

- Transportation spending of $2.9 billion, an increase of $110 million or 4 percent over the prior year. Construction levels for DOT's Highway and Bridge Construction Program will continue to be financed at their highest level, a $1.75 billion letting level in 2002-03. The Executive Budget also includes support for local transportation capital programs (Consolidated Highway Improvement Program (CHIPS) and the Marchiselli Program). Transportation programs account for 58 percent of overall capital spending.

- Projected spending for the environment of $807 million is an increase of $100 million or 14 percent over 2001-02. Disbursements for the environment include $169 million in Clean Water/Clean Air Bond Act spending, $125 million in spending from the Environmental Protection Fund and $105 million from the new Remedial Program Transfer Fund to continue support for the clean-up of hazardous waste and substance sites. Spending for the environment will account for 16 percent of 2002-03 capital disbursements.
- Spending for housing, economic development and other capital projects of $483 million is an increase of $177 million or 58 percent from 2001-02, including funds for reconstruction of Route 9A in New York City. Spending will support capital projects that will encourage economic development and job creation under a variety of programs, including the Strategic Investment Program and the Economic Development and Natural Resource Program. For 2002-03, the Capital Plan includes funding for a new $250 million high technology, biotechnology program which will be administrated by the Empire State Development Corporation (ESDC) in conjunction with the Office of Science Technology and Academic Research (NYSTAR). This program, which will be funded in part by a $60 million redirection of CEFAP monies, will finance projects that create or retain technology-related jobs including the construction and rehabilitation of research facilities, acquisition of business equipment, and the development of business incubators and business parks. In addition, initial funding is provided for the new Empire Opportunity Fund program to create and retain jobs in upstate New York and Long Island. Spending recommendations for 2002-03 will continue funding for the construction and rehabilitation of the State Capitol, the Alfred E. Smith State Office Building, and other State office buildings. In addition, funding is provided for a new Elk Street parking garage in Albany. Disbursements for housing and economic development initiatives will account for approximately 10 percent of 2002-03 capital spending.
- Public protection spending of about $211 million is an increase of $9 million or 4 percent from 2001-02. Public protection spending, which primarily finances maintenance at correctional facilities, will account for 4 percent of total 2002-03 capital disbursements.
- Spending for the Department of Mental Hygiene of $201 million is an increase of $21 million or 12 percent from 2001-02. Department spending will continue to 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. Department of Mental Hygiene spending will account for 4 percent of 2002-03 capital disbursements.
- Capital spending for education and higher education of $417 million is an increase of $84 million or 25 percent from 2001-02. Education and higher education spending will account for 8 percent of 2002-03 capital spending.

DEBT SERVICE FUNDS

Debt Service Funds are the conduits through which the State pays debt service on State general obligation bonds, and satisfies its lease-purchase and contractual obligation commitments on bonds issued by State authorities and municipalities. 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.

Estimated debt service disbursements from the debt service funds type are projected at $4.19 billion for 2001-02 and $3.67 billion for 2002-03. The $520 million reduction is primarily due to the use of $500 million in DRRF in 2001-02 (which technically is shown as an increase in debt service spending in that year), debt service savings in 2002-03 from the use of DRRF, the use of lower cost revenue bonds, and the impact of proposed legislation that will enhance the State's ability to reduce borrowing costs.

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 required disbursements. In addition, the Revenue Bond Tax Fund will pay the debt service on revenue bonds supported by a pledge of a portion of State personal income taxes.

In 2002-03, the transfer from the General Fund is projected at $1.84 billion, a decrease of $267 million from 2001-02. The decrease primarily reflects increases associated with prior year financings for CUNY, SUNY, correctional facilities and other programs offset by the impact from the use of $500 million in DRRF funds to defease bonds, and other efforts to reduce borrowing costs. Additional transfers of $258 million from the Dedicated Highway and Bridge Trust Fund, $76 million from the Clean Water/Clean Air Fund, $24 million from the Income Fund for SUNY Hospitals, $2 million from the State Parks Infrastructure Fund, and $81 million from the Centralized Services Fund are projected to bring 2002-03 total disbursements from the General Debt Service Fund to $2.28 billion. Those additional transfers pay the debt service on bonds issued for CHIPS, environmental projects under the Clean Water/Clean Air Bond Act, the hospitals' share of SUNY Educational Facilities debt service, State parks, and equipment financing purposes, respectively.

The Local Government Assistance Tax Fund is projected to receive $2 .09 billion in 2002-03 receipts from the dedicated one cent statewide sales tax. Debt service and associated costs on the completed $4.7 billion Local Government Assistance Corporation (LGAC) Program are projected at $311 million in 2002-03. Sales tax receipts in excess of LGAC's debt service requirements, $1.78 billion, will be transferred to the General Fund.

Patient revenues of $2.45 billion deposited to the Mental Health Services Fund will satisfy debt service obligations of $355 million in 2002-03. The remaining balance will be transferred to Special Revenue Funds to support costs for 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 in 1997). 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. Approximately $119 million in deposits to the Health Income Fund are expected to support debt service obligations of $30 million in 2002-03. The balance of those deposits will be transferred to special revenue funds to support state operations costs of the Health Department.

The Clean Water/Clean Air Fund, which was created in 1998-99 to implement the Clean Water/Clean Air Bond Act, is expected to receive $247 million from the Real Estate Transfer Tax (RETT). Approximately $76 million in RETT receipts will be transferred to the General Debt Service Fund in 2002-03 to support the debt service on Clean Water/Clean Air general obligation bonds and the $170 million balance will be transferred to the General Fund. Other debt service funds are used to finance payments on bonds issued to finance 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 2000-2001 State fiscal year, and do not reflect any pending proposals of the Governmental Accounting Standards Board.

By the end of 2002-03, General Fund GAAP is projected to have an accumulated surplus of $619 million, in contrast to the accumulated GAAP deficit of $3.3 billion in 1994-95.

The 2001-02 and 2002-03 operating results reflect the use of reserves in response to the WTC disaster while the State restrains overall spending over the next few years. As a result, the accumulated surplus declines from $1.45 billion at the end of 2001-02 to $619 million at the end of 2002-03.

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 2002-03 is projected to have balances no lower than $710 million, which occurs at year-end. In June, the projected balance in the General Fund is $3.0 billion, while balances at the close of the second and third quarters of the fiscal year are projected to be $3.7 billion and $2.4 billion, respectively.

GENERAL FUND FINANCIAL PLAN OUTYEAR PROJECTIONS

PROJECTED BUDGET GAPS FOR SFYs 2003-04 AND 2004-05
(millions of dollars)

	2003-04	2004-05
Receipts	39,747	41,820
Disbursements	(42,561)	(45,081)
Remaining Gap	**(2,814)**	**(3,261)**
2004-05 Gap if 2003-04 Gap is Closed with Recurring Actions		***(447)***

The State projects budget gaps of $2.8 billion in 2003-04 and $3.3 billion in 2004-05. The gaps assume the Legislature will enact the 2002-03 Executive Budget and accompanying legislation in its entirety. However, these budget gaps do not assume any additional spending efficiencies in order to reduce the size of the gaps. In addition, these budget gaps may be affected by the uncertainty surrounding the impact of the WTC disaster as well as the national recession.

If the projected budget gap for 2003-04 is closed with recurring actions, the 2004-05 budget gap would be reduced to $447 million. A more detailed explanation of the outyear receipts and disbursement estimates follows.

OUTYEAR RECEIPTS

GENERAL FUND RECEIPTS (millions of dollars)		
SFY:	2003-04	2004-05
Total Receipts	39,747	41,820

General Fund receipts increase to an estimated $39.75 billion in 2003-04. This increase reflects a forecast that both the national and New York economies will have recovered from recession and will be growing at historically average rates through 2004. The forecast also assumes 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 $41.82 billion in 2004-05, again reflecting a return to economic growth consistent with average growth in the receipts base and the impact of enacted tax cuts on normal receipts growth.

PERSONAL INCOME TAX (millions of dollars)		
SFY:	2003-04	2004-05
Personal Income Tax	24,382	26,042

In general, income tax growth for 2003-04 and 2004-05 is governed by projections of growth in taxable personal income and its major components, including wages, interest and dividend earnings, realized taxable capital gains, and business income.

It should be noted that the estimated poor growth performance in income tax receipts in 2001-02 and 2002-03 are expected to be heavily influenced by the WTC disaster, as noted earlier. The outyear projections anticipate a gradual recovery in income tax receipts growth from this period.

Personal income tax receipts are projected to increase to $24.38 billion in 2003-04. The increase from 2002-03 largely reflects the impact of refund reserve transactions and an increase in the growth in underlying liability. In addition, receipts are reduced by the incremental value of the STAR tax reduction program.

Personal income tax receipts for 2004-05 are projected to increase to $26.04 billion. The modest increase results from a return to increases in liability consistent with underlying adjusted gross income growth of 5.8 percent.

Wages are estimated to continue to grow over the 2003-04 and 2004-05 period reflecting renewed employment growth over the projection period after the decline expected in 2002. Wage growth improves from the small wage gain of 2001 and wage loss of 2002, as bonus growth (an important component of wages) is expected to return to moderate growth after the decreases of 2001 and 2002.

Growth in realized capital gains is projected to rebound from the large decrease experienced in 2001. The 2003-04 and 2004-05 projections assume continued recovery in equity markets and growth in associated capital gains.

The 2003-04 and 2004-05 projections also assume increases in the other major components of income, consistent with continued growth in the overall economy. In particular, interest and business income are expected to grow at rates consistent with the average growth in these components in the years before the WTC attacks.

There is significant uncertainty associated with the forecast of the outyear income components. In many cases, a reasonable range of uncertainty around the predicted income components would include significant reductions in receipts. As a result, the projections for 2003-04 and 2004-05 are relatively conservative given the substantial uncertainty in predicting income tax receipts.

USER TAXES AND FEES (millions of dollars)		
SFY:	2003-04	2004-05
User Taxes and Fees	7,254	7,595

Receipts from user taxes and fees are estimated to total $7.25 billion in 2003-04, an increase of $185 million from 2002-03. This increase is due almost exclusively to growth in the sales tax, as partly offset by increased earmarking of motor vehicle fees to the dedicated transportation funds.

User taxes and fees receipts are expected to grow to $7.59 billion in 2004-05. The economy is expected to have recovered from the recession and be growing at trend rates over this period, resulting in sales tax growth more in line with historical averages. This is expected to result in underlying growth in the sales tax base of 4 to 5 percent.

BUSINESS TAXES (millions of dollars)		
SFY:	2003-04	2004-05
Business Taxes	3,862	3,800

Business tax receipts are estimated to increase to $3.86 billion in 2003-04, as the negative impact of the WTC diminishes. This estimate reflects the effect of both ongoing and proposed tax reductions on business tax collections. Receipts are projected to fall to $3.80 billion in 2004-05, reflecting the ongoing effect of already enacted business tax reductions, modest increases in underlying liability, the impact of the brownfield tax credits proposed with this budget, and the proposed additional enhancement to the Low-Income Housing Credit Program of $2 million.

OTHER TAXES (millions of dollars)		
SFY:	2003-04	2004-05
Other Taxes	781	816

The yield from other taxes is expected to remain essentially flat from 2002-03 to 2003-04. Receipts will be $781 million, which reflect the lagged effect of the declines in the stock market on the value of taxable estates, and the second year impact of the acceleration of the unified credit/exemption. In 2004-05, receipts climb to $816 million, reflecting a return to normal growth in stock market values, and again the impact of the increased unified credit/exemption.

MISCELLANEOUS RECEIPTS (millions of dollars)		
SFY:	2003-04	2004-05
Miscellaneous Receipts	1,386	1,391

Miscellaneous Receipts are estimated to total $1.39 billion in 2003-04, a decrease of $220 million from the prior year. The decrease reflects the one-time nature of transactions that added to receipts in 2002-03. Receipts in this category are projected to remain at $1.39 billion in 2004-05.

TRANSFERS FROM OTHER FUNDS (millions of dollars)		
SFY:	2003-04	2004-05
Sales Tax in Excess of LGAC Debt Service	1,829	1,919
All Other Transfers	253	257
Total Transfers from Other Funds	2,082	2,176

Transfers from other funds are estimated to grow to $2.08 billion in 2003-04 and to $2.18 billion in 2004-05. This largely reflects growth in the dedicated portions of sales tax and the real estate transfer tax, which comprise a significant portion of transfers from other funds each year.

OUTYEAR DISBURSEMENTS

GENERAL FUND DISBURSEMENTS (millions of dollars)		
SFY:	2003-04	2004-05
Total Disbursements	42,561	45,081

The State currently projects spending to grow by $2.34 billion (5.8 percent) in 2003-04 and $2.52 billion (5.9 percent) in 2004-05. Spending estimates for 2003-04 and 2004-05 are described in more detail below.

GRANTS TO LOCAL GOVERNMENTS (millions of dollars)		
SFY:	2003-04	2004-05
Grants to Local Governments	28,448	29,965

Local assistance spending accounts for most of the projected growth in General Fund spending in the outyears, increasing by $1.82 billion (6.8 percent) in 2003-04 and $1.52 billion (5.3 percent) in 2004-05. The growth in both outyears is primarily concentrated in school aid, Medicaid, welfare, higher education and mental hygiene programs.

The projected school aid growth on a school year basis is approximately $600 million in both 2003-04 and 2004-05. This reflects the continuation of building aid reforms and annual increases in expense-based aids and general operating support. On a fiscal year basis, General Fund spending is projected to grow by approximately $207 million in 2003-04 and $677 million in 2004-05. The increases reflect the fiscal year “tail” associated with the delayed impact of school year increases on the State’s fiscal year (roughly a 70 percent / 30 percent split), and no growth in lottery estimates in 2004-05.

Underlying spending growth in Medicaid in both outyears is projected at 7.5 percent annually, which is generally consistent with the Health Care Reform Act and Congressional Budget Office projections. General Fund spending is expected to grow by $734 million in 2003-04 and another $467 million in 2004-05. The larger growth in 2003-04 is primarily attributable to the phase-out of nursing home intergovernmental transfer payments ($190 million), an additional Medicaid cycle ($138 million), and increased costs associated with providing services to legal immigrants ($23 million).

Welfare programmatic commitments are expected to remain essentially flat throughout the projection period. However, the reduced availability of Federal TANF surplus revenues leads to projected increases in State spending for welfare programs in 2003-04 ($585 million) followed by essentially no growth in 2004-05.

Mental hygiene programs grow by approximately $121 million (7.8 percent) in 2003-04 and an additional $97 million (5.8 percent) in 2004-05, as a result of the projected expansion of programs for the mentally and developmentally disabled.

All other local assistance programs increase by $174 million (2.8 percent) in 2003-04 and $260 million in 2004-05 (4.1 percent). The net increase is primarily due to the projected loss of Federal TANF funds to offset higher education programs in 2002-03 ($345 million), partially offset by lower spending in the legislative Community Projects Fund in 2003-04 ($143 million). The net increase in 2004-05 is primarily due to additional spending projected for Public Health programs ($88 million), Children and Family Services ($60 million) and Handicapped Education ($50 million).

STATE OPERATIONS (millions of dollars)		
SFY:	**2003-04**	**2004-05**
State Operations	8,048	8,449

State Operations spending is expected to increase by $159 million, or 2 percent, in 2003-04 and another $401 million or 5 percent in 2004-05. The growth in State Operations is due to costs associated with normal salary step increases and inflationary increases for nonpersonal service costs, valued at $133 million in 2003-04 and $131 million in 2004-05. The 2004-05 State Operations growth is also attributable to the value of an additional institutional payroll cycle ($130 million) and reflects the costs of snow and ice removal in the General Fund ($135 million). No additional salary increases are assumed after the expiration of the State's collective bargaining agreements in 2002-03.

GENERAL STATE CHARGES (millions of dollars)		
SFY:	**2003-04**	**2004-05**
General State Charges	3,203	3,509

General State Charges are projected to increase by $313 million (10.8 percent) in 2003-04 and $306 million (9.6 percent) in 2004-05. This growth is primarily due to anticipated cost increases in providing pensions and health insurance benefits to State employees and retirees. Absent significant investment gains in the Common Retirement Fund, substantial increases are anticipated for the State's contribution to the New York State and Local Retirement Systems. The projections for health insurance assume continuation of annual increases of 11 percent.

TRANSFERS TO OTHER FUNDS (millions of dollars)		
SFY:	2003-04	2004-05
Debt Service	1,882	2,154
Capital Projects	379	404
State University	142	154
All Other	459	446
Total Transfers to Other Funds	2,862	3,158

Transfers to the debt service funds increase by $43 million in 2003-04 and $272 million 2004-05. The change in debt service in the outyears is due primarily to additional costs to support higher education, economic development, and public protection capital projects, as offset by savings generated from the use of the Debt Reduction Reserve Fund and proposals to reduce borrowing costs.

Capital projects transfers, which reflect General Fund support for capital spending are projected to increase by approximately $61 million in 2003-04 and $25 million in 2004-05. These increases in General Fund support for capital projects are due primarily to additional costs to support environment, economic development, State facilities, mental hygiene, and higher education programs.

Transfers to the State University support the State subsidy for SUNY hospitals and the State's share of the repayment of an outstanding SUNY loan. The increases in 2003-04 and 2004-05 reflect a larger State subsidy for SUNY hospitals.

All other transfers remain relatively flat in the outyears of the Financial Plan.

INDEX OF FINANCIAL PLAN TABLES

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

	October	Change	January
Opening fund balance	1,098	0	1,098
Receipts:			
Taxes:			
Personal income tax	27,096	(119)	26,977
User taxes and fees	7,042	40	7,082
Business taxes	3,650	179	3,829
Other taxes	721	59	780
Miscellaneous receipts	1,506	103	1,609
Transfers from other funds:			
LGAC	1,720	22	1,742
All other	355	60	415
Total receipts	42,090	344	42,434
Disbursements:			
Grants to local governments	28,327	(287)	28,040
State operations	7,814	32	7,846
General State charges	2,659	4	2,663
Transfers to other funds:			
Debt service	2,289	(183)	2,106
Capital projects	316	(82)	234
State university	69	0	69
Other purposes	499	(2)	497
Total disbursements	41,973	(518)	41,455
Change in fund balance	117	862	979
Closing fund balance	1,215	862	2,077
Tax Stabilization Reserve Fund	627	83	710
Contingency Reserve Fund	151	(70)	81
Community Projects Fund	142	0	142
Universal Pre-Kindergarten Fund	14	(3)	11
Reserve for WTC costs	281	852	1,133

CASH FINANCIAL PLAN
GENERAL FUND
2001-2002 AND 2002-2003
(millions of dollars)

	2001-2002 Estimate	2002-2003 Recommended	Change
Opening fund balance	1,098	2,077	979
Receipts:			
Taxes:			
Personal income tax	26,977	23,292	(3,685)
User taxes and fees	7,082	7,069	(13)
Business taxes	3,829	3,775	(54)
Other taxes	780	783	3
Miscellaneous receipts	1,609	1,606	(3)
Transfers from other funds:			
LGAC	1,742	1,784	42
All other	415	545	130
Total receipts	42,434	38,854	(3,580)
Disbursements:			
Grants to local governments	28,040	26,627	(1,413)
State operations	7,846	7,889	43
General State charges	2,663	2,890	227
Transfers to other funds:			
Debt service	2,106	1,839	(267)
Capital projects	234	318	84
State university	69	105	36
Other purposes	497	553	56
Total disbursements	41,455	40,221	(1,234)
Change in fund balance	979	(1,367)	(2,346)
Closing fund balance	2,077	710	(1,367)
Tax Stabilization Reserve Fund	710	710	
Contingency Reserve Fund	81	0	
Community Projects Fund	142	0	
Universal Pre-Kindergarten Fund	11	0	
Reserve for WTC costs	1,133	0	

CASH FINANCIAL PLAN
GENERAL FUND
2002-2003 THROUGH 2004-2005
(millions of dollars)

	2002-2003 Recommended	2003-2004 Projected	2004-2005 Projected
Receipts:			
Taxes:			
Personal income tax	23,292	24,382	26,042
User taxes and fees	7,069	7,254	7,595
Business taxes	3,775	3,862	3,800
Other taxes	783	781	816
Miscellaneous receipts	1,606	1,386	1,391
Transfers from other funds:			
LGAC	1,784	1,829	1,919
All other	545	253	257
Total receipts	38,854	39,747	41,820
Disbursements:			
Grants to local governments	26,627	28,448	29,965
State operations	7,889	8,048	8,449
General State charges	2,890	3,203	3,509
Transfers to other funds:			
Debt service	1,839	1,882	2,154
Capital projects	318	379	404
State university	105	142	154
Other purposes	553	459	446
Total disbursements	40,221	42,561	45,081
Deposit to/(use of) Contingency Reserve Fund	(81)	0	0
Deposit to/(use of) Community Projects Fund	(142)	0	0
Deposit to/(use of) Universal Pre-Kindergarten Fund	(11)	0	0
Deposit to/(use of) WTC Reserve	(1,133)	0	0
Margin	0	(2,814)	(3,261)

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	917	762	(19)	448	2,108
Receipts:					
Taxes	36,093	4,532	1,237	2,746	44,608
Miscellaneous receipts	1,553	6,646	1,674	860	10,733
Federal grants	0	24,273	1,509	0	25,782
Total receipts	37,646	35,451	4,420	3,606	81,123
Disbursements:					
Grants to local governments	26,667	27,734	707	0	55,108
State operations	7,605	6,316	0	13	13,934
General State charges	2,567	301	0	0	2,868
Debt service	1	0	0	4,082	4,083
Capital projects	0	9	3,751	0	3,760
Total disbursements	36,840	34,360	4,458	4,095	79,753
Other financing sources (uses):					
Transfers from other funds	2,237	2,396	376	4,751	9,760
Transfers to other funds	(2,862)	(2,050)	(627)	(4,288)	(9,827)
Bond and note proceeds	0	0	219	0	219
Net other financing sources (uses)	(625)	346	(32)	463	152
Change in fund balance	181	1,437	(70)	(26)	1,522
Closing fund balance	1,098	2,199	(89)	422	3,630

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	1,098	2,199	(89)	422	3,630
Receipts:					
Taxes	38,668	2,815	1,554	2,666	45,703
Miscellaneous receipts	1,609	7,179	1,731	606	11,125
Federal grants	0	25,497	1,471	0	26,968
Total receipts	40,277	35,491	4,756	3,272	83,796
Disbursements:					
Grants to local governments	28,040	30,146	856	0	59,042
State operations	7,846	6,690	0	6	14,542
General State charges	2,663	466	0	0	3,129
Debt service	0	0	0	4,185	4,185
Capital projects	0	2	3,698	0	3,700
Total disbursements	38,549	37,304	4,554	4,191	84,598
World Trade Center revenues (costs):					
Federal grants	0	1,525	0	0	1,525
Disaster assistance to localities	0	(1,525)	0	0	(1,525)
Net World Trade Center revenues (costs)	0	0	0	0	0
Other financing sources (uses):					
Transfers from other funds	2,157	2,608	254	4,799	9,818
Transfers to other funds	(2,906)	(2,073)	(769)	(4,145)	(9,893)
Bond and note proceeds	0	0	237	0	237
Net other financing sources (uses)	(749)	535	(278)	654	162
Change in fund balance	979	(1,278)	(76)	(265)	(640)
Closing fund balance	2,077	921	(165)	157	2,990

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	2,077	921	(165)	157	2,990
Receipts:					
Taxes	34,919	4,199	1,673	2,455	43,246
Miscellaneous receipts	1,606	9,166	2,067	626	13,465
Federal grants	0	28,560	1,576	0	30,136
Total receipts	36,525	41,925	5,316	3,081	86,847
Disbursements:					
Grants to local governments	26,627	34,866	955	0	62,448
State operations	7,889	7,047	0	7	14,943
General State charges	2,890	548	0	0	3,438
Debt service	0	0	0	3,665	3,665
Capital projects	0	2	4,099	0	4,101
Total disbursements	37,406	42,463	5,054	3,672	88,595
World Trade Center revenues (costs):					
Federal grants	0	3,741	0	0	3,741
Disaster assistance to localities	0	(3,741)	0	0	(3,741)
Net World Trade Center revenues (costs)	0	0	0	0	0
Other financing sources (uses):					
Transfers from other funds	2,329	2,947	343	5,058	10,677
Transfers to other funds	(2,815)	(2,409)	(992)	(4,480)	(10,696)
Bond and note proceeds	0	0	260	0	260
Net other financing sources (uses)	(486)	538	(389)	578	241
Change in fund balance	(1,367)	0	(127)	(13)	(1,507)
Closing fund balance	710	921	(292)	144	1,483

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	921	(292)	144	773
Receipts:					
Taxes	36,279	4,392	1,746	2,429	44,846
Miscellaneous receipts	1,386	9,565	2,179	649	13,779
Federal grants	0	28,481	1,828	0	30,309
Total receipts	37,665	42,438	5,753	3,078	88,934
Disbursements:					
Grants to local governments	28,448	35,112	919	0	64,479
State operations	8,048	7,081	0	7	15,136
General State charges	3,203	564	0	0	3,767
Debt service	0	0	0	3,952	3,952
Capital projects	0	2	4,478	0	4,480
Total disbursements	39,699	42,759	5,397	3,959	91,814
World Trade Center revenues (costs):					
Federal grants	0	2,088	0	0	2,088
Disaster assistance to localities	0	(2,088)	0	0	(2,088)
Net World Trade Center revenues (costs)	0	0	0	0	0
Other financing sources (uses):					
Transfers from other funds	2,082	2,811	404	5,198	10,495
Transfers to other funds	(2,862)	(2,268)	(998)	(4,329)	(10,457)
Bond and note proceeds	0	0	231	0	231
Net other financing sources (uses)	(780)	543	(363)	869	269
Change in fund balance	(2,814)	222	(7)	(12)	(2,611)
Closing fund balance	(2,814)	1,143	(299)	132	(1,838)

Note: The General Fund opening fund balance does not reflect $710 million in the Tax Stabilization Reserve Fund.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	1,143	(299)	132	976
Receipts:					
Taxes	38,253	4,559	1,670	2,550	47,032
Miscellaneous receipts	1,391	9,923	2,243	680	14,237
Federal grants	0	29,732	2,019	0	31,751
Total receipts	39,644	44,214	5,932	3,230	93,020
Disbursements:					
Grants to local governments	29,965	36,714	1,012	0	67,691
State operations	8,449	7,236	0	7	15,692
General State charges	3,509	589	0	0	4,098
Debt service	0	0	0	4,394	4,394
Capital projects	0	3	4,452	0	4,455
Total disbursements	41,923	44,542	5,464	4,401	96,330
World Trade Center revenues (costs):					
Federal grants	0	999	0	0	999
Disaster assistance to localities	0	(999)	0	0	(999)
Net World Trade Center revenues (costs)	0	0	0	0	0
Other financing sources (uses):					
Transfers from other funds	2,176	2,838	429	5,650	11,093
Transfers to other funds	(3,158)	(2,308)	(1,098)	(4,453)	(11,017)
Bond and note proceeds	0	0	199	0	199
Net other financing sources (uses)	(982)	530	(470)	1,197	275
Change in fund balance	(3,261)	202	(2)	26	(3,035)
Closing fund balance	(3,261)	1,345	(301)	158	(2,059)

Note: The General Fund opening fund balance does not reflect $710 million in the Tax Stabilization Reserve Fund.

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	917	879	185	448	2,429
Receipts:					
Taxes	36,093	4,532	1,237	2,746	44,608
Miscellaneous receipts	1,553	6,520	1,672	860	10,605
Federal grants	0	0	0	0	0
Total receipts	37,646	11,052	2,909	3,606	55,213
Disbursements:					
Grants to local governments	26,667	6,444	401	0	33,512
State operations	7,605	3,627	0	13	11,245
General State charges	2,567	167	0	0	2,734
Debt service	1	0	0	4,082	4,083
Capital projects	0	9	2,600	0	2,609
Total disbursements	36,840	10,247	3,001	4,095	54,183
Other financing sources (uses):					
Transfers from other funds	2,237	652	376	4,751	8,016
Transfers to other funds	(2,862)	(143)	(619)	(4,288)	(7,912)
Bond and note proceeds	0	0	219	0	219
Net other financing sources (uses)	(625)	509	(24)	463	323
Change in fund balance	181	1,314	(116)	(26)	1,353
Closing fund balance	1,098	2,193	69	422	3,782

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	1,098	2,193	69	422	3,782
Receipts:					
Taxes	38,668	2,815	1,554	2,666	45,703
Miscellaneous receipts	1,609	7,044	1,731	606	10,990
Federal grants	0	0	0	0	0
Total receipts	40,277	9,859	3,285	3,272	56,693
Disbursements:					
Grants to local governments	28,040	7,803	639	0	36,482
State operations	7,846	3,761	0	6	11,613
General State charges	2,663	308	0	0	2,971
Debt service	0	0	0	4,185	4,185
Capital projects	0	2	2,452	0	2,454
Total disbursements	38,549	11,874	3,091	4,191	57,705
Other financing sources (uses):					
Transfers from other funds	2,157	783	254	4,799	7,993
Transfers to other funds	(2,906)	(133)	(761)	(4,145)	(7,945)
Bond and note proceeds	0	0	237	0	237
Net other financing sources (uses)	(749)	650	(270)	654	285
Change in fund balance	979	(1,365)	(76)	(265)	(727)
Closing fund balance	2,077	828	(7)	157	3,055

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	2,077	828	(7)	157	3,055
Receipts:					
Taxes	34,919	4,199	1,673	2,455	43,246
Miscellaneous receipts	1,606	9,025	2,067	626	13,324
Federal grants	0	0	0	0	0
Total receipts	36,525	13,224	3,740	3,081	56,570
Disbursements:					
Grants to local governments	26,627	9,641	739	0	37,007
State operations	7,889	4,042	0	7	11,938
General State charges	2,890	382	0	0	3,272
Debt service	0	0	0	3,665	3,665
Capital projects	0	2	2,750	0	2,752
Total disbursements	37,406	14,067	3,489	3,672	58,634
Other financing sources (uses):					
Transfers from other funds	2,329	892	343	5,058	8,622
Transfers to other funds	(2,815)	(175)	(981)	(4,480)	(8,451)
Bond and note proceeds	0	0	260	0	260
Net other financing sources (uses)	(486)	717	(378)	578	431
Change in fund balance	(1,367)	(126)	(127)	(13)	(1,633)
Closing fund balance	710	702	(134)	144	1,422

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	702	(134)	144	712
Receipts:					
Taxes	36,279	4,392	1,746	2,429	44,846
Miscellaneous receipts	1,386	9,444	2,179	649	13,658
Federal grants	0	0	0	0	0
Total receipts	37,665	13,836	3,925	3,078	58,504
Disbursements:					
Grants to local governments	28,448	9,886	702	0	39,036
State operations	8,048	4,151	0	7	12,206
General State charges	3,203	398	0	0	3,601
Debt service	0	0	0	3,952	3,952
Capital projects	0	2	2,878	0	2,880
Total disbursements	39,699	14,437	3,580	3,959	61,675
Other financing sources (uses):					
Transfers from other funds	2,082	839	404	5,198	8,523
Transfers to other funds	(2,862)	(106)	(987)	(4,329)	(8,284)
Bond and note proceeds	0	0	231	0	231
Net other financing sources (uses)	(780)	733	(352)	869	470
Change in fund balance	(2,814)	132	(7)	(12)	(2,701)
Closing fund balance	(2,814)	834	(141)	132	(1,989)

Note: The General Fund opening fund balance does not reflect $710 million in the Tax Stabilization Reserve Fund.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	834	(141)	132	825
Receipts:					
Taxes	38,253	4,559	1,670	2,550	47,032
Miscellaneous receipts	1,391	9,801	2,243	680	14,115
Federal grants	0	0	0	0	0
Total receipts	39,644	14,360	3,913	3,230	61,147
Disbursements:					
Grants to local governments	29,965	10,291	794	0	41,050
State operations	8,449	4,283	0	7	12,739
General State charges	3,509	413	0	0	3,922
Debt service	0	0	0	4,394	4,394
Capital projects	0	3	2,660	0	2,663
Total disbursements	41,923	14,990	3,454	4,401	64,768
Other financing sources (uses):					
Transfers from other funds	2,176	819	429	5,650	9,074
Transfers to other funds	(3,158)	(107)	(1,089)	(4,453)	(8,807)
Bond and note proceeds	0	0	199	0	199
Net other financing sources (uses)	(982)	712	(461)	1,197	466
Change in fund balance	(3,261)	82	(2)	26	(3,155)
Closing fund balance	(3,261)	916	(143)	158	(2,330)

Note: The General Fund opening fund balance does not reflect $710 million in the Tax Stabilization Reserve Fund.

CASH FINANCIAL PLAN
SPECIAL REVENUE FUNDS
2000-2001
(millions of dollars)

	State	Federal	Total
Opening fund balance	879	(117)	762
Receipts:			
Taxes	4,532	0	4,532
Miscellaneous receipts	6,520	126	6,646
Federal grants	0	24,273	24,273
Total receipts	11,052	24,399	35,451
Disbursements:			
Grants to local governments	6,444	21,290	27,734
State operations	3,627	2,689	6,316
General State charges	167	134	301
Debt service	0	0	0
Capital projects	9	0	9
Total disbursements	10,247	24,113	34,360
Other financing sources (uses):			
Transfers from other funds	652	1,744	2,396
Transfers to other funds	(143)	(1,907)	(2,050)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	509	(163)	346
Change in fund balance	1,314	123	1,437
Closing fund balance	2,193	6	2,199

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

	State	Federal	Total
Opening fund balance	2,193	6	2,199
Receipts:			
Taxes	2,815	0	2,815
Miscellaneous receipts	7,044	135	7,179
Federal grants	0	25,497	25,497
Total receipts	9,859	25,632	35,491
Disbursements:			
Grants to local governments	7,803	22,343	30,146
State operations	3,761	2,929	6,690
General State charges	308	158	466
Debt service	0	0	0
Capital projects	2	0	2
Total disbursements	11,874	25,430	37,304
World Trade Center revenues (costs):			
Federal grants	0	1,525	1,525
Disaster assistance to localities	0	(1,525)	(1,525)
Net World Trade Center revenues (costs)	0	0	0
Other financing sources (uses):			
Transfers from other funds	783	1,825	2,608
Transfers to other funds	(133)	(1,940)	(2,073)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	650	(115)	535
Change in fund balance	(1,365)	87	(1,278)
Closing fund balance	828	93	921

CASH FINANCIAL PLAN
SPECIAL REVENUE FUNDS
2002-2003
(millions of dollars)

	State	Federal	Total
Opening fund balance	828	93	921
Receipts:			
Taxes	4,199	0	4,199
Miscellaneous receipts	9,025	141	9,166
Federal grants	0	28,560	28,560
Total receipts	13,224	28,701	41,925
Disbursements:			
Grants to local governments	9,641	25,225	34,866
State operations	4,042	3,005	7,047
General State charges	382	166	548
Debt service	0	0	0
Capital projects	2	0	2
Total disbursements	14,067	28,396	42,463
World Trade Center revenues (costs):			
Federal grants	0	3,741	3,741
Disaster assistance to localities	0	(3,741)	(3,741)
Net World Trade Center revenues (costs)	0	0	0
Other financing sources (uses):			
Transfers from other funds	892	2,055	2,947
Transfers to other funds	(175)	(2,234)	(2,409)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	717	(179)	538
Change in fund balance	(126)	126	0
Closing fund balance	702	219	921

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

	State	Federal	Total
Opening fund balance	702	219	921
Receipts:			
Taxes	4,392	0	4,392
Miscellaneous receipts	9,444	121	9,565
Federal grants	0	28,481	28,481
Total receipts	13,836	28,602	42,438
Disbursements:			
Grants to local governments	9,886	25,226	35,112
State operations	4,151	2,930	7,081
General State charges	398	166	564
Debt service	0	0	0
Capital projects	2	0	2
Total disbursements	14,437	28,322	42,759
World Trade Center revenues (costs):			
Federal grants	0	2,088	2,088
Disaster assistance to localities	0	(2,088)	(2,088)
Net World Trade Center revenues (costs)	0	0	0
Other financing sources (uses):			
Transfers from other funds	839	1,972	2,811
Transfers to other funds	(106)	(2,162)	(2,268)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	733	(190)	543
Change in fund balance	132	90	222
Closing fund balance	834	309	1,143

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

	State	Federal	Total
Opening fund balance	834	309	1,143
Receipts:			
Taxes	4,559	0	4,559
Miscellaneous receipts	9,801	122	9,923
Federal grants	0	29,732	29,732
Total receipts	14,360	29,854	44,214
Disbursements:			
Grants to local governments	10,291	26,423	36,714
State operations	4,283	2,953	7,236
General State charges	413	176	589
Debt service	0	0	0
Capital projects	3	0	3
Total disbursements	14,990	29,552	44,542
World Trade Center revenues (costs):			
Federal grants	0	999	999
Disaster assistance to localities	0	(999)	(999)
Net World Trade Center revenues (costs)	0	0	0
Other financing sources (uses):			
Transfers from other funds	819	2,019	2,838
Transfers to other funds	(107)	(2,201)	(2,308)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	712	(182)	530
Change in fund balance	82	120	202
Closing fund balance	916	429	1,345

CASH FINANCIAL PLAN
CAPITAL PROJECTS FUNDS
2000-2001
(millions of dollars)

	State	Federal	Total
Opening fund balance	185	(204)	(19)
Receipts:			
Taxes	1,237	0	1,237
Miscellaneous receipts	1,672	2	1,674
Federal grants	0	1,509	1,509
Total receipts	2,909	1,511	4,420
Disbursements:			
Grants to local governments	401	306	707
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	2,600	1,151	3,751
Total disbursements	3,001	1,457	4,458
Other financing sources (uses):			
Transfers from other funds	376	0	376
Transfers to other funds	(619)	(8)	(627)
Bond and note proceeds	219	0	219
Net other financing sources (uses)	(24)	(8)	(32)
Change in fund balance	(116)	46	(70)
Closing fund balance	69	(158)	(89)

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

	State	Federal	Total
Opening fund balance	69	(158)	(89)
Receipts:			
Taxes	1,554	0	1,554
Miscellaneous receipts	1,731	0	1,731
Federal grants	0	1,471	1,471
Total receipts	3,285	1,471	4,756
Disbursements:			
Grants to local governments	639	217	856
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	2,452	1,246	3,698
Total disbursements	3,091	1,463	4,554
Other financing sources (uses):			
Transfers from other funds	254	0	254
Transfers to other funds	(761)	(8)	(769)
Bond and note proceeds	237		237
Net other financing sources (uses)	(270)	(8)	(278)
Change in fund balance	(76)	0	(76)
Closing fund balance	(7)	(158)	(165)

CASH FINANCIAL PLAN
CAPITAL PROJECTS FUNDS
2002-2003
(millions of dollars)

	State	Federal	Total
Opening fund balance	(7)	(158)	(165)
Receipts:			
Taxes	1,673	0	1,673
Miscellaneous receipts	2,067	0	2,067
Federal grants	0	1,576	1,576
Total receipts	3,740	1,576	5,316
Disbursements:			
Grants to local governments	739	216	955
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	2,750	1,349	4,099
Total disbursements	3,489	1,565	5,054
Other financing sources (uses):			
Transfers from other funds	343	0	343
Transfers to other funds	(981)	(11)	(992)
Bond and note proceeds	260	0	260
Net other financing sources (uses)	(378)	(11)	(389)
Change in fund balance	(127)	0	(127)
Closing fund balance	(134)	(158)	(292)

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

	State	Federal	Total
Opening fund balance	(134)	(158)	(292)
Receipts:			
Taxes	1,746	0	1,746
Miscellaneous receipts	2,179	0	2,179
Federal grants	0	1,828	1,828
Total receipts	3,925	1,828	5,753
Disbursements:			
Grants to local governments	702	217	919
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	2,878	1,600	4,478
Total disbursements	3,580	1,817	5,397
Other financing sources (uses):			
Transfers from other funds	404	0	404
Transfers to other funds	(987)	(11)	(998)
Bond and note proceeds	231	0	231
Net other financing sources (uses)	(352)	(11)	(363)
Change in fund balance	(7)	0	(7)
Closing fund balance	(141)	(158)	(299)

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

	State	Federal	Total
Opening fund balance	(141)	(158)	(299)
Receipts:			
Taxes	1,670	0	1,670
Miscellaneous receipts	2,243	0	2,243
Federal grants	0	2,019	2,019
Total receipts	3,913	2,019	5,932
Disbursements:			
Grants to local governments	794	218	1,012
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	2,660	1,792	4,452
Total disbursements	3,454	2,010	5,464
Other financing sources (uses):			
Transfers from other funds	429	0	429
Transfers to other funds	(1,089)	(9)	(1,098)
Bond and note proceeds	199	0	199
Net other financing sources (uses)	(461)	(9)	(470)
Change in fund balance	(2)	0	(2)
Closing fund balance	(143)	(158)	(301)

CASH FINANCIAL PLAN
PROPRIETARY AND FIDUCIARY FUNDS
2001-2002
(millions of dollars)

	Internal Service	Enterprise	Fiduciary
Opening fund balance	(82)	17	63
Receipts:			
Unemployment taxes	0	0	2,925
Miscellaneous receipts	634	82	55
Federal grants	0	0	325
Total receipts	634	82	3,305
Disbursements:			
Grants to local governments	0	0	7
State operations	540	82	48
Unemployment benefits	0	0	3,250
General State charges	42	1	1
Debt service	129	0	0
Capital Projects	0	0	5
Total disbursements	711	83	3,311
Other financing sources (uses):			
Transfers from other funds	74	0	1
Transfers to other funds	0	0	0
Net other financing sources (uses)	74	0	1
Change in fund balance	(3)	(1)	(5)
Closing fund balance	(85)	16	58

CASH FINANCIAL PLAN
PROPRIETARY AND FIDUCIARY FUNDS
2002-2003
(millions of dollars)

	Internal Service	Enterprise	Fiduciary
Opening fund balance	(85)	16	58
Receipts:			
Unemployment taxes	0	0	2,925
Miscellaneous receipts	735	84	89
Federal grants	0	0	326
Total receipts	735	84	3,340
Disbursements:			
Grants to local governments	0	0	7
State operations	589	85	90
Unemployment benefits	0	0	3,250
General State charges	44	2	2
Debt service	101	0	0
Capital projects	0	0	16
Total disbursements	734	87	3,365
Other financing sources (uses):			
Transfers from other funds	77	0	22
Transfers to other funds	(81)	0	0
Net other financing sources (uses)	(4)	0	22
Change in fund balance	(3)	(3)	(3)
Closing fund balance	(88)	13	55

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

	September	Change	January
Revenues:			
Taxes:			
Personal income tax	25,174	(1,930)	23,244
User taxes and fees	7,342	(128)	7,214
Business taxes	4,167	(94)	4,073
Other taxes	824	(61)	763
Miscellaneous revenues	3,053	151	3,204
Total revenues	40,560	(2,062)	38,498
Expenditures:			
Grants to local governments	29,439	(342)	29,097
State operations	9,564	168	9,732
General State charges	2,191	(4)	2,187
Debt service	23	(23)	0
Capital projects	3	15	18
Total expenditures	41,220	(186)	41,034
Other financing sources (uses):			
Transfers from other funds	4,539	80	4,619
Transfers to other funds	(5,353)	341	(5,012)
Proceeds from financing arrangements/ advance refundings	205	0	205
Net other financing sources (uses)	(609)	421	(188)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,269)	(1,455)	(2,724)
Accumulated Surplus	2,901	(1,455)	1,446

GAAP FINANCIAL PLAN
GENERAL FUND
2001-2002 and 2002-2003
(millions of dollars)

	2001-2002 Estimate	2002-2003 Recommended	Change
Revenues:			
Taxes:			
Personal income tax	23,244	23,696	452
User taxes and fees	7,214	7,079	(135)
Business taxes	4,073	3,778	(295)
Other taxes	763	790	27
Miscellaneous revenues	3,204	3,848	644
Total revenues	38,498	39,191	693
Expenditures:			
Grants to local governments	29,097	28,203	(894)
State operations	9,732	9,984	252
General State charges	2,187	2,365	178
Debt service	0	0	0
Capital projects	18	23	5
Total expenditures	41,034	40,575	(459)
Other financing sources (uses):			
Transfers from other funds	4,619	5,284	665
Transfers to other funds	(5,012)	(5,043)	(31)
Proceeds from financing arrangements/ advance refundings	205	316	111
Net other financing sources (uses)	(188)	557	745
(Deficiency) excess of revenues and other financing sources over expenditures and other financing uses	(2,724)	(827)	1,897
Accumulated Surplus	1,446	619	

CONVERSION OF CASH FINANCIAL PLAN
TO GAAP FINANCIAL PLAN
GENERAL FUND
2001-2002
(millions of dollars)

	Cash Financial Plan	Perspective Difference: Special Revenue Funds	Entity Difference: Other Funds	Cash Basis Subtotal	Changes in Accruals	Elimin-ations	Intrafund Eliminations	Reclass-ification	GAAP Financial Plan
Receipts/Revenues:									
Taxes:									
Personal income tax	26,977	0	0	26,977	(3,733)	0	0	0	23,244
User taxes and fees	7,082	0	0	7,082	132	0	0	0	7,214
Business taxes	3,829	0	0	3,829	244	0	0	0	4,073
Other taxes	780	0	0	780	(17)	0	0	0	763
Miscellaneous receipts	1,609	1,968	693	4,270	50	(83)	(633)	(400)	3,204
Total receipts/revenues	40,277	1,968	693	42,938	(3,324)	(83)	(633)	(400)	38,498
Disbursements/expenditures:									
Grants to local governments	28,040	1,232	0	29,272	454	0	0	(629)	29,097
State operations	7,846	2,933	599	11,378	(4)	(229)	(633)	(780)	9,732
General State charges	2,663	160	44	2,867	101	(17)	0	(764)	2,187
Debt service	0	0	0	0	0	0	0	0	0
Capital projects	0	0	129	129	18	0	0	(129)	18
Total disbursements/expenditures	38,549	4,325	772	43,646	569	(246)	(633)	(2,302)	41,034
Other financing sources (uses):									
Transfers from other funds	2,157	2,453	74	4,684	0	(170)	(296)	401	4,619
Transfers to other funds	(2,906)	(95)	0	(3,001)	(6)	2	296	(2,303)	(5,012)
Proceeds from financing arrangements/ advance refundings	0	0	0	0	205	0	0	0	205
Net other financing sources (uses)	(749)	2,358	74	1,683	199	(168)	0	(1,902)	(188)
(Deposit to)/use of fund balances	154	0	0	154	(154)	0	0	0	0
Receipts/revenues and other financing sources over (under) disbursements/expenditures and other financing uses	1,133	1	(5)	1,129	(3,848)	(5)	0	0	(2,724)

CONVERSION OF CASH FINANCIAL PLAN
TO GAAP FINANCIAL PLAN
GENERAL FUND
2002-2003
(millions of dollars)

	Cash Financial Plan	Perspective Difference: Special Revenue Funds	Entity Difference: Other Funds	Cash Basis Subtotal	Changes in Accruals	Eliminations	Intrafund Eliminations	Reclassification	GAAP Financial Plan
Receipts/Revenues:									
Taxes:									
Personal income tax	23,292	0	0	23,292	404	0	0	0	23,696
User taxes and fees	7,069	0	0	7,069	10	0	0	0	7,079
Business taxes	3,775	0	0	3,775	3	0	0	0	3,778
Other taxes	783	0	0	783	7	0	0	0	790
Miscellaneous receipts	1,606	2,823	796	5,225	62	(77)	(733)	(629)	3,848
Total receipts/revenues	36,525	2,823	796	40,144	486	(77)	(733)	(629)	39,191
Disbursements/expenditures:									
Grants to local governments	26,627	2,049	0	28,676	159	0	0	(632)	28,203
State operations	7,889	3,222	650	11,761	32	(230)	(733)	(846)	9,984
General State charges	2,890	185	45	3,120	30	(16)	0	(769)	2,365
Debt service	0	0	0	0	0	0	0	0	0
Capital projects	0	0	101	101	23	0	0	(101)	23
Total disbursements/expenditures	37,406	5,456	796	43,658	244	(246)	(733)	(2,348)	40,575
Other financing sources (uses):									
Transfers from other funds	2,329	2,765	78	5,172	0	(176)	(342)	630	5,284
Transfers to other funds	(2,815)	(136)	(82)	(3,033)	(5)	2	342	(2,349)	(5,043)
Proceeds from financing arrangements/ advance refundings	0	0	0	0	316	0	0	0	316
Net other financing sources (uses)	(486)	2,629	(4)	2,139	311	(174)	0	(1,719)	557
(Deposit to)/use of fund balances	234	0	0	234	(234)	0	0	0	0
Receipts/revenues and other financing sources (under) over disbursements/expenditures and other financing uses	(1,133)	(4)	(4)	(1,141)	319	(5)	0	0	(827)

GAAP FINANCIAL PLAN
GENERAL FUND
2002-2003 THROUGH 2004-2005
(millions of dollars)

	2002-2003 Recommended	2003-2004 Projected	2004-2005 Projected
Revenues:			
Taxes:			
Personal income tax	23,696	24,791	26,512
User taxes and fees	7,079	7,272	7,613
Business taxes	3,778	3,871	3,792
Other taxes	790	791	829
Miscellaneous revenues	3,848	4,042	4,199
Total revenues	39,191	40,767	42,945
Expenditures:			
Grants to local governments	28,203	30,389	32,028
State operations	9,984	10,155	10,477
General State charges	2,365	2,656	2,909
Debt service	0	11	10
Capital projects	23	0	0
Total expenditures	40,575	43,211	45,424
Other financing sources (uses):			
Transfers from other funds	5,284	4,819	4,930
Transfers to other funds	(5,043)	(5,251)	(5,579)
Proceeds from financing arrangements/ advance refundings	316	299	298
Net other financing sources (uses)	557	(133)	(351)
(Deficiency) excess of revenues and other financing sources over expenditures and other financing uses	(827)	(2,577)	(2,830)
Accumulated Surplus	619		

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	35,294	2,815	1,557	2,685	42,351
Federal grants	0	26,464	1,465	0	27,929
Lottery	0	4,577	0	0	4,577
Patient fees	0	0	0	317	317
Miscellaneous revenues	3,204	882	78	45	4,209
Total revenues	38,498	34,738	3,100	3,047	79,383
Expenditures:					
Grants to local governments	29,097	29,277	779	0	59,153
State operations	9,732	4,493	0	6	14,231
General State charges	2,187	214	0	0	2,401
Debt service	0	0	0	3,612	3,612
Capital projects	18	3	3,629	0	3,650
Total expenditures	41,034	33,987	4,408	3,618	83,047
World Trade Center revenues (costs):					
Federal grants	0	1,525	0	0	1,525
Disaster assistance to localities	0	(1,525)	0	0	(1,525)
Net World Trade Center revenues (costs)	0	0	0	0	0
Other financing sources (uses):					
Transfers from other funds	4,619	1,019	233	4,929	10,800
Transfers to other funds	(5,012)	(3,174)	(815)	(4,590)	(13,591)
Proceeds of general obligation bonds	0	0	237	0	237
Proceeds from financing arrangements/ advance refundings	205	0	1,416	0	1,621
Net other financing sources (uses)	(188)	(2,155)	1,071	339	(933)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(2,724)	(1,404)	(237)	(232)	(4,597)

GAAP FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2002-2003
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	35,343	4,197	1,674	2,461	43,675
Federal grants	0	29,546	1,569	0	31,115
Lottery	0	6,947	0	0	6,947
Patient fees	0	0	0	316	316
Miscellaneous revenues	3,848	1,322	117	39	5,326
Total revenues	39,191	42,012	3,360	2,816	87,379
Expenditures:					
Grants to local governments	28,203	33,041	878	0	62,122
State operations	9,984	6,469	0	7	16,460
General State charges	2,365	222	0	0	2,587
Debt service	0	0	0	2,991	2,991
Capital projects	23	3	3,965	0	3,991
Total expenditures	40,575	39,735	4,843	2,998	88,151
World Trade Center revenues (costs):					
Federal grants	0	3,741	0	0	3,741
Disaster assistance to localities	0	(3,741)	0	0	(3,741)
Net World Trade Center revenues (costs)	0	0	0	0	0
Other financing sources (uses):					
Transfers from other funds	5,284	1,174	318	5,160	11,936
Transfers to other funds	(5,043)	(3,692)	(1,038)	(4,969)	(14,742)
Proceeds of general obligation bonds	0	0	260	0	260
Proceeds from financing arrangements/ advance refundings	316	0	1,913	0	2,229
Net other financing sources (uses)	557	(2,518)	1,453	191	(317)
(Deficiency) excess of revenues and other financing sources over expenditures and other financing uses	(827)	(241)	(30)	9	(1,089)

CASHFLOW
GENERAL FUND
2000-2001
(millions of dollars)

	First Quarter (Actual)	Second Quarter (Actual)	Third Quarter (Actual)	Fourth Quarter (Actual)	Total (Actual)
Opening fund balance	917	6,502	7,243	6,235	917
Receipts:					
Taxes:					
Personal income tax	10,915	5,428	3,917	3,306	23,566
User taxes and fees	1,827	1,917	1,862	1,798	7,404
Business taxes	1,050	1,116	1,066	1,096	4,328
Other taxes	263	200	165	167	795
Miscellaneous receipts	301	396	420	436	1,553
Transfers from other funds	576	523	601	537	2,237
Total receipts	14,932	9,580	8,031	7,340	39,883
Disbursements:					
Grants to local governments	5,727	4,924	6,072	9,944	26,667
State operations	2,146	2,435	1,651	1,373	7,605
General State charges	674	687	619	587	2,567
Debt service	0	1	0	0	1
Transfers to other funds	800	792	697	573	2,862
Total disbursements	9,347	8,839	9,039	12,477	39,702
Excess (deficiency) of receipts over disbursements	5,585	741	(1,008)	(5,137)	181
Closing fund balance	6,502	7,243	6,235	1,098	1,098

CASHFLOW
GENERAL FUND
2001-2002
(millions of dollars)

	First Quarter (Actual)	Second Quarter (Actual)	Third Quarter (Actual)	Fourth Quarter (Projected)	Total (Projected)
Opening fund balance	1,098	6,130	5,542	5,189	1,098
Receipts:					
Taxes:					
Personal income tax	11,398	4,789	4,771	6,019	26,977
User taxes and fees	1,823	1,619	1,884	1,756	7,082
Business taxes	997	800	851	1,181	3,829
Other taxes	207	151	227	195	780
Miscellaneous receipts	345	413	459	392	1,609
Transfers from other funds	549	468	629	511	2,157
Total receipts	15,319	8,240	8,821	10,054	42,434
Disbursements:					
Grants to local governments	6,386	4,973	6,086	10,595	28,040
State operations	2,386	2,358	1,745	1,357	7,846
General State charges	727	752	544	640	2,663
Transfers to other funds	788	745	799	574	2,906
Total disbursements	10,287	8,828	9,174	13,166	41,455
Excess (deficiency) of receipts over disbursements	5,032	(588)	(353)	(3,112)	979
Closing fund balance	6,130	5,542	5,189	2,077	2,077

CASHFLOW
GENERAL FUND
2002-2003
(millions of dollars)

	First Quarter (Projected)	Second Quarter (Projected)	Third Quarter (Projected)	Fourth Quarter (Projected)	Total (Projected)
Opening fund balance	2,077	3,013	3,736	2,397	2,077
Receipts:					
Taxes:					
Personal income tax	7,884	5,452	3,241	6,715	23,292
User taxes and fees	1,739	1,817	1,790	1,723	7,069
Business taxes	902	966	886	1,021	3,775
Other taxes	196	191	200	196	783
Miscellaneous receipts	460	360	397	389	1,606
Transfers from other funds	705	519	583	522	2,329
Total receipts	11,886	9,305	7,097	10,566	38,854
Disbursements:					
Grants to local governments	6,821	4,595	5,359	9,852	26,627
State operations	2,413	2,354	1,764	1,358	7,889
General State charges	741	884	578	687	2,890
Transfers to other funds	975	749	735	356	2,815
Total disbursements	10,950	8,582	8,436	12,253	40,221
Excess (deficiency) of receipts over disbursements	936	723	(1,339)	(1,687)	(1,367)
Closing fund balance	3,013	3,736	2,397	710	710

CASH DISBURSEMENTS BY FUNCTION
GENERAL FUND
(thousands of dollars)

	2000-2001 Actual	2001-2002 Estimated	2002-2003 Recommended
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture and Markets, Department of	38,372	38,184	37,234
Alcoholic Beverage Control	0	0	0
Banking Department	0	0	0
Consumer Protection Board	392	489	489
Economic Development, Department of	48,754	45,736	37,648
Empire State Development Corporation	87,515	105,666	123,902
Energy Research and Development Authority	0	0	0
Housing Finance Agency	1,700	700	665
Housing and Community Renewal, Division of	84,084	81,335	78,618
Insurance Department	0	0	0
Olympic Regional Development Authority	7,552	7,550	7,550
Public Service, Department of	0	0	0
Science, Technology and Academic Research, Office of	13,326	65,031	29,703
Functional Total	281,695	344,691	315,809
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	3,966	4,056	4,294
Environmental Conservation, Department of	102,451	106,807	108,282
Environmental Facilities Corporation	0	0	0
Parks, Recreation and Historic Preservation, Office of	109,589	107,842	110,677
Functional Total	216,006	218,705	223,253
TRANSPORTATION			
Motor Vehicles, Department of	124,299	124,949	109,451
Transportation, Department of	403,646	152,824	163,982
Functional Total	527,945	277,773	273,433
HEALTH AND SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	1,106	970	930
Aging, Office for the	63,855	67,690	65,330
Children and Families, Council on	1,003	1,007	1,007
Children and Family Services, Office of	1,099,598	1,184,883	1,197,102
Health, Department of	6,500,657	7,121,906	6,932,713
Medical Assistance	5,721,567	6,134,293	6,155,882
Medicaid Administration	113,984	126,150	121,150
All Other	665,106	861,463	655,681
Human Rights, Division of	11,346	13,324	13,232
Labor, Department of	30,132	38,725	38,950
Prevention of Domestic Violence, Office of	2,247	2,593	2,593
Temporary and Disability Assistance, Office of	1,795,737	1,411,463	1,019,666
Welfare Assistance	1,312,421	969,133	540,309
Welfare Administration	385,656	384,296	383,225
All Other	97,660	58,034	96,132
Welfare Inspector General, Office of	578	622	713
Workers' Compensation Board	0	0	0
Functional Total	9,506,259	9,843,183	9,272,236

CASH DISBURSEMENTS BY FUNCTION
GENERAL FUND
(thousands of dollars)

	2000-2001 Actual	2001-2002 Estimated	2002-2003 Recommended
MENTAL HEALTH			
Mental Health, Office of	1,294,263	1,405,081	1,344,600
Mental Retardation and Developmental Disabilities, Office of	794,797	808,538	791,737
Alcohol and Substance Abuse Services, Office of	301,554	295,184	294,350
Developmental Disabilities Planning Council	0	0	0
Quality of Care for the Mentally Disabled, Commission on	3,172	3,062	3,062
Functional Total	2,393,786	2,511,865	2,433,749
PUBLIC PROTECTION			
Capital Defenders Office	13,536	12,222	12,800
Correction, Commission of	1,875,851	1,820,761	1,800,801
Correctional Services, Department of	2,544	2,456	2,551
Crime Victims Board	3,531	3,819	3,296
Criminal Justice Services, Division of	108,193	101,041	101,191
Investigation, Temporary State Commission of	2,762	3,028	3,028
Judicial Commissions	2,196	2,273	2,397
Military and Naval Affairs, Division of	21,581	22,741	24,496
Parole, Division of	193,180	186,869	188,467
Probation and Correctional Alternatives, Division of	90,882	85,446	85,446
State Police, Division of	282,528	368,905	335,060
Functional Total	2,596,784	2,609,561	2,559,533
EDUCATION			
Arts, Council on the	53,668	51,284	51,434
City University of New York	738,187	756,447	761,328
Education, Department of	12,763,023	13,627,060	13,465,406
School Aid	11,524,719	12,141,651	12,133,007
STAR Property Tax Relief	0	0	0
Handicapped	598,386	845,200	804,851
All Other	639,918	640,209	527,548
Higher Education Services Corporation	649,023	705,255	209,353
State University Construction Fund	0	0	0
State University of New York	1,237,730	1,385,261	1,440,234
Functional Total	15,441,631	16,525,307	15,927,755
GENERAL GOVERNMENT			
Audit and Control, Department of	125,433	145,082	146,560
Budget, Division of the	25,930	31,335	31,335
Civil Service, Department of	30,175	27,957	26,864
Elections, State Board of	3,200	3,600	3,600
Employee Relations, Office of	3,892	4,125	4,245
Executive Chamber	15,101	18,865	18,865
General Services, Office of	125,063	119,397	119,397
Elections, State Board of	5,104	5,005	5,005
Employee Relations, Office of	112,736	118,761	119,761
Lieutenant Governor, Office of the	450	548	548
Lottery, Division of	0	0	0
Public Employment Relations Board	3,765	3,760	3,760
Racing and Wagering Board, State	10,370	9,408	9,508
Real Property Services, Office of	40,705	39,184	37,462
Regulatory Reform, Governor's Office of	2,924	3,360	3,740
State, Department of	16,255	17,824	18,263

CASH DISBURSEMENTS BY FUNCTION
GENERAL FUND
(thousands of dollars)

	2000-2001 Actual	2001-2002 Estimated	2002-2003 Recommended
GENERAL GOVERNMENT (continued)			
Tax Appeals, Division of	3,090	3,166	3,087
Taxation and Finance, Department of	287,873	301,007	315,007
Technology, Office for	43,500	49,349	47,845
TSC Lobbying	1,004	1,118	1,118
Veterans Affairs, Division of	8,930	10,342	10,642
Functional Total	865,500	913,193	926,612
ALL OTHER CATEGORIES			
Legislature	195,190	206,735	206,735
Judiciary (excluding fringe benefits)	1,212,238	1,267,700	1,305,500
Homeland Security (excluding fringe benefits)	0	27,097	34,887
World Trade Center (excluding fringe benefits)	0	27,222	25,811
Local Government Assistance	953,192	845,040	834,170
Short-Term Debt Service	890	0	0
Long-Term Debt Service	2,214,612	2,105,971	1,839,176
Capital Projects	285,358	233,669	318,131
General State Charges/Miscellaneous	3,010,784	3,497,542	3,724,491
Functional Total	7,872,264	8,210,976	8,288,901
TOTAL GENERAL FUND SPENDING	39,701,870	41,455,254	40,221,281

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

	2000-2001 Actual	2001-2002 Estimated	2002-2003 Recommended
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture and Markets, Department of	63,947	77,073	79,040
Alcoholic Beverage Control	10,965	11,013	10,968
Banking Department	49,621	52,115	56,945
Consumer Protection Board	2,254	3,426	4,294
Economic Development, Department of	53,352	48,719	40,779
Empire State Development Corporation	87,515	105,666	211,402
Energy Research and Development Authority	28,633	30,023	28,023
Housing Finance Agency	1,700	700	665
Housing and Community Renewal, Division of	208,833	230,428	232,510
Insurance Department	85,304	92,959	101,449
Olympic Regional Development Authority	7,671	7,700	7,700
Public Service, Department of	50,954	56,645	56,653
Science, Technology and Academic Research, Office of	16,695	80,575	53,149
Functional Total	667,444	797,042	883,577
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	4,209	4,406	4,644
Environmental Conservation, Department of	927,392	806,875	896,548
Environmental Facilities Corporation	13,609	17,430	9,071
Parks, Recreation and Historic Preservation, Office of	211,963	209,333	221,200
Functional Total	1,157,173	1,038,044	1,131,463
TRANSPORTATION			
Motor Vehicles, Department of	193,265	206,152	211,835
Transportation, Department of	4,393,932	4,562,215	4,844,979
Functional Total	4,587,197	4,768,367	5,056,814
HEALTH AND SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	1,265	1,385	1,335
Aging, Office for the	139,138	161,655	167,347
Children and Families, Council on	1,420	1,687	1,684
Children and Family Services, Office of	2,690,590	2,746,124	2,907,203
Health, Department of	23,223,173	25,064,428	27,543,767
Medical Assistance	20,202,879	21,549,306	23,652,275
Medicaid Administration	424,264	454,900	449,900
All Other	2,596,030	3,060,222	3,441,592
Human Rights, Division of	13,013	14,795	14,835
Labor, Department of	653,945	735,798	747,736
Prevention of Domestic Violence, Office of	2,861	2,628	2,613
Temporary and Disability Assistance, Office of	3,985,482	4,049,356	4,128,661
Welfare Assistance	2,761,972	2,818,733	2,869,568
Welfare Administration	385,656	384,296	383,225
All Other	837,854	846,327	875,868
Welfare Inspector General, Office of	891	992	1,083
Workers' Compensation Board	125,196	134,803	141,248
Functional Total	30,836,974	32,913,651	35,657,512

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

	2000-2001 Actual	2001-2002 Estimated	2002-2003 Recommended
MENTAL HEALTH			
Mental Health, Office of	1,952,062	1,991,283	2,061,615
Mental Retardation and Developmental Disabilities, Office of	2,213,922	2,307,918	2,492,398
Alcohol and Substance Abuse Services, Office of	467,750	471,182	472,747
Developmental Disabilities Planning Council	0	3,865	3,833
Quality of Care for the Mentally Disabled, Commission on	8,680	9,606	10,291
Functional Total	4,642,414	4,783,854	5,040,884
PUBLIC PROTECTION			
Capital Defenders Office	13,536	12,222	12,800
Correction, Commission of	2,600	2,456	2,551
Correctional Services, Department of	2,197,264	2,084,345	2,053,312
Crime Victims Board	48,830	62,777	62,280
Criminal Justice Services, Division of	156,354	151,731	152,105
Investigation, Temporary State Commission of	2,824	3,178	3,228
Judicial Commissions	2,196	2,273	2,397
Military and Naval Affairs, Division of	147,381	120,124	120,586
Parole, Division of	197,739	192,851	192,810
Probation and Correctional Alternatives, Division of	91,952	85,446	85,446
State Police, Division of	370,876	445,294	429,050
Functional Total	3,231,552	3,162,697	3,116,565
EDUCATION			
Arts, Council on the	54,098	51,899	52,044
City University of New York	811,613	812,547	809,278
Education, Department of	18,253,987	19,704,684	20,228,440
School Aid	12,983,413	13,753,151	14,122,717
STAR Property Tax Relief	1,876,521	2,510,000	2,630,000
Handicapped	953,262	1,125,200	1,090,451
All Other	2,440,791	2,316,333	2,385,272
Higher Education Services Corporation	721,329	783,909	640,429
State University Construction Fund	8,899	10,837	10,837
State University of New York	3,900,871	3,927,293	4,101,159
Functional Total	23,750,797	25,291,169	25,842,187
GENERAL GOVERNMENT			
Audit and Control, Department of	128,632	148,947	149,841
Budget, Division of the	30,004	38,107	38,107
Civil Service, Department of	30,780	29,057	27,964
Elections, State Board of	3,200	3,600	3,600
Employee Relations, Office of	4,015	4,290	4,427
Executive Chamber	15,101	18,865	18,865
General Services, Office of	203,022	188,435	226,917
Elections, State Board of	6,184	6,537	5,994
Employee Relations, Office of	145,556	159,819	168,144
Lieutenant Governor, Office of the	450	548	548
Lottery, Division of	134,174	159,326	165,498
Public Employment Relations Board	3,869	3,942	3,956
Racing and Wagering Board, State	14,038	13,415	13,485
Real Property Services, Office of	51,802	51,991	50,323
Regulatory Reform, Governor's Office of	2,924	3,360	3,740
State, Department of	90,296	106,186	118,144

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

	2000-2001 Actual	2001-2002 Estimated	2002-2003 Recommended
GENERAL GOVERNMENT (continued)			
Tax Appeals, Division of	3,090	3,166	3,087
Taxation and Finance, Department of	330,051	331,350	349,808
Technology, Office for	51,528	49,349	47,845
TSC Lobbying	1,060	1,218	1,418
Veterans Affairs, Division of	9,819	11,281	11,993
Functional Total	1,259,595	1,332,789	1,413,704
ALL OTHER CATEGORIES			
Legislature	196,140	207,685	207,685
Judiciary (excluding fringe benefits)	1,308,719	1,426,894	1,479,804
Homeland Security (excluding fringe benefits)	0	27,097	74,887
World Trade Center (excluding fringe benefits)	0	204,130	322,700
Local Government Assistance	953,192	845,040	834,170
Short-Term Debt Service	890	0	0
Long-Term Debt Service	4,082,143	4,185,302	3,665,692
General State Charges/Miscellaneous	3,078,938	3,614,714	3,867,732
Functional Total	9,620,022	10,510,862	10,453,670
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	79,753,168	84,598,475	88,595,376

CASH DISBURSEMENTS BY FUNCTION
STATE FUNDS
(thousands of dollars)

	2000-2001 Actual	2001-2002 Estimated	2002-2003 Recommended
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture and Markets, Department of	57,843	63,972	65,939
Alcoholic Beverage Control	10,782	11,013	10,968
Banking Department	49,621	52,115	56,945
Consumer Protection Board	2,254	3,426	4,294
Economic Development, Department of	51,707	48,394	40,447
Empire State Development Corporation	87,515	105,666	211,402
Energy Research and Development Authority	28,633	30,023	28,023
Housing Finance Agency	1,700	700	665
Housing and Community Renewal, Division of	161,557	195,677	198,040
Insurance Department	85,304	92,959	101,449
Olympic Regional Development Authority	7,671	7,700	7,700
Public Service, Department of	49,548	55,583	55,859
Science, Technology and Academic Research, Office of	13,326	75,575	47,524
Functional Total	607,461	742,803	829,255
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	4,017	4,056	4,294
Environmental Conservation, Department of	623,808	630,255	716,707
Environmental Facilities Corporation	13,609	17,430	9,071
Parks, Recreation and Historic Preservation, Office of	209,049	204,327	216,041
Functional Total	850,483	856,068	946,113
TRANSPORTATION			
Motor Vehicles, Department of	183,259	192,313	197,299
Transportation, Department of	3,266,834	3,292,565	3,514,672
Functional Total	3,450,093	3,484,878	3,711,971
HEALTH AND SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	1,106	970	930
Aging, Office for the	63,855	67,690	65,330
Children and Families, Council on	1,003	1,007	1,007
Children and Family Services, Office of	1,112,821	1,230,690	1,236,716
Health, Department of	8,368,692	9,266,011	10,273,380
Medical Assistance	6,855,870	7,346,393	8,219,482
Medicaid Administration	113,984	126,150	121,150
All Other	1,398,838	1,793,468	1,932,748
Human Rights, Division of	11,346	13,328	13,236
Labor, Department of	68,723	79,572	80,528
Prevention of Domestic Violence, Office of	2,247	2,628	2,613
Temporary and Disability Assistance, Office of	1,828,739	1,485,313	1,088,682
Welfare Assistance	1,312,421	969,133	540,309
Welfare Administration	385,656	384,296	383,225
All Other	130,662	131,884	165,148
Welfare Inspector General, Office of	578	622	713
Workers' Compensation Board	125,196	134,803	141,248
Functional Total	11,584,306	12,282,634	12,904,383

CASH DISBURSEMENTS BY FUNCTION
STATE FUNDS
(thousands of dollars)

	2000-2001 Actual	2001-2002 Estimated	2002-2003 Recommended
MENTAL HEALTH			
Mental Health, Office of	1,418,177	1,577,832	1,567,179
Mental Retardation and Developmental Disabilities, Office of	843,282	863,166	855,645
Alcohol and Substance Abuse Services, Office of	334,530	333,442	332,192
Developmental Disabilities Planning Council	0	0	0
Quality of Care for the Mentally Disabled, Commission on	3,174	3,067	3,067
Functional Total	2,599,163	2,777,507	2,758,083
PUBLIC PROTECTION			
Capital Defenders Office	13,536	12,222	12,800
Correction, Commission of	2,544	2,456	2,551
Correctional Services, Department of	2,088,768	2,010,261	1,990,301
Crime Victims Board	27,146	31,356	30,837
Criminal Justice Services, Division of	110,931	107,293	107,446
Investigation, Temporary State Commission of	2,824	3,178	3,228
Judicial Commissions	2,196	2,273	2,397
Military and Naval Affairs, Division of	38,225	38,712	40,660
Parole, Division of	193,180	186,969	188,567
Probation and Correctional Alternatives, Division of	90,882	85,446	85,446
State Police, Division of	356,222	433,676	414,110
Functional Total	2,926,454	2,913,842	2,878,343
EDUCATION			
Arts, Council on the	53,668	51,284	51,434
City University of New York	811,613	812,547	809,278
Education, Department of	16,152,505	17,806,562	18,144,028
School Aid	12,983,413	13,753,151	14,122,717
STAR Property Tax Relief	1,876,521	2,510,000	2,630,000
Handicapped	598,386	845,200	804,851
All Other	694,185	698,211	586,460
Higher Education Services Corporation	715,423	773,709	285,229
State University Construction Fund	8,899	10,837	10,837
State University of New York	3,769,922	3,792,448	3,964,870
Functional Total	21,512,030	23,247,387	23,265,676
GENERAL GOVERNMENT			
Audit and Control, Department of	128,632	148,947	149,841
Budget, Division of the	30,004	38,107	38,107
Civil Service, Department of	30,780	29,057	27,964
Elections, State Board of	3,200	3,600	3,600
Employee Relations, Office of	4,015	4,290	4,427
Executive Chamber	15,101	18,865	18,865
General Services, Office of	199,196	182,035	219,317
Elections, State Board of	6,184	6,537	5,994
Employee Relations, Office of	127,137	136,339	143,202
Lieutenant Governor, Office of the	450	548	548
Lottery, Division of	134,174	159,326	165,498
Public Employment Relations Board	3,869	3,942	3,956
Racing and Wagering Board, State	14,038	13,415	13,485
Real Property Services, Office of	51,802	51,991	50,323
Regulatory Reform, Governor's Office of	2,924	3,360	3,740
State, Department of	40,022	44,391	48,430

CASH DISBURSEMENTS BY FUNCTION
STATE FUNDS
(thousands of dollars)

	2000-2001 Actual	2001-2002 Estimated	2002-2003 Recommended
GENERAL GOVERNMENT (continued)			
Tax Appeals, Division of	3,090	3,166	3,087
Taxation and Finance, Department of	328,882	331,082	349,540
Technology, Office for	51,528	49,349	47,845
TSC Lobbying	1,060	1,218	1,418
Veterans Affairs, Division of	8,930	10,342	10,642
Functional Total	1,185,018	1,239,907	1,309,829
ALL OTHER CATEGORIES			
Legislature	196,140	207,685	207,685
Judiciary (excluding fringe benefits)	1,305,817	1,424,394	1,477,304
Homeland Security (excluding fringe benefits)	0	27,097	74,887
World Trade Center (excluding fringe benefits)	0	30,603	33,804
Local Government Assistance	953,192	845,040	834,170
Short-Term Debt Service	890	0	0
Long-Term Debt Service	4,082,143	4,185,302	3,665,692
General State Charges/Miscellaneous	2,930,074	3,440,420	3,736,592
Functional Total	9,468,256	10,160,541	10,030,134
TOTAL STATE FUNDS SPENDING	54,183,264	57,705,567	58,633,787

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
2000-2001
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	23,566	3,076	0	250	26,892
User taxes and fees	7,404	427	636	2,203	10,670
Sales and use tax	6,272	369	0	2,092	8,733
Cigarette and tobacco taxes	528	0	0	0	528
Motor fuel tax	17	58	324	111	510
Motor vehicle fees	338	0	157	0	495
Highway Use tax	0	0	155	0	155
Alcoholic beverages taxes	179	0	0	0	179
Alcoholic beverage control license fees	31	0	0	0	31
Auto rental tax	39	0	0	0	39
Business taxes	4,328	1,029	489	0	5,846
Corporation franchise tax	2,336	295	0	0	2,631
Corporation and utilities tax	817	192	0	0	1,009
Insurance taxes	584	60	0	0	644
Bank tax	505	86	0	0	591
Petroleum business tax	86	396	489	0	971
Other taxes	795	0	112	293	1,200
Estate tax	717	0	0	0	717
Gift tax	42	0	0	0	42
Real property gains tax	6	0	0	0	6
Real estate transfer tax	0	0	112	293	405
Pari-mutuel taxes	29	0	0	0	29
Other taxes	1	0	0	0	1
Total Taxes	36,093	4,532	1,237	2,746	44,608
Miscellaneous receipts	1,553	6,646	1,674	860	10,733
Federal grants	0	24,273	1,509	0	25,782
Total	37,646	35,451	4,420	3,606	81,123

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
2001-2002
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	26,977	1,310	0	250	28,537
User taxes and fees	7,082	463	885	2,153	10,583
Sales and use tax	6,120	368	0	2,038	8,526
Cigarette and tobacco taxes	514	0	0	0	514
Motor fuel tax	0	65	345	115	525
Motor vehicle fees	202	30	389	0	621
Alcoholic beverages taxes	177	0	0	0	177
Highway Use tax	0	0	151	0	151
Alcoholic beverage control license fees	33	0	0	0	33
Auto rental tax	36	0	0	0	36
Business taxes	3,829	1,042	557	0	5,428
Corporation franchise tax	1,755	243	0	0	1,998
Corporation and utilities tax	987	204	0	0	1,191
Insurance taxes	630	64	0	0	694
Bank tax	457	86	0	0	543
Petroleum business tax	0	445	557	0	1,002
Other taxes	780	0	112	263	1,155
Estate tax	740	0	0	0	740
Gift tax	4	0	0	0	4
Real property gains tax	6	0	0	0	6
Real estate transfer tax	0	0	112	263	375
Pari-mutuel taxes	29	0	0	0	29
Other taxes	1	0	0	0	1
Total Taxes	38,668	2,815	1,554	2,666	45,703
Miscellaneous receipts	1,609	7,179	1,731	606	11,125
Federal grants	0	25,497	1,471	0	26,968
Total	40,277	35,491	4,756	3,272	83,796

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
2002-2003
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	23,292	2,630	0	0	25,922
User taxes and fees	7,069	513	996	2,208	10,786
Sales and use tax	6,285	370	0	2,094	8,749
Cigarette and tobacco taxes	501	0	0	0	501
Motor fuel tax	0	65	343	114	522
Motor vehicle fees	65	78	464	0	607
Alcoholic beverages taxes	178	0	0	0	178
Highway Use tax	0	0	155	0	155
Alcoholic beverage control license fees	40	0	0	0	40
Auto rental tax	0	0	34	0	34
Business taxes	3,775	1,056	565	0	5,396
Corporation franchise tax	1,761	251	0	0	2,012
Corporation and utilities tax	995	203	0	0	1,198
Insurance taxes	516	54	0	0	570
Bank tax	503	97	0	0	600
Petroleum business tax	0	451	565	0	1,016
Other taxes	783	0	112	247	1,142
Estate tax	751	0	0	0	751
Gift tax	0	0	0	0	0
Real property gains tax	2	0	0	0	2
Real estate transfer tax	0	0	112	247	359
Pari-mutuel taxes	29	0	0	0	29
Other taxes	1	0	0	0	1
Total Taxes	34,919	4,199	1,673	2,455	43,246
Miscellaneous receipts	1,606	9,166	2,067	626	13,465
Federal grants	0	28,560	1,576	0	30,136
Total	36,525	41,925	5,316	3,081	86,847

CASH RECEIPTS
GENERAL FUND
2000-2001 THROUGH 2002-2003
(millions of dollars)

	2000-2001 Actual	2001-2002 Estimated	2002-2003 Recommended	2002-2003 Compared with 2001-2002
Personal income tax	23,566	26,977	23,292	(3,685)
User taxes and fees	7,404	7,082	7,069	(13)
Sales and use tax	6,272	6,120	6,285	165
Cigarette and tobacco taxes	528	514	501	(13)
Motor fuel tax	17	0	0	0
Motor vehicle fees	338	202	65	(137)
Alcoholic beverages taxes	179	177	178	1
Alcoholic beverage control license fees	31	33	40	7
Auto rental tax	39	36	0	(36)
Business taxes	4,328	3,829	3,775	(54)
Corporation franchise tax	2,336	1,755	1,761	6
Corporation and utilities tax	817	987	995	8
Insurance taxes	584	630	516	(114)
Bank tax	505	457	503	46
Petroleum business tax	86	0	0	0
Other taxes	795	780	783	3
Estate tax	717	740	751	11
Gift tax	42	4	0	(4)
Real property gains tax	6	6	2	(4)
Pari-mutuel taxes	29	29	29	0
Other taxes	1	1	1	0
Total Taxes	36,093	38,668	34,919	(3,749)
Miscellaneous receipts	1,553	1,609	1,606	(3)
Total	37,646	40,277	36,525	(3,752)

CASH RECEIPTS
SPECIAL REVENUE FUNDS
2000-2001 THROUGH 2002-2003
(millions of dollars)

	2000-2001 Actual	2001-2002 Estimated	2002-2003 Recommended	2002-2003 Compared with 2001-2002
Personal income tax	3,076	1,310	2,630	1,320
User taxes and fees	427	463	513	50
Sales and use tax	369	368	370	2
Motor fuel tax	58	65	65	0
Motor vehicle fees	0	30	78	48
Business taxes	1,029	1,042	1,056	14
Corporation franchise tax	295	243	251	8
Corporation and utilities tax	192	204	203	(1)
Insurance taxes	60	64	54	(10)
Bank tax	86	86	97	11
Petroleum business tax	396	445	451	6
Total Taxes	4,532	2,815	4,199	1,384
Miscellaneous receipts	6,646	7,179	9,166	1,987
State university income	1,656	1,759	1,878	119
Lottery	1,587	1,684	2,086	402
Indigent care	873	847	1,020	173
HCRA Transfer fund	246	372	720	348
Provider assessments	0	0	413	413
EPIC	178	260	500	240
Child health plus	259	325	431	106
All other	1,847	1,932	2,118	186
Federal grants	24,273	25,497	28,560	3,063
Total	35,451	35,491	41,925	6,434

CASH RECEIPTS
CAPITAL PROJECTS FUNDS
2000-2001 THROUGH 2002-2003
(millions of dollars)

	2000-2001 Actual	2001-2002 Estimated	2002-2003 Recommended	2002-2003 Compared with 2001-2002
User taxes and fees	636	885	996	111
Motor fuel tax	324	345	343	(2)
Motor vehicle fees	157	389	464	75
Highway Use tax	155	151	155	4
Auto Rental Tax	0	0	34	34
Business taxes	489	557	565	8
Petroleum business tax	489	557	565	8
Other taxes	112	112	112	0
Real estate transfer tax	112	112	112	0
Total Taxes	1,237	1,554	1,673	119
Miscellaneous receipts	1,674	1,731	2,067	336
Authority bond proceeds	1,579	1,587	1,875	288
State park fees	16	25	22	(3)
Environmental receipts	27	45	94	49
All other	52	74	76	2
Federal grants	1,509	1,471	1,576	105
Total	4,420	4,756	5,316	560

CASH RECEIPTS
DEBT SERVICE FUNDS
2000-2001 THROUGH 2002-2003
(millions of dollars)

	2000-2001 Actual	2001-2002 Estimated	2002-2003 Recommended	2002-2003 Compared with 2001-2002
Personal income tax	250	250	0	(250)
User taxes and fees	2,203	2,153	2,208	55
Sales and use tax	2,092	2,038	2,094	56
Motor fuel tax	111	115	114	(1)
Other taxes	293	263	247	(16)
Real estate transfer tax	293	263	247	(16)
Total Taxes	2,746	2,666	2,455	(211)
Miscellaneous receipts	860	606	626	20
Mental hygiene patient receipts	258	232	231	(1)
SUNY dormitory fees	224	262	284	22
Health patient receipts	87	86	85	(1)
Tobacco settlement receipts	250	0	0	0
All other	41	26	26	0
Total	3,606	3,272	3,081	(191)

ECONOMIC BACKDROP

OVERVIEW

The nation's longest economic expansion has ended. On November 26, 2001, the National Bureau of Economic Research (NBER) Business Cycle Dating Committee officially declared that the national economy's 10-year expansion peaked in March of 2001. The collapse of the high-tech investment bubble in 2000 severely weakened the manufacturing, finance and other sectors, causing U.S. corporate profits to plummet. In an effort to avert a recession, the Federal Reserve switched aggressively to an expansionary monetary policy in early January 2001. Then, on September 11, the already struggling U.S. economy was shocked by a terrorist attack, and the economy fell rapidly into recession.

The New York economy was also slowing in 2001, primarily from the twin impacts of falling corporate profits and a declining financial services sector. Following the destruction of the World Trade Center, economic activity was brought to a temporary halt in lower Manhattan. Operations within the finance, transportation, and communications industries were disrupted, and tourism was severely affected. The impact of the disaster was much more severe for New York City and New York State than for the rest of the nation. The New York economy is expected to undergo a sharp but relatively short contraction, with a substantial loss of jobs and a steep decline in income.

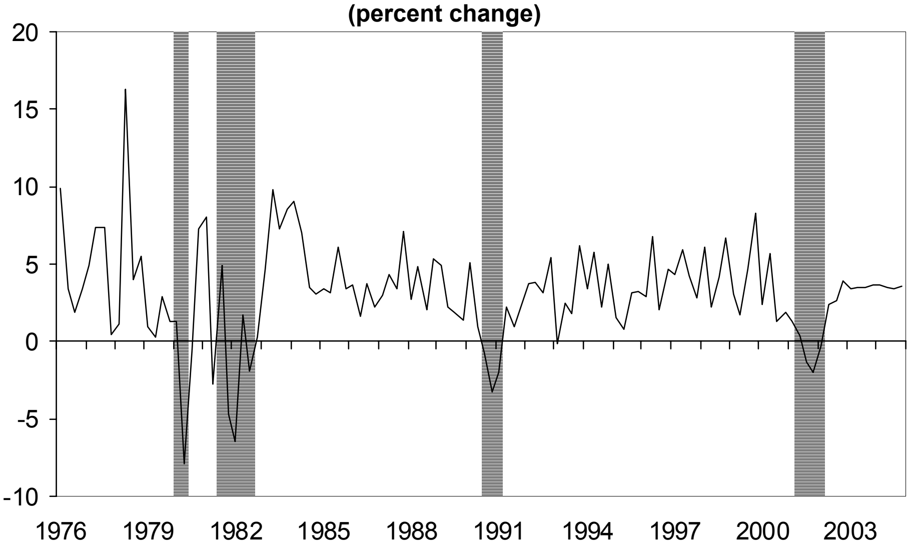
Federal spending increases associated with the September 11 attacks, combined with enacted tax cuts, are expected to provide fiscal stimulus to the ailing economy. At the same time, the Federal Reserve has continued to aggressively reduce interest rates in the wake of the September 11 disaster. Together, these expansionary monetary and fiscal policies are expected to engender a recovery by the middle of this year. The rebound in the national economy should produce growth for New York State before the end of 2002.

The level of uncertainty among forecasters as to when the economy will emerge from the current recession extends well beyond that of a typical downturn. This uncertainty is particularly pronounced for New York State. The attack of September 11 and subsequent events have obscured traditional economic reference points. Given the uncertainty in the current environment, a cautious approach to estimating future economic growth is warranted.

THE NATIONAL ECONOMY

The Division of the Budget is forecasting a continuation of the national economic recession through the beginning of 2002, resulting in two quarters of decline in the second half of 2001 and another decline in the first quarter of 2002 (see Figure 1). The U.S. economy, as measured by real U.S. Gross Domestic Product (GDP), is expected to grow 1.0 percent for 2001, followed by growth of 0.4 percent for 2002. The extraordinary growth in investment during the late 1990's has resulted in excess capacity in the manufacturing, telecommunications and high-technology sectors, contributing to declining profits. In light of these conditions, the current recession would likely be longer and deeper without the extensive monetary and fiscal policy initiatives now in place.

Figure 1
Real Gross Domestic Product
(percent change)



Note: Shaded areas represent US recessions; length of current recession is based on DOB forecast.
Source: DRI-WEFA; DOB staff estimates.

THE RETURN OF THE BUSINESS CYCLE

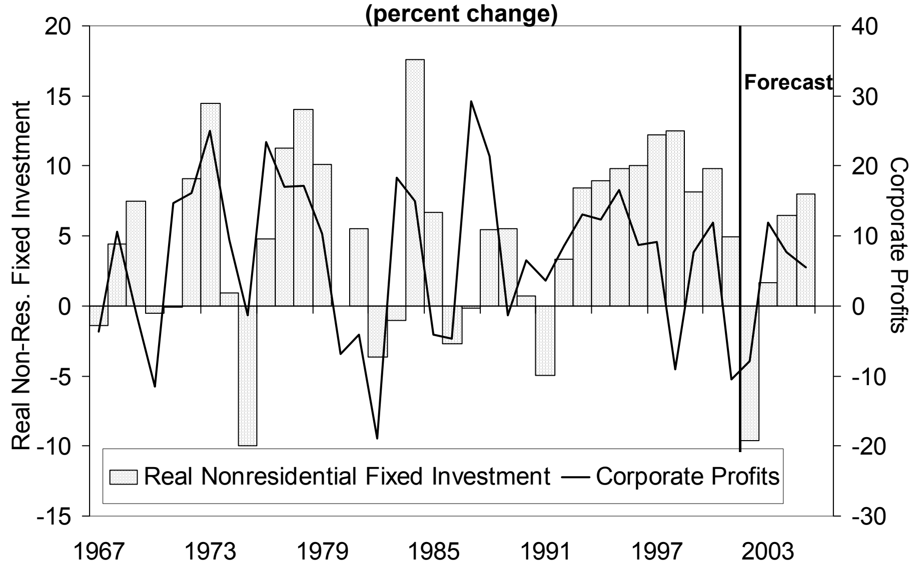
During the late 1990's, many of the nation's economists debated whether the U.S. economy had undergone a revolutionary transformation into what became known as the "New Economy". Proponents of this view held that the business cycle would no longer be a pronounced characteristic of the national economy. Supporting this belief was the Federal Reserve's seemingly improved capability to fine-tune the U.S. economy, demonstrated by the 1995 soft landing and confirmed by the monetary authority's handling of the Asian financial crisis during the fall of 1998.

Many economic analysts also argued that the importance of the business cycle had been diminished by the gradual shift of employment from goods production to the production of services, since the demand for the latter has always been less cyclical. High rates of productivity growth, related to the incorporation of internet-related technology into both the marketing and production process, seemed able to permit economic growth at rates of between 4 percent and 5 percent without generating inflation. Practices such as just-in-time inventory control and supply chain management, and the high depreciation rate of computer-related equipment, were expected to dampen the more traditional boom-and-bust investment cycle. However, recent events call a great deal of this analysis into question and suggest that traditional economic forces remain at work in the economy.

Preparations for the Millennium bug and the desire to incorporate the internet into production and marketing processes fueled a six-year investment boom, lasting until the second half of 2000. The rapid rise in equity prices, low borrowing costs, and the high depreciation rate on computer equipment produced high levels of investment spending, particularly on telecommunications, computer, and related equipment. While existing firms were investing in so-called "Y2K compliant" technology, strong growth in the numbers of internet start-ups produced additional demand for technology-related goods. A significant portion of these purchases were financed through the strong initial public offerings (IPO) market, which permitted firms with few prospects for near-term profits to acquire large amounts of capital.

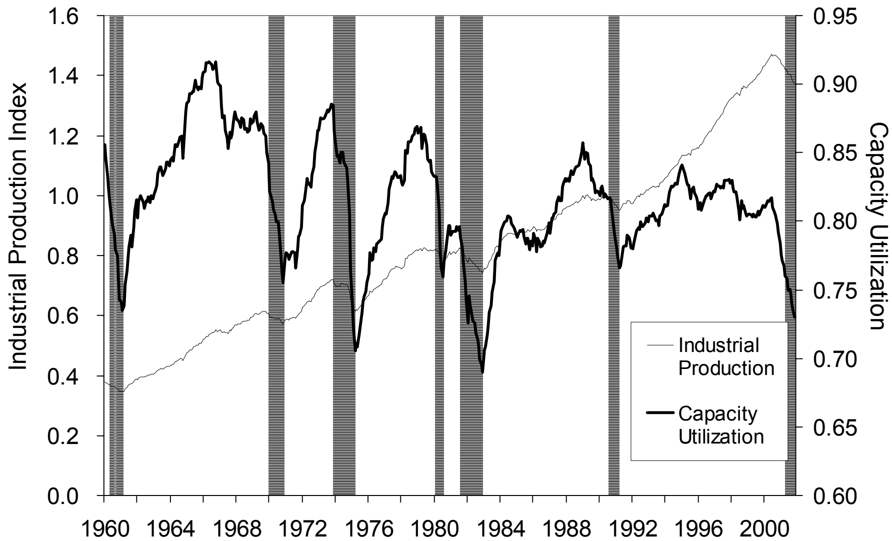
This upward spiral in the demand for internet-related and Y2K-compliant technologies prompted strong investment on the part of technology sector firms. Real nonresidential fixed investment grew at an average annual rate of 11.3 percent between the first quarter of 1996 and the second quarter of 2000. Real computer-related investment alone grew at an average annual rate of 43.1 percent over the same period. As indicated in Figure 2, real nonresidential fixed investment exhibited strong rates of growth for an unusually protracted period by historical standards. Strong investment growth, in turn, accelerated the growth in industrial production. The brisk addition to the nation's capital stock kept the rate of capacity utilization below the historical average rates for prior economic expansions (see Figure 3), helping to dampen inflationary pressures.

Figure 2
Real Nonresidential Fixed Investment and Corporate Profits
(percent change)



Source: DRI-WEFA; DOB staff estimates.

Figure 3
Industrial Production and Capacity Utilization



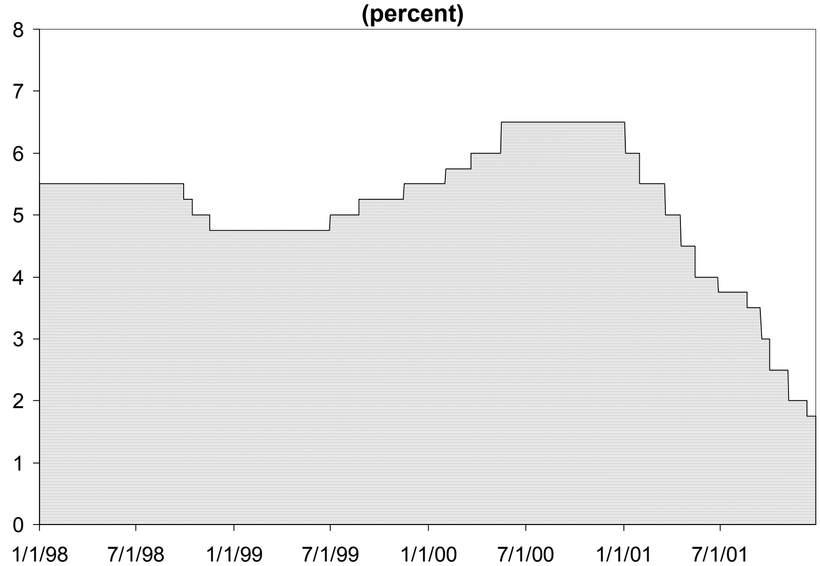
Note: Shaded areas represent US recessions.
Source: DRI-WEFA.

Although inflation remained relatively low throughout the late 1990's, the high-tech investment boom was accompanied by substantial growth in labor costs. With the unemployment rate falling to, and even briefly below, 4 percent, shortages of labor with specialized skills emerged. The skills shortage fueled growth in bonus income in the form of both cash and stock options as firms competed to retain talented workers. Anecdotal evidence was frequently cited of internet start-up firms using proceeds from over-valued stock prices to pay high salaries and bonuses, with little expectation of generating near-term profits.

The investment/equity market boom lasted several years with little interference from government policy makers. The Federal Reserve fired a warning shot in March 1997, in the form of a 25 basis point increase in its target short-term interest rate.[1] However, the promise of the "New Economy" had successfully obscured more conventional market principles, engendering the expectation that future high rates of productivity growth would compensate for the high asset prices of the day. In June 1999, the Federal Reserve discarded its 17-month-old neutral policy stance in favor of a more restrictive monetary policy (see Figure 4). By the end of the second quarter of 2000, equity prices were already well below their peaks. By the fourth quarter of 2000, investment growth had fallen to 1.0 percent, its last positive quarter to date.

[1] The Chairman of the Federal Reserve had warned in early March 1997 that equity markets were being guided by "irrational exuberance". However, in subsequent speeches, he often referred to the role of productivity-enhancing technologies in transforming the economy, perhaps reinforcing the notion that the business cycle had been tamed by technology and wisely executed monetary policy. Stock prices continued to rise for three years beyond March 1997.

Figure 4
Federal Funds Target Rate
(percent)



Source: Federal Reserve.

Although the internet and associated productivity enhancing technology remain an engine for future economic growth, the dramatic declines in investment, profits, and equity prices, have led many analysts to reassess the notion of the "New Economy."[2] Recent downward revisions by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) to the National Income and Product Accounts (NIPA) data may also be contributing to this reassessment. The Bureau of Economic Analysis recently released revised estimates of NIPA data beginning with the first quarter of 1998.[3] The revisions are normally released each July to incorporate source data that are more complete, more detailed, and otherwise more pertinent than previously available.

The largest revision to real GDP growth was for 2000, which was revised down 0.9 percentage points from 5.0 percent to 4.1 percent. It can no longer be said that high productivity growth was permitting the U.S. economy to achieve growth rates on the order of 5 percent without generating a rise in inflation. In addition, growth in corporate profits — before tax and with inventory valuation and capital consumption adjustments — was revised down for 2000 by 3.6 percentage points, while investment spending was revised down by 3.4 percentage points.

The recent NIPA revisions have also produced lower estimates for productivity growth, as measured by output per labor hour in the nonfarm business sector, for 1999 and 2000 (see Table 1). These revisions suggest that potential real GDP growth for the U.S. is lower than previously believed (see Box 1). Figure 5 compares the Division of the Budget's current estimate of potential real GDP growth with estimates constructed prior to the revision. Potential GDP growth was revised down for every quarter since 1997. Although several series used in the estimation of potential GDP have been revised in the last year, the NIPA

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[2] For example, see Robert J. Gordon, "Does the 'New Economy' Measure up to the Great Inventions of the Past?", NBER Working Paper No. W7833, August 2000.

[3] See Brent R. Moulton, Eugene P. Seskin, and David F. Sullivan, "Annual Revision of the National Income and Product Accounts: Annual Estimates, 1998-2000 and Quarterly Estimates, 1998:I-2001:I," *Survey of Current Business"* (August 2001): 7-32.

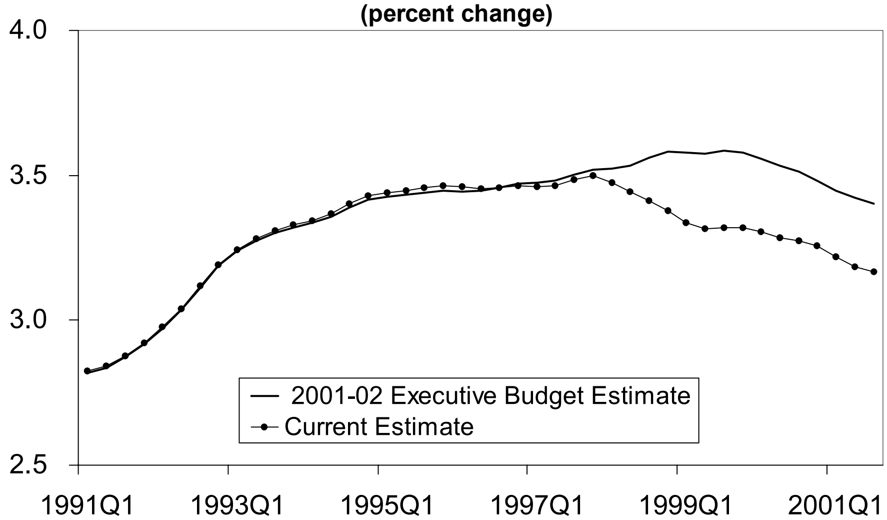
revisions have been the most influential. For given quantities of capital and labor, lower output growth implies that the most comprehensive measure of productivity in the economy — total factor productivity — is lower than originally estimated.

TABLE 1
2001 ANNUAL REVISION TO NATIONAL INCOME AND PRODUCT ACCOUNTS AND LABOR PRODUCTIVITY DATA
(percent change)

	1998	1999	2000
Real Gross Domestic Product			
Current	4.3	4.1	4.1
Previously published	4.4	4.2	5.0
Difference	(0.1)	(0.1)	(0.9)
Consumption			
Current	4.8	5.0	4.8
Previously published	4.7	5.3	5.3
Difference	0.1	(0.3)	(0.5)
Gross Private Domestic Investment			
Current	11.8	6.6	6.8
Previously published	12.5	6.6	10.2
Difference	(0.7)	0.0	(3.4)
Personal Income			
Current	7.0	4.7	7.0
Previously published	6.5	5.4	6.3
Difference	0.5	(0.7)	0.7
Wage and Salary Disbursements			
Current	7.8	6.7	8.2
Previously published	7.8	6.7	6.7
Difference	0.1*	0.0	1.5
Corporate Profits			
Current	(9.0)	7.7	8.9
Previously published	(4.3)	8.5	12.5
Difference	(4.7)	(0.9)*	(3.6)
Output Per Hour Nonfarm Business			
Current		2.3	3.0
Previously published		2.6	4.3
Difference		(0.3)	(1.3)

*Difference may appear imprecise due to rounding.
Source: U.S. Department of Commerce, Bureau of Economic Analysis; U.S. Department of Labor, Bureau of Labor Statistics.

Figure 5
Impact of the NIPA Revisions on Real Potential GDP Growth
(percent change)



Source: DRI-WEFA, DOB staff estimates.

Although the central bank can point to several successes in the 1990's, the ability of monetary policy to stabilize the economy remains limited. It can cushion but not eliminate the impact of economic shocks. Similarly, the potential for new technologies to dampen inventory cycles has also been shown to have its limitations. Indeed, as has happened many times in the past, the introduction of an important new technology can foment instability in the short run by inducing a round of "exuberant" speculative activity. The experience of the last few years of the 1990's may someday be looked upon as yet another example of history repeating itself, rather than as the emergence of a new economic paradigm.

BOX 1
THE DETERMINATION OF
POTENTIAL GROSS DOMESTIC PRODUCT

Potential Gross Domestic Product (GDP) is the level of output which the economy can produce when all available resources are being utilized at their most efficient levels. The economy can produce both above and below this level, but when it does so for an extended period, economic agents can expect inflation to either rise or fall, although the precise timing of that movement depends on many factors.

Some knowledge of the economy's productive capacity is fundamental to the decision-making process for households, firms, and the monetary authority. Households partially base their expectations surrounding their lifetime accumulation of wealth upon their estimates of the output potential of the economy. Firms choose a profit-maximizing level of labor and capital based on their estimates of the economy's long-run productive potential. An estimate of potential GDP also enables these agents to form expectations regarding the direction which inflation will take in the future. Such expectations might induce the central bank to shift the course of monetary policy.

Measurement of potential GDP requires a formalization of the aggregate production process. Economists refer to this formalization as an aggregate production function, which stipulates that total output is related to the amount of resources which are applied to production. The precise nature of the production function depends upon which sector of the economy one is trying to model.

Following the Congressional Budget Office (CBO), the Division of the Budget divides the economy into five sectors: nonfarm business, farm, government, nonfarm housing, and households and nonprofit institutions.[1] The nonfarm business sector is by far the largest sector of the economy, comprising 84.1 percent of total GDP during 2000. To model this sector, the DOB again follows CBO and adopts the neoclassical growth model incorporating three inputs to the production process: labor as measured by the number of hours worked, the capital stock, and total factor productivity.

Over the course of an economic expansion, we expect periods during which labor and capital are utilized in magnitudes which are above their most efficient levels. Similarly, during recessions, we expect periods when these inputs are underutilized. Therefore, we can adjust the inputs to the production process to their "potential" levels by removing the historical movements in these series which can be associated with the business cycle. To measure the total potential capital stock, DOB multiplies the U.S. Bureau of Economic Analysis' measure of the real capital stock by the capacity utilization rate, after removing the cyclical component of the latter series by using a standard smoothing method known as the H-P filter.[2] To measure the potential level of the number of hours worked, we remove the cyclical component using a methodology developed by the CBO.

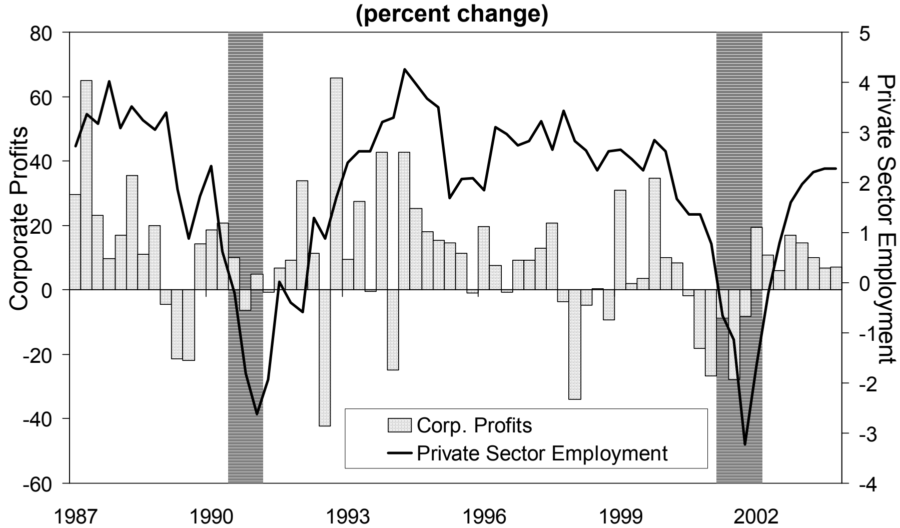
To estimate the potential level of total factor productivity, the actual values of labor and capital are substituted into a fixed-coefficient production function, where a coefficient of 0.7 is applied to labor and 0.3 is applied to capital. The residual obtained by subtracting the value of output obtained from this substitution from the historical value of output is assumed to represent total factor productivity. Removing the business cycle component from this residual yields its potential level. Substituting the potential levels of all of the inputs back into the fixed-coefficient production function, where total factor productivity is given a coefficient of one, yields a measure of potential nonfarm business GDP. For the other sectors of the economy, the cyclical component is removed directly from the series itself in accordance with the method used by CBO.

[1] See "CBO's Method for Estimating Potential Output," Congressional Budget Office, October 1995, and "CBO's Method for Estimating Potential Output: An Update," Congressional Budget Office, August 2001.
[2] See Robert J. Hodrick and Edward C. Prescott, "Postwar U.S. Business Cycles: An Empirical Investigation," Discussion Paper No. 451, Carnegie Mellon University, 1980.

THE HEART OF THE CURRENT SLOWDOWN: CORPORATE PROFITS AND INVESTMENT

The first indication of weakness in the economic environment was a moderation of consumption growth in the second quarter of 2000. The highly leveraged business sector was unable to surmount even a modest reduction in demand. Lower demand, combined with high interest and labor costs and falling stock prices, put significant downward pressure on corporate profits. The accumulation of technological investment resulted in significant overcapacity. Many of the aforementioned internet startups ran out of cash and vanished, thereby reducing the demand for media and telecommunications services, as well as for computer and related equipment. As a result, corporate profits have been falling since the third quarter of 2000 (see Figure 6).

Figure 6
Private Sector Employment and Corporate Profits
(percent change)



Note: Shaded areas represent US recessions; length of current recession is based on DOB forecast.
Source: DRI-WEFA; DOB staff estimates.

U.S. corporate profits are projected to begin a modest recovery in the first quarter of 2002. With the global economy growing slowly at best and domestic demand weak, conditions of excess capacity are expected to persist through most of the current year. The Division of the Budget is projecting a decline in pretax corporate profits of 16.0 percent for 2001, followed by growth of only 1.7 percent for 2002.

Real nonresidential fixed investment is expected to continue to fall through the second quarter. Given current conditions of declining output and excess capacity, the economy's optimal capital-output ratio can be expected to decline in the near-term, further discouraging business investment. In addition, the financial cost of capital, adjusted for inflation, may not fall as rapidly or deeply as current monetary policy might suggest. While it is true that the Federal Reserve reduced short-term interest rates 4.75 percentage points in 2001, the rate of inflation fell over the course of the year. Lower inflation, combined with only moderate declines in long-term rates, is projected to result in a real yield on Baa corporate bonds for 2002 almost a full percentage point above the estimated average for 2001.

Equity market prices are projected to rise gradually over the course of 2002. However, on an annual average basis, the stock market, as measured by Standard & Poor's index of 500 common stocks (S&P 500), is projected to decline 1.0 percent for 2002, following an estimated decline of 16.5 percent for 2001. Therefore, equity markets will likely be a much less significant source of funding for domestic investment relative to the late 1990's. Moreover, the real cost of corporate borrowing is expected to rise in 2002. Consequently, real nonresidential fixed investment is expected to fall 5.3 percent for 2002, following an estimated decline of 2.9 percent for 2001.

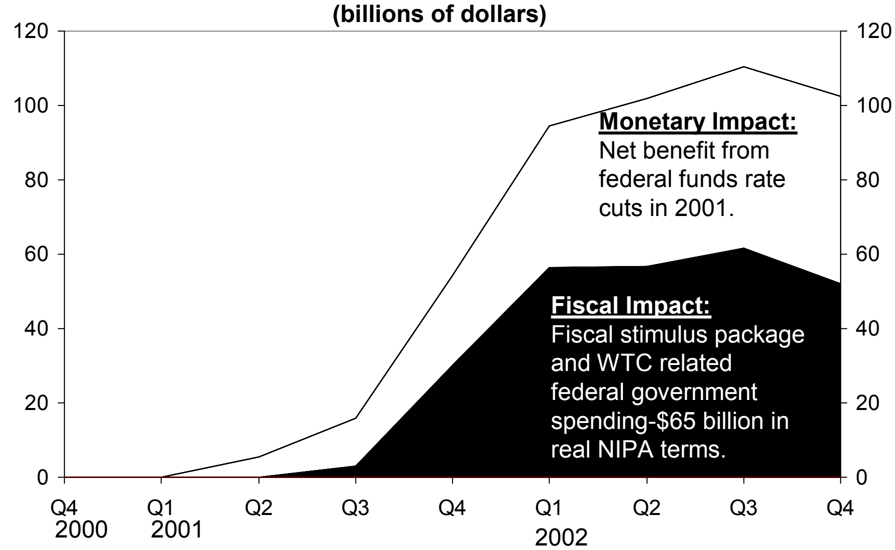
MONETARY AND FISCAL POLICY STIMULUS

The Division of the Budget's forecast for U.S. economic growth for both the fourth quarter of 2001 and 2002 includes the impacts of both monetary and fiscal policy initiatives. Absent these actions, GDP growth for calendar year 2002 would have been projected to be negative. Federal fiscal initiatives expected to stimulate the economy's recovery include the funding of recovery efforts related to the events of September 11, subsidies to the airline industry, as well as tax cuts enacted in June 2001. These measures are projected to add $65 billion to real GDP over the period from the fourth quarter of 2001 to the fourth quarter of 2002.

Monetary policy is imparting a significant stimulus as well. Interest rates were cut rapidly and dramatically during calendar 2001, by a total of 475 basis points. Historically, the full impact of interest rate cuts occurs with an average lag of one year. However, a number of factors may be offsetting the benefit of lower short-term interest rates, including the continued strength of the dollar, the increasing weakness in overseas economies, and perhaps most significantly, the reduction in consumer and business demand.

Nevertheless, simulation studies conducted using the DOB U.S. macroeconomic model indicate that the economy would have been even more sluggish during the first three quarters of 2001 without the Federal Reserve's monetary easing (see Figure 7). Simulation results indicate that without the Federal Reserve's interest rate cuts and the expected amount of fiscal stimulus, real GDP growth for 2001 would be 0.9 percent rather than the 1.0 percent now projected. Moreover, a decline of 0.5 percent in real GDP would be forecast for 2002, rather than the currently projected 0.4 percent growth.

Figure 7
Impact of Monetary and Fiscal Policies on Real Gross Domestic Product
(billions of dollars)



Source: DOB staff estimates.

The Federal Reserve is expected to begin tightening again during the second half of 2002, as the national economic recovery gets under way. In part, the Division of the Budget is guided in its projection of monetary policy shifts by a model of monetary actions known as

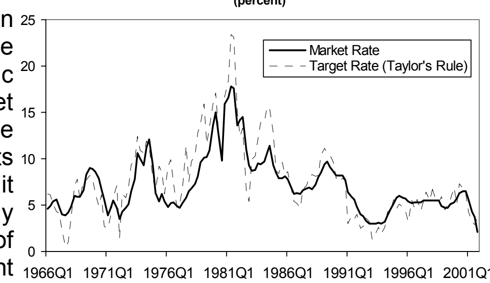
Taylor's Rule (see Box 2). Next year's expected monetary tightening should prevent any inflationary momentum which might occur as a result of the recovery and the expected elimination of the Federal budget surplus.[4]

BOX 2
FORECASTING MONETARY POLICY USING TAYLOR'S RULE

In recent years, the Federal Reserve has executed shifts in its monetary policy stance by changing its target for the federal funds rate. The federal funds rate is the interest rate which banks charge each other in the market for overnight loans. In reality, the Federal Reserve takes information from many sources into account when it formulates policy decisions. However, Taylor's Rule captures this process with a simple model by isolating two factors which are likely to be prominent in the decision-making process. The first factor is the gap between the central bank's target rate of inflation and the expected actual rate given prevailing economic conditions. If the expected actual rate is above the target rate, then the central bank is likely to adopt a tightening bias, sending the target federal funds rate up and reducing inflationary pressure. The second factor is the gap between the actual and the potential rates of output growth. If actual GDP growth is below the Federal Reserve's estimated potential rate, then it is likely that the central bank will lower its policy target for the federal funds rate to stimulate growth. More precisely, Taylor's Rule adds a weighted average of these two factors to the estimated real rate of interest and the expected actual rate of inflation to obtain a target federal funds rate.

DOB assumes that the central bank's target rates for inflation and potential GDP growth are 2.0 percent and 3.4 percent, respectively. DOB uses the historical average as an estimate for the underlying real interest rate, instead of the 2.0 percent rate which is generally used in economic literature. Figure 8 compares the federal funds policy target rate implied by the DOB application of Taylor's Rule with the actual federal funds rate. Although Taylor's Rule represents only a simplification of the monetary policy process, it appears to capture the central bank's behavior acceptably well for most of the period. The Federal Reserve's policy of monetary easing that prevailed throughout 2001 is consistent with Taylor's Rule, as is the monetary tightening projected to occur toward the end of 2002.

Figure 8
Taylor's Rule: Federal Funds Rate
(percent)



Source: DRI-WEFA.
Note: Fourth quarter of 2001 is DOB staff estimate.

OUTLOOK FOR U.S. EMPLOYMENT AND INCOME

Falling corporate profits have also translated into employee layoffs (see Figure 6). In the present strong-dollar low-inflation environment, firms are facing diminishing demand for their products abroad and are largely unable to raise prices at home. Consequently, the need to cut costs has resulted in a reduction in employment. About 1.4 million jobs were lost between March and December of 2001, more than half of the jobs lost during the early 1990's recession.

The sector bearing the heaviest losses has been manufacturing, losing 1.5 million jobs since July 2000. Due in part to the impact of a strong dollar on foreign demand for U.S. exports, employment in the nation's manufacturing sector was never able to stage a strong recovery from the 1998 Asian crisis. The slowdown in investment growth during the second half of 2000 and the subsequent declines during the first three quarters of 2001 also have contributed to job losses in manufacturing. Of the 1.5 million manufacturing jobs lost since July 2000, 1.1 million were eliminated from durable goods-producing industries.

[4] The Office of Management and Budget now projects that the current recession, revised growth forecasts for future periods, and increased Federal spending following the September 11 attacks are likely to result in Federal budget deficits for the current year and for at least two additional years. <http://www.whitehouse.gov/omb/pubpress/2001-61.html>

The loss of jobs officially classified as manufacturing may understate employment losses in that sector, since many manufacturing firms have turned to temporary service agencies to supplement their workforces. Employment in personnel supply services had been growing steadily since the 1995 soft landing, adding 1.5 million jobs between June 1995 and April 2000. However, between April 2000 and December 2001, personnel supply services employment fell by 719,000, making it one of the hardest hit industries during the current slowdown. It is estimated that many of the jobs added by that industry in the late 1990's, as well as those lost since early 2000, were in manufacturing.[5]

Since September 11, the nation's employment malaise has spread well beyond the goods-producing sectors. Although there was evidence that the business sector had been cutting back on expenses even prior to that date, travel and tourism came to a virtual halt immediately after the September 11 disaster and have far from fully recovered. Recent employment reports have shown significant losses in all industries related to travel and tourism, such as transportation services, hotel and motel services, and retail trade. Moreover, these industries are perhaps the most vulnerable to the almost daily news of potential terror attacks and threats to the public health.

The Division of the Budget projects a decline in nonagricultural employment of 0.6 percent for 2002, following growth of 0.4 percent for 2001. With the levels of output and investment projected to remain low, employment is not expected to rebound to its pre-recession level until early 2003. For the first time, the Division of the Budget is classifying and forecasting employment and wages for both the nation and the State according to the North American Industry Classification System, or NAICS (see Box 3). Nonagricultural employment losses are projected for 2002 for many of the major industry groups, as defined under NAICS.

The decline in output and employment will result in much lower wage growth than recorded for the late 1990's. The collapse of the high-tech sector, with an average wage rate, including bonuses and stock options, substantially higher than the overall national average, will contribute significantly to this decline. Lower bonuses and layoffs in the finance sector will have a similar impact. The Division of the Budget is projecting wage growth of 5.4 percent for 2001, followed by growth of only 2.0 percent for 2002, the lowest growth in wages since 1991. Similarly, total personal income growth is expected to grow 5.0 percent for 2001, followed by 2.8 percent growth for 2002.

[5] Manpower Inc., a large temporary placement agency, reports that 40 percent of its revenues come from the manufacturing sector (*New York Times*, November 3, 2001, C3).

BOX 3
NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM

The Standard Industrial Classification System (SIC) system — the system used for many years to classify most U.S. economic data by industry or type of business — will soon be replaced. All U.S. government data collection agencies are adopting the North American Industry Classification System, or NAICS. The purpose of this overhaul is to better reflect the current industrial composition of the U.S. economy and to make the classification system more compatible with those of Canada and Mexico.

NAICS differs from the older SIC system in its use of the type of production activity as its organizing principle. In contrast, the SIC system tends to focus on the type of output or end-use. For example, under the SIC system, retail trade businesses were those who sold directly to households, while wholesale trade often referred to sales to businesses. However, in today's economy, many firms sell to both households and businesses. Hence, under NAICS, retail trade businesses are those who sell merchandise in small quantities, while wholesale trade businesses sell goods in large quantities. While the SIC system was created for an economy which is primarily manufacturing based, the NAICS system is more suited to today's U.S. economy, which is more service and technology oriented.

Under NAICS, the broadest classification category is the 2-digit industry code, of which there are 20. Some sectors are very recognizable from the SIC classification system, such as construction. Other sectors include industries from a variety of SIC codes, such as the information sector. Another new NAICS grouping, accommodation and food services, includes both SIC categories of eating and drinking establishments and hotels. Some new detailed NAICS classifications that did not exist as independent SIC codes are: fiber optic cable manufacturing, convenience stores, telecommunication resellers, HMO medical centers, telemarketing bureaus, casinos, and bed-and-breakfast inns. Each industry now has a 6-digit NAICS code as well as a 4-digit SIC code.

The NAICS system is being applied to a variety of economic data, including employment, wages and industrial production data. Employment data will be released on a NAICS basis starting in 2003 at both the national and State level. Historical employment data that has been released over the years on a SIC basis was not expected to be released on a NAICS basis. However, as a result of a state appropriation to the New York State Department of Labor, historical SIC based data will be converted to the NAICS, providing historical continuity, initially back to 1990, and eventually back to 1975.

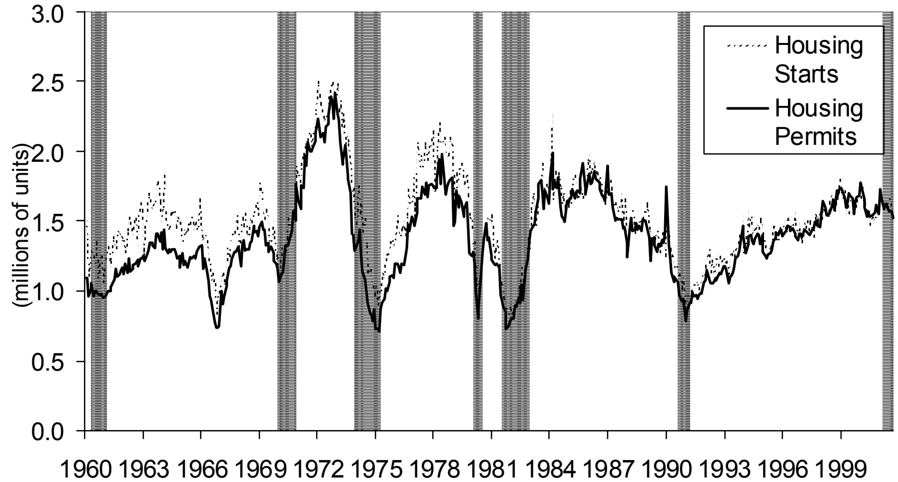
The historical NAICS series currently under development at the New York State Department of Labor will provide detailed data at both the industry and geographical levels. In anticipation of the release of these data, DOB has constructed estimates of NAICS employment at the 20-group 2-digit level for employment data going back to 1975. The basis for the data construction is a "bridge" table developed by the Census Bureau from the1997 Economic Census data.[1] This table allocates the 1997 level of employment for each 1-digit SIC major industry classification to the appropriate 2-digit NAICS sectors. The implied employment shares are applied to employment for the entire historical period, producing a consistent historical time series classified in accordance with the NAICS.

[1] See U.S. Census Bureau, "1997 Economic Census: Bridge Between SIC and NAICS," Table 2. <http://www.census.gov/epcd/ec97brdg>

CONSUMERS RETRENCH

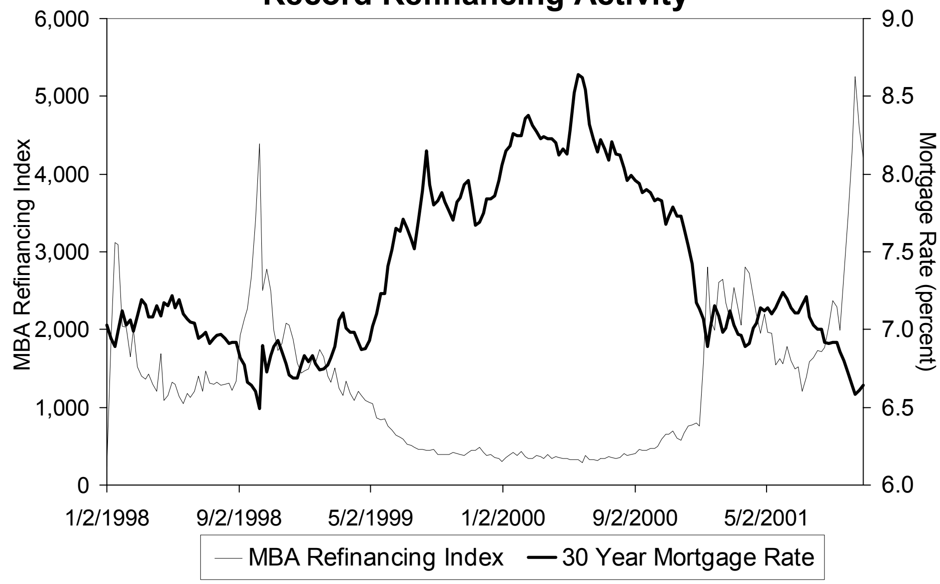
With the steady decline in equity prices since March 2000, the household sector has begun to reassess its long-term income prospects. With the Federal Reserve still increasing short-term interest rates, consumers began to retrench during the second quarter of 2000, although only modestly. Quarterly consumption growth had averaged 4.9 percent from the first quarter of 1997 to the first quarter of 2000, but only 3.3 percent from the second quarter of 2000 to the second quarter of 2001. Higher short-term rates affect consumption directly by increasing the interest rate on short-term consumer loans. Moreover, long-term mortgage rates were following the Federal Reserve's lead, resulting in declines in housing starts and applications for mortgage refinancings by late 1999 (see Figures 9 and 10). In an environment of rising home values, the refinancing of a mortgage often produces a cash windfall which can, in turn, fuel additional consumption. The combination of fewer refinancings and falling equity values put significant constraints on consumption growth.

Figure 9
U.S. Housing Market



Note: Shaded areas represent US recessions.
Source: DRI-WEFA.

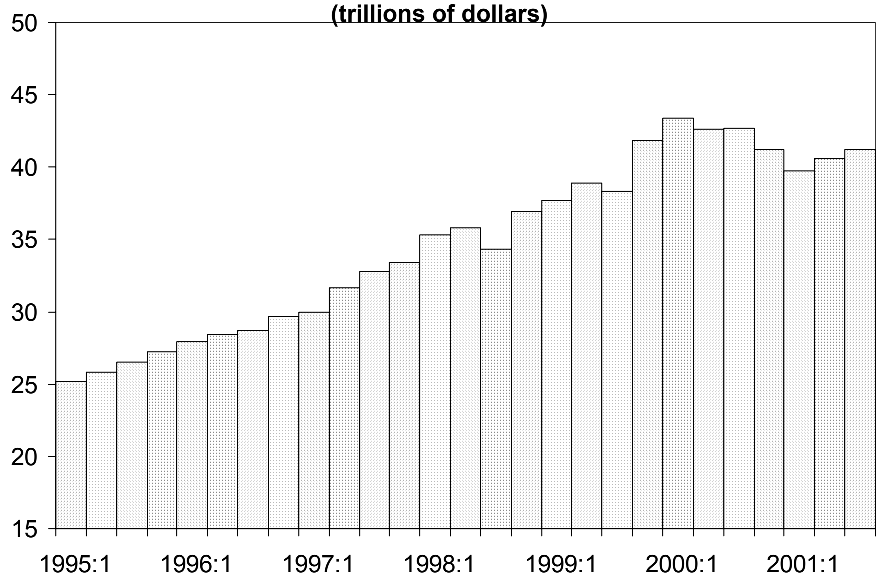
Figure 10
Record Refinancing Activity



Source: DRI-WEFA and Mortgage Bankers Association of America.

Equity prices continued to fall through the first nine months of 2001, despite the Federal Reserve's policy shift in January. Real household net worth fell by $2.2 trillion between the first quarter of 2000 and the third quarter of 2001 (see Figure 11). With consumption growth already on the decline, the events of September 11 brought consumer spending to a near halt. U.S. retail sales fell by a sharp 2.2 percent on a month-over-month basis in September. In November, consumer confidence fell to its lowest level since October 1993, but rebounded in December.

Figure 11
Real Household Net Worth
(trillions of dollars)



Source: DRI-WEFA.

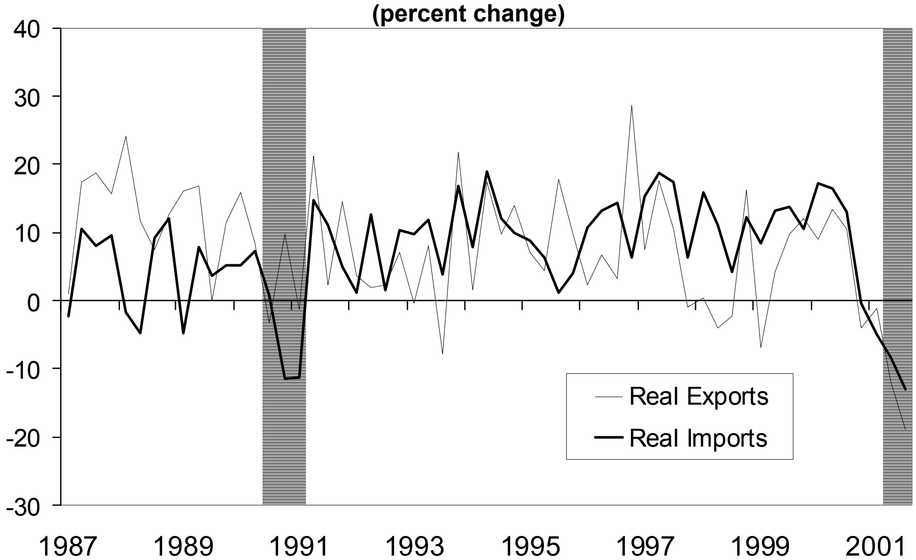
The Division of the Budget expects a decline in real consumption spending of just over 3 percent for the first quarter of 2002. This compares favorably with the last recession, when consumption fell by 3.3 percent and 1.8 percent, respectively, during the fourth quarter of 1990 and the first quarter of 1991. Toward the end of 1990, consumers were distracted by the war with Iraq. Real incomes were depressed by the spike in energy prices engendered by that conflict. Both short-term and long-term interest rates were significantly higher than today. In addition, the collapse of the real estate market in the Northeast reduced the value of what for many households is their most important asset, their homes.

Today, households are weathering declines in employment and real wages, as well as the reduction in financial net worth since the spring of 2000 (see Figure 11). However, of the total increase in financial wealth that has accrued since 1995, when the equity market started on its remarkable upward trend, only a portion has been lost. Moreover, home values have risen consistently over the same period. Today's relatively low inflation low interest rate environment is expected to cushion the blow to household purchasing power in the face of declining employment. In addition, many firms, particularly automakers, are offering incentives, such as low-cost financing, to induce consumers to spend. The October spike in retail sales indicates that these tactics are meeting with some success. Consequently, growth in consumer spending is expected to resume in the second quarter of 2002, fueled by lower interest rates, and additional growth in mortgage refinancings. Real U.S. consumption spending is projected to grow 2.7 percent for 2001, followed by growth of 0.5 percent for 2002.

GLOBAL SLOWDOWN

A world-wide economic slowdown is underway. Following the Asian financial crisis in 1998, the role of the U.S. economy as the world's economic growth engine became apparent. When the U.S. economy began to slow toward the end of 2000, that engine stalled and the impact on world economic growth became significant. The rate of decline in real non-oil U.S. imports has accelerated steadily since the fourth quarter of 2000, falling 12.0 percent during the third quarter of 2001 (see Figure 12). U.S. exports show a similar pattern of decline, indicating that foreign demand for U.S. goods has fallen simultaneously with the decline in U.S. demand for imported goods. In addition to the global recession, there is anecdotal evidence that the U.S. war on terrorism may also have a negative impact on global trade.

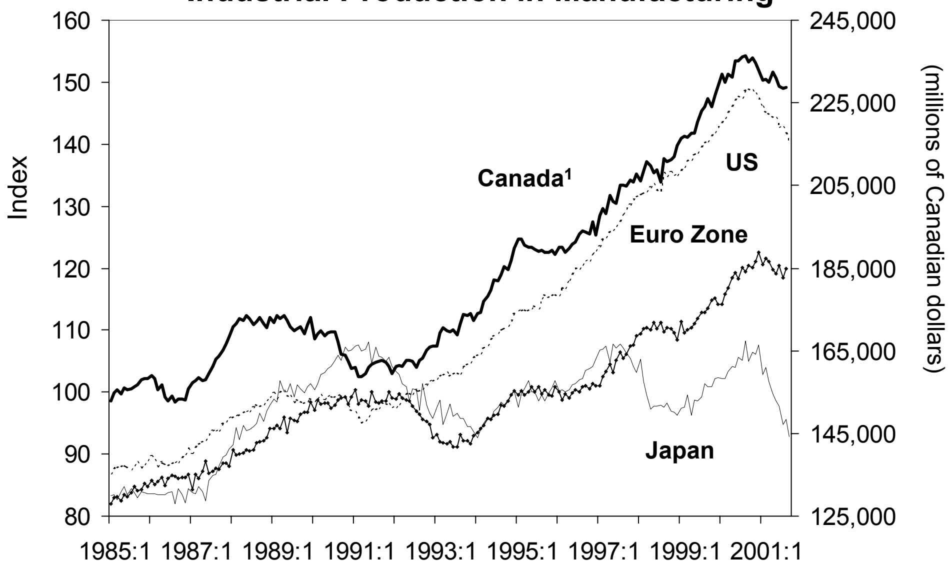
Figure 12
Real Imports and Exports
(percent change)



Note: Shaded areas represent US recessions.
Source: DRI-WEFA.

As indicated in Figure 13, the movements within the economies of the U.S. and its largest trading partners have become much more synchronized. During the recently concluded expansion, industrial production measures for the U.S., Canada, Japan, and the Euro zone peaked within five months of one another. In the early 1990's, industrial production for Japan and for those countries now participating in the common European currency continued on their upward trends through the end of the U.S. recession in early 1991.

Figure 13
Industrial Production in Manufacturing



[1] Real industrial output.
Source: DRI-WEFA.

The Division of the Budget forecast for U.S. exports assumes a long-run stable relationship between export growth and growth in the global economy. With much of the global economy in recession, exports are expected to fall during the fourth quarter of 2001 and the first quarter of 2002, followed by weak growth for the remainder of the year. In addition, declining inflation will tend to strengthen the U.S. dollar, thereby increasing the price of U.S. exports and putting additional downward pressure on real export growth. Moreover, with the world business cycle becoming more synchronized, there is less hope of a significant decline in the value of the U.S. dollar relative to the currencies of the nation's trading partners, which would stimulate demand by foreigners for U.S. goods.

The Division of the Budget is projecting a decline in real U.S. exports of 4.7 percent for 2001, followed by larger decline of 6.0 percent for 2002. Similarly, real non-oil imports are expected to decline by 3.1 percent for 2001, followed by a decline of 2.3 percent in 2002. Assuming no major disruption in the international oil market, real oil imports are expected to grow 3.8 percent for 2001 and 6.5 percent for 2002.

DATING THE RECESSION

On November 26, 2001, the National Bureau of Economic Research Business Cycle Dating Committee declared that the nation's longest expansion peaked in March 2001. Although official statistics on real U.S. GDP indicate that the national economy grew 0.3 percent during the second quarter, the Dating Committee determined that the nation has been in recession since April. This seeming inconsistency has engendered significant interest in the Dating Committee's method for dating business cycles.[6]

Despite what is commonly believed, the Dating Committee does not define a recession as two consecutive quarterly declines in real GDP. Rather, it defines a recession as a significant and prolonged downturn in economic activity, which is spread out over many sectors. Because a downturn must continue for at least several months, the Committee does not

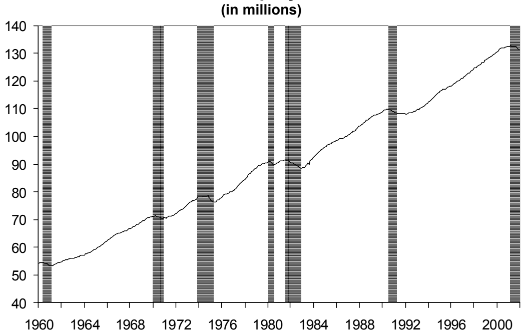
[6] For a detailed discussion of NBER's recession dating procedure, see "The NBER's Recession Dating Procedure", <http://www.nber.org/cycles/recessions.html>.

make the determination of a business cycle peak until many months after the peak actually occurs. For example, the official designation of the current period as a recession did not occur until eight months after the peak. Similarly, the Committee did not announce until April 1991 that July 1990 was the expansionary peak immediately preceding the last recession.

In fact, the Committee does not use GDP data to determine business cycle turning points because it is "measured only at a quarterly frequency and is continually revised." Rather, the Committee uses monthly data to determine business cycle peaks and troughs, focusing on four major indicators. Two of those indicators — employment and real personal income less transfer payments — offer economy-wide coverage. The other two measures — industrial production and real manufacturing and retail trade sales — cover trends in manufacturing and goods markets. The Committee considers other measures as well.

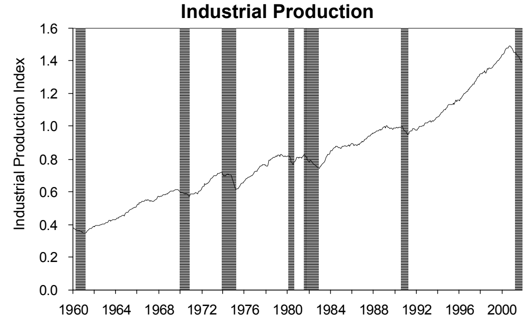
The Dating Committee considers employment to be the most informative monthly indicator covering the entire economy. Data through December indicate a decline in national employment of 1.0 percent since March of 2001 (see Figure 14). This compares to an average decline of 1.1 percent over the past six recessions.

Figure 14
Total Employment
(in millions)



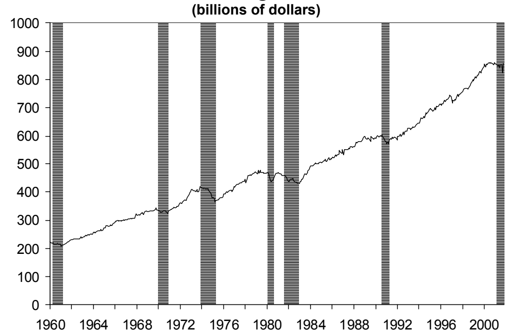
Note: Shaded areas represent US recessions.
Source: DRI-WEFA.

Figure 15
Industrial Production



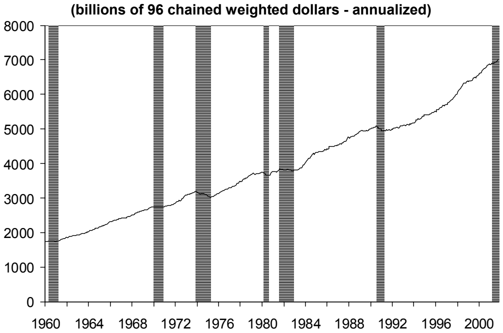
Note: Shaded areas represent US recessions.
Source: DRI-WEFA.

Figure 16
Real Manufacturing and Trade Sales
(billions of dollars)



Note: Shaded areas represent US recessions.
Source: The Conference Board.

Figure 17
Real Personal Income Minus Transfers
(billions of 96 chained weighted dollars - annualized)



Note: Shaded areas represent US recessions.
Source: The Conference Board.

It appears that the manufacturing sector has been in recession for more than a year. Industrial production, which measures manufacturing activity, has been declining since October 2000 (see Figure 15). From its peak in September 2000, the industrial production index has declined 6.6 percent through November 2001. This compares with a 4.2 percent decline during the 1990-91 recession and an average decline of 4.6 percent over the past six recessions. Similarly, real manufacturing and retail trade sales have declined in 8 months of the last 13 months since September 2000 (see Figure 16).

The last major indicator to signal a recession was real personal income minus transfers. That indicator declined significantly in October, followed by another small decline in November (see Figure 17). Although real personal income minus transfers has not dropped substantially during past recessions, it is projected to fall during the first two quarters of 2002.

TABLE 2
U.S. SELECTED ECONOMIC INDICATORS*
(calendar year)

	2000 (actual)	2001 (estimate)	2002 (forecast)	2003 (forecast)	2004 (forecast)	2005 (forecast)
Gross Domestic Product (current dollars)	6.5	3.3	1.9	5.2	5.3	5.5
Gross Domestic Product	4.1	1.0	0.4	3.4	3.5	3.5
Consumption	4.8	2.7	0.5	4.2	3.8	3.2
Residential Fixed Investment	0.8	1.5	(0.9)	3.4	4.2	3.1
Nonresidential Fixed Investment	9.9	(2.9)	(5.3)	4.1	7.0	8.7
Change in Inventories (dollars)	50.6	(52.1)	11.4	41.1	30.3	34.0
Exports	9.5	(4.7)	(6.0)	8.7	9.6	8.2
Imports	13.4	(2.8)	(1.7)	12.1	9.4	8.3
Government Spending	2.7	3.2	3.3	2.0	1.9	2.0
Pre-tax Corp. Profits	8.9	(16.0)	1.7	11.3	6.6	5.3
Personal Income	7.0	5.0	2.8	6.1	5.9	5.8
Wages	8.2	5.4	2.0	7.1	6.6	5.7
Nonagricultural Employment	2.2	0.4	(0.6)	1.7	2.3	2.0
Unemployment Rate (percent)	4.0	4.8	6.6	6.4	6.0	5.7
S&P 500 Stock Price Index	7.6	(16.5)	(1.0)	9.1	9.1	9.1
Federal Funds Rate	6.24	3.89	2.01	3.38	3.98	4.37
Treasury Note (10 year)	6.03	5.02	5.27	6.14	6.50	6.71
Consumer Price Index	3.4	2.8	1.5	2.3	2.3	2.5

* All indicators are percent changes except change in inventories, the unemployment rate, and interest rates; all GDP components refer to chained 96 dollars, unless otherwise noted.
Source: U.S. Department of Commerce; U.S. Bureau of Labor Statistics; Projections for 2001-05 by New York State Division of the Budget.

COMPARISON WITH OTHER FORECASTERS

Table 2 presents the Division of the Budget's forecast for selected U.S. economic indicators. The Division of the Budget's macroeconomic model underwent substantial revision in 2000. A brief description of the model is presented in Box 4.

Table 3 compares DOB's forecast for several major indicators with those of other forecasting groups. The Division of the Budget's forecast of 0.4 percent for 2002 is below the 1.0 percent forecast of the January Blue Chip Economic Consensus.

Among the participants of the January Blue Chip consensus, forecasts for 2002 range from growth of 2.9 percent to a decline of 0.5 percent. The width of that range underscores the degree of uncertainty that typically surrounds the onset of a recession. Those who forecast U.S. economic activity must rely upon data that are subject to reporting lags, and subsequently to revision. Consider the recession of the early 1990's, which officially began in August 1990. We can gauge the uncertainty facing forecasters during that time by examining the evolution of the Blue Chip Consensus forecast for 1991. Figure 18 (see Box 5) shows how the consensus forecast changed between January 1990 and December 1991. Ultimately, revised data shows the economy contracted by one-half of one percentage point in 1991. However, that information did not become available to economists until early the next year. In addition, many forecasters may not wish to stray too far from the prevailing wisdom on the direction of the economy. Figure 18 indicates that few forecasters had correctly estimated the extent of the 1990-91 recession, even by the end of 1990. The consensus forecast for 1991 GNP growth remained positive or flat until May 1991.[7]

TABLE 3
U.S. ECONOMIC FORECAST COMPARISON — 2001-2005

	2001 (preliminary)	2002 (forecast)	2003 (forecast)	2004 (forecast)	2005 (forecast)
Gross Domestic Product (GDP) (1996 chain percent change)					
DOB	1.0	0.4	3.4	3.5	3.5
DRI- WEFA	1.0	0.6	3.7	3.7	3.0
Blue Chip Consensus	1.0	1.0	3.4	N.A.	N.A.
Consumer Price Index (CPI) (percent change)					
DOB	2.8	1.5	2.3	2.3	2.5
DRI- WEFA	2.9	1.9	2.6	2.6	2.5
Blue Chip Consensus	2.9	1.7	2.4	N.A.	N.A.
Unemployment Rate (percent)					
DOB	4.8	6.6	6.3	5.8	5.5
DRI-WEFA	4.8	6.2	5.9	5.3	5.2
Blue Chip Consensus	4.8	6.1	5.7	N.A.	N.A.
Treasury Bill Rate (3 month)					
DOB	3.4	2.2	3.5	4.0	4.3
DRI-WEFA	3.4	2.0	3.7	4.6	4.6
Blue Chip Consensus	3.4	2.1	3.4	N.A.	N.A.
Corporate Profits (before tax percent change)					
DOB	(16.0)	1.7	11.3	6.6	5.3
DRI-WEFA	(16.2)	2.6	11.7	3.1	3.1
Blue Chip Consensus	(16.1)	0.2	9.8	N.A.	N.A.

Source: U.S. Forecast Summary, DRI-WEFA, January 2002; Blue Chip Economic Indicators, December 2001 and January 2002; projections for 2001-05 by New York State Division of the Budget.

[7] The Department of Commerce Bureau of Economic Analysis switched from Gross National Product (GNP) to Gross Domestic Product (GDP) as its primary measure of U.S. economic activity in 1992.

BOX 4
THE DIVISION OF THE BUDGET
U.S. MACROECONOMIC MODEL

Macroeconomic modeling has undergone a number of important changes during the last 25 years, primarily as a result of developments in economic and econometric theory. These developments include the incorporation of both rational expectations and micro-foundations based on the long-run optimizing behavior of firms and households. In addition, analysts now employ more flexible specifications of behavioral relations within a vector autoregressive (VAR) model framework. Recent developments also include a more rigorous analysis of the times series properties of commonly used macroeconomic data series, as well as the implications of these properties for model specification and statistical inference. There has also been much study of the long-run equilibrium relationships among macroeconomic data series and the predictive power of these relationships in constraining economic dynamics.

The Division of the Budget's U.S. macroeconomic model (DOB/U.S.) incorporates the theoretical advances described above in an econometric model used for forecasting and policy simulation. The model contains 98 core equations, of which 29 are behavioral. In addition, there are hundreds of auxiliary forecasting equations which incorporate the results from the core model as inputs. The current estimation period for the model is 1965:1 through 2001:3. Our analysis borrows heavily from the Federal Reserve Board model which has been redesigned over the past five years and was constructed using the most up-to-date advances in modeling techniques.[1] We are grateful to Federal Reserve Board economists for providing guidance and important insights as we developed the DOB/U.S. macroeconomic model.

DOB/U.S. could be termed a neoclassical model in economic parlance. Agents optimize their behavior subject to economically meaningful constraints. Households exhibit maximizing behavior over consumption and labor supply, subject to a wealth constraint. Expected wealth is, in part, determined by expected future output and interest rates. Firms maximize profits over labor demand and investment. The value of investment is affected by the cost of capital, as well as expectations about the future path of output and inflation. The economy's long-run growth path converges to an estimate of potential GDP growth. Monetary policy is administered through adjustments to the federal funds rate, as guided by Taylor's Rule. Current and anticipated changes in this rate influence agents' expectations and the rate of return on various financial assets.

DOB/U.S. incorporates three key theoretical elements into this neoclassical framework: expectations formation, equilibrium relationships, and dynamic adjustments (movements toward equilibrium). The model addresses expectations formation by imposing rational expectations as follows: the model specifies a common information set available to economic agents who then incorporate all relevant information when forming their expectations. The model structure incorporates an error correction framework which ensures movement back to an equilibrium which is a solution to a dynamic optimization problem carried out by households and firms.

The model structure reflects the microeconomic foundations which govern optimizing behavior, but is sufficiently flexible to capture the short-run fluctuations in employment and output caused by economic imbalances. DOB/U.S. incorporates dynamic adjustment mechanisms which reflect the fact that while agents are forward-looking, they do not adjust to changes in economic conditions instantaneously. The presence of frictions (costs of adjusting productive inputs, sticky wages, persistent spending habits) governs the adjustment of non-financial variables. These frictions, in turn, create imbalances which constitute important signals in the setting of wages and prices. In contrast, the financial sector is assumed to be unaffected by frictions due to the negligible cost of transactions and the presence of well-developed primary and secondary markets for financial assets.

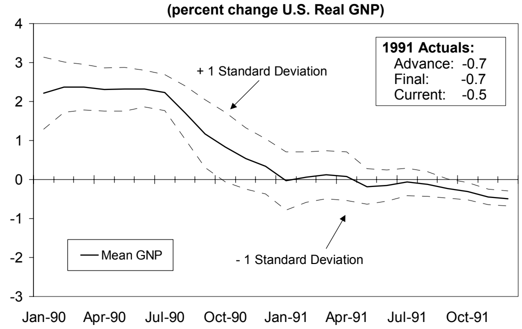
[1] "A Guide to FRB/US A Macroeconomic Model of the United States," edited by F. Brayton and P. Tinsley. Federal Reserve Board, Version 1.0, October 1996.

BOX 5
FORGING A CONSENSUS DURING UNCERTAIN ECONOMIC TIMES

At the beginning of every month, *Blue Chip Economic Indicators* reports the forecasts of about 50 major forecasting groups for 15 individual national economic indicators, including the growth rate of real GDP. The average of these forecasts is referred to as the "Blue Chip Economic Consensus Forecast." Each month's report contains the forecasts for both the current year and the following year. The Blue Chip consensus forecast is widely used by both private and public organizations for planning purposes.

The popularity of the Blue Chip forecast rests on the notion that an average over a range of independently produced forecasts, based on disparate sets of methods, information sets, and cost functions, should have a high probability of being accurate. However, the accuracy of the consensus forecast may be severely limited in certain situations. For example, the consensus forecast has tended to fail to accurately forecast business cycle turning points. This is not particularly surprising, in light of lags in the reporting of economic data, as well as the frequency and magnitude of revisions to the data. The problem is illustrated in Figure 1, which shows the evolution of the consensus forecast for real GNP for 1991, starting with the forecast published in January 1990 and ending with the forecast published in December 1991. It is evident that the consensus failed to foresee the seriousness of the slowdown until the beginning of 1991, and did not forecast a significant decline in real GNP until the middle of the year.

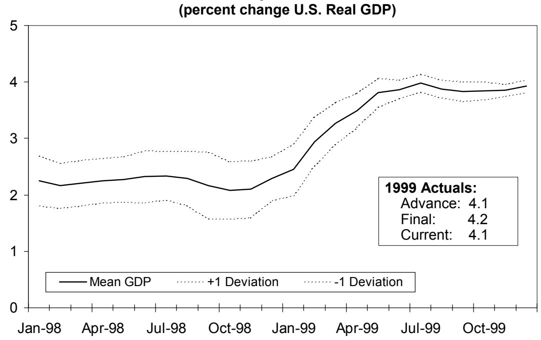
Figure 18
Evolution of the Blue Chip Consensus Forecast for 1991
(percent change U.S. Real GNP)



Source: Federal Reserve Bank of Philadelphia; Blue Chip Economic Indicators.

Figure 18 also shows the lag with which the consensus forecast incorporates the release of the most recent quarterly GDP growth rate and its revision. By the time the BEA's first estimate of quarterly growth is released, the economy is a full month into the next quarter. By the time that estimate becomes incorporated into the Blue Chip consensus, over two months have passed. Consequently, not until the March report was released would the consensus forecast include the information that real GNP had declined in the fourth quarter of 1990. The length of that lag should urge caution among users of the consensus forecast, particularly at times like the present, when the U.S. economy is at a turning point. Figure 19 indicates a similar problem when the economy is booming.

Figure 19
Evolution of the Blue Chip Consensus Forecast for 1999
(percent change U.S. Real GDP)



Source: Federal Reserve Bank of Philadelphia; Blue Chip Economic Indicators.

As suggested above, the value of the consensus forecast rests on independence among the individual forecasters. However, in reality, individual forecasters may not want to deviate too widely from the prevailing view. The resulting lack of independence could produce some very undesirable results. A preliminary study by DOB staff, of the Blue Chip consensus forecasts for the real GDP growth rate from January 1989 to December 1999, indicates that a "copycat" phenomenon may well exist among the Blue Chip forecasters.[1] The results of the analysis suggest that last month's consensus forecast has a very significant impact on the group's current forecast. Separate analyses based on data for individual forecasters produce similar results. Given these preliminary findings, DOB believes that caution should be exercised when using the Blue Chip consensus forecast as a guidepost for fiscal planning purposes, especially in the neighborhood of a business cycle turning point.

[1] See Gallo, Giampiero M., Clive W. J. Granger and Yongil Jeon, "Copycats and Common Swings: The Impact of the Use of Forecasts in Information Sets," October 2000.

RISKS TO THE U.S. FORECAST

The greatest risk to the U.S. forecast pertains to the length and severity of the recession. Demand for goods and services for the economy may be weaker than expected. Insufficient demand by the consumer, government, and foreign markets could cause investment spending to decline further than projected. Declining corporate profits and continued layoffs could result in even weaker wage growth and less consumer spending than expected. Also, lower than expected equity prices and the advent of declines in housing prices could well have a strong negative impact on the willingness of the consumer to spend.

Many foreign economies could fare more poorly than currently projected: the European economies may fall into recession; Japan's current recession may become more severe than expected; other Asian countries may suffer sharp recessions also, and major Latin American countries are already mired in or at risk of recession, particularly Argentina. In short, much of the world may well be in recession or near-recessionary conditions at the same time. In that case, export demand would suffer more than currently forecasted.

The DOB forecast presumes that the Federal government's fiscal policy actions to-date will result in more funds being spent on goods and services and on projects that enhance economic growth in the short run. If a significant portion of recently enacted tax cuts is saved rather than spent, or if increased government spending simply crowds out private sector spending, then the stimulus may be significantly less effective than expected. It is possible that the Federal government will authorize additional revenue and spending initiatives, beyond those already in place. The DOB forecast presumes that the impact of such measures would likely be offset by higher interest rates.

The large and quite rapid decline in the federal funds rate indicates that a powerful monetary stimulus is in place. However, the effectiveness of monetary actions depends on the desire by consumers and businesses to borrow money, as well as on the willingness of banks to lend. Therefore, monetary policy could have a smaller impact than projected.

The forecast is always at the mercy of surprise shocks. While there exist beneficial as well as detrimental shocks, the most plausible ones at the current time would have strong negative effects on the economy. A major sabotage of the oil producing or delivery process would send oil prices soaring. Further terrorist attacks could severely weaken consumer interest in continuing normal shopping behavior. Financial defaults in Japan, Argentina or elsewhere in the developing world could lead to financial shocks that would be very detrimental to an economy already in recession.

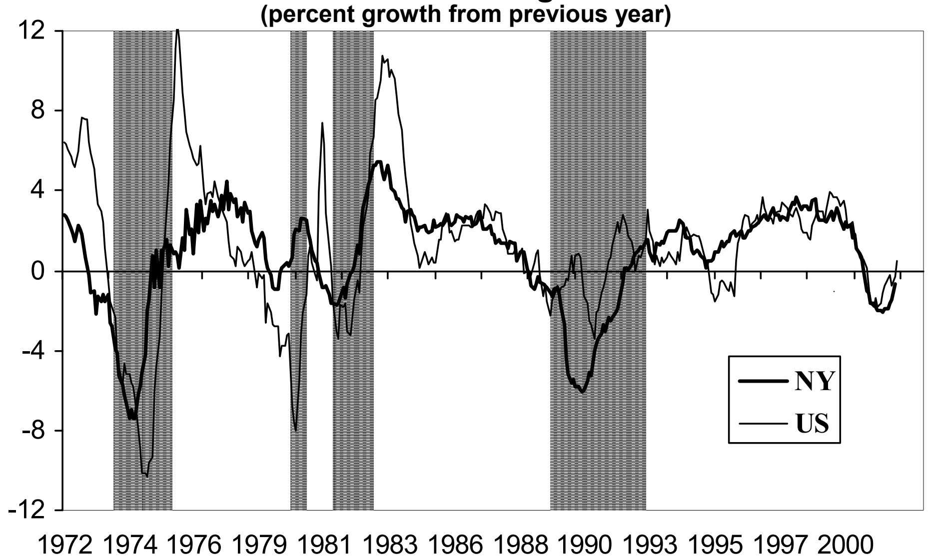
On the other hand, the economy may be stronger than expected. Many of the downside risks enumerated above may fail to materialize. The stock market may do much better than expected, so that the wealth effect may be more supportive of continued consumer spending. Oil prices could continue to drop dramatically, providing further relief to consumers. Finally, monetary and fiscal policy may be more stimulative than expected.

THE NEW YORK ECONOMY

With New York City at the epicenter of the September 11 disaster, the New York State economy is bearing the brunt of the consequent decline in economic activity and employment losses. Thousands of workers have been relocated out-of-state, at least temporarily. Moreover, workers continue to lose their jobs consistent with the contraction in business activity resulting directly or indirectly from the disaster. Given the paramount importance of the financial services, media, and tourism industries to the State economy, it is clear that economic and revenue costs of the World Trade Center disaster will be much more pronounced in New York than in other states.

Prior to September 11, the State economy's rate of growth had been slowing in line with the nation (see Figure 20). Last year's environment of high interest rates and plunging stock prices led to the demise of many "New Economy" firms in the telecommunications, internet and other high-technology industries. Employment growth slowed upstate, with some areas experiencing job declines relative to the same period in 2000. The weakness within the nation's manufacturing sector was paralleled upstate, where manufacturing remains an important component of the economic base. As established corporations faced declining profits, they began to reduce costs by laying off workers. Similarly, those firms tied to the fortunes of the manufacturing sector, particularly in the business service sector, also reduced their workforces.

Figure 20
New York and U.S. Leading Indicator Index
(percent growth from previous year)



Note: Shaded areas represent NY recessions.
Source: DRI-WEFA; The Conference Board; and DOB staff estimates.

Wage growth for the first quarter of 2001 appeared to be accelerating, even as employment growth was slowing down. However, much of the State's first quarter wage growth of 9.6 percent for 2001 is believed to have occurred downstate, due primarily to large bonus payments, particularly within the finance and insurance sector.[8] Finance and insurance sector wages comprised 30.7 percent of total State wages during the first quarter of 2001, a share that is even higher for the downstate region. These earnings are an important growth engine for other downstate activities, such as real estate transactions, retail sales, eating and drinking at restaurants and bars, and entertainment. Those large bonus payments were in turn related to the extremely high level of securities industry profits for the first half of 2000. However, even before September 11, private sector employment growth in the downstate region had fallen sharply from a strong 2.8 percent for all of 2000, to 1.8 percent through the first nine months of 2001 (see Table 4).

[8] The Division of the Budget staff estimate of State wages for first quarter 2001 is based on ES202 data at the firm level.

TABLE 4
NEW YORK STATE EMPLOYMENT GROWTH BY REGION
(percent growth)

	2000		January-September 2001		October and November 2001	
	Total	Private	Total	Private	Total	Private
Statewide	2.1	2.3	1.2	1.4	(0.7)	(1.0)
Downstate	2.5	2.8	1.5	1.8	(1.1)	(1.2)
New York City	2.8	3.3	1.4	1.8	(1.9)	(2.6)
Upstate	1.3	1.1	0.6	0.7	0.1	(0.5)

Source: New York State Department of Labor, CES.

The events of September 11 dramatically changed the outlook for downstate New York. It is estimated that more than 25 million square feet of office space was either destroyed or damaged on September 11. In the immediate aftermath, economic activity was severely restricted in the area of Manhattan below 14th Street, where over 710,000 people were employed, according to New York State Department of Labor estimates. Many firms were unable to conduct business. The financial markets remained closed for an unprecedented four days, and a large number of high-paying jobs have been relocated out of New York, at least temporarily. Transportation and communications continue to be disrupted. Much of the financial district in southern Manhattan remains closed to normal traffic flow and vital transportation infrastructure has been destroyed. In October, State employment fell for the first time since January 1996. Declines in employment over the next several months are inevitable as firms continue to suffer both the direct and indirect economic impacts of the September 11 disaster.

NEW YORK STATE BUSINESS CYCLES

The Division of the Budget believes that the State economy is in recession. However, there is no official mechanism for dating business cycles at the sub-national level. Recognizing that each state's economy follows its own unique path, DOB staff constructs an index measuring overall economic conditions for New York.[9] The index combines four State data series, including private sector employment, hours worked in the manufacturing sector, the unemployment rate, and sales tax receipts (as a proxy for retail sales). Based on the New York State Index of Coincident Economic Indicators, four prior business cycles have been identified for New York since the early 1970's, as reported in Table 5. Recessions are judged to begin after four to five consecutive declines in the index and conversely are estimated to end after four to five consecutive increases in the index.

TABLE 5
NEW YORK STATE BUSINESS CYCLES

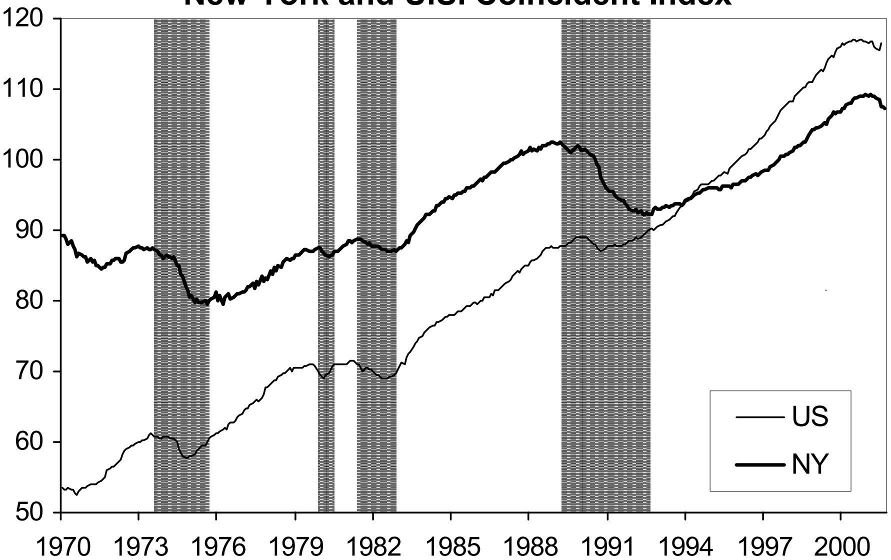
Peak Date	Trough Date	Length of Recession (months)	Private Sector Employment Loss
October 1973	November 1975	25	384,800
February 1980	September 1980	7	55,800
August 1981	February 1983	18	76,600
June 1989	November 1992	41	551,600

Source: DOB staff estimates.

[9] The methodology used to construct the DOB index is based on Stock, J.H, and M.W. Watson. (1991), A Probability Model of the Coincident Economic Indicators, in K. Lahiri and G. H. Moore (eds.), Leading Economic Indicators: New Approaches and Forecasting Records, New York: Cambridge University Press, pp. 63-85.

The Division of the Budget projects that the 2001-02 downturn will not be as deep as the recession which began in New York in the late 1980's and lasted more than three years. Figure 21 indicates that the State's last recession began in July 1989, a full year before the national recession, which began in August 1990. In addition, the State recession lasted 41 months until December 1992, well beyond the official trough of the national downturn. In fact, there are some similarities between current economic conditions and those of the early 1990's. For example, the stock market underwent a significant correction in October 1987, not long before the prolonged recession. Similarly, the stock market has undergone a protracted decline between April 2000 and October 2001. Then, as now, the finance sector is expected to experience significant job losses. In addition, the U.S. was engaged militarily during both recessions.

Figure 21
New York and U.S. Coincident Index



Note: Shaded areas represent NY recessions.
Source: DRI-WEFA; DOB staff estimates.

However, there are also significant differences between the early 1990's and the current economic situation. The initial impact of the September 11 disaster on employment was large and immediate. Not only did thousands of individuals lose their lives, but thousands of workers whose offices were either destroyed or became uninhabitable were transferred to temporary out-of-state office space. The State's travel and tourism industry came to a near standstill. The Division of the Budget estimates an employment decline for the State of over 100,000 for the fourth quarter of 2001, compared with the same period a year ago. This decline is much larger than the job loss experienced at the beginning of the last recession.

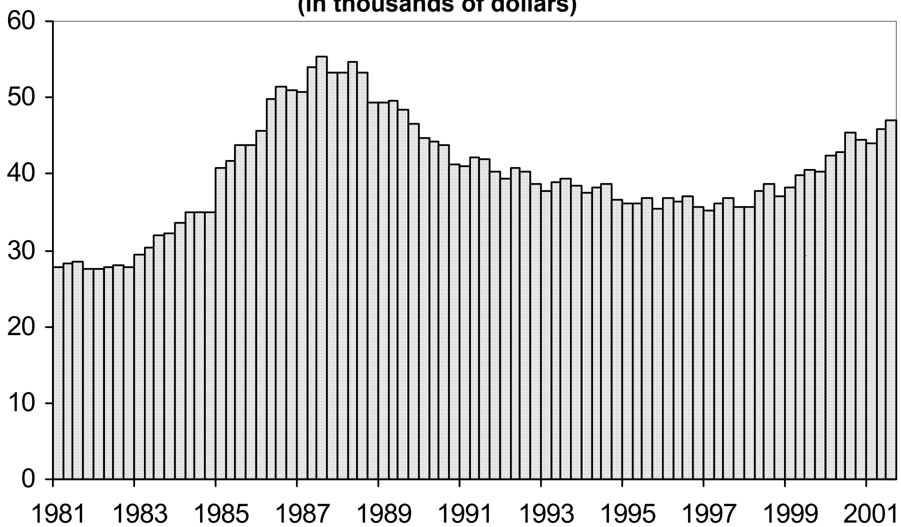
The estimated distribution of job losses across industries for the current recession also differs significantly from that of the early 1990's recession. The national slowdown originated in the manufacturing sector in the middle of 2000. For this reason, the State's economic slowdown first became evident in some of New York's upstate regions where manufacturing still represents almost 20 percent of regional employment. For the State economy as a whole, manufacturing represents a noticeably lower share of total employment than it did ten years ago. However, the slowdown in manufacturing precipitated a decline in the demand for business services, which has become even more important to the State economy since the early 1990's.

Even before September 11, the decline in business services had spread to the travel industry, as businesses looked for ways to cut back on expenses. However, that slowdown became a crisis in the wake of the World Trade Center disaster. Both the fear of further attacks and the delays and inconvenience associated with intensified security measures have decreased the demand for air travel services. Given the heavy dependence of the New York City and State economies on travel and tourism, these events have been particularly damaging to the State economy.

Although the cutbacks in service sector jobs are projected to be deep, they still do not approach the depth of the manufacturing job losses suffered during the last recession. During the last recession, the manufacturing sector suffered in two ways. Corporate restructuring, which had begun in the 1980's in the wake of intensified global competition, accelerated. Moreover, the downsizing of the U.S. Department of Defense following the end of the Cold War significantly reduced the number of defense contracts awarded to State firms. Consequently, New York State lost manufacturing jobs at extremely high rates, peaking at a 6.2 percent loss in 1991. Currently, the State's manufacturing sector is experiencing job losses, but at much lower rates than were experienced during the early 1990's.

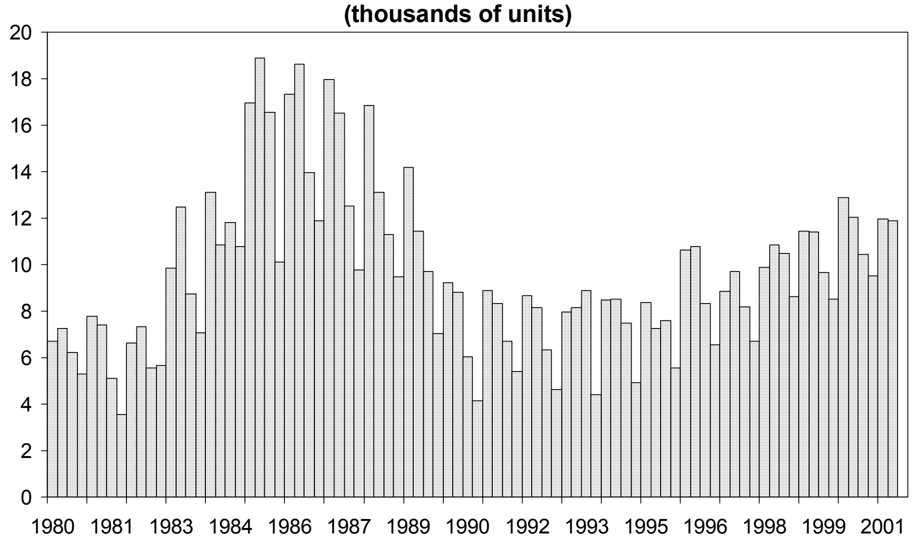
The last recession was also exacerbated by the collapse of the downstate real estate market that followed the employment cutbacks in the finance sector. Figure 22 indicates the extraordinary growth in home prices that occurred in the downstate metropolitan area, even after adjusting for inflation. The rise in home values contributed to the large increase in construction activity that occurred during much of the 1980's (see Figure 23). The decline in home values following the 1987 decline in the stock market precipitated five consecutive annual declines in construction employment from 1989 to 1993. Although home values have risen in recent years, Figure 23 indicates much less speculative building than occurred in the 1980's. Moreover, the effort to recover and rebuild following the destruction of the World Trade Center is expected to increase the demand for construction employment in the coming years.

Figure 22
New York Metro Area Median House Price
Adjusted for Inflation
(in thousands of dollars)



Note: Metro area also includes parts of New Jersey and Connecticut.
CPI for the metro area is used to adjust for inflation.
Source: DRI-WEFA.

Figure 23
New York State Housing Permits
(thousands of units)



Source: U.S. Dept. of Commerce, Bureau of Census.

With the State economy and the State's fiscal condition better positioned than before the previous recession, the current downturn may not be a long one. During the last recession, State employment underwent 15 consecutive quarters of decline, corresponding to a total loss of over 500,000 jobs. Moreover, the loss of manufacturing employment as a result of corporate restructuring and defense downsizing represented a permanent shift in the structure of the State economy. In contrast, the current loss of business service and tourism jobs is expected to be temporary.

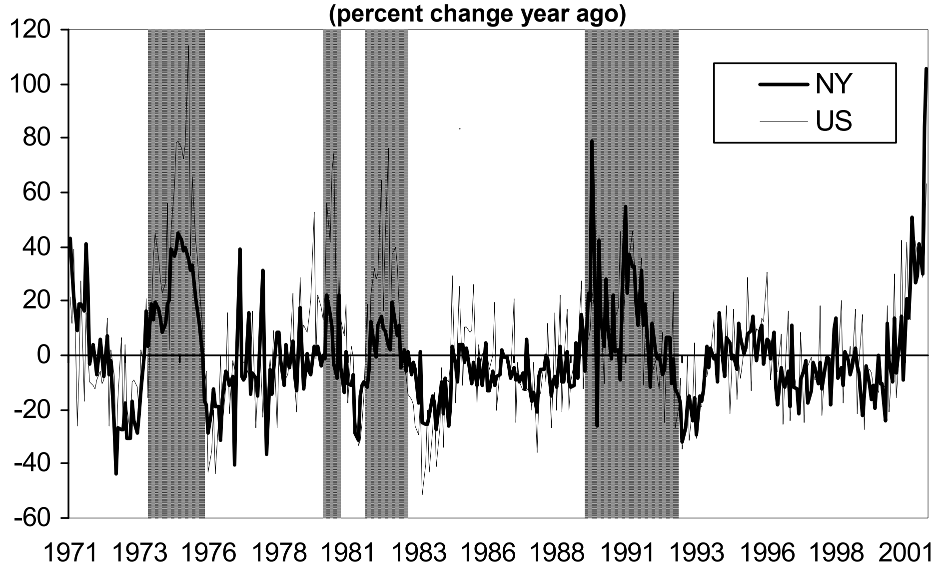
In addition, the loss of government jobs is expected to be much more moderate compared to the significant downsizing that occurred during the last recession.[10] Indeed, after adjusting for the employment surge associated with the conducting of the 2000 Census, government employment is expected to rise during the current slowdown.

EMPLOYMENT OUTLOOK

The national recession, combined with the aftermath of the events of September 11, has brought nine years of State employment growth to an end. Before September 11, initial unemployment insurance benefit claims for the nation as a whole had been rising faster than for New York (see Figure 24). However, the job losses stemming from the World Trade Center disaster raised the number of initial claims for New York by 80 percent in September compared with the same month a year ago. Data for October shows initial claims rising by over 100 percent above the same month in 2000.

[10] The revenue impact of September 11 notwithstanding, the State's fiscal condition going into this recession should lessen the need for significant workforce reductions during the forecast period. Indeed, upon raising the State's bond rating earlier this year, Fitch, Inc. noted that, "Surpluses are now routinely achieved as a result of conservative budgeting practices and a favorable economy." (Fitch, Inc. Press release, February 20, 2001.) Standard & Poor's noted that, "Unlike previous periods, the State has retained an appropriate level of reserves…." (Standard & Poor's, *Public Finance*, December 20, 2000.)

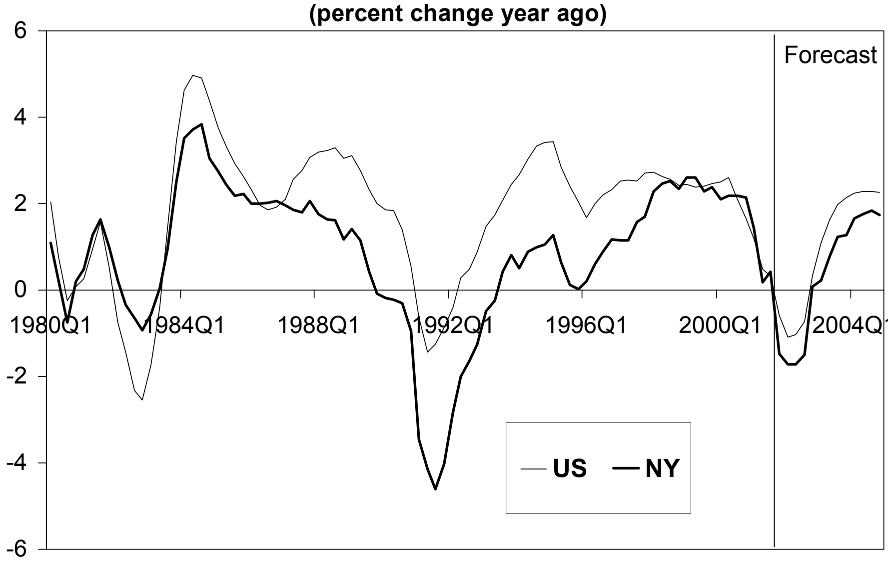
Figure 24
Initial Claims -- New York vs. U.S.
(percent change year ago)



Note: Shaded areas represent NY recessions.
Source: DRI-WEFA.

Total State nonagricultural employment is projected to fall 1.2 percent in 2002, following a 0.1 percent growth in 2001 (see Table 6). The rate of decline projected for the State for 2002 is significantly greater than the 0.6 percent decline forecast for the nation as a whole (see Figure 25). Private sector employment is projected to decline 1.5 percent in 2002, representing a loss of approximately 103,000 jobs, following a 0.1 percent increase for 2001. This represents a significant shift from the 2.3 percent increase for 2000. Table 7 reports projected changes in employment for selected major NAICS sectors (see Box 6). Employment in all of the State's major economic sectors are projected to decline, except for construction, education, health and social services, and public administration. The greatest rates of job loss will be experienced in the manufacturing, finance and insurance, and transportation and warehousing sectors. The State's average annual unemployment rate is expected to rise significantly to 6.5 percent next year from 4.8 percent in 2001. However, this compares favorably with the last three recessions. The State's unemployment rate peaked at 10.2 percent in 1976, 8.6 percent in 1982 and 1983, and again at 8.6 percent in 1992.

Figure 25
Employment Growth -- New York vs U.S.
(percent change year ago)



Source: NYS Department of Labor; DOB staff estimates.

TABLE 6
EMPLOYMENT GROWTH BY MAJOR NAICS SECTORS
(percent change)

	1999	2000	2001	2002	2003
Utilities	(3.6)	0.2	3.1	(0.7)	0.2
Construction	9.5	5.7	3.4	4.8	1.8
Mining and Manufacturing	(2.5)	(1.9)	(3.7)	(4.5)	(0.9)
Wholesale Trade	2.0	0.8	(2.3)	(2.6)	(0.6)
Retail Trade	3.0	2.4	(0.1)	(1.8)	0.5
Transportation and Warehousing	3.0	2.2	(1.0)	(4.8)	0.6
Information	2.5	4.7	1.9	(1.7)	0.2
Finance and Insurance	0.9	0.0	(1.7)	(4.3)	0.6
Real Estate and Rental and Leasing	3.1	1.5	0.3	(0.1)	1.5
Professional, Scientific and Technical Services	6.1	6.0	0.9	(1.5)	1.4
Management of Companies and Enterprises; Administrative and Support and Waste Management, and Remediation Services	7.0	6.4	(0.1)	(2.0)	1.5
Educational Services	0.7	3.1	3.6	1.8	2.5
Health Care and Social Assistance	2.8	1.7	1.3	2.0	2.9
Arts, Entertainment, and Recreation Accommodation, and Food Services; Other Services (except Public Administration)	4.4	2.1	0.8	(2.1)	1.4
Public Administration	1.4	1.5	0.1	0.1	(0.1)
Statewide	2.6	2.2	0.1	(1.2)	0.9

Source: New York State Department of Labor, ES202; DOB staff estimates.

BOX 6
THE TRANSITION FROM SIC TO NAICS: A SNAPSHOT OF THE STATE ECONOMY IN 2000

Beginning in March 2003, employment and wage data for New York State and sub-state regions will be published according to the North American Industrial Classification System (NAICS) instead of the current Standard Industrial Classification (SIC) system (see Box 3). In anticipation of the conversion to the NAICS, DOB has constructed estimates of NAICS employment and wage data at the 20 group 2-digit level for current employment and wage data, going back to 1975. The basis for the data construction is the employment and wage data that is received by the New York State Department of Labor under the unemployment insurance program (ES202 data). Recently, each firm has been reporting their employment and wages under both a SIC and a NAICS code.

The overlap of the SIC and NAICS codes at the firm level permits a reliable methodology for constructing a historical time series back to 1975 for employment and wages. The firm level data is aggregated to the 2-digit level on both a SIC and a NAICS basis. Three regions are specified: upstate, downstate, and unclassified. The statewide numbers are the sum of the three regions. For each region, and for each 2-digit SIC industry, the percentage of the industry that is allocated to each of the 2-digit NAICS groups is calculated using the most recently available data. Then, to get the total for a specific NAICS group, the percentages relating to that NAICS group are applied to the data for all the SIC industries. These same percentages are applied to the SIC data for all prior time periods in order to create a NAICS-based historical time series at the 2-digit level for both employment and wages.

In the SIC system, industries are classified into ten major sectors. The three largest sectors are services, government, and retail, accounting for 34.2 percent, 16.5 percent, and 15.3 percent of total State employment, respectively. The two smallest sectors are agriculture, forestry, and fishing; and mining. Together, they account for less than 1 percent of total employment. Under NAICS, government becomes the largest sector, accounting for 16.6 percent of the total employment, followed by health care and social assistance (12.9 percent) and retail trade (10.7 percent). The smallest four sectors are mining; management of companies and enterprises; agriculture, forestry, fishing ,and hunting; and utilities. Together they account for less than one percent of total employment

Under NAICS, the manufacturing sector's share of total employment decreases from 10.3 percent to 9.5 percent. This is due, in part, to the shift of publishing from manufacturing to the newly created information sector. In addition, firms which specialize in research and development, now classified under manufacturing, will be classified professional, scientific, and technical services under NAICS. The retail trade sector's share is significantly reduced under the new system, from 15.3 percent to 10.7 percent, reflecting primarily the removal of eating and drinking industries from this sector into the new accommodation and food services sector. The finance, insurance, and real estate (FIRE) under SIC becomes the finance and insurance (FI) sector under NAICS, causing its share to be reduced from 8.8 percent to 6.8 percent. Real estate industries are joined by rental and leasing to form a new sector under NAICS.

The manufacturing sector's share of State employment has declined almost continually over the post-World War II period. This has been due to increasing global competition, rising productivity, and, most importantly, the profound change in the industrial structure of the State economy. The transition from a traditional manufacturing base to a more technology-intensive form of manufacturing is expected to continue. The events of September 11 will accelerate the decline in manufacturing employment. It is estimated that the State will lose 36,000 manufacturing jobs in the fourth quarter of 2001 (compared with the same period last year) as a result of the September 11 disaster and the national and global recession. Manufacturing employment is expected to fall 4.5 percent in 2002. The situation is expected to improve by the end of 2002, with the recovery of both the U.S. and global economies.

The destruction of the World Trade Center had a severe impact on the finance and insurance sector, particularly on the securities industry. It is estimated that this sector will lose 31,000 jobs by the end of 2001, compared with the fourth quarter of 2000. The finance and insurance sector has not been a significant contributor to employment growth over the last four decades, which saw a large degree of consolidation. The pace of consolidation accelerated over the past two years due to the repeal of the Glass-Steagal Act of 1933 which prohibited a single firm from offering banking, brokerage and underwriting, and insurance services. The fallout from the September 11 disaster, along with continued consolidation and the weak profit performance of the securities industry, is expected to result in this sector's largest employment decline in over 25 years during 2002.

The State's transportation and warehousing sector is also expected to suffer extensive job losses due to the impact of September 11. It is estimated that this sector will lose 12,800 jobs by the end of the fourth quarter compared with a year ago. Owing to the combined national and global recessions, and the continued terrorist threat, employment in this sector is expected to contract 4.8 percent for 2002 (see Table 7).

TABLE 7
CHANGE IN NEW YORK STATE EMPLOYMENT FOR 2002
SELECTED NAICS SECTORS

Manufacturing	(34,800)
Finance and Insurance	(24,400)
Arts, entertainment, accommodation and food, and other services	(20,100)
Retail trade	(16,000)
Management, administrative and support and waste management and remediation services	(9,100)
Transportation and Warehousing	(10,600)
Construction	16,100
Health and Social Assistance	21,800
All Other	(25,300)
Total	(102,400)

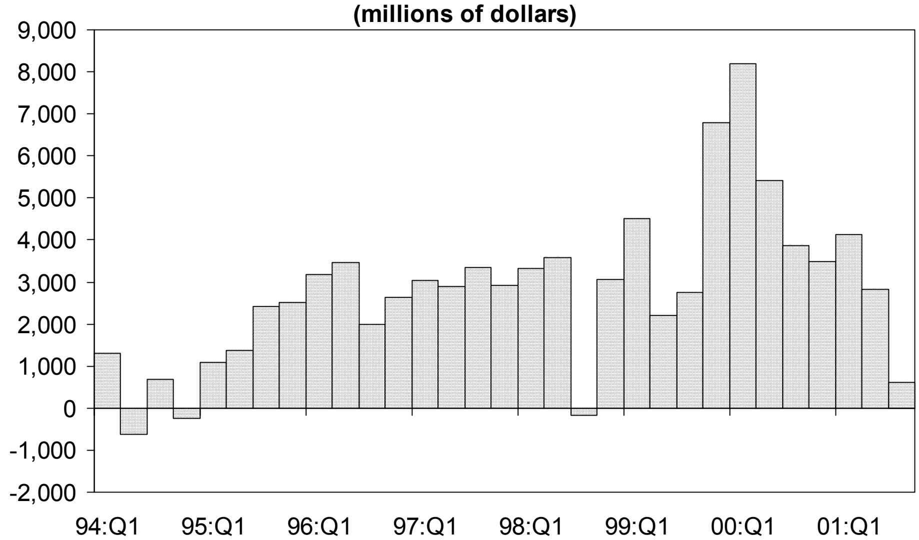
Source: New York State Department of Labor, ES202; DOB staff estimates.

Construction has been a leading growth sector in recent years, due to rising home prices, relatively low interest rates, and the strength of the economic expansion. Employment growth in this sector is expected to remain strong due mainly to the recovery and reconstruction efforts following the September 11 disaster, as well as to low interest rates. Construction employment is expected to grow 4.8 percent for 2002, following growth of 3.1 percent for 2001.

FINANCIAL MARKET ACTIVITY ON THE DECLINE

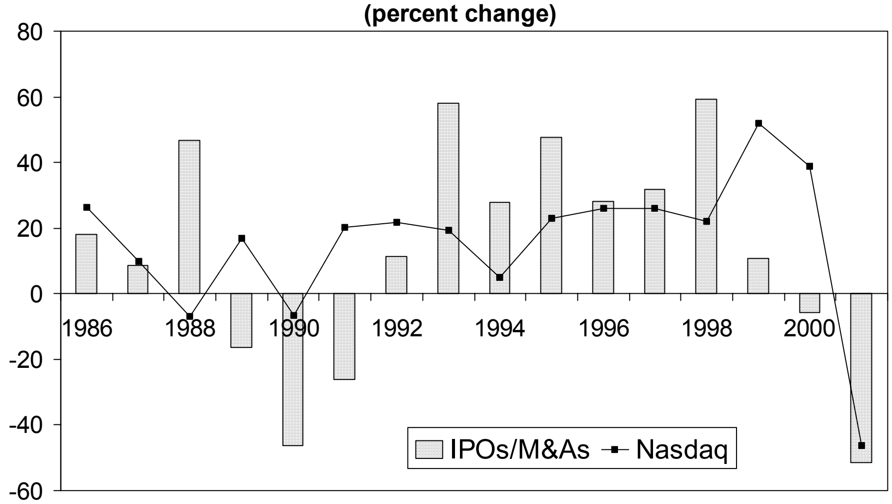
Prior to September 11, securities industry profit growth had slowed relative to the previous year (see Figure 26). The decline in equity prices and the downturn in U.S. corporate profits had resulted in a sharp reduction in the number and dollar value of IPO's and mergers and acquisitions value, two important revenue sources for the industry. Through November 2001, the dollar amount of IPO's is down 38.7 percent from the same period in 2000 (see Figure 27). Revenue earned from merger and acquisition activity is down 51.5 percent for the first three quarters of this year. In contrast, debt underwriting has achieved record levels due to falling interest rates. Based on data through November, the value of total debt underwriting is up 37.3 percent thus far this year. Nevertheless, the extremely high level of profits earned in 2000, particularly in the first half of the year, proved unsustainable.

Figure 26
Securities Industry Pre-Tax Profits
(millions of dollars)



Source: Securities Industry Association.

Figure 27
Growth in IPOs/MAs vs. Nasdaq Stock Index
(percent change)



Note: Growth rates for 2001 are based on three quarters of data for IPOs/MAs.
Source: DRI-WEFA; Thomson Financial Services.

Revenue earned in the securities industry has been on a steady decline since its peak in the first quarter of 2000. Nearly all of the industry's important revenue sources — commissions, market-making gains, underwriting, margin interest income, and mutual fund sales — are contributing to the decline. Most noticeable is the revenue from the tech-stock heavy over-the-counter market, which has plunged by more than 50 percent since its peak in the first quarter of 2000. The bright spot is the revenue from fixed income and derivatives market activity. Due to both the Federal Reserve's interest rate cuts and a flight to quality on the part of investors, revenue from bond trading activity for the first three quarters of 2001 rose 27.8 percent over the same period in 2000. In addition, the volatility of the financial market has caused many investors to be active in the derivatives market in order to hedge their market risk. However, it is unlikely that the increased revenue from these two areas would be sufficient to offset the declines from other sources, given that these two sectors only comprise about 10 percent of total industry revenue in a typical year.

An empirical analysis, based on data for the 20 year period from the first quarter of 1980 through the second quarter of 2001, indicates a significant positive correlation between commission revenue in the current quarter and the rate of return on financial assets over the previous four quarters. As the four quarter rate of return on assets becomes positive, traders enter the market hoping to capitalize on the market's upward momentum. The entry of these "momentum traders" increases transactions volume and thereby commission revenues. Correspondingly, a negative return would result in significantly less trading in the current quarter because few momentum traders would enter the market. Those who have been in the market would hold on to their positions, resulting in less commission revenue. Macroeconomic conditions also have an impact on commission revenue. Prior quarter GDP growth and consumer price inflation tend to be associated with rising commission revenues, while an increase in the federal funds rate tends to be associated with a decline in revenues. These factors suggest little growth in commission revenues over the forecast period.

Impact of World Trade Center Disaster

The Division of the Budget estimates that the events of September 11 will add to the negative impact of the national recession on the profits of the securities industry. The loss in human capital is inestimable. Additionally, the industry incurred losses due to the destruction of physical capital and the cost of relocating operations. The industry's estimated third quarter profits of $0.6 billion were the lowest since the industry incurred net losses during the third quarter of 1998 as a consequence of the Asian financial crisis. For the first three quarters of 2001, securities industry profits are down about 57 percent from the same period in 2000. The fall in profits is contributing to mounting layoffs within the industry. In addition, the sharp decline in profits is expected to result in a severe decline in finance and insurance industry cash bonuses of 43.7 percent for the 2001-02 State fiscal year. This decline is expected to be exacerbated by firms weighting their bonus payouts more heavily in favor of stock options, as well as by the transfer of dislocated workers out-of-State.

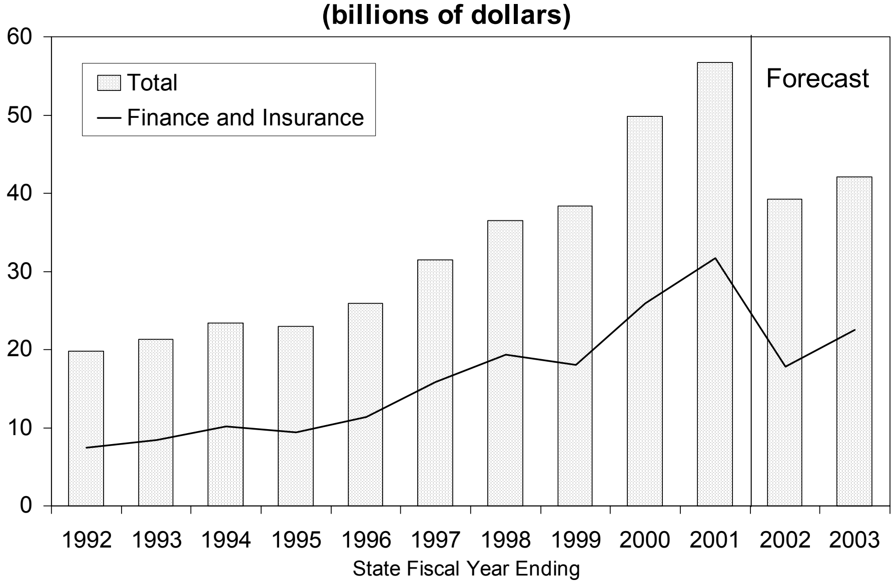
OUTLOOK FOR INCOME

Variable Income Growth

Variable income is defined as that portion of wages derived from bonus payments, stock incentive income, and other one time payments (see Box 7). As a performance incentive for a given calendar year, firms tend to pay employee bonuses during either the fourth quarter of that year or the first quarter of the following year. Although stock options tend to be granted during the same quarters, often as part of a bonus package, an employee may exercise that option, thus transforming it into income, at any time of the year. However, the concentration of variable income payments in the fourth and first quarters makes the State fiscal year a logical period of analysis for discussing the determinants of variable income growth.

As already noted, securities industry profits are estimated to deteriorate significantly during 2001, due to the decline in revenues from financial market activities, such as IPO's and mergers and acquisitions. Moreover, tens of thousands of positions have been lost due to the events of September 11. Therefore, the Division of the Budget projects that variable income for the finance and insurance sector will fall 43.7 percent during the 2001-02 State fiscal year (see Figure 28). Variable income for that sector is expected to rise 26.1 percent during 2002-03, bringing variable income for the finance and insurance sector back to its 1997-98 level.

Figure 28
New York State Bonus Income
(billions of dollars)



Source: NYS Department of Labor; DOB staff estimates.

Although the decline will be most dramatic for finance and insurance firms, the New York economy will see a drop in bonus income across all industries. The largest decline outside of finance and insurance will be in the information sector, due in large part to the collapse of the telecommunications sector. The next largest decline will be seen in the State's manufacturing sector. Overall, bonus income outside of the finance and insurance sector is expected to decline 14.6 percent during 2001-02 and decline 8.7 percent for 2002-03. Total State bonus income is projected to fall 30.9 percent for 2001-02, followed by growth of 7.1 percent for 2002-03. On a calendar year basis, total State bonus income is expected to increase 2.0 percent for 2001, followed by a decline of 24.0 percent for 2002.

BOX 7
THE CONSTRUCTION OF NEW YORK STATE WAGES
AND THE ESTIMATION OF VARIABLE INCOME

Trends in State wages are critical to an accurate analysis and forecast of personal income tax liability and collections. To improve the link between the economic and tax variables on a quarterly basis, the Division of the Budget (DOB) constructs its own wage series from the available primary data sources. This series differs from the data published by the U.S. Bureau of Economic Analysis (BEA).

The Division of the Budget uses only New York data to construct its State wage series. The primary source is data collected under the Federal Unemployment Insurance Program, known as the ES 202 data file. In contrast, the BEA uses national information to adjust the quarterly values for seasonal variation, as well as to ensure that state-level wages add up to national estimates. The consequence is often a significant difference between the two series in both the quarterly pattern and the annualized growth rates. For example, according to staff estimates based on the ES 202, wage growth for the first and second quarters of 2000, on a percent-change-year-ago basis, was 18.3 percent and 8.5 percent, respectively. The comparable growth rates originally published by the BEA were 2.4 percent and 5.4 percent. These estimates have since been revised up to 6.0 percent and 9.1 percent, respectively. However, the lack of timeliness in the revision process limits the usefulness of BEA for State forecasting purposes.

A comparison with yet another source of wage data also demonstrates the greater accuracy of the ES 202. Since the amount of wages withheld for personal income tax purposes varies systematically with wages itself, withholding data provide a useful guide for estimating State wage growth. For example, wages withheld during the first quarter of 2000 were 18.6 percent above withholding for the same quarter of the previous year. This estimate is much more consistent with the growth rate derived from the ES 202 than with the BEA's estimate of 2.4 percent.

Once an entire year of ES 202 data becomes available, the BEA revises its state-level wage data to be more consistent with that data source. For this reason, the Division of the Budget's method performs well in anticipating the BEA's revised estimates of annual growth in New York wages. To make the actual magnitudes of the Division of the Budget's wage series more strictly comparable to the BEA wage series, noncovered and unreported legal wages must be added to wages taken directly from the ES 202. The addition of these components typically changes the annual growth rate for State wages by no more than two-tenths of one percentage point.

An increasing portion of New York State wages are paid on a variable basis, in the form of either bonus payments or proceeds derived from the exercise of stock options. No government agency collects data on variable income as distinct from ordinary wages; therefore, it must be estimated. The Division of the Budget derives its estimate of bonuses from firm level data as collected under the Unemployment Insurance program. This method allows a large degree of flexibility as to when individual firms actually make variable income payments. However, as with any estimation method, some simplifying restrictions are necessary. DOB's method incorporates the assumption that each establishment makes variable income payments during at most two quarters of the year. However, the determination as to which quarters contain these payments is made at the firm level.

Firms report their wages to the Unemployment Insurance program on a quarterly basis. The firm's average wage per employee is calculated for each quarter. The average over the two quarters with the lowest average wages are assumed to reflect the firm's base pay, that is, wages excluding variable pay. If the average wage for either of the remaining quarters is significantly above the base wage, then that quarter is assumed to contain variable income.[1] The average variable payment is then defined as total average wage minus the base average wage, after allowing for an inflation adjustment to base wages. Total variable pay is then calculated by multiplying the average bonus payment by the total number of firm employees. It is assumed that only private sector employees earn variable pay.

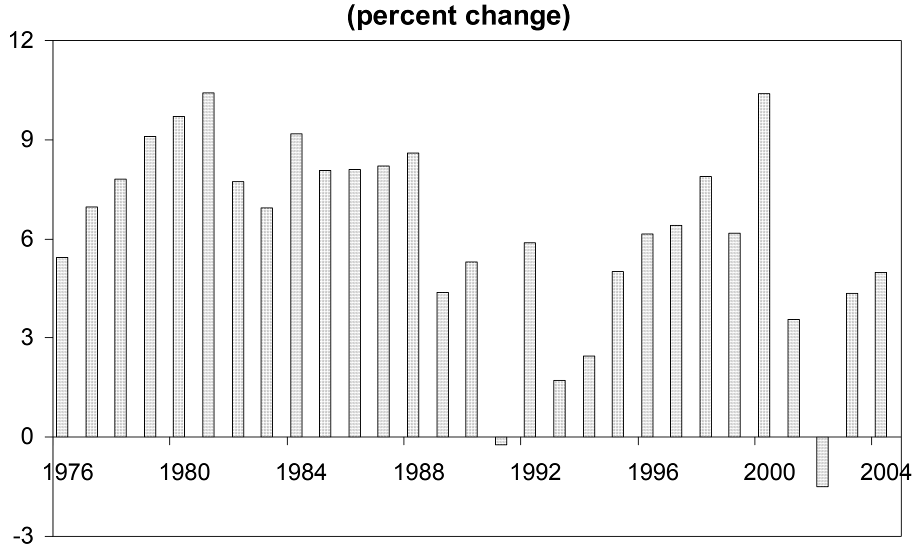
[1] The threshold adopted for this purpose was 25 percent. However, the variable income estimates are fairly robust to even a five percentage point swing in this criterion.

Total State Wages

Unlike the variable component of income, nonbonus wages are driven largely by changes in employment and the nonbonus average wage, and are therefore relatively more stable. After adjusting for inflation, the State's nonbonus average wage is believed to have a stable long-run relationship with the real U.S. average wage. However, State real average wages can deviate from their long-run trend due to short-term fluctuations related to the business cycle or shocks to the regional economy. Non-bonus average wage growth is estimated to increase by 3.1 percent in 2002, following projected growth of 3.7 percent for 2001. Total non-bonus wages are projected to grow only 1.9 percent for 2002, following 3.8 percent growth for 2001.

The decline in bonuses, lower inflation, reduced employment, and slower growth in non-bonus average wages are all expected to contribute to a decline in the State's overall average wage of 0.3 percent for 2002. This would be the first decline in the State's average wage since the ES202 data was first reported in 1975. The combined impact of the decline in average wages and the decline in employment is expected to reduce total wages by 1.5 percent for 2002, following growth of 3.6 percent for 2001 (see Figure 29).

Figure 29
New York State Wage Growth
(percent change)



Source: NYS Department of Labor; DOB staff estimates.

Total State Personal Income

In October 2001, the Bureau of Economic Analysis released revised estimates of State personal income for the years1998 through 2000[11]. New York State's personal income was revised up by $4.6 billion for 1998 (see Table 8). The largest revisions were to wages and property income — $2.7 billion and $1.3 billion, respectively. Property income for 1999 was revised down by $2.8 billion, resulting in a downward revision of $2.3 billion for personal income for that year. For 2000, the upward revision to wages was cancelled out by negative revisions to other income components, producing almost no change in personal income. The

[11] See Jeffrey L. Newman, "State Personal Income, Revised Estimates for 1998-2000," *Survey of Current Business* (October 2001): 99-115.

net impact of these revisions resulted in an increase in personal income growth for 1998 and 2000 by 0.8 percentage points and 0.4 percentage points, respectively; while for 1999, growth was revised down by 1.2 percentage points.

TABLE 8
NEW YORK STATE PERSONAL INCOME REVISIONS

	1998	1999	2000
Level			
(billions of dollars)			
Current	590.4	614.6	655.6
Previously published	585.8	616.9	655.6
Revision	4.6	(2.3)	0.0
Percent Growth			
Current	6.7	4.1	6.7
Previously published	5.8	5.3	6.3
Revision	0.8	(1.2)	0.4

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

The Division of the Budget projects a 1.0 percent increase in the nonwage components of State and personal income for 2001, followed by a growth of 5.0 percent in 2002. The slow growth in 2001 is caused by the 2.6 percent decline in property income. The decline in interest rates and profits, along with the property damage and loss of business that occurred as a result of the September 11 disaster, are expected to result in weak growth. The Division of the Budget projects that weakness in both the wage and nonwage components of income will result in growth of only 2.6 percent in total personal income for 2001 (see Table 9). The decline in wages caused by reductions in both bonus income and employment will produce 1.1 percent growth in total personal income for 2002.

TABLE 9
NEW YORK STATE SELECTED ECONOMIC INDICATORS
CALENDAR YEAR
(percent change)

	2000 (actual)	2001 (preliminary)	2002 (forecast)	2003 (forecast)	2004 (forecast)	2005 (forecast)
Personal Income[2]	7.4	2.6	1.1	3.8	4.3	4.5
Wages and Salaries[2]						
Total	10.4	3.6	(1.5)	4.4	5.0	4.7
Without Bonus[1]	9.0	3.8	1.9	3.8	4.9	4.6
Bonus[1]	20.4	2.0	(24.0)	9.6	5.5	5.3
Wage Per Employee	8.1	3.4	(0.3)	3.5	3.2	3.2
Property Income	4.1	(0.5)	3.4	1.5	2.4	2.8
Proprietors' Income	4.9	1.6	4.9	5.1	5.3	5.1
Transfer Income	3.8	6.1	7.5	6.1	5.3	6.9
Nonfarm Employment[2]						
Total	2.2[3]	0.1[3]	(1.2)	0.9	1.7	1.5
Private	2.3	0.1	(1.5)	1.1	2.0	1.7
Unemployment Rate (percent)	4.6	4.8	6.5	6.4	6.1	5.9
Composite CPI of New York[1]	3.2	2.9	2.4	2.5	2.4	2.4

[1] Series created by the Division of the Budget.
[2] Nonagricultural employment, wage, and personal income numbers are based on the data provided by the Unemployment Insurance Program (202 data).
[3] The currently published total employment for 2000 produces a growth rate of 2.1 percent. However, DOB anticipates an upward revision of 0.1 percentage point when the data become final. For 2001, the current estimate of the growth rate is 0.7 percent and DOB expects the rate to be revised downward.
Source: U.S. Department of Commerce, Bureau of Economic Analysis; New York State Department of Labor; DOB staff estimates.

BOX 8
THE NEW YORK STATE DIVISION OF THE BUDGET'S
NEW YORK MACROECONOMIC MODEL

DOB'S New York Macroeconomic model (DOB/N.Y.) attempts to capture the fundamental linkages between the New York and the national economies. Clearly, New York's economy depends on economic developments in the U.S. economy, usually expanding when the national economy is growing and contracting when the nation is in recession. However, this relationship is neither simple nor static. The growth rate of the State's economy can vary substantially in comparison to the nation. For example, during the last national recession, the State's recession began noticeably earlier and ended significantly later than for the nation as a whole. Alternatively, during the early 1980's recession, the State's economy fared better than the nation.

The objective of DOB/N.Y. is to quantify the linkages between the United States' economy and New York's economy in an econometric modeling framework — one that specifically identifies the economic conditions in New York. DOB/N.Y. is a structural time series model with most of the exogenous variables derived from DOB/U.S. In general, the long-run equilibrium relationships between State and national economic variables are captured by a cointegration/error correction specification, while the State's specific dynamics are modeled using a restricted vector autoregressive (RVAR) framework. DOB/N.Y. has four major components: a nonfarm payroll employment segment, a real nonbonus average wage segment, a bonus payment segment, and a nonwage income segment.

Employment

The national economy affects New York employment through two channels. First, if State employment growth for a specific sector is related to the growth of the U.S. employment in the same sector, U.S. employment for that sector is specified as an exogenous variable in the equation. Second, overall U.S. economic conditions, as measured by the growth of real U.S. GDP, is included either directly in the employment equations for some sectors or indirectly through the VAR relationships.

Intra-sectoral relationships for New York employment can be different from those for the nation as a whole. These relationships are captured in a restricted VAR model where the impact of one sector on other sectors is explicitly specified.

Average Real Nonbonus Wages

Our analysis suggests the existence of a long-run equilibrium relationship between real nonbonus average wage for most New York sectors and the national real average wage. Thus, the State average real nonbonus wage by sector is modeled in a cointegration/error correction framework. This modeling approach is based on the belief that, in the long run, since both labor and capital are free to move in a market economy, regional differences in labor costs tend to disappear (this process may take quite a long time). This formulation allows for short-run adjustments towards equilibrium, which describe the short-run dynamics of State-specific economic conditions.

Bonus Income

The DOB model for finance and insurance bonus income incorporates those factors which drive Wall Street profits — merger and acquisition activity, IPO's, and the volume of debt underwriting. Our analysis shows that bonuses paid in the State's other economic sectors tend to have long-term equilibrium relationships with those paid in the finance and insurance sectors; more technically — bonus payments in the financial services sector are cointegrated with bonuses paid in most other sectors. Consequently, the results from the finance and insurance sector bonus model are used to estimate bonuses paid in other sectors.

Nonwage Incomes and Other Variables

The New York nonwage components, except for the residence adjustment, are all driven by their national counterparts. The relationship is modeled as a change in the New York variable as a function of a change in the U.S. nonwage counterpart along with lags of the independent and dependent variables as appropriate to account for short-term fluctuations.

Risks to the New York Forecast

In addition to the uncertainties described earlier for the U.S. economy, the forecast contains risks specific to New York. The most significant risks to the New York economic forecast pertain to the pace of layoffs related to the events of September 11, and the impact of both the disaster itself and deteriorating economic conditions on employee wages. Fewer layoffs, stronger financial markets, and higher employee bonuses than projected imply a brighter picture of the State economy than reflected in the current forecast. Similarly, greater job losses, weaker financial markets, and smaller bonus payments than expected imply a dimmer picture.

The extensive job losses projected for the finance and insurance sector may result in a small spike in wage income in the form of severance pay. This represents an upside risk to the New York wage forecast for 2002.

SOURCES OF VOLATILITY IN THE INCOME TAX BASE — A RISK ASSESSMENT

Historically, the uncertainty surrounding such volatile income components as capital gains, bonuses, and stock incentive payouts, and the small number of taxpayers who account for the majority of this income, has posed significant risks to the Division of the Budget's personal income tax forecast. This is especially true in light of the turbulent conditions recently observed in the financial markets. The volatility in these components produces a wide range in potential income growth (see Figure 33 and Figures 36 through 39, below). Although the Division of the Budget's projection approaches the middle of that range, the cost to the State of inaccurately forecasting revenues is not symmetric about the midpoint. Given the real possibility of significant declines in taxable income, the cost of moving above the forecast could be much higher than the cost of moving below. A potential shortfall in receipts that results in a mid-year budgetary deficit could have severe consequences, possibly requiring spending cuts, revenue increases, or the issuance of deficit notes. Therefore, a conservative approach to projecting these components is warranted.

In recent years, personal income tax revenues in New York State have increased considerably despite several major tax cuts. In the 1980-81 State fiscal year, personal income tax receipts represented 50 percent of State General Fund total tax receipts. However, by the 2000-01 State fiscal year, that ratio was 65 percent. While this increase is certainly due, in part, to the improvement in the State economy, the magnitude of the growth in receipts has far exceeded that which can be easily measured using conventional economic indicators. For example, in 1999, the most recent year for which complete State income tax liability data are available, State personal income grew 4.0 percent, while New York State adjusted gross income (NYSAGI) grew 8.4 percent, and total personal income tax liability grew 10.5 percent.

These large differentials can be attributed to several factors. The gap between personal income growth and NYSAGI growth is primarily related to measurement issues. Personal income is a National Income and Product Accounts (NIPA) definition, and therefore comprises income derived from value added to current production. Adjusted gross income measures the taxable components of income and, as such, includes components which are taxable but not counted in personal income, such as capital gains realizations. Since the gain earned from the sale of a financial asset excluding transaction costs is not related to current production, it is not included in the NIPA concept of personal income. With the dramatic run-up in equity prices in 1999, capital gains realizations rose accordingly.

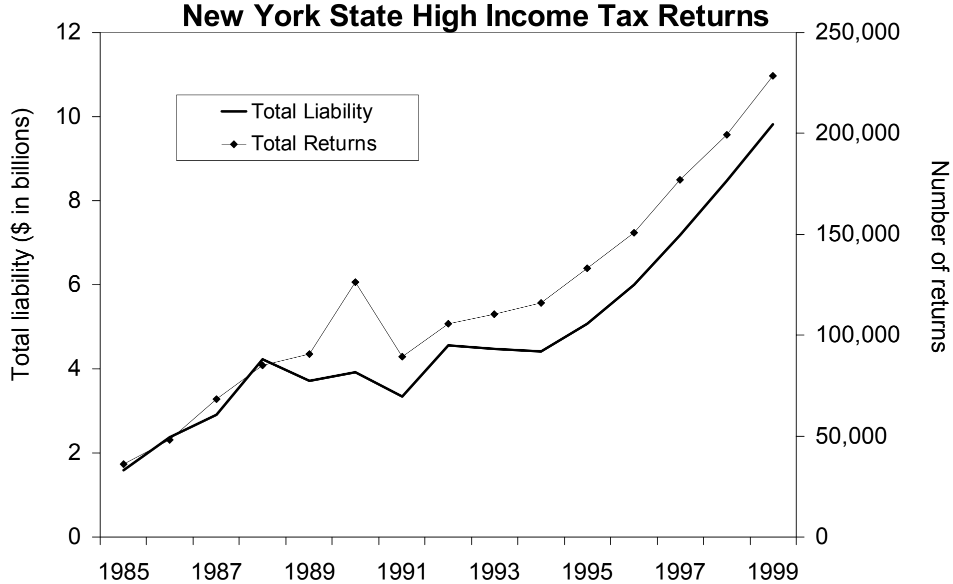
The gap between growth in NYSAGI and personal income tax liability is, in part, related to the progressiveness of the State tax system. Taxpayers move into higher tax brackets as their incomes rise. For instance, between 1998 and 1999, the latest year for which detailed income tax data are available, the average effective tax rate, as measured by the ratio between personal income tax liability and NYSAGI, increased from 4.54 percent to 4.63 percent, without any significant changes in tax law.

It is estimated that the volatility in State personal income tax receipts extended into 2000 and 2001. Based on Division of the Budget staff estimates, personal income tax liability grew 17.6 percent in 2000, but is projected to decline 5.4 percent for the current year. These fluctuations in liability are related to estimated growth in adjusted gross income of 12.7 percent for 2000 and an estimated decline of 3.6 percent for 2001. This compares to personal income growth of 7.4 percent for 2000 and estimated growth of 2.6 percent for 2001. The most critical factors explaining the estimated dramatic changes in New York income tax receipts include changes in the State's income distribution, and the variable nature of specific components of taxable income, such as bonus wages and capital gains realizations.

CHANGES IN THE STATE DISTRIBUTION OF INCOME

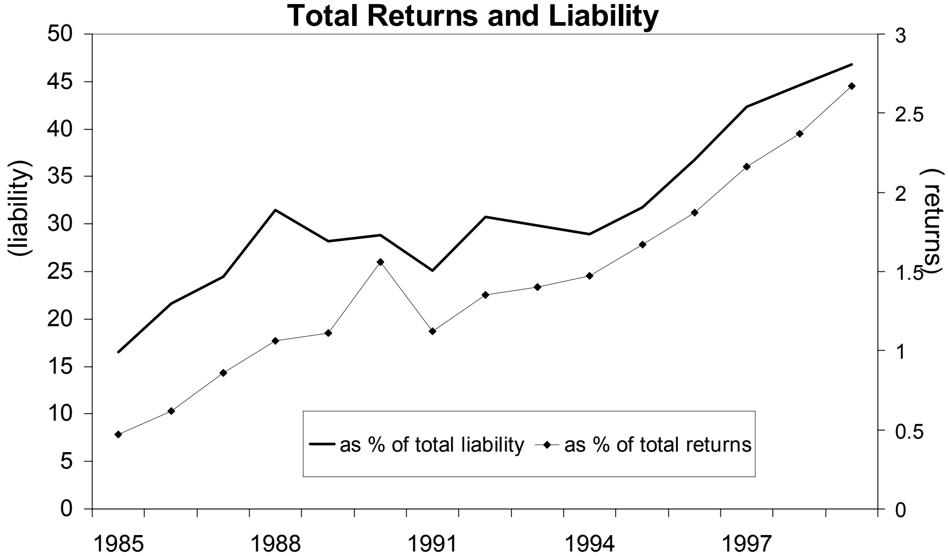
About 8.5 million tax returns were filed in New York State in 1999, representing growth of about 1.7 percent per year since 1995. However, the number of taxpayers reporting NYSAGI above $200,000 has seen annual increases of close to 15 percent (see Figure 30). In 1999, the most recent year for which detailed tax return data are available, these high-income taxpayers represented 2.7 percent of all taxpayers. However, they accounted for 34.8 percent of NYSAGI and fully $9.8 billion of personal income tax liability, or 46.8 percent of the total (see Figure 31). While the rapid growth in income among the State's high-income citizens has produced unprecedented growth in State tax receipts, reliance upon this growth as a source of future revenues continues to pose a substantial risk to the financial plan. This is because the incomes of high-income taxpayers tend to be more heavily weighted toward the more volatile components of adjusted gross income, such as bonus wages and capital gains realizations.

Figure 30
New York State High Income Tax Returns



Source: NYS Department of Taxation and Finance; DOB staff estimates.

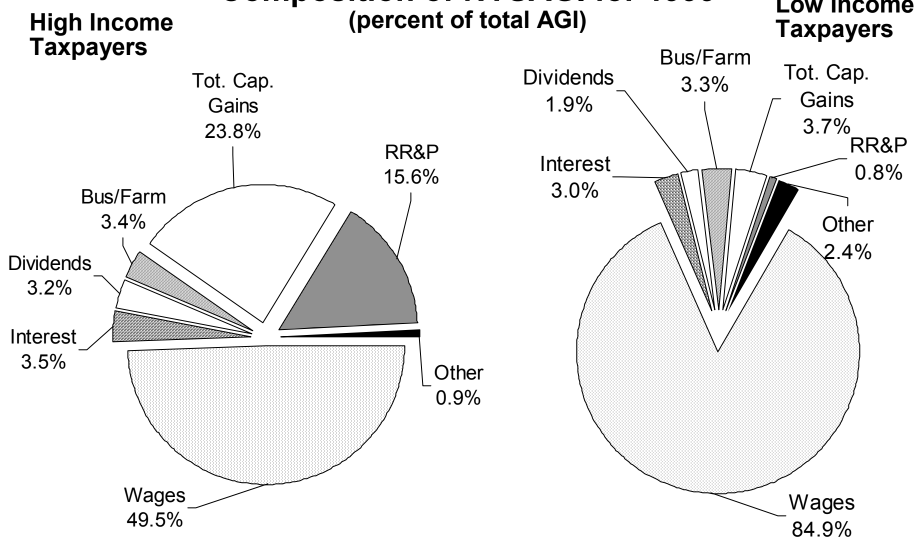
Figure 31
High Income Taxpayers as Percent of Total Returns and Liability



Source: NYS Department of Taxation and Finance; DOB staff estimates.

Given the progressive nature of the State's tax system, forecasting total income tax liability entails not only forecasting total income, but the distribution of income as well. Out-year estimation of income distribution is especially risky when the economy is at or near a business cycle turning point, as it is today, since the share of income earned within the highest income brackets can fluctuate dramatically with the business cycle. Clearly, the most volatile components of AGI comprise a much larger share of total AGI for the State's high-income taxpayers than for others, and for high-income taxpayers, those shares can change radically over time. For example, capital gains realizations for taxpayers with AGI less than $100,000 grew from 1.1 percent of AGI to 3.1 percent between 1991 and 1999. For high-income taxpayers with AGI above $200,000, the comparable shift was from 12 percent to 24 percent.

Figure 32
Composition of NYSAGI for 1999
(percent of total AGI)



Note: High income taxpayers are defined are those reporting NYSAGI of more than $200,000.
Source: NYS Dept. of Taxation and Finance.

BOX 9
ESTIMATING FORECAST RISK USING MONTE CARLO SIMULATION

The Division of the Budget uses forecasting models to project future values for the components of New York State adjusted gross income. These models presume that the historical relationships between the components of income and a number of key economic indicators are useful for projecting their future behavior. They also presume that these relationships are stable and can be estimated using standard statistical methods. Since all statistical models are simplifications of complex relationships, they are subject to model misspecification error. In addition, there is risk associated with the forecasts for the exogenous economic indicators. However, even if a model is well specified and the future values of the exogenous inputs can be predicted with certainty, a statistical forecast remains subject to risk. There is always a component that cannot be captured by the model, which is simply ascribed to random variation. Moreover, the estimated parameters of the model are themselves random variables and, as such, are subject to estimation error.

For a given model specification and a given set of exogenous inputs, one can evaluate the risk to the forecast due to the random variation in the variable one is trying to forecast, as well as the random variation in the model parameters. The tool used most commonly in econometric research for evaluating this risk is the Monte Carlo simulation study. For each simulation, a random number generator is used to generate sequences of values from a probability distribution. The random variation in the forecast variable and in the parameter estimates is typically assumed to be governed by normal and multivariate normal distributions, respectively. Each individual simulation is comprised of a random draw from the distribution of the model errors, as well as random draws from the multivariate distribution of the parameter estimates. Then the model is solved for the endogenous variable, given a fixed input data set. This “experiment” is typically repeated thousands of times, yielding thousands of predicted values for the endogenous variable. After all the simulations are performed, a mean and standard deviation of the predictions can be calculated. Thousands of replications of the simulation permit the estimation of a confidence interval around the forecast. That interval can, in turn be used to assess the risk associated with the forecast.

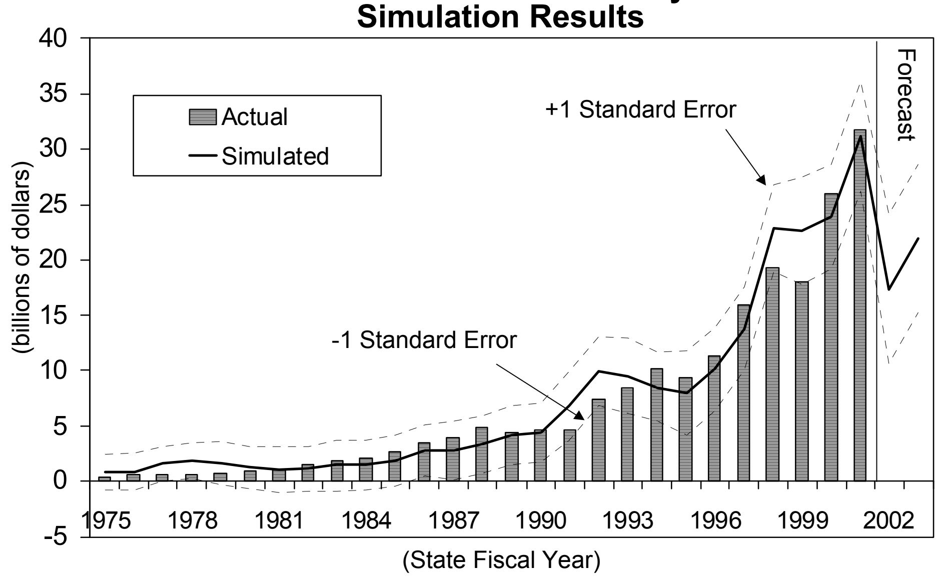
VOLATILITY IN THE MAJOR COMPONENTS OF NYSAGI

The Bonus Component of Wages

Total State wages grew by $34.4 billion in 2000, a 10.4 percent increase.[12] Total bonus payments are estimated to have grown by $8.6 billion, representing about 23.6 percent of the total increase in wages. In fact, the share of total wages paid out in bonuses has been increasing steadily. While growth in this component of wages is, in part, the result of a strong economy, the exceptional performance of the financial sector has been equally important. DOB's forecast for finance and insurance sector bonuses is driven largely by the performance of the major sources of income for financial sector firms, such as underwriting activity related to IPO's, mergers and acquisitions, and debt. Therefore, it is not surprising that bonus income exhibits much more volatility than the nonvariable component of State wages and salaries. As a result of the current economic downturn and its disproportionate reverberation within the financial sector, it is expected that financial and insurance sector bonuses paid out during the 2001-02 State fiscal year will decline by 43.7 percent.

Figure 33 presents the results of a simulation of the DOB bonus income model for the finance and insurance sector (see Box 9). A 66 percent confidence band is constructed by adding and subtracting one standard deviation to and from the mean of the simulated values at each point in time. DOB expects finance and insurance sector bonuses to reach $22.5 billion for the 2002-03 State fiscal year. However, the simulation results indicate that, with a 66 percent probability, bonuses will range from $15.8 billion to $28.7 billion — a $13 billion range (see Table 10).

Figure 33
Finance and Insurance Industry Bonus Simulation Results



Note: Shocks to both model errors and parameters are simulated.
Source: NYS Dept. of Labor; staff estimates.

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[12] DOB bases its estimates of total State wages and bonus income on ES 202 data (see Box 7). Taxable wages, the largest component of NYSAGI, are assumed to grow at the same rate as total State wages but are typically smaller in magnitude.

TABLE 10
FORECAST OF SELECTED NYSAGI COMPONENTS FOR 2002 — MONTE CARLO SIMULATION RESULTS

	Level (billions of dollars)			Growth Rate (percent)		
	Forecast	Low[1]	High[1]	Forecast	Low	High
Finance and Insurance Bonuses[2]	22.5	15.8	28.7	26.1	(11.1)	60.3
Positive Capital Gains	47.5	41.1	54.7	15.0	(0.3)	32.6
Positive Rent/Royalty & Partnership	40.8	38.0	43.8	(0.3)	(7.2)	7.2
Dividend Income	10.1	9.4	10.9	0.0	(6.8)	7.2
Interest	12.1	11.4	12.8	(3.1)	(8.6)	2.7

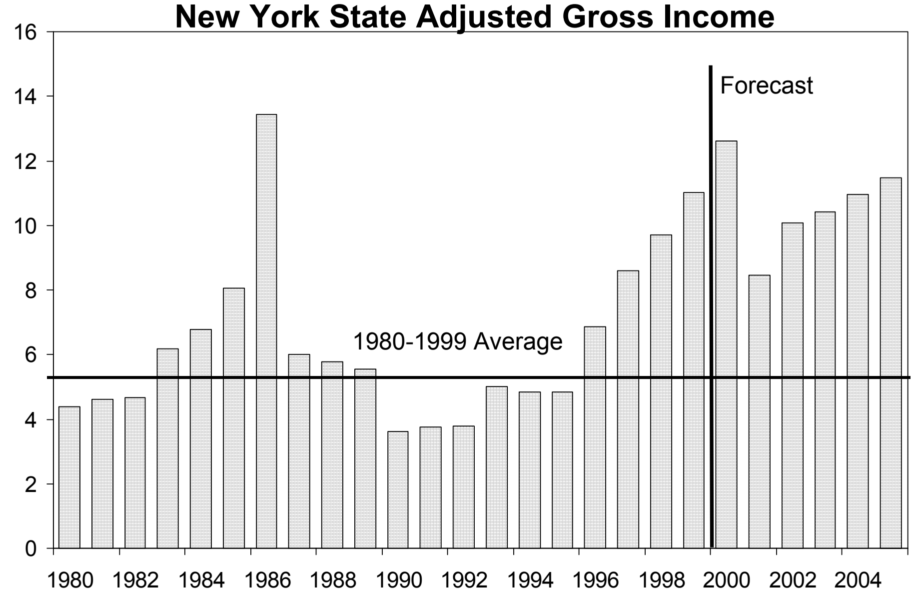
[1]High and low values are calculated by adding and subtracting one standard deviation to and from the point forecast.
[2]Pertains to 2002-03 State fiscal year.

Capital Gains Realizations

The growing share of capital gains as a percentage of total NYSAGI has made more urgent the need to reliably project this source of income (see Figure 34). To that end, the Division of the Budget has constructed a forecasting model that attempts to capture some of the inherent volatility of capital gains realization behavior.[13] The Division of the Budget's model incorporates those factors that are most likely to influence realization behavior, such as: expected and actual tax law changes and stock market activity (see Figure 35). Some of these elements are highly volatile themselves, making capital gains very difficult to forecast with a large degree of precision (see Figure 36). There is little doubt that the growth in realizations from 1995 to 1999 is directly related to the dramatic growth in equity prices observed during those years. Therefore, the significant drop in stock prices observed in 2000, and which continued in 2001, poses significant risks to the financial plan in the current State fiscal year and will continue to do so for the next year as well. For 2002, positive capital gains realizations are estimated to rise 15 percent above their 2001 level, but with a 66 percent confidence band of plus or minus 18 percentage points (see Table 10).

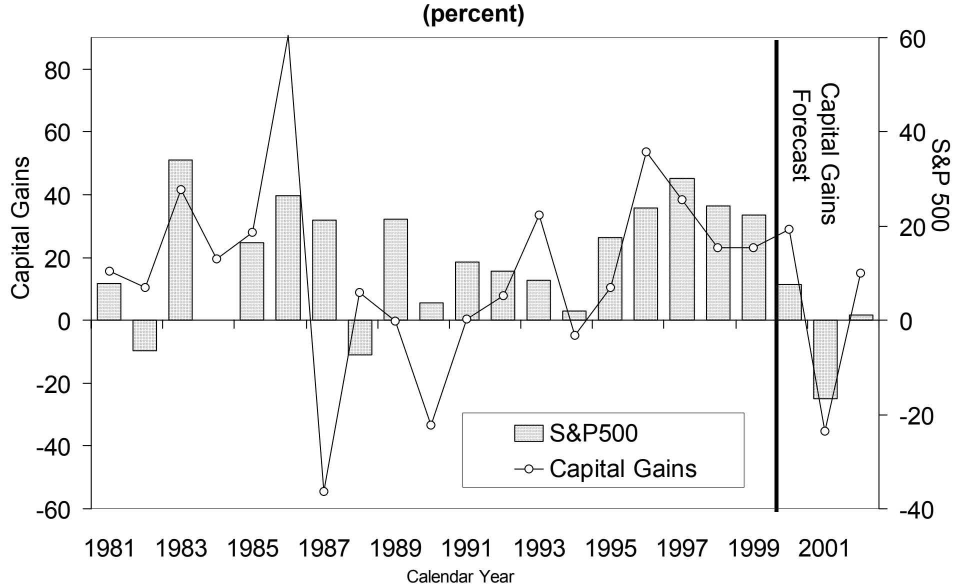
[13] The Division of the Budget capital gains model draws heavily from Preston Miller and Larry Ozanne "Forecasting Capital Gains Realizations," Congressional Budget Office, August 2000.

Figure 34
Capital Gains Realizations as Percent of Total New York State Adjusted Gross Income



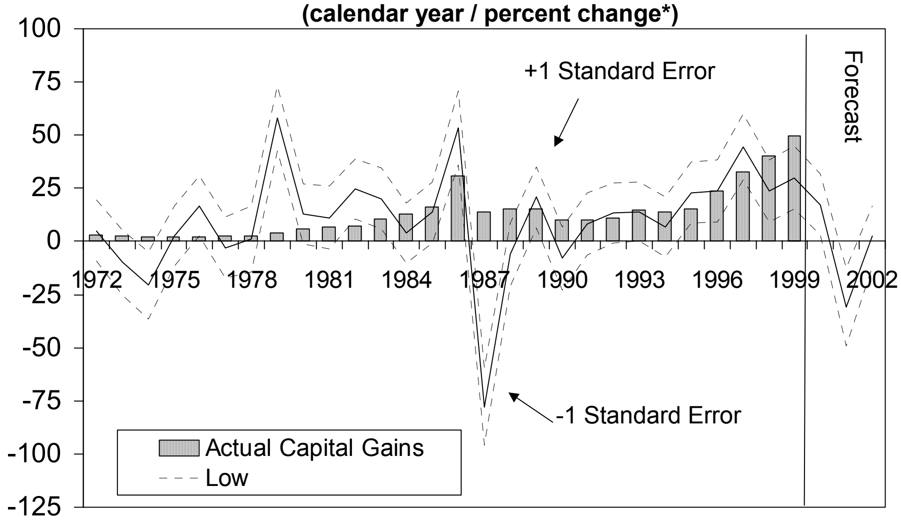
Source: NYS Department of Taxation and Finance, DOB staff estimates.

Figure 35
Capital Gains Realizations and the S&P 500
(percent)



Source: DRI-WEFA; NYS Dept. of Taxation and Finance; DOB staff estimates.

Figure 36
Capital Gains Realizations Simulation Results
(calendar year / percent change*)

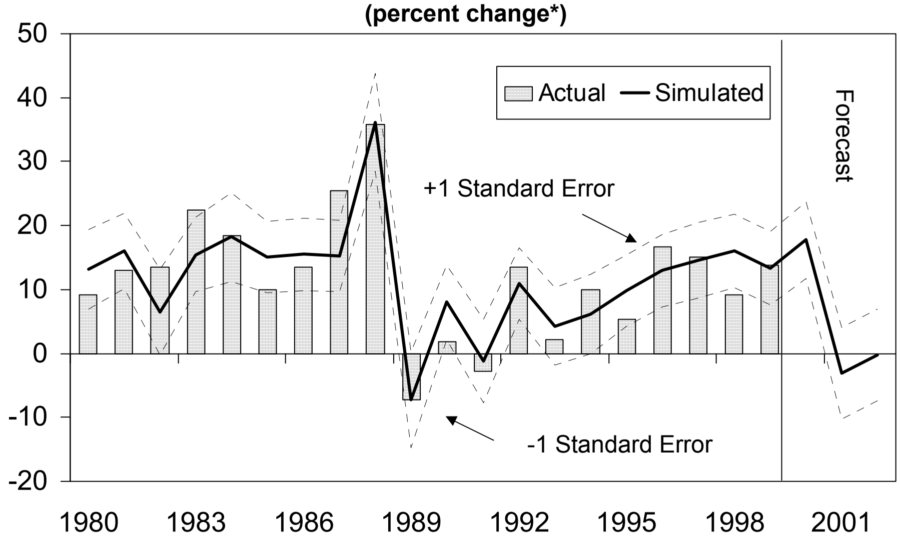


* Dependent variable is an approximation to percent change.
Note: Shocks to both model errors and parameters are simulated.
Source: NYS Dept. of Taxation and Finance; DOB staff estimates.

Rent, Royalty, Partnership, and S-Corporation Income

New York rent, royalty, partnership and S-corporation income is believed to be closely related to overall State economic conditions. The biggest component is partnership income, which has historically been correlated with changes in total State wages. However, the variability in partnership income is much greater than that of wages. For example, from 1980 to 1999, average annual growth in this component of NYSAGI was about 13 percent, with a standard deviation of 7 percentage points. In contrast, wages grew at an average rate of 6.6 percent during the same period, with a standard deviation of 2 percentage points. Hence, an effort was made to capture this additional variation by including additional indicators, such as equity market growth. Even with these adjustments, the forecasting range remains large (see Table 10), as the results of our simulation studies suggest (see Figure 37).

Figure 37
Partnership Income Simulation Results
(percent change*)

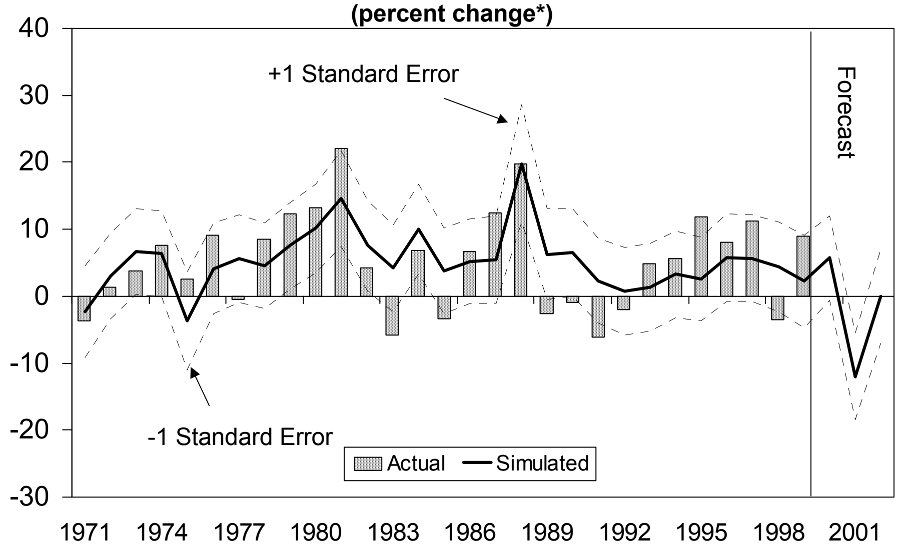


* Dependent variable is an approximation to percent change.
Note: Shocks to both model errors and parameters are simulated.
Source: NYS Dept. of Taxation and Finance; DOB staff estimates.

Dividend Income

Historically, the range of variation for dividend income has been very wide, ranging from a decline of 6 percent in 1991 to an increase of 22 percent in 1981. Much of this variation is assumed to be related to the business cycle. For example, during the State's last recession, dividend income declined for four consecutive years from 1989 to 1992. Dividend income fell again in 1998 when the Asian financial crisis produced a sharp, albeit short-lived, downturn in equity prices. Firm behavior may be another source of volatility in dividend income. For example, anecdotal evidence suggests that, during the stock market boom of the late 1990's, many companies were buying back their own stock as a way of substituting price appreciation for dividend payments. This allowed shareholders to take advantage of the lower capital gains tax rate, since dividends are taxed at the higher, ordinary income tax rate. A large portion of the variation in taxable dividend income cannot be explained by DOB's forecasting model, as indicated in Table 10 and in Figure 38.

Figure 38
Dividend Income Simulation Results
(percent change*)

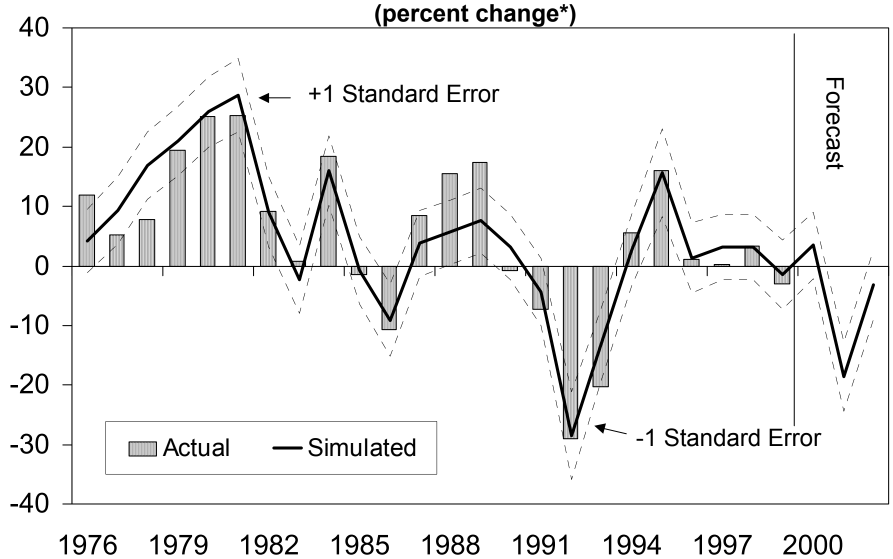


* Dependent variable is an approximation to percent change.
Note: Shocks to both model errors and parameters are simulated.
Source: NYS Dept. of Taxation and Finance; DOB staff estimates.

Interest Income

For a given amount of assets, an increase in the interest rate will increase interest income. DOB's interest income forecasting model is based on this simple concept. In addition, the overall trend in taxable interest income for New York is found to closely track that of U.S. interest income, a NIPA component of personal income. However, taxable interest income for New York is much more volatile. For the period from 1976 to 1999, the average growth rate for the New York series was 5.9 percent, with a standard deviation of over 13 percentage points. In contrast, U.S. interest income growth over the same period averaged 9.0 percent, with a standard deviation of 7.0 percentage points. The additional volatility in the New York series could be related to the behavioral response of State taxpayers to past changes in the tax law related to interest income. The simulation results indicate again that the forecasting range is still quite large (see Table 10 and Figure 39).

Figure 39
Interest Income Simulation Results
(percent change*)



* Dependent variable is an approximation to percent change.
Note: Shocks to both model errors and parameters are simulated.
Source: NYS Dept. of Taxation and Finance; DOB staff estimates.

In summary, given the uncertainty surrounding such volatile components as capital gains realizations and bonus and stock incentive income, and given the small number of taxpayers who account for the majority of this income, there exists significant risk to the Division of the Budget's personal income tax forecast. A source of this risk stems from the connection between revenues and the stock market, which is extraordinarily difficult to forecast. This risk is further compounded by the uncertainty at a business cycle turning point. As a result, for the upcoming years, forecasts for income tax receipts should be viewed with caution, consistent with the volatile movements in the major components of New York State adjusted gross income.

RECENT TRENDS IN ALL FUNDS TAX RECEIPTS

Growth in All Funds tax receipts has been very volatile over the past three decades, reflecting both underlying economic conditions and significant changes in tax policy. The relatively small annual average growth in receipts during the 1990's was largely due to three factors: the severe economic downturn experienced in New York during the early 1990's, reduced inflation rates, and the significant tax reductions enacted over the 1995-2000 period. The projected decline in tax receipts for 2001-02 and the flat receipt growth in 2002-03 is directly related to the adverse effects the of national economic recession and the negative impact on receipts caused by the World Trade Center disaster.

The share of total tax receipts derived from the personal income tax has increased to historically high values in recent years, reaching 60 percent for the first time in 2000-01. It is estimated that the income tax will remain at 60 percent of All Fund tax receipts in 2001-02 and 2002-03.

By definition, the personal income tax is sensitive to changes in the income of State residents and non-residents who earn taxable income in New York. In recent years, growth in employment and rapid increases in the income of high-income individuals have driven the income tax share upward, while the share of most other taxes has declined. (See Economic Backdrop section.)

The user taxes and fees share of total taxes has declined since the early 1970's, reflecting, in part, that such taxes tend to be less sensitive to changes in the income of State residents than does the personal income tax. In addition, user taxes such as the taxes on cigarettes, motor fuel and alcoholic beverages are taxed at rates fixed in statute per quantity of the product consumed. These taxes are not very sensitive to price changes and, as a result, tend to grow more slowly than other tax sources which include price increases in their base.

The business tax share of total taxes is very volatile, as a result of the significant variability of taxable business profits, but has declined in recent years due partially to reductions in tax rates and the base subject to tax. However, the volatility inherent in business taxes means that its share of total taxes can grow (decrease) above (below) average growth in an unpredictable manner.

The share of other taxes have been dominated by the repeal of the real property gains tax and the gift tax, and the reduction in the pari-mutuel tax and the estate tax.

ALL FUNDS TAX RECEIPTS
(millions of dollars)

			Percent of All State Funds Tax Receipts Accounted for By:			
Fiscal Year	All Funds Tax Receipts[1]	Percent Change	Personal Income Tax[1]	User Taxes and Fees	Business Taxes	Other Taxes
1972-73	7,807		41.1	38.2	16.4	4.3
1973-74	8,187	4.9	41.9	38.3	15.8	3.9
1974-75	8,663	5.8	41.4	37.9	16.8	3.8
1975-76	9,422	8.8	41.9	36.5	18.0	3.6
1976-77	10,348	9.8	43.7	34.1	18.4	3.7
1977-78	10,505	1.5	42.9	35.3	19.0	2.8
1978-79	11,154	6.2	45.3	35.0	17.1	2.6
1979-80	12,138	8.8	47.6	34.0	16.3	2.1
1980-81	13,496	11.2	49.0	31.4	17.4	2.2
1981-82	15,143	12.2	53.1	29.3	15.8	1.9
1982-83	16,025	5.8	51.6	29.8	16.0	2.6
1983-84	18,644	16.3	50.3	29.4	17.2	3.2
1984-85	20,392	9.4	51.0	28.1	16.7	4.2
1985-86	22,572	10.7	51.3	28.0	16.0	4.7
1986-87	24,358	7.9	51.2	27.1	15.7	6.0
1987-88	25,859	6.2	52.5	27.3	15.2	5.0
1988-89	26,262	1.6	52.7	27.7	14.5	5.1
1989-90	28,050	6.8	54.5	28.0	13.3	4.2
1990-91	27,818	(0.8)	52.0	27.6	16.1	4.3
1991-92	29,847	7.3	50.1	27.1	19.1	3.7
1992-93	31,661	6.1	50.4	26.3	19.7	3.6
1993-94	33,026	4.3	50.0	26.0	20.6	3.4
1994-95	33,050	0.1	50.6	27.4	18.6	3.4
1995-96	33,927	2.7	51.3	27.0	18.4	3.3
1996-97	34,620	2.0	50.7	27.1	18.8	3.4
1997-98	35,921	3.8	50.9	27.1	18.3	3.7
1998-99	38,495	7.2	53.5	26.2	16.6	3.8
1999-2000	41,389	7.5	56.0	25.6	14.8	3.5
2000-01	44,658	7.9	60.3	23.9	13.1	2.7
2001-02*	42,797	(4.2)	59.9	24.7	12.7	2.7
2002-03**	43,311	1.2	60.0	24.9	12.5	2.6

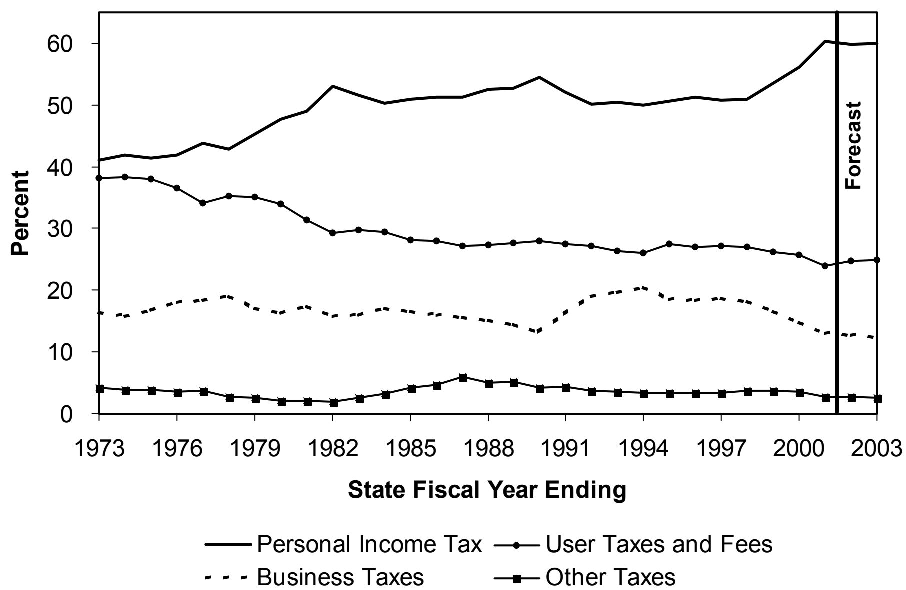
[1] Personal Income Tax defined as gross receipts less refunds — 2000-01 receipts reflect an adjustment for the timely payment of refunds.

* Estimated.

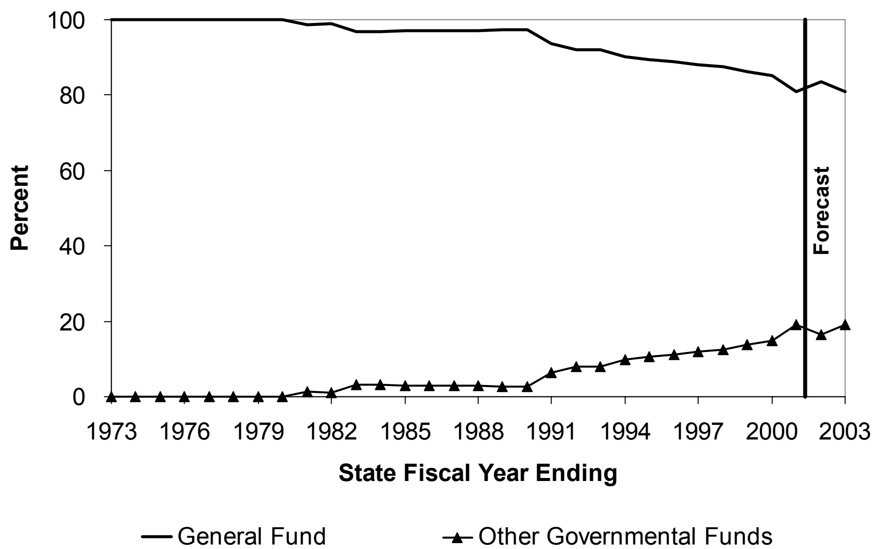
** Projected.

Note: For law changes affecting amounts flowing into various funds, see individual revenue stories.

Tax Share of State Funds by Major Tax Categories



Share of Tax Receipts by Major Fund Type



DEDICATED FUND TAX RECEIPTS

Several tax sources are dedicated in whole or part to State Funds which are earmarked for specific purposes. The following table reports tax receipts by fund for the dedicated tax sources.

DEDICATED FUND TAX RECEIPTS
(millions of dollars)

	2000-01 Actual	2001-02 Estimate	2002-03 Recommended
SPECIAL REVENUE FUNDS			
School Tax Relief Fund (STAR)			
Personal income tax	3,076.5	1,310.0	2,630.0
Dedicated Mass Transportation Trust Fund	345.5	422.6	474.1
Petroleum business tax	287.4	327.4	331.9
Motor fuel tax	58.1	64.8	64.5
Motor vehicle fees	0.0	30.4	77.7
Mass Trans. Operating Assistance Fund	1,109.7	1,081.9	1,094.8
Corporate Surcharges			
Corporation franchise tax	295.1	243.0	251.0
Corporation and utilities tax	121.9	134.0	122.0
Insurance tax	60.4	64.0	54.5
Bank tax	85.8	86.3	97.0
Other			
Sales and use tax	368.2	367.4	370.4
Petroleum business tax	108.2	117.2	118.9
Corporation and utilities — sections 183 & 184	70.1	70.0	81.0
Total Tax Receipts: Special Revenue Funds	4,531.7	2,814.5	4,198.9
DEBT SERVICE FUNDS			
Debt Reduction Reserve Fund			
Personal income tax	250.0	250.0	0.0
Emergency Highway Reconditioning and Preservation Fund			
Motor fuel tax	55.8	57.4	57.1
Emergency Highway Construction and Reconstruction Fund			
Motor fuel tax	55.8	57.4	57.0
Clean Water/Clean Air Fund			
Real estate transfer tax	292.7	263.0	246.6
Local Government Assistance Tax Fund			
Sales and use tax	2,091.9	2,038.6	2,094.4
Total Tax Receipts – Debt Service Funds	2,746.2	2,666.4	2,455.1
CAPITAL PROJECTS FUNDS			
Dedicated Highway and Bridge Trust Funds	1,125.0	1,442.0	1,561.4
Petroleum business taxes	489.3	557.4	565.2
Motor fuel tax	323.3	345.3	343.1
Motor vehicle fees	157.3	388.3	464.0
Highway use tax	155.1	151.0	155.3
Auto rental tax	0.0	0.0	33.8
Environmental Protection Fund			
Real estate transfer tax	112.0	112.0	112.0
Total Tax Receipts – Capital Projects Funds	1,237.0	1,554.0	1,673.4
Total Tax Receipts – Other Funds	**8,514.9**	**7,034.9**	**8,327.4**

*Reflects use of STAR reserve of $1.2 billion in 2001-02.

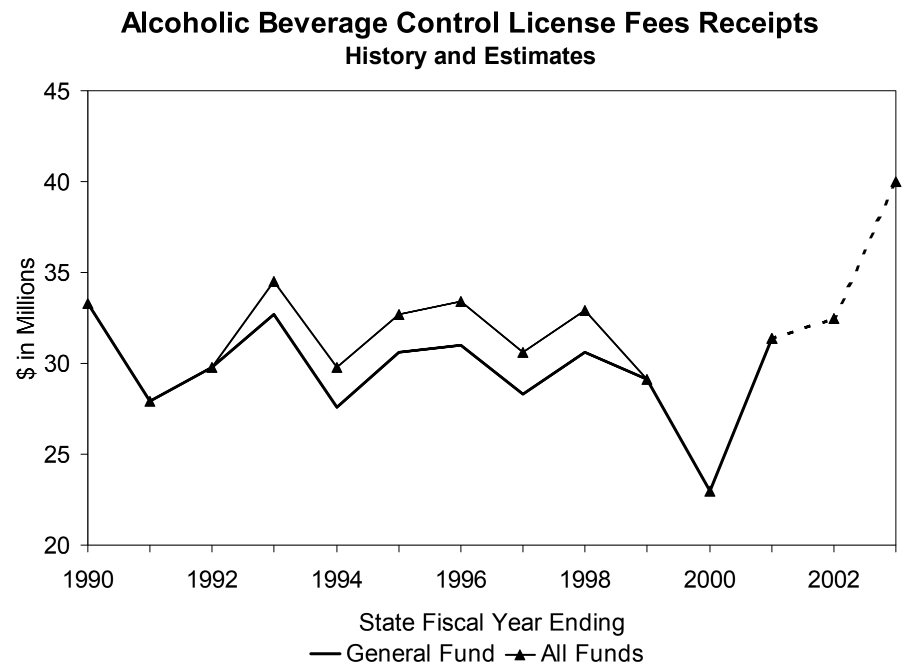
GOVERNMENTAL TAX RECEIPTS

The following table reports tax receipts for all Governmental Funds.

GOVERNMENTAL TAX RECEIPTS
(millions of dollars)

	2000-01 Actual	2001-02 Estimate	2002-03 Recommended
Personal Income Tax	26,892.1	28,537.0	25,922.0
User Taxes and Fees	10,669.7	10,582.5	10,786.1
Sales and use tax	8,731.7	8,526.4	8,749.9
Cigarette and tobacco tax	528.3	514.3	500.6
Motor fuel tax	510.3	524.9	521.7
Motor vehicle fees	494.7	620.2	606.6
Highway use tax	155.1	151.0	155.3
Alcoholic beverage tax	179.3	177.1	178.2
ABC license fees	31.4	32.5	40.0
Auto rental tax	38.9	36.1	33.8
Business Taxes	5,846.4	5,428.3	5,396.5
Corporation franchise tax	2,630.6	1,998.0	2,012.0
Corporation and utilities tax	1,009.4	1,191.0	1,198.0
Insurance tax	644.0	694.0	570.5
Bank tax	591.3	543.3	600.0
Petroleum business tax	971.1	1,002.0	1,016.0
Other Taxes	1,199.5	1,154.6	1,141.5
Estate tax	717.1	740.0	751.2
Gift tax	41.4	4.5	0.0
Real property gains tax	6.2	5.5	2.1
Real estate transfer tax	404.7	375.0	358.6
Pari-mutuel tax	29.4	29.0	28.9
Other taxes	0.7	0.6	0.7
Total Taxes	44,607.7	45,702.4	43,246.1

ALCOHOLIC BEVERAGE CONTROL LICENSE FEES



DESCRIPTION

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 2,500 retail liquor outlets, including package stores engaged in carry-out sales, and about 26,300 bars and restaurants that offer on-premises consumption. The majority of State-licensed bars and restaurants (20,694 in 2000) are authorized to sell beer, wine, and liquor. Approximately 3,750 licensees are permitted to sell only beer and wine. The remaining 1,877 licensees in 2000 sold only beer.

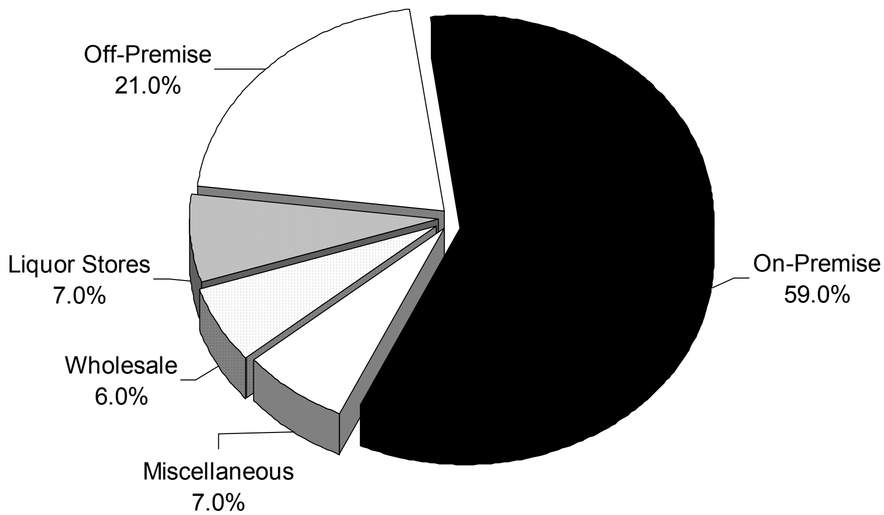
NUMBER OF LICENSES BY CATEGORY
(calendar year)

		Bars and Restaurants						
	Liquor Stores	Beer, Wine and Liquor	Beer and Wine	Beer Only	Subtotal	Grocery Stores	Wholesale	Total
1993	2,906	20,312	3,134	1,845	25,291	19,778	1,041	49,016
1994	2,836	20,030	3,177	1,796	25,003	19,656	1,048	48,543
1995	2,753	19,831	3,372	1,763	24,966	19,768	1,057	48,544
1996	2,673	19,782	3,497	1,838	25,117	19,743	1,074	48,607
1997	2,621	19,708	3,490	1,843	25,041	19,462	1,125	48,249
1998	2,596	19,853	3,712	1,950	25,515	19,417	1,142	48,670
1999	2,560	20,325	3,640	1,883	25,848	19,202	1,031	48,587
2000	2,491	20,694	3,748	1,877	26,319	19,167	1,201	49,178

SIGNIFICANT LEGISLATION

Subject	Description	Effective Date
Legislation Enacted in 1997		
License Renewal	The required purchase of a triennial license was changed to allow licensees to continue to purchase a triennial license or optionally purchase an annual or biennial license at a prorated cost.	December 1, 1998

Alcoholic Beverage Control License Fees
Share of 2000 Receipts by Licensee Category



2001-02 RECEIPTS

Compared to 2000-01, gross alcoholic beverage control license fee receipts are estimated to increase by more than 3 percent.

Alcoholic beverage control license fee receipts to date are $26.3 million after refunds, 19.7 percent greater than receipts for the comparable period in 2000-01. Collections appear to have returned to pre-1998 patterns when, typically, more than 50 percent of annual receipts were collected during the first 6 months of the fiscal year. 2001-02 is the first year with no downward pressure on receipts resulting from 1997 licensing legislation. As a result, 2001-02 gross receipts are projected at $34 million and refunds at $1.5 million, resulting in estimated net receipts of $32.5 million.

2002-03 PROJECTIONS

Gross alcoholic beverage control license fee receipts under proposed law are projected to be $42 million. Refunds will be approximately $2 million, bringing estimated 2002-03 net receipts to $40 million.

Legislation submitted with this Budget will, for most licensees, increase alcoholic beverage control license fees based on the increase in the alcoholic beverage producer price index since 1976. A smaller group of licensees, made up primarily of grocery stores, will see their fees increase based on the increase in the index since 1992. This increase will be phased in over a three-year period, beginning April 1, 2002, and is expected to increase collections by $8 million in 2002-03

OTHER FUNDS

For the period from 1992-93 through 1997-98, a portion of license fee receipts was deposited in the Alcoholic Beverage Control Enhancement Account. Revenues deposited into the Account were used to support efforts to improve compliance with licensing regulations and expedite license processing. Beginning in 1998-99, this special revenue fund was eliminated, and since that time all licensing fees have been deposited in the General Fund.

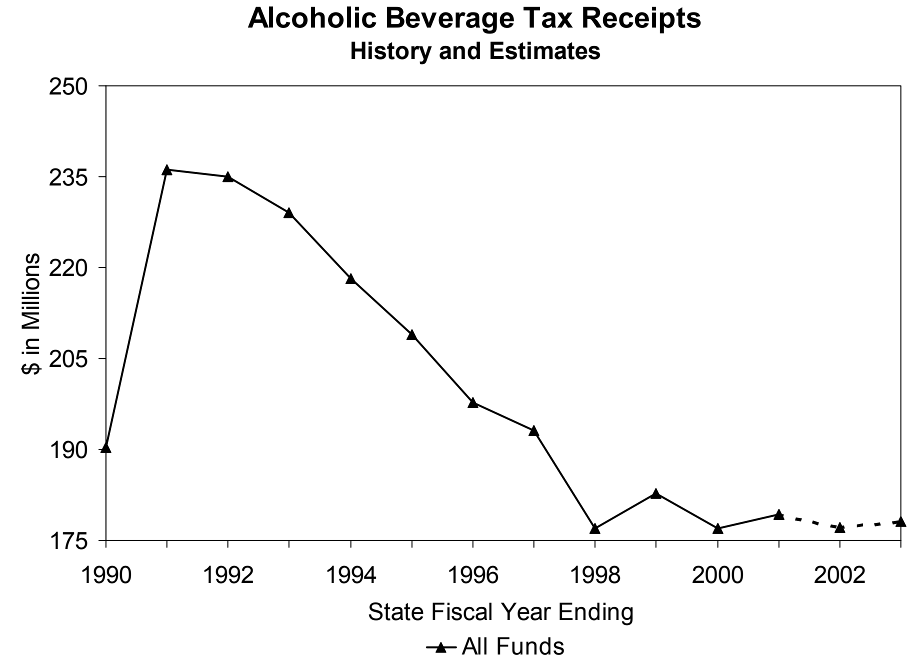
GENERAL FUND

General Fund receipts for 2001-02 are estimated to be $32.5 million. In 2002-03, General Fund receipts are projected to reach $40 million, assuming enactment of legislation proposed with this Budget.

ALCOHOLIC BEVERAGE CONTROL LICENSE FEES RECEIPTS (thousands of dollars)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
				Actual			
1993-94	29,852	2,237	27,615	2,155	0	0	29,770
1994-95	33,864	3,283	30,581	2,100	0	0	32,681
1995-96	33,956	2,981	30,975	2,400	0	0	33,375
1996-97	31,748	3,417	28,331	2,300	0	0	30,631
1997-98	33,162	2,629	30,533	2,387	0	0	32,920
1998-99	32,282	3,190	29,092	0	0	0	29,092
1999-2000	25,566	2,615	22,951	0	0	0	22,951
2000-01	33,140	1,787	31,353	0	0	0	31,353
				Estimated			
2001-02	34,000	1,500	32,500	0	0	0	32,500
2002-03							
Current Law	33,500	1,500	32,000	0	0	0	32,000
Proposed Law	42,000	2,000	40,000	0	0	0	40,000

ALCOHOLIC BEVERAGE TAXES



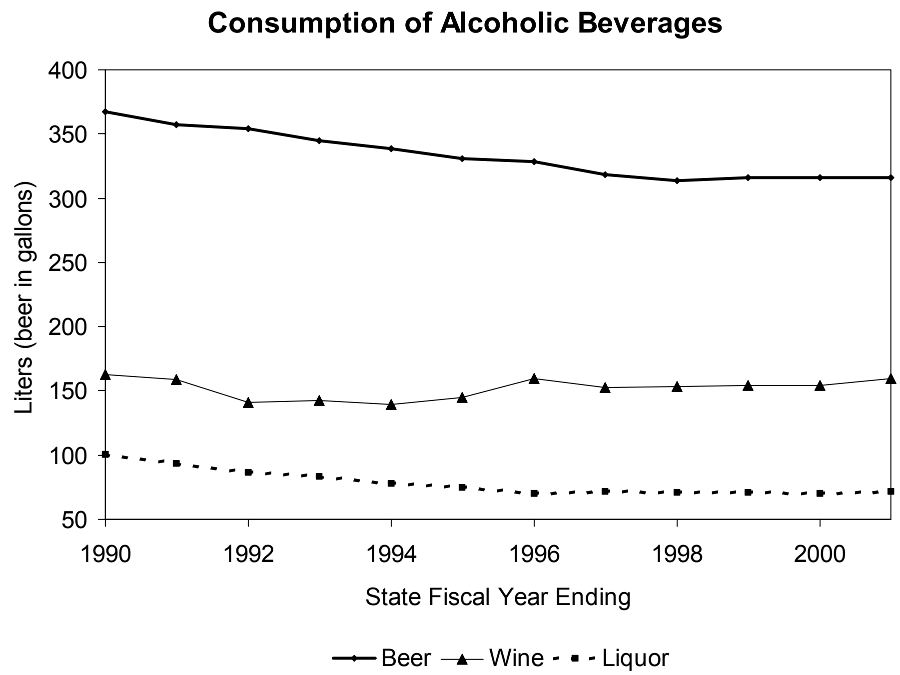
DESCRIPTION

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.

State tax rates for 2001-02 are as follows (dollars per unit of measure):

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	0.125	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

Overall, per capita consumption of taxed beverages has remained fairly constant in recent years. However, there have been shifts in consumer preferences. For example, wine consumption has recently increased relative to liquor and beer consumption. In addition, the movement of alcohol beverage demand towards less expensive beverages with lower alcoholic content is attributed, in part, to the impact of rising prices on beverages with higher alcohol content.



SIGNIFICANT LEGISLATION

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 1994.

SIGNIFICANT ALCOHOLIC BEVERAGE TAX LEGISLATION

Subject	Description	Effective Date
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
Exemption	Increased the small brewers exemption for the first 100,000 barrels of domestically brewed beer to 200,000 barrels.	April 1, 2001
Legislation Enacted in 2000		
Exemption	Accelerated the small brewers exemption increase by moving the effective date from April 1, 2001, to January 1, 2000.	January 1, 2000
Beer Tax Cut	Reduced the State excise tax rate on beer with at least 0.5 percent alcohol from 12.5 cents to 11 cents per gallon.	September 1, 2003

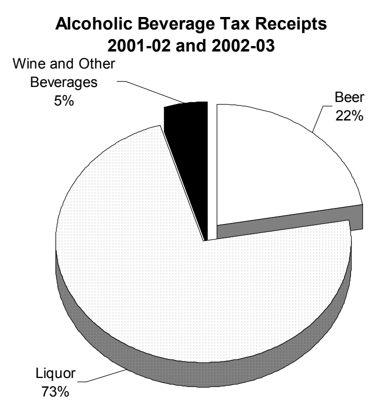
The State continues to suffer tax evasion due to the bootlegging of alcoholic beverages from other states. Enforcement legislation enacted in 1993 added registration, invoice and manifest requirements, as well as seizure and forfeiture provisions. Additionally, the legislation provided higher fines for 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, thereby 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 submitted with this Budget proposes to extend these provisions permanently.

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 one year	Class E felony
Produce, distill, manufacture, compound, mix or ferment liquors without registration or tax payments	More than 360 liters within one year	Class E felony
Cause liquor covered by a warehouse receipt to be removed from a warehouse	More than 360 liters within one 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.

2001-02 RECEIPTS

Net receipts of $137.0 million to date in the current fiscal year represent a decrease of 2.4 percent from the comparable period in 2000-01. The decline is due primarily to the one cent beer tax rate cut effective April 1, 2001. Accordingly, alcoholic beverage tax receipts for 2001-02 are estimated at $177.1 million. The bulk of estimated receipts, $128.9 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 April 1, 2001, excise tax reduction on beer is expected to reduce beer tax collections by $3.1 million. Total beer tax receipts are estimated to be $39.6 million. Revenues from wine and other specialty beverages are estimated to reach $8.6 million in 2001-02.

COMPONENTS OF ALCOHOLIC BEVERAGE TAX RECEIPTS
(millions of dollars)

	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03
	Actual					--Estimated--	--Projected--
Beer	50.6	50.2	47.8	42.7	42.8	39.6	39.3
Liquor	126.2	125.4	125.7	125.2	128.0	128.9	130.2
Wine and Other	8.3	8.5	8.5	8.3	8.5	8.6	8.7
Subtotal	185.1	184.1	182.0	177.0	179.3	177.1	178.2
Reconciliation	8.0	(7.1)	0.8	0.8	0.0	0.0	0.0
Net Total	193.1	177.0	182.8	177.0	179.3	177.1	178.2

2002-03 PROJECTIONS

In the coming fiscal year, the consumption of liquor and wine is expected to grow while beer consumption is expected to decline modestly. Taken together, estimated consumption and tax rate changes are projected to result in a minor increase in receipts. Total alcoholic beverage tax receipts are projected to be $178.2 million. This includes $130.2 million from liquor. Projected beer excise tax receipts of $39.3 million include a reduction of $3.1 million due to the 2001 one cent per gallon beer excise tax reduction. Revenues from wine and other specialty beverages are projected to total $8.7 million.

Legislative enactment of the proposed enforcement provisions would protect $1 million in liquor tax receipts in 2002-03, and about $3 million in subsequent years.

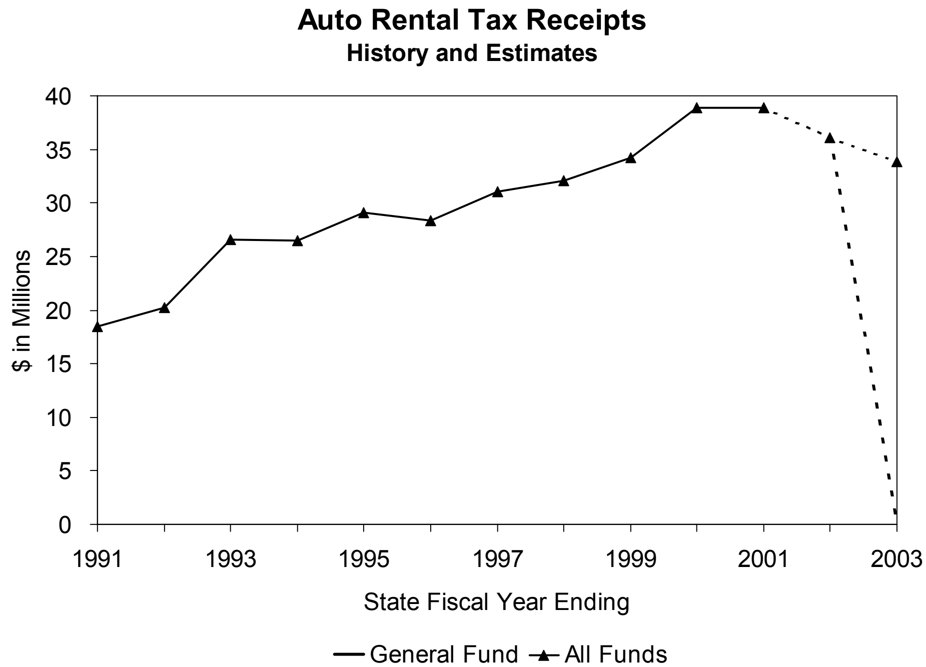
GENERAL FUND

All receipts from the alcoholic beverage tax are deposited in the General Fund.

ALCOHOLIC BEVERAGE TAX RECEIPTS
(thousands of dollars)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
	Actual						
1993-94	218,341	99	218,242	0	0	0	218,242
1994-95	209,134	98	209,036	0	0	0	209,036
1995-96	198,280	492	197,788	0	0	0	197,788
1996-97	192,960	(123)	193,083	0	0	0	193,083
1997-98	177,124	115	177,009	0	0	0	177,009
1998-99	183,087	316	182,771	0	0	0	182,771
1999-2000	177,093	55	177,038	0	0	0	177,038
2000-01	179,407	67	179,340	0	0	0	179,340
	Estimated						
2001-02	177,200	100	177,100	0	0	0	177,100
2002-03							
(current law)	177,300	100	177,200	0	0	0	177,200
(proposed law)	178,300	100	178,200	0	0	0	178,200

AUTO RENTAL TAXES



DESCRIPTION

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.

2001-02 Receipts

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 to date are $30.6 million, down 8.1 percent, or $2.7 million from the comparable period of the prior fiscal year. Based on collections to date and the impact of the World Trade Center (WTC) disaster on air travel, General Fund auto rental tax receipts for 2001-02 are estimated at $36.1 million, down $2.8 million, or more than 7 percent from 2000-01.

2002-03 Projections

The full-year impact of reduced air travel resulting from the WTC disaster and the recession is projected to decrease 2002-03 receipts to $33.8 million, or $2.3 million below 2001-02.

OTHER FUNDS

Legislation submitted with this Budget proposes to dedicate all receipts from the auto rental tax to the Dedicated Highway and Bridge Trust Fund, effective April 1, 2002.

GENERAL FUND

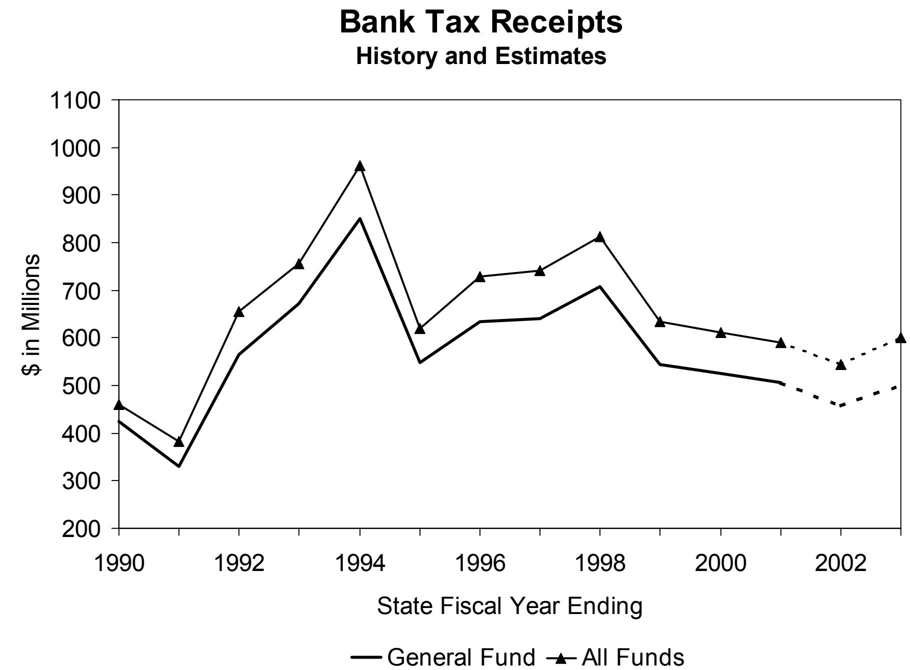
Under the proposed legislation, effective April 1, 2002, no auto rental tax receipts will be deposited in the General Fund.

AUTO RENTAL TAX RECEIPTS
(thousands of dollars)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Gross Capital Projects Funds	Refunds	Net Capital Projects Funds[1/]	Debt Service Funds	All Funds Net Collections
				Actual					
1993-94	26,473	0	26,473	0	0	0	0	0	26,473
1994-95	29,069	0	29,069	0	0	0	0	0	29,069
1995-96	28,344	0	28,344	0	0	0	0	0	28,344
1996-97	31,056	0	31,056	0	0	0	0	0	31,056
1997-98	32,039	0	32,039	0	0	0	0	0	32,039
1998-99	34,241	0	34,241	0	0	0	0	0	34,241
1999-2000	38,843	0	38,843	0	0	0	0	0	38,843
2000-01	38,916	0	38,916	0	0	0	0	0	38,916
				Estimated					
2001-02	36,100	0	36,100	0	0	0	0	0	36,100
2002-03									
(current law)	33,800	0	33,800	0	0	0	0	0	33,800
(proposed law)	0	0	0	0	33,800	0	33,800	0	33,800

[1/] Dedicated Highway and Bridge Trust Fund

BANK TAX



DESCRIPTION

The bank tax is levied by Article 32 of the Tax Law on banking corporations conducting business in New York State. As the graph above shows, Article 32 receipts have been volatile, reflecting statutory and regulatory changes and the variable profit performance of the banking sector.

Tax Rate

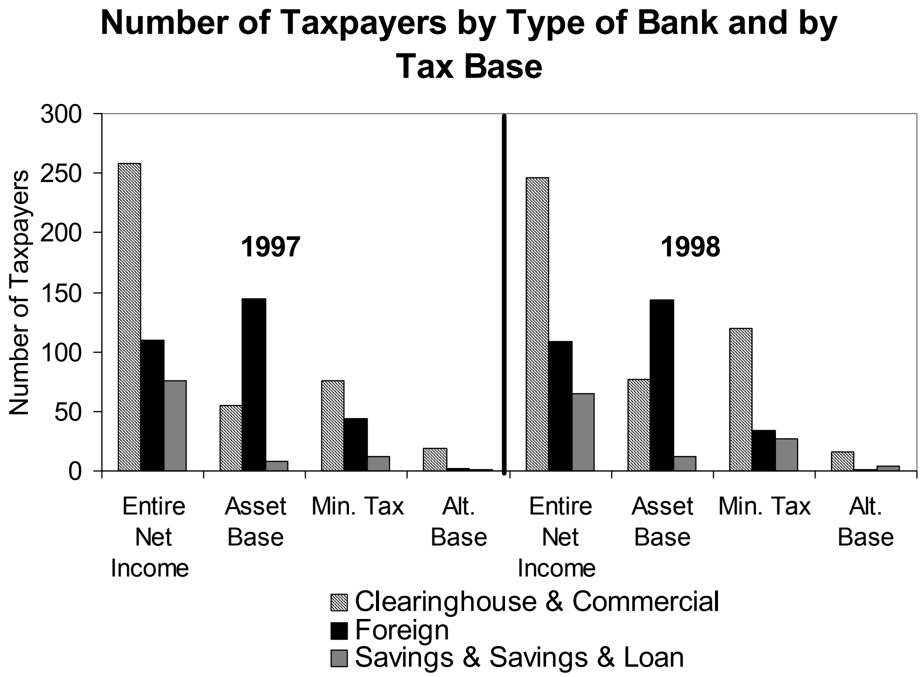
Article 32 bank tax liability is the highest of the following four computations:

1. 8 percent of allocated entire net income (ENI), reduced to 7.5 percent for taxable years beginning on or after July 1, 2002;
2. 10 percent of allocated alternative entire net income (ENI without regard to specified exclusions);
3. 1/10, 1/25, or 1/50 of a mill of allocated taxable assets; or
4. a minimum tax of $250.

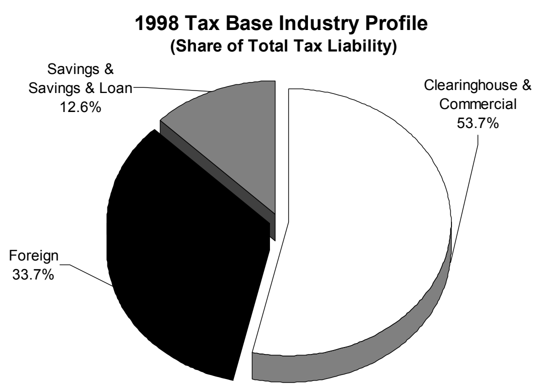
Additionally, a temporary surcharge is imposed on taxpayers within the Metropolitan Commuter Transportation District (MCTD), with a rate of 17 percent of the portion of tax allocable to such district.

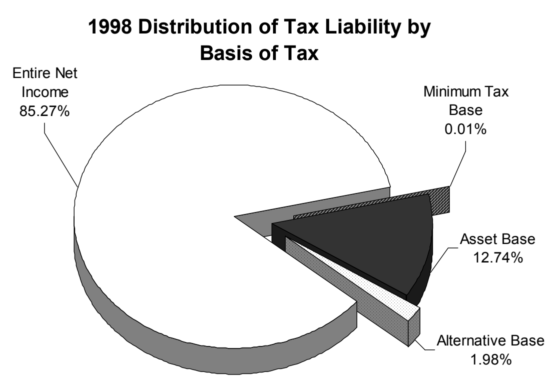
Tax Base

The primary source of data on bank tax liability is the Bank Tax Study File, which is compiled by the Department of Taxation and Finance's Office of Tax Policy Analysis (OTPA). The study file includes tax data on all banks filing under Article 32. Between 1997 and 1998 (1998 representing the most recent information available), total tax liability decreased by roughly 17 percent, from $643 million to $533 million, while the number of taxpayers increased by 6 percent, with the majority of the increase in clearinghouse and commercial banking institutions. The following graph illustrates that, between 1997 and 1998, the number of clearinghouse and commercial taxpayers paying under the minimum tax base increased by roughly 58 percent. The increase in the number of filers under the minimum tax base resulted, in part, from the increased use of tax credits against ENI. In addition, tax liability under the asset base was significantly higher in 1998 than in 1997, further reducing the number of filers under the ENI base.



The following pie charts illustrate that clearinghouse and commercial banking institutions paid roughly 54 percent of total tax liability in 1998, while foreign banking institutions and savings and savings and loan institutions accounted for 33.7 percent and 12.6 percent of liability respectively. Additionally, payments under the ENI base comprised roughly 85 percent of total tax liability under Article 32 in 1998.





SIGNIFICANT LEGISLATION

The bank tax structure includes various exclusions, exemptions, tax credits, and other statutory devices designed to reduce State tax liability. The primary objective of these incentives is to provide economic incentives to stimulate the New York economy.

SIGNIFICANT BANK TAX LEGISLATION

Subject	Description	Effective Date
Legislation Enacted in 1994		
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.	January 1, 1994
Legislation Enacted in 1997		
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.	January 1, 1998
Net Operating Loss	Allows banks to claim a net operating loss deduction (NOLD) for losses incurred on or after January 1, 2001.	January 1, 2001
Legislation Enacted in 1998		
Investment Tax Credit	Bank taxpayers that are brokers/dealers in securities may claim a credit for equipment used in broker/dealer activities and in activities connected with broker/dealer operations.	October 1, 1998
Legislation Enacted in 1999		
Rate Reduction — ENI	Reduced the ENI tax rate from 9 percent to 7.5 percent in phases over three years.	June 30, 2000

2001-02 RECEIPTS

Based on collections to date, net collections for the year are estimated to be $543 million, representing a $48 million decrease from the 2000-2001 level. The decrease of approximately 8 percent is the result of several factors. The most significant factor is the impact of the World Trade Center (WTC) disaster of September 11. Several taxpayers under this article had substantial office space located in and around the World Trade Center that was destroyed or damaged. These taxpayers are expected to have significant uninsured losses in both property and lost business activity which will likely lower their tax liability to New York State.

In addition, the economy has entered a recession. (See Economic Backdrop section.) Weakness in the economy has led to an increase in the bad debt carried by banks resulting in a deterioration in the financial condition of many banks.

Following the passage of the Federal Gramm-Leach Bliley Act, some large banks engaged in the acquisition of financial service firms. As the economic climate has worsened, these banks are now looking to restructure to eliminate affiliates with disappointing earnings. This restructuring may lower earnings and associated liability throughout the current State fiscal year, but should result in improved performance in future years.

Finally, bank tax receipts have been adjusted to reflect an expected decline in audit receipts during the second half of the current State fiscal year. Audit collections are expected to be lower due to the disruption of the audit process caused by the WTC tragedy.

2002-03 PROJECTIONS

Net bank tax collections are expected to be $600 million in 2002-03, which is $57 million above the amount estimated to be received in 2001-02.

The bank tax projection is based, in part, on the underlying relationship between tax liability and bank profitability. Corporate profits, which have declined significantly over the course of the 2001-02 State fiscal year, are expected to improve during 2002-03. It is expected that corporate profitability will see improvement and growth throughout the 2002-03 State fiscal year.

Already scheduled tax reductions are expected to reduce bank tax receipts in both the 2001-02 and 2002-03 State fiscal years. Specifically, receipts will decline by an additional $45 million in 2001-02, and $38 million in 2002-03 due to previously enacted legislation, including the reduction of the entire net income tax rate, the prospective net operating loss deduction, and the expansion of the ITC credit.

OTHER FUNDS

Under current law, a 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 MCTD, and is the principal revenue source of the Mass Transportation Operating Assistance Fund (MTOA). Based on collections to date, the bank tax contribution to MTOA for 2001-02 is projected to reach approximately $86 million. MTOA receipts are affected by the same factors impacting overall bank tax receipts, and are expected to increase by 13 percent to $97 million in 2002-03.

GENERAL FUND

Based on collections to date, General Fund net collections for 2001-02 are projected to decrease by $48 million, a 9.5 percent decrease from State fiscal year 2000-2001, primarily driven by large decreases on 2001 liability and reductions in audit receipts.

It is expected that the poor performance of the industry stemming from the WTC attack will be primarily limited to the 2001-02 State fiscal year, and that significant charges against earnings taken by banks during the 2001-02 State fiscal year will set the stage for higher earnings in 2002-03. Bank tax receipts for State fiscal year 2002-03 are expected to increase by 10 percent, primarily driven by the recovery in the banking sector, and the receding impact of the WTC disaster on audit collections.

GENERAL FUND RECEIPTS BY TYPE OF BANK
(thousands of dollars)

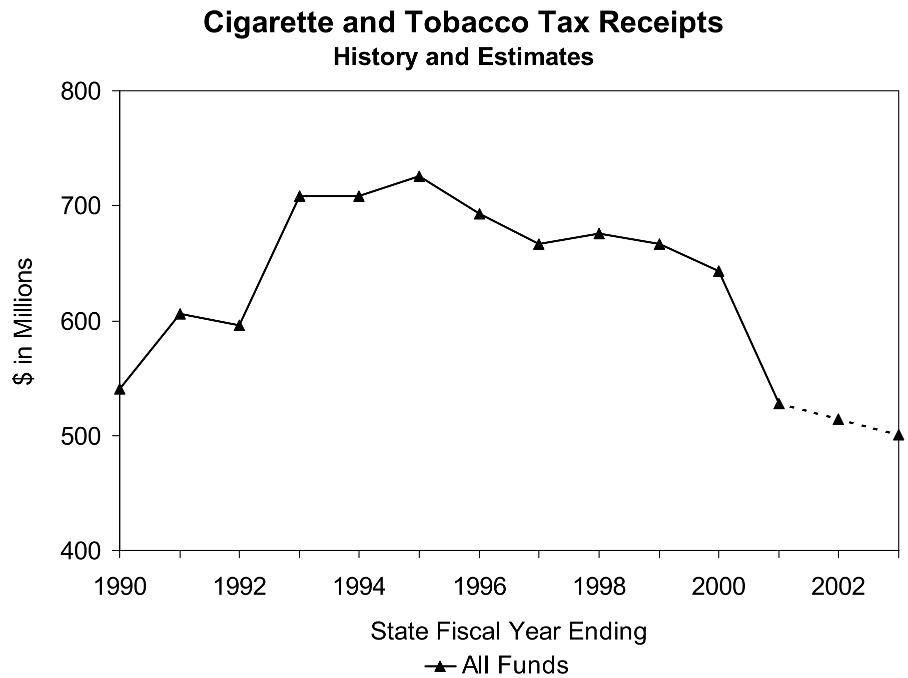
	State Banks, Trust Companies and National Banks	Savings Banks	Savings and Loan Associations	Total
	Actual			
1993-94	784,033	45,861	20,840	850,734
1994-95	486,102	50,965	10,885	547,952
1995-96	611,513	24,455	(1,305)	634,663
1996-97	637,448	(3,003)	5,492	639,937
1997-98	700,344	1,183	5,796	707,323
1998-99	527,485	11,706	4,866	544,058
1999-2000	515,528	5,186	4,795	525,509
2000-01	495,896	5,188	4,392	505,476
	Estimated			
2001-02	449,490	3,531	3,979	457,000
2002-03	494,734	3,886	4,379	503,000

BANK TAX RECEIPTS
(millions of dollars)

	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								
1993-94	905	55	851	115	4	112	0	0	962
1994-95	615	67	548	78	8	71	0	0	619
1995-96	702	68	635	99	5	94	0	0	729
1996-97	724	84	640	110	9	101	0	0	741
1997-98	766	58	707	114	8	105	0	0	812
1998-99	624	80	544	102	11	91	0	0	635
1999-2000	598	72	526	94	9	85	0	0	611
2000-01	598	92	505	97	11	86	0	0	591
	Estimated								
2001-02	509	52	457	97	11	86	0	0	543
2002-03	557	54	503	109	12	97	0	0	600

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

CIGARETTE AND TOBACCO TAXES



DESCRIPTION

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 $1.11 per package of 20 cigarettes.

The Federal government imposes a cigarette excise tax on manufacturers and first importers of cigarettes. The Federal tax rate was increased from 24 to 34 cents per pack on January 1, 2000, and again 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	Rate (cents)	Federal	Rate (cents)	New York City	Rate (cents)
Before April 1, 1959	2	Before November 1, 1951	7	Before May 1, 1959	1
April 1, 1959	5	November 1, 1951	8	May 1, 1959	2
April 1, 1965	10	January 1, 1983	16	June 1, 1963	4
June 1, 1968	12	January 1, 1991	20	January 1, 1976	8
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				
April 3, 2002	150				

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. The Federal government also imposes an excise tax on manufacturers and importers of tobacco products at various rates, depending on the type of product.

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 on purchases in excess of two cartons directly to the Department of Taxation and Finance.

Tax Evasion

Cigarette tax evasion is a serious problem in New York and throughout the Northeast. Widespread evasion not only reduces State and local revenues, but also has an adverse impact on 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.

The positive effects of this enforcement legislation were realized in 1999, with an increase in the number of new retailer license applications. This increase, as well as an enhanced State enforcement presence, may have led to less severe declines in taxable cigarette consumption than would otherwise have been realized.

CIGARETTE TAX RATES IN NEW YORK AND BORDERING STATES*
(cents per pack)

	2001	2000	1999	1998	1997	1996
Connecticut	50	50	50	50	50	50
Massachusetts	76	76	76	76	76	76
New Jersey	80	80	80	80	40	40
New York	111	111	56	56	56	56
Pennsylvania	31	31	31	31	31	31
Vermont	44	44	44	44	44	44

* Highest rate in effect during calendar year.

Effective March 1, 2000, New York raised its tax by 55 cents to $1.11 per pack. Also in 2000, the Governor signed comprehensive legislation targeted at combating cigarette bootlegging and reducing youth and adult smoking by banning Internet sales. This legislation was ruled unconstitutional by the U.S. District Court of the Southern District of New York and enjoined from going into effect. The State has filed an appeal which has yet to be heard. Significant statutory changes, since 1996 are shown below.

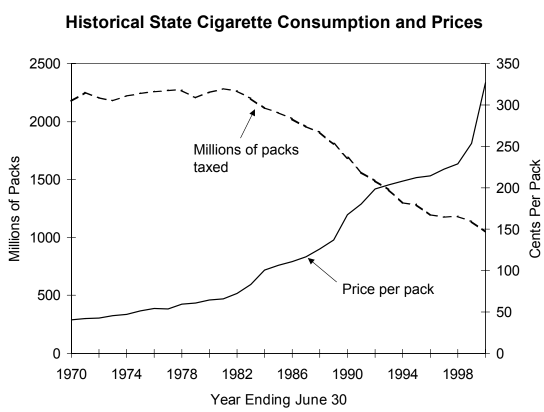
SIGNIFICANT LEGISLATION

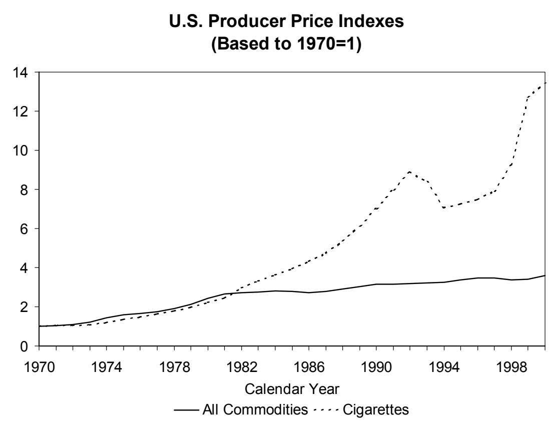
Subject	Description	Effective Date
Legislation Enacted in 1996		
Enforcement Provisions	Increased penalties and fines for selling unstamped cigarettes, violation of retail dealer and vending machine registration provisions, and providing inaccurate registration information.	December 3, 1996

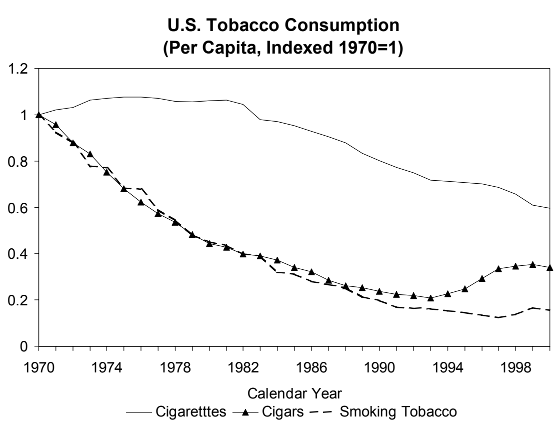
Subject	Description	Effective Date
Legislation Enacted in 1999		
Cigarette Tax Increase	Increased the cigarette excise tax from 56 cents to $1.11 per pack, as part of the Health Care Reform Act (HCRA) of 2000.	March 1, 2000
Legislation Enacted in 2000		
Underage Smoking	Increased penalties for illegal sales of tobacco products to minors.	September 1, 2000
Enforcement Provisions	Created civil and criminal penalties for persons who sell and ship cigarettes to persons who are not licensed or registered cigarette dealers or agents.	November 16, 2000
Enforcement Provisions	Created civil and criminal penalties for carriers who transport cigarettes to persons who are not licensed or registered cigarette dealers or agents.	January 1, 2001
Safe Cigarettes	Required the promulgation and imposition of fire-safety standards for cigarettes and rolled tobacco products sold in New York.	January 1, 2003
Legislation Enacted In 2002		
Cigarette Tax Increase	Increased the cigarette excise tax from $1.11 per pack to $1.50 per pack.	April 3, 2002

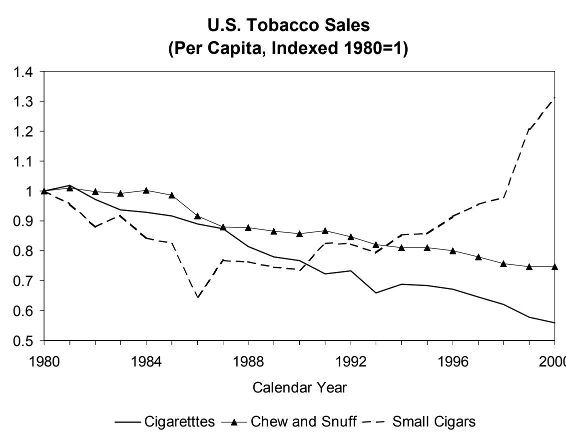
BRIEF REVIEW OF RECEIPTS HISTORY

Taxable cigarette consumption in New York has declined by more than 50 percent since 1970 due to price increases, growing public awareness of the adverse health effects of smoking, smoking restrictions imposed by governments, anti-smoking education programs, and changes in consumer preferences toward other types of tobacco. The following graphs summarize some of these trends.









Total cigarette and tobacco receipts are estimated at $1,012.2 million, a decrease of $11.6 million, or 1.1 percent from 2000-01. The 2001-02 annual rate of decline is understated. To date, total cigarette and tobacco tax receipts are $779.9 million, a decrease of $23.6 million, or 2.9 percent below comparable receipts in 2000-01. However, in anticipation of the April 3, 2002 tax increase, consumers are expected to move some cigarette purchases from 2002-03 into 2001-02. In addition, receipts in April 2000 were artificially low due to consumer pre-buying in anticipation of the March 1, 2000 tax increase. These two behavioral changes serve to lower the estimated annual rate of decline to only 1.1 percent.

Underlying taxable cigarette consumption continued its secular decline in 2001-02. The decline in consumption is partially attributable to an estimated price increase of 7.3 percent. Since the Tobacco Settlement was signed in November 1998, the producer price index (which does not include taxes) for cigarettes has increased 65 percent (see graph above), as tobacco companies have attempted to recoup normal increases in operating costs and the cost of the settlement through price increases. 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.

2002-03 PROJECTIONS

Legislation enacted in January 2002 raises the cigarette tax from the current $1.11 per pack to $1.50 per pack, effective April 3, 2002. Accordingly, total cigarette and tobacco tax revenue is projected to be $1,249.2 million, an increase of $237 million, or 23.4 percent from State fiscal year 2001-02. Legislation proposed in the Executive Budget will establish the percentage distributions of cigarette tax revenue shown in the following table.

Cigarette Tax Distribution* (percent)
Current Law

General Fund	50.45
HCRA**	49.55

Cigarette Tax Distribution (percent)
Proposed Law

February 1, 2002 to March 31, 2002	
General Fund	44.60
HCRA	55.40
Beginning April 1, 2002	
General Fund	38.78
HCRA	61.22

* Excludes tobacco tax
** Tobacco Control and Insurance Initiatives Pool

The long-term factors reducing cigarette consumption will continue to exert negative pressure on receipts. Price increases will continue to have a significant effect on taxable cigarette consumption in 2002-03. Wholesale prices are expected to rise 9.2 percent, and overall prices are expected to rise 17 percent (including the enacted tax increase). As cigarette prices are high in New York relative to the surrounding states, there is an added incentive for smokers to purchase cigarettes in surrounding states, bootlegged cigarettes, or cigarettes sold through mail order or on the Internet and evade or avoid paying the tax.

OTHER FUNDS

The bulk of the amount generated by the increase of the cigarette tax to $1.50 will be deposited in the Tobacco Control and Insurance Initiatives Pool established in the Health Care Reform Act of 2000 (HCRA). Based on the percentage distribution of cigarette tax receipts in effect between February 1, 2002 and March 31, 2002 (see table above), the pool will receive an additional $17.5 million in 2001-02 when compared with current law estimates. An estimated $497.9 million (including current law receipts) will be deposited in the pool in 2001-02. Based on the percentage distribution in effect beginning April 1, 2002 (see above table), receipts deposited in the pool in 2002-03 will total a projected $748.6 million.

GENERAL FUND

The proposed law is designed to hold estimated General Fund receipts harmless when compared with current law. General Fund cigarette and tobacco tax receipts for 2001-02 are estimated at $514.3 million, a decline of $14 million, or 2.6 percent, from 2000-01. To date, General Fund cigarette and tobacco tax receipts are an estimated $402.9 million, a decline of $12.1 million, or 2.9 percent.

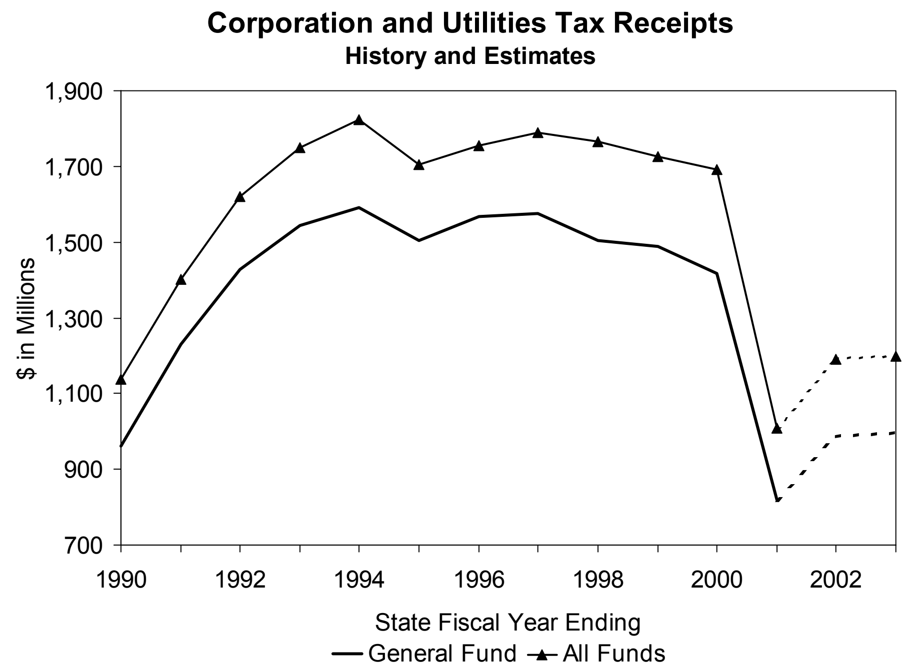
For 2002-03, General Fund cigarette tax receipts are projected to be $474.3 million. The tax on tobacco products and license fees is expected to total $26.3 million, an increase of $1.1 million from 2001-02. This increase is largely due to a continuation of the consumption trends and an expected shift of cigarette smokers to tobacco products, including roll-your-own tobacco, as a result of the significant price increases for cigarettes.

CIGARETTE AND TOBACCO TAX RECEIPTS
(thousands of dollars)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
				Actual			
1993-94	716,103	8,485	707,618	0	0	0	707,618
1994-95	734,134	7,638	726,496	0	0	0	726,496
1995-96	700,691	7,275	693,416	0	0	0	693,416
1996-97	675,756	8,724	667,032	0	0	0	667,032
1997-98	680,950	5,447	675,503	0	0	0	675,503
1998-99	671,699	5,118	666,581	0	0	0	666,581
1999-2000	648,609	5,451	643,158	0	0	0	643,159
2000-01	532,662	4,371	528,291	0	0	0	528,291
				Estimated			
2001-02*	518,300	4,000	514,300	0	0	0	514,300
2002-03*	504,600	4,000	500,600	0	0	0	500,600

* Note: in 2001-02 an estimated $497.9 million will be deposited in the Tobacco Control and Insurance Initiatives Pool, and in 2002-03 projected $748.6 million (or $282.8 million above current law projections) will be deposited.

CORPORATION AND UTILITIES TAXES



DESCRIPTION

Article 9 of the Tax Law imposes taxes and fees on a number of specialized 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. Article 9 receipts come primarily from the public utility, telecommunications, and transportation industries. 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). Recent statutory and regulatory changes have significantly diminished the role of traditional energy utilities as the primary source of Article 9 receipts.

Tax Rates and Base

The pie chart in the Receipts History section depicts the share of total 2000-01 Article 9 General Fund collections accounted for by each section of the Article.

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 (the nominal or face value of a security) of the stock that the corporation is authorized to issue; for shares of "no-par" value, the rate is five cents per share. The tax also applies to any subsequent change in the capital structure on stocks (adjustment to the par value, a change in the number of "no-par" value stocks, etc.), or newly authorized stock.

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, trucking, railroad, and other transportation companies. The tax is imposed using the highest of the following three alternatives: a rate of 1.5 mills on each dollar of the net value of capital stock allocated to New York State; a tax rate of 3/8 of a mill per dollar of par value for each 1 percent of dividends paid on capital stock if dividends amount to 6 percent or more; or a minimum tax of $75.

Section 184 is imposed on gross earnings of transportation and local telecommunications corporations from all sources in the State, including an allocated portion of receipts from interstate transportation-related transactions. The tax rate on telephone companies subject to section 184 of Article 9 is 0.375 percent, as of July 1, 2000. 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 pay the tax at a rate of 0.375 percent for periods beginning in July 2000 and thereafter.

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.

Legislation enacted with the 2000-01 Budget repealed section 186 retroactive to January 1, 2000. This section had imposed a franchise tax on public utilities including waterworks, gas, electric, steam heating, lighting and power companies. These companies are now taxed under Article 9-A of the Tax Law (corporate franchise tax).

Section 186-a imposes a tax on the furnishing of utility services (including both energy and lighting public utilities). This includes the 186-A commodity tax imposed on the gross operating income of utilities, corporations, and other entities not subject to the supervision of the Department of Public Service. It also includes the 186-P transmission and distribution tax imposed on the gross income of utilities and other entities that are supervised by the Department of Public Service, and that sell or furnish fuel, such as gas or electricity, through pipes or mains. Recent statutory changes reduced the tax rates under section 186-a. Further, the 2000-01 legislation established a separate tax rate imposed on commodity sales and on the sale of transmission/distribution services used to transport and deliver utility services to homes and businesses. The commodity portion of the section 186-a tax will be eliminated January 1, 2005. The tax rate schedule for the commodity and transmission/distribution portions of the current tax is reported in the table below.

TAX RATES CONTAINED IN SECTION 186-A

Effective Date	Type	Rate (percentage)
Prior to January 1, 2000	Commodity	3.25
	Transmission/Distribution	3.25
January 1, 2000	Commodity	2.10
	Transmission/Distribution	2.50
January 1, 2001	Commodity	2.00
	Transmission/Distribution	2.45
January 1, 2002	Commodity	1.90
	Transmission/Distribution	2.40
January 1, 2003	Commodity	0.85
	Transmission/Distribution	2.25
January 1, 2004	Commodity	0.40
	Transmission/Distribution	2.125
January 1, 2005	Commodity	0.00
	Transmission/Distribution	2.00

That part of the section 186-a tax imposed on the transmission/distribution of electric and gas utility services for nonresidential customers will be eliminated through a phased-in exclusion of gross receipts according to the following schedule. When fully phased in on January 1, 2005, only the residential portion of transmission/distribution services will remain taxable under section 186-a, at a rate of 2.0 percent.

PHASE-IN SCHEDULE FOR EXCLUSION OF T&D NONRESIDENTIAL CUSTOMERS

Effective Date	Rate (percentage)
Calendar Year 2000	0
Calendar Year 2001	0
Calendar Year 2002	25
Calendar Year 2003	50
Calendar Year 2004	75
Calendar Year 2005	100

Section 186-e imposes a tax on the gross receipts generated from telecommunications services. This rate was reduced to 2.5 percent on January 1, 2000.

Section 189, effective August 1, 1991, imposes a tax on the importation of natural gas for use by the importer. The cost used in the calculation of the tax is the wellhead cost of natural gas. Recent reforms will phase down the rate over a five-year period and eliminate the tax effective January 1, 2005. Taxpayers producing or extracting natural gas from their own wells for their own use are exempt from this tax, as is natural gas used by cogenerators for host site energy production.

On May 1, 2001, the New York State Court of Appeals ruled that section 189 violated the Commerce Clause insofar as it failed to avoid theoretical double taxation by failing to provide a valid credit against this section for certain taxes that may have been paid to other states. In October 2001, legislation was enacted that provides a credit for taxes paid to another state, thus eliminating the double taxation issue and the Commerce Clause violation. The phase-out of the tax will continue, as scheduled.

TAX RATES CONTAINED IN SECTION 189

Effective Date	Rate (percentage)
Prior to January 1, 2000	4.25
January 1, 2000	2.10
January 1, 2001	2.00
January 1, 2002	1.90
January 1, 2003	0.85
January 1, 2004	0.40
January 1, 2005	0.00

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. In 1996, the New York State Department of Taxation and Finance 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. As a result, the appropriate amount of liability from 1993, 1994 and

1995 was adjusted in 1996-97 and 1997-98. Such adjustments are not a net cash gain to the Financial Plan. The roughly $21 million increase in 1999-2000 in section 181 receipts was fully offset by reductions in other tax articles, primarily the corporation franchise tax.

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 twelfth month of their fiscal year.

SIGNIFICANT LEGISLATION

The following list highlights significant legislation enacted since 1994 affecting Article 9 taxes:

Subject	Description	Effective Date
Legislation Enacted in 1994		
Temporary Business Tax Surcharge	Eliminated the 15 percent surcharge for sections 183, 184, 186, and 186-a 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 new allocation mechanism. 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 carriers 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 (Article 9-A).	January 1, 1997
	Reduced the tax 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 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 low cost power to retail customers selected by the Power Allocation Board.	1997
Alternative Fuels Vehicle Credit	Created a tax 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 the 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.	
Credit for Employers Who Hire Persons With Disabilities	Created a tax credit equaling 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		
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
Legislation Enacted in 2000		
Utility Tax Reform	Repealed the section 186 tax. Section 186-a and section 189 tax are phased-out over a five-year period. Elimination of the gross receipts tax for manufacturers and industrial energy customers retroactive to January 1, 2000; elimination of the tax for all other business customers over a five-year period. For residential consumers, the commodity tax is eliminated and the transmission/distribution rate of the 186-a tax is reduced from 2.5 percent to 2.0 percent.	January 1, 2000
Power for Jobs	Provided an additional 300 megawatts of low-cost power to businesses across New York through the Power for Jobs program.	January 1, 2001
Legislation Enacted in 2001		
Section 189	Created a prospective and retroactive credit for taxes paid to other states where natural gas was purchased.	Retroactive to August 1, 1991

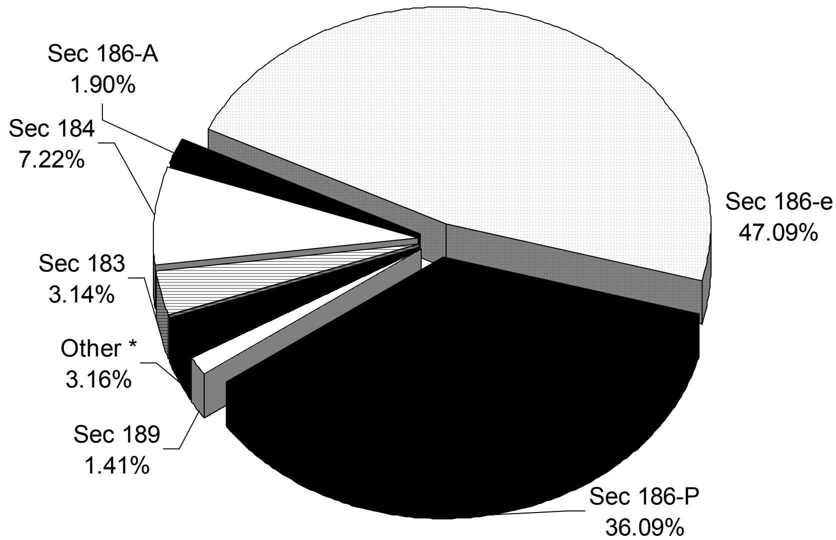
BRIEF REVIEW OF RECEIPTS HISTORY

For State fiscal years 1990-91 through 2000-01, Article 9 receipts have been highly variable. To a great extent, this volatility is the product of the numerous statutory changes elaborated on in the prior section. The volatility is also associated with fluctuations in energy prices and telecommunications demand.

History of General Fund

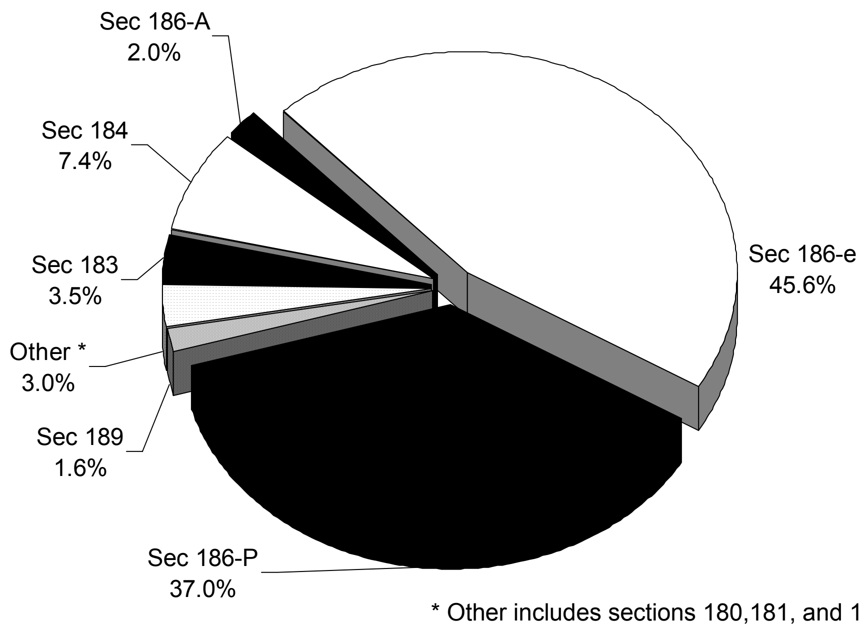
The pie charts below show the breakdown of collections, by section of law, for All Funds and the General Fund. For State fiscal years 1990-91 through 2000-01, the General Fund averaged 86.8 percent of All Funds. However, this percentage is expected to change to 82.8 percent in 2001-02 and 82.7 percent in 2002-03, due to the increased percentage of collections from sections 183 and 184 that have been earmarked to the MTOAF, sections 186-a and 186-e rate reductions, and other statutory changes enacted in 2000.

All Funds Percent Distribution by Section
2000-01 State Fiscal Year



* Other includes sections 180,181, and 185

General Fund Percent Distribution by Section
2000-01 State Fiscal Year



* Other includes sections 180,181, and 185

History of Other Funds

SECTIONS 183 AND 184 DISTRIBUTION TO FUNDS SINCE 1982 (percentage)

Effective Date	General Fund	MTOAF
July 1, 1982	60.0	40.0
April 1, 1996	52.0	48.0
January 1, 1997	50.5	49.5
January 1, 1998	46.0	54.0
January 1, 2000	36.0	64.0
January 1, 2001	20.0	80.0

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.

Section 205 of the Tax Law requires that portions of the taxes imposed under sections 183 and 184 to be deposited in the Metropolitan Mass Transportation Operating Assistance Account of the MTOAF. The table above reports the statutory allocation of tax receipts by fund.

As stated earlier, the MCTD business tax surcharge applies to Article 9. Taxpayers that do business within the 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 liability attributable to the MCTD area.

2001-02 RECEIPTS

Corporations and utilities taxes for 2001-02 are expected to yield total All Funds receipts of $1,191 million. This is an increase of 18 percent compared with 2000-01.

Total All Funds receipts for 2001-02 include an estimated $22 million in audit collections. After adjusting for refunds, year-to-year cash collections are expected to increase by approximately $190 million.

The World Trade Center disaster is expected to have a modest negative impact on the utilities and telecommunications sectors. Uncertainties remain regarding the amount of damage to underground infrastructure, such as service lines for telephones, electricity, and steam near and around the disaster site. The loss of customers is expected to reduce receipts for transmission and distribution companies.

Receipts for 2001-02 have also been adjusted to reflect legislation enacted in 2001 which reinstated the section 189 Gas Import Tax, which was ruled unconstitutional by the New York State Court of Appeals in the Tennessee Gas Pipeline Company case. This resulted in preserving $114 million in both refunds and ongoing receipts.

The primary factors examined when estimating corporation and utilities tax collections include the consumption of electricity and natural gas, and the associated price of each commodity. Although wholesale prices for natural gas were at record levels from last November through April, some of New York's utilities were not subject to the fluctuation in market prices due to fixed price contracts. If the utility had a market price pass-through clause, there would be an automatic adjustment made for a rate increase or decrease. These automatic adjustments had an initial positive effect on receipts beginning in late November and early December of State fiscal year 2000-01 and the first quarter of State fiscal year 2001-02, as natural gas prices increased dramatically. Similarly, utilities with automatic adjustments reflected the decreasing price of natural gas beginning in the spring. Natural gas prices have dropped significantly from last year's levels and are expected to remain stable due to increased supply and less demand. Receipts will reflect this more normal level of natural gas prices in the following months.

The tables below report annual consumption and prices of electricity and natural gas. The information shown for the years 1991 to 2000 is based on published reports of the Public Service Commission. The quantities in the table reflect sales to ultimate consumers and includes sales for resale.

CALENDAR YEAR HISTORY OF ELECTRICITY AND NATURAL GAS SALES
1991 TO 2000
(quantity in millions)

	Electricity Sales (kilowatt hours)	Percent Change	Gas Sales (M cubic feet)	Percent Change
1991	134,176	1.2	430.2	3.9
1992	124,926	(6.9)	497.6	15.7
1993	136,236	9.0	506.0	1.7
1994	133,531	(2.0)	530.0	4.7
1995	134,609	0.8	622.9	17.5
1996	135,256	0.5	603.6	(3.1)
1997	135,605	0.3	638.2	5.7
1998	116,305	(14.2)	482.5	(24.4)
1999	115,059	(1.1)	531.4	10.1
2000	105,637	(8.2)	636.1	19.7

CALENDAR YEAR HISTORY OF ELECTRICITY AND NATURAL GAS PRICES
1991 TO 2000

	Electricity Price (kilowatt hours)	Percent Change	Gas Price (M cubic feet)	Percent Change
1991	10.98	4.6	6.45	(0.3)
1992	11.39	3.7	6.51	1.0
1993	12.00	5.4	7.14	9.7
1994	12.23	1.9	7.55	5.7
1995	10.95	(10.5)	7.21	(4.5)
1996	11.09	1.3	8.03	11.4
1997	11.08	(0.0)	7.22	(10.1)
1998	10.50	(5.2)	8.25	14.3
1999	10.26	(2.3)	7.73	(6.3)
2000	11.21	9.3	8.40	8.7

All of section 186-e receipts and three-quarters of section 184 receipts in recent years have come from telecommunications companies. New services and the explosion in data communications have increased call and message volume, while competition and deregulation have held down prices.

Legislation enacted in 1996 to lower section 184 taxes on rail and trucking companies is estimated to reduce collections by $12 million in 2001-02. The sections 184, 186-a and 186-e rate reductions enacted in 1997 are estimated to reduce collections in 2001-02 by $387.5 million. The Power for Jobs tax credit program, first enacted in 1997, accelerated in 1998, and expanded in 2000 and 2001 legislation, will reduce receipts by an estimated $100 million. Legislation enacted in 2000 is estimated to reduce collections in 2001-02 by $211 million.

2002-03 PROJECTIONS

Corporation and utilities taxes for 2002-03 are expected to yield total All Fund receipts of $1,198 million. This is an increase of 1 percent compared with 2001-02.

For 2002, the consumption of electricity is projected to grow 1.4 percent, while natural gas consumption is expected to increase by nearly 1.4 percent. At the same time, the price of electricity is projected to decline by less than 1 percent and the price of natural gas is estimated to decrease by nearly 9 percent. Factors such as the substitution of cheaper fuel types, the severity of the weather, and the availability of oil or natural gas all influence energy consumption and energy prices. Telecommunications companies' receipts are expected to grow approximately 5 percent.

Apart from underlying economic activity and related changes in the price and quantity of utility services consumed, collections will continue to be affected by scheduled tax rate reductions. The rail and trucking legislation enacted in 1996, pertaining to section 184, is estimated to reduce collections by $13 million in 2002-03. The rate reductions enacted in 1997 and 2000 are estimated to reduce collections in 2002-03 by almost $700 million. Collections of prior-year liabilities, after audit, are projected at $20 million in 2002-03.

OTHER FUNDS

As mentioned previously, a portion of Article 9 receipts are deposited into two special revenue funds. The section 183 and 184 collections deposited in the MTOAF will total an estimated $70 million for 2001-02 and $81 million for 2002-03.

The MTCD business tax surcharge will result in deposits of an estimated $134 million for 2001-02 and $122 million for 2002-03 into the MTOAF.

GENERAL FUND

General Fund collections for 2001-02 are estimated to be $987 million, an increase of $170 million over last year. These receipts include an estimated $22 million in audit collections.

For 2002-03, the General Fund collections are estimated at $995 million. This includes an estimated $22 million in audit receipts, offset by $30 million in refunds.

Risks

At this time, it is too soon to anticipate all of the economic changes that may result from the World Trade Center attacks. Any major effects of the attacks on the utility industry or long-term delays in the recovery effort could potentially have a larger impact on tax liability than we are currently anticipating.

The forecast assumes average temperature ranges during 2001 and 2002. 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, as well as to general inflation. 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 telecommunications forecast assumes the continuation of steady growth, especially within the information technology, wireless, and Internet markets. However, if market saturation begins to occur in any sector, demand could fall, resulting in a level of consumption below the current forecast. Furthermore, prices are sensitive to changes in supply and demand, disposable income, business market conditions, changes in technology, and general inflation.

CORPORATION AND UTILITIES TAX RECEIPTS BY SECTION
(millions of dollars)

Section of Law	Type of Companies	Collections[1] 2000-01 Actual	2001-02 Estimated	2002-03 Projected
180	Organizations and reorganizations	5.8	4.4	4.4
181	Foreign corporations and maintenance fees	27.8	26.2	26.2
183	Transportation and transmission companies	32.6	35.9	39.4
184	Additional tax on transportation and transmission companies	68.8	51.5	61.6
185	Agricultural cooperatives	0.2	0.2	0.2
186	Water, steam, gas, electric, light and power companies	(49.8)	0.0	0.0
186a & e	Public utilities/telecommunication	787.6	939.5	930.8
189	Natural gas importers	14.5	14.0	13.1
	Subtotal	887.5	1,067.7	1,075.7
		Special Revenue Funds		
	Less Other Funds			
	MTOAF[2]	70.1	70.0	81.0
	Net General Fund	817.4	987.0*	995.0

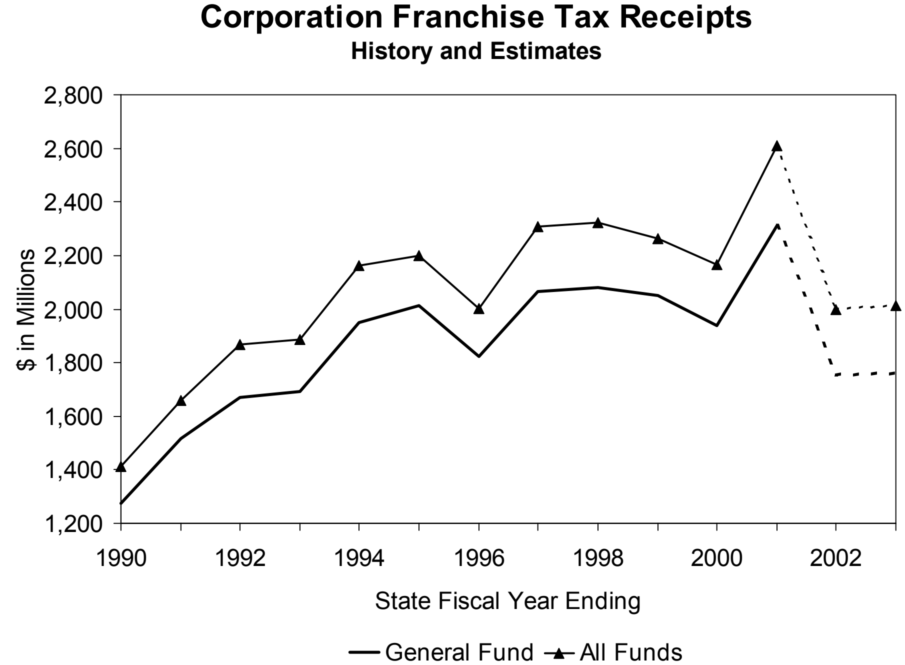
[1] Receipts from the regional business tax surcharge are excluded.
[2] Per statute, 54 percent of sections 183 and 184 receipts in 1998 and 1999, 64 percent in 2000, and 80 percent in 2001 and thereafter, are dedicated to the MTOAF.
* Reflects adjustments made for Tennessee Pipeline case and World Trade Center attacks.

CORPORATION AND UTILITIES TAX RECEIPTS
(millions of dollars)

	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								
1993-94	1,604	12	1,592	233	1	232	0	0	1,824
1994-95	1,574	69	1,505	203	3	200	0	0	1,705
1995-96	1,581	14	1,567	190	1	189	0	0	1,756
1996-97	1,616	39	1,577	214	2	212	0	0	1,789
1997-98	1,517	13	1,504	243	2	241	0	0	1,745
1998-99	1,509	20	1,489	242	2	240	0	0	1,729
1999-2000	1,450	32	1,418	276	2	274	0	0	1,692
2000-01	847	30	817	193	1	192	0	0	1,009
	Estimated								
2001-02	1,017	30	987	205	1	204	0	0	1,191
2002-03	1,025	30	995	205	2	203	0	0	1,198

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

CORPORATION FRANCHISE TAX



DESCRIPTION

The corporation franchise tax is levied by Article 9-A of the Tax Law on domestic and foreign corporations for the privilege of exercising their corporate franchise or 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, such as rate reductions, allowing railroad and trucking companies to elect to be taxed under Article 9-A, and the deregulation and change in the tax treatment of electric utility companies.

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. An allocated entire net income base, which begins with Federal taxable income before net operating loss deductions and special deductions. A rate of 7.5 percent is applied to this base after the exclusion, deduction, or addition of certain items and the base is allocated to New York. Tax credits will further reduce tax otherwise due.
2. An alternative minimum tax 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 2.5 percent.
3. A capital base at a rate of 0.178 percent. Allocated business and investment capital form the capital base with a maximum annual tax of $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.

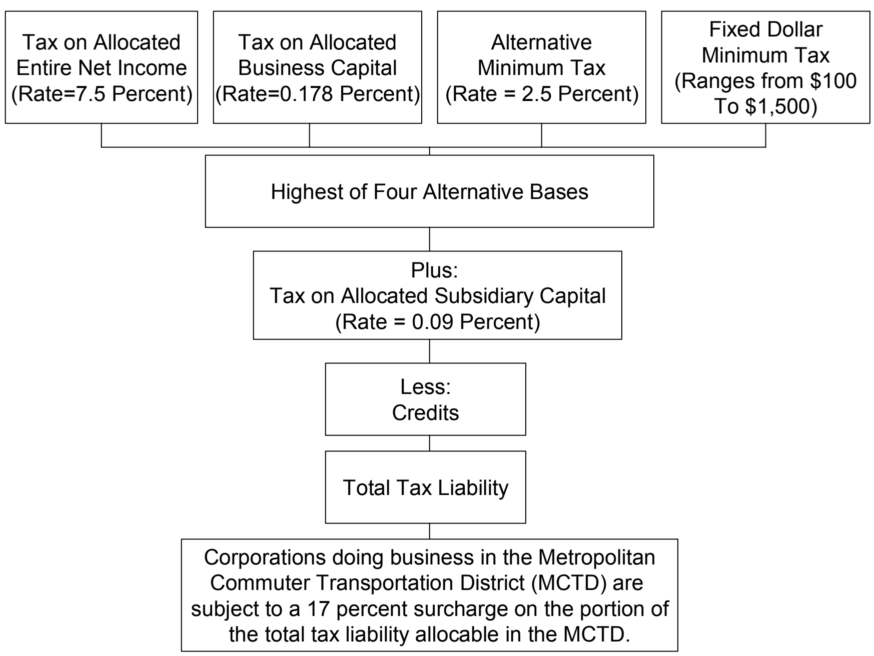
For tax years ending after June 1990 and before July 1994, a temporary State business surcharge of 15 percent of tax due after the application of any credits was in effect. The surcharge fell to 12.5 percent during 1994, to 7.5 percent during 1995, to 2.5 percent during 1996, and was eliminated during 1997. 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.

Article 13 of the Tax Law levies a tax of 9 percent on the unrelated business income of otherwise tax-exempt organizations operating in the State.

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.

The following flow chart shows how alternative tax bases are used to compute Article 9-A tax liability.

Article 9-A Flowchart



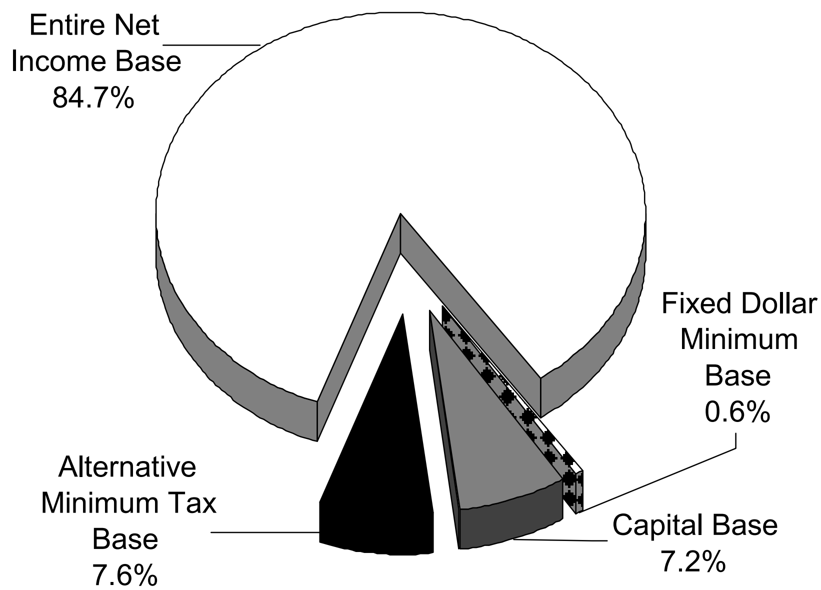
TAX BASE

The corporation franchise tax is made up of business entities classified as either C corporations or S corporations. The New York State Department of Taxation and Finance's Office of Tax Policy Analysis (OTPA) compiles corporate tax return data relating to the total number of C and S corporations and tax liability for these entities. The most recent data, from the *1996 New York State Corporation Tax Statistical Report*, indicates that 259,285 taxpayers filed as C corporations, while 254,236 taxpayers filed as S corporations. The number of C corporations and S corporations did not change significantly from the prior year.

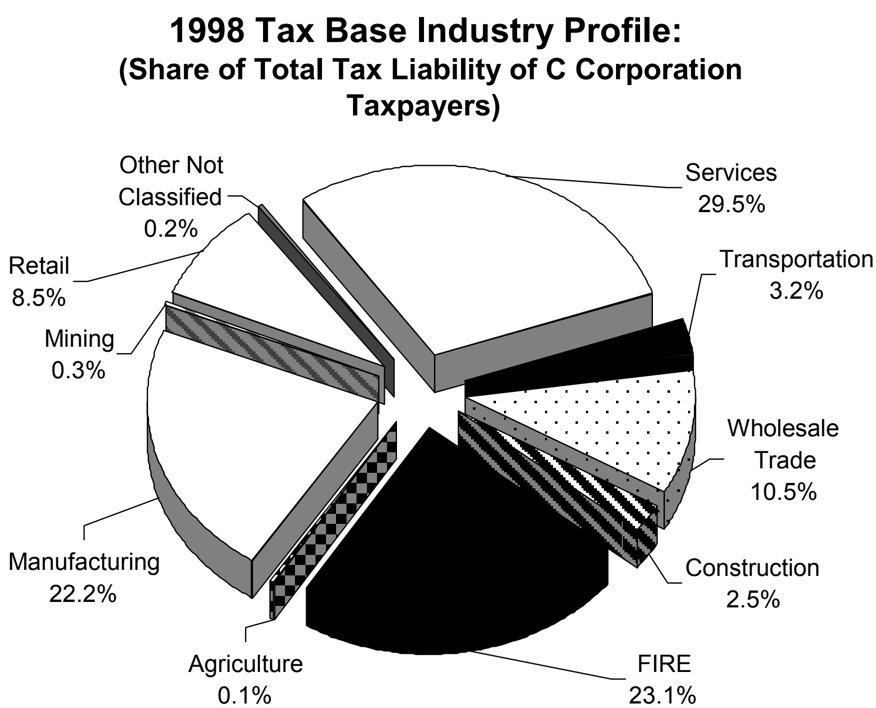
The OTPA's Corporate Franchise Tax Study File contains the most recent data available on Article 9-A liability. It includes all corporations filing under Article 9-A, except fixed dollar minimum tax filers and S corporations. The most current liability information is for the 1998 tax year.

Several characteristics of C corporations are noteworthy. In 1998, nearly 85 percent of liability was paid under the entire net income base. The alternative minimum tax is the second largest base, at 7.6 percent of liability. (See chart below.)

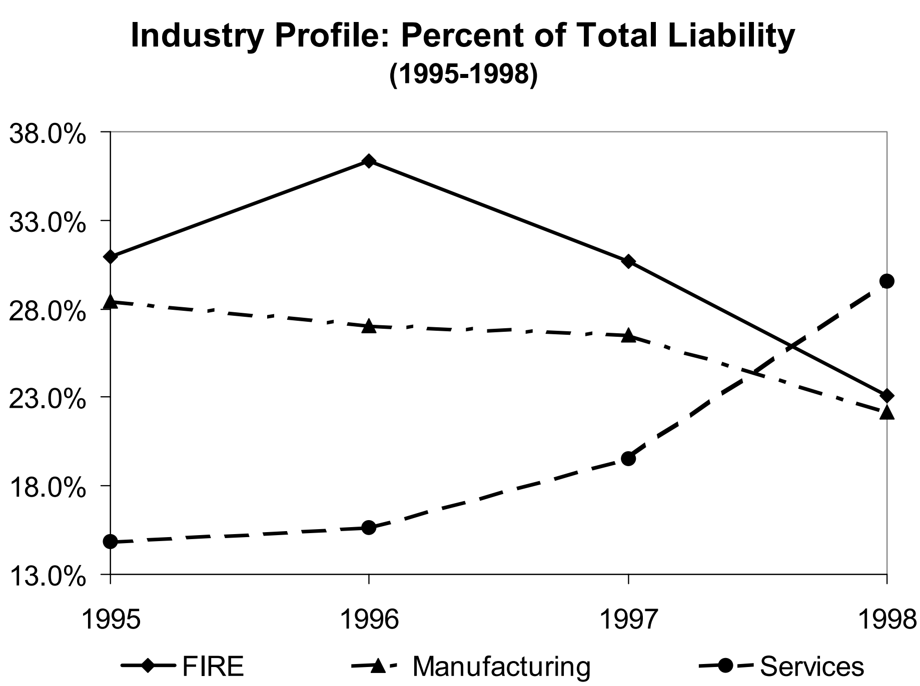
1998 Distribution of Tax Liability by Basis of Tax



The next chart shows the distribution of tax liability by major industry sector. Liability paid by the finance, insurance, and real estate sector (FIRE) made up approximately 23 percent of total tax liability paid by C corporation taxpayers in 1998, with the manufacturing sector accounting for 22 percent of liability. The service industry has grown quite significantly and, in 1998, represented almost 30 percent of total liability.



The following chart illustrates the fluctuation in the percentage of liability paid by the three industries that typically make up the largest share of liability: FIRE, manufacturing and services. The FIRE industry is historically one of the largest sources of tax receipts for Article 9-A. Liability for this industry, however, tends to be very volatile over time, rising, for example, to 36 percent in 1996 and then dropping to 23 percent in 1998. In comparison, the service industry has exhibited uninterrupted growth in recent years. Finally, the manufacturing industry's share of total liability has declined steadily over the same period.



SIGNIFICANT LEGISLATION

The corporate franchise tax structure includes various exclusions, exemptions, tax credits, and other statutory devices designed to adjust State tax liability. The distribution of these benefits varies widely among firms. The primary objective of these provisions is to provide economic incentives to stimulate the New York economy and to eliminate tax inequities across firms. The following table summarizes the major corporation franchise tax legislation enacted since 1994.

SIGNIFICANT CORPORATION FRANCHISE TAX LEGISLATION

Subject	Description	Effective Date
Legislation Enacted in 1994		
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.	Retroactive to January 1, 1989
Temporary Business Tax Surcharge	Eliminated the temporary 15 percent surcharge over a four year period.	January 1, 1994
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.	January 1, 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.	January 1, 1994
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.	October 24, 1994
Investment Tax Credit/ Employment Incentive Credit (EIC)	Extended carryover period for this credit from 7 to 10 years.	January 1, 1994
Rate Reduction – Alternative Minimum Tax (AMT)	Reduced rate from 5.0 percent to 3.5 percent.	January 1, 1995
Legislation Enacted in 1996		
Rehabilitation Credit for Historic Barns	Allowed taxpayers to claim corporate franchise tax credit for the rehabilitation of historic barns in New York State.	January 1, 1997
Agricultural Property Tax Credit	Allowed eligible farmers to claim a real property tax credit against the corporate franchise tax.	January 1, 1997
Legislation Enacted in 1997		
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 carry forward.	January 1, 1998
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.	January 1, 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.	January 1, 1998
Legislation Enacted in 1998		
Rate Reduction – AMT	Reduced rate from 3.5 percent to 3.0 percent phased in over 2 years.	June 30, 1998
Investment Tax Credit	Brokers/dealers in securities may claim a credit for equipment or buildings used in broker/dealer activity and in activities connected with broker/dealer operations.	October 1, 1998
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.	January 1, 1999
Rate Reduction – ENI	Reduced the tax rate from 9 percent to 7.5 percent over a three-year period beginning after 6/30/99.	June 30, 1999

Subject	Description	Effective Date
Legislation Enacted in 1999		
Rate Reduction – AMT	Reduced rate from 3.0 percent to 2.5 percent.	June 30, 2000
Mergers and Acquisitions	Repealed the provisions relating to mergers, acquisitions and consolidations.	January 1, 2000
Alternative Fuel Vehicle Credit	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.	January 1, 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.	January 1, 2001
EDZ/ZEA Wage Tax Credit	Doubled the existing Economic Development Zone (EDZ) and Zone Equivalent Area (ZEA) wage tax credits.	January 1, 2001
Defibrillator Credit	Granted a new credit of $500 per automated external defibrillator.	January 1, 2001
Legislation Enacted in 2000		
Energy Reform and Reduction	Energy companies, previously taxed under section 186 of Article 9, will now be subject to the Article 9-A corporate franchise tax.	January 1, 2000
Industrial or Manufacturing Business Credit (IMB)	A refundable credit provided for any of the gross receipts taxes and the section 189 gas import tax on manufacturing uses of energy.	January 1, 2000
Securities and Commodities Brokers or Dealers Customer Sourcing	Allows securities broker/dealers to allocate receipts, which constitute commissions, margin interest or account maintenance fees, as a service performed at the customer's mailing address.	January 1, 2001
Empire Zones (EZ)	Economic Development Zones (EDZ) are transformed to Empire Zones, effectively providing for virtual "tax free" zones for certain businesses. The enhanced benefits include a tax credit for real property taxes, a tax reduction credit, and sales and use tax exemption. The tax reduction credit may be applied against the fixed dollar minimum tax, which may reduce the taxpayer's liability to zero.	January 1, 2001
Rate Reduction – S Corporations	Reduced the differential tax rate imposed on S corporations by 45 percent.	June 20, 2003
Rate Reduction – Small Businesses	Small businesses with entire net income of $200,000 or less pay a reduced tax rate of 6.85 percent.	June 30, 2003

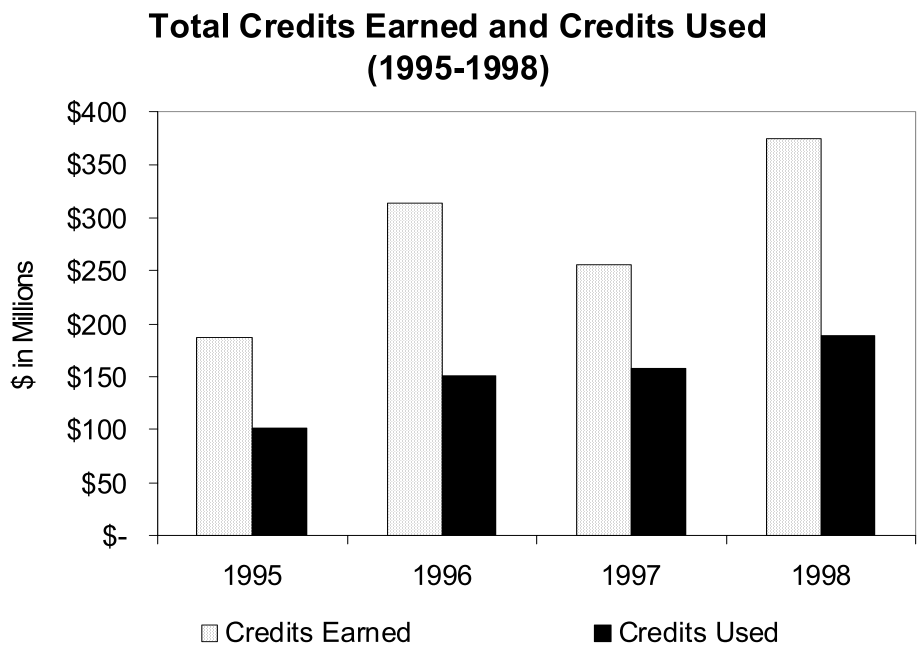
Proposed Legislation

This year the Governor has proposed two targeted tax incentives designed to spur economic development throughout the State.

- **Tax Incentives for Brownfield Redevelopment:** As part of the proposed Superfund program, these tax incentives will encourage the remediation and redevelopment of brownfields to productive use. Brownfields are abandoned or underutilized properties found in many areas that require environmental remediation. The incentives include tax credits for the costs associated with the site remediation of brownfields and the purchase of property used on a brownfield site. In addition, the program also includes property tax benefits for brownfields of at least ten acres and no more than 100 acres in upstate cities, as well as an enhanced property tax credit for upstate mega-brownfields — those of more than 100 acres. The credits apply to tax years beginning on or after January 1, 2003, for site costs incurred and property placed in service on or after January 1, 2002. These credits are available to regular corporations, personal income taxpayers, utilities, banks and insurance companies.
- **Enhancements to the New York State Low-Income Housing Tax Credit Program:** Beginning in 2002, an additional $2 million will be available to enhance the provisions of the Low-Income Housing Tax Credit Program, included in the 2000-01 Enacted Budget. This will allow even more participants to become involved in this

important program, which is designed to encourage investments in low-income housing. Eligible taxpayers include regular corporations, personal income taxpayers, banks and insurance companies.

Credits



The graph shows major credits earned and used by Article 9-A taxpayers, and illustrates that the amount of credits earned greatly exceeds the amount of credits used. These credits include the investment tax credit (ITC), Empire Zone credits, the alternative minimum tax (AMT) credit, the farmer's school credit, and a special additional mortgage recording credit. Credits earned is the amount of credit earned by a taxpayer in the current tax year. This is prior to any credit recapture, and does not include credits from any prior years. From 1995 to 1998, the number of credits earned increased by nearly 98 percent. This trend is expected to continue as more targeted tax credits have been enacted and are being utilized by businesses in the State. For example, the ITC for the financial services industry, which was enacted in 1998, accounted for an additional $108 million in credits earned during 1998. The total ITC accounts for the majority of the tax credit base. In 1998, the ITC accounted for about 86 percent of all tax credits earned and about 70 percent of all tax credits used. It is anticipated that the amount of ITC used will increase due to tax law changes reducing the AMT rate to 3.0 percent in 1998 and to 2.5 percent in 2000. This is because the AMT effectively limits the amount of credits a taxpayer can use to reduce tax liability.

Historically, Tax Law provisions prevented taxpayers from using tax credits to reduce final tax liability below the fixed dollar minimum tax, or the AMT. This resulted in taxpayers carrying forward a significant amount of tax credits into subsequent tax years. In 1998, nearly $1.7 billion worth of tax credits were carried forward. Legislation enacted in 2000, however, made it possible to apply the employment incentive credit and the newly created tax reduction credit against the AMT if taxpayers are within an Empire Zone. Additionally, the tax reduction credit for qualified Empire Zone enterprises may be applied against the fixed dollar minimum tax, which may reduce the taxpayer's corporate franchise tax liability to zero. It is expected that these tax relief measures will result in fewer tax credits being carried forward, because taxpayers will be able to use more credits against liability.

2001-02 RECEIPTS

Based on collections to date, total net collections for the entire State fiscal year are estimated to reach $1,998 million, a $632 million dollar decrease from the 2000-01 level. The decrease is the result of several factors. Perhaps the most important is the impact of the terrorist attacks on New York City on September 11. These attacks have had a significant short-term impact on the liability of taxpayers under this article. Several taxpayers had substantial office space located in and around the World Trade Center (WTC) that was destroyed or damaged. These taxpayers are expected to have significant losses in both property and business activity which should serve to lower their tax liability.

Also, payments on 2001 liability had already been broadly depressed prior to September 11. Payments by fiscal filers on 2001 liability, excluding the impact of the WTC, were down approximately 43 percent through September. Payments by calendar filers were down roughly 9 percent, before the impact of the WTC tragedy. Much of the decrease in 2001 liability payments can be attributed to an overall decline in business profitability.

Profits from financial services firms, which traditionally make up a substantial portion of Article 9-A receipts, suffered from declines in both stock values and trading activity.

Further, receipts were reduced due to the impact of roughly $290 million in already enacted tax reductions.

Finally, corporate tax receipts have been adjusted to reflect an expected decline in audit receipts during the second half of the current State fiscal year. Audit collections are expected to be lower due to the disruption of the audit process caused by the World Trade Center disaster.

The Executive Budget proposes two new targeted tax relief measures. These include enhancements to the Low-Income Housing Tax Credit Program and tax credits for brownfield redevelopment. The proposed increase in credit allocation for the Low-Income Housing Tax Credit Program will not affect receipts in 2001-02 but will reduce 2002-03 receipts by $2 million. The brownfield tax credits will not have an impact on receipts until 2003-04.

2002-03 PROJECTIONS

Corporate franchise tax receipts are expected to increase by 1 percent from estimated 2001-02 levels to $2,012 million. The projection is driven by several factors. The decline in corporate profitability, at the national and State level, is expected to be largely limited to the 2001-02 State fiscal year. In addition, the direct impact of the events of September 11 should have a less significant impact on receipts than during the 2001-02 State fiscal year. In contrast, the impact of an additional $116.8 million in already enacted tax reductions will reduce receipts.

The corporate franchise tax projection is based, in part, on the underlying relationship between liability and overall corporate profitability. Corporate profits, which have declined significantly over the course of the 2001-02 State fiscal year, are expected to improve during 2002-03. It is expected that corporate profitability will see improvement and growth over the 2002-03 State fiscal year.

Executive Budget proposals will reduce receipts. The Low-Income Housing Tax Credit will reduce receipts by $2 million in 2002-03. The brownfield tax credits will not affect receipts until 2003-04.

OTHER FUNDS

Under current law, a 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 MCTD and is the principal revenue source of the Mass Transportation Operating Assistance Fund (MTOA). In addition, the MTOA fund was held harmless from the ENI rate reduction, which began in 1999. As a result MTOA collections will not be diminished by the corresponding reduction in General Fund receipts. Based on collections to date, the Article 9-A MTOA contribution for 2001-02 is projected to reach approximately $243 million, a 17.6 percent decrease from 2000-01. As with General Fund receipts, surcharge collections are affected by the volatility of the financial services sector and general growth in business activity for the current tax year. Consistent with overall estimates, and the fact that the MTOA is protected from the corporate franchise tax reduction, 2002-03 State fiscal year collections are expected to increase by roughly 3.3 percent.

GENERAL FUND

Based on collections to date, General Fund net collections for 2001-02 are projected to decrease by $580 million, a 24.8 percent decrease from State fiscal year 2000-2001, primarily driven by large decreases on 2001 liability, reductions in audit receipts, and the continued impact of previously enacted tax reductions.

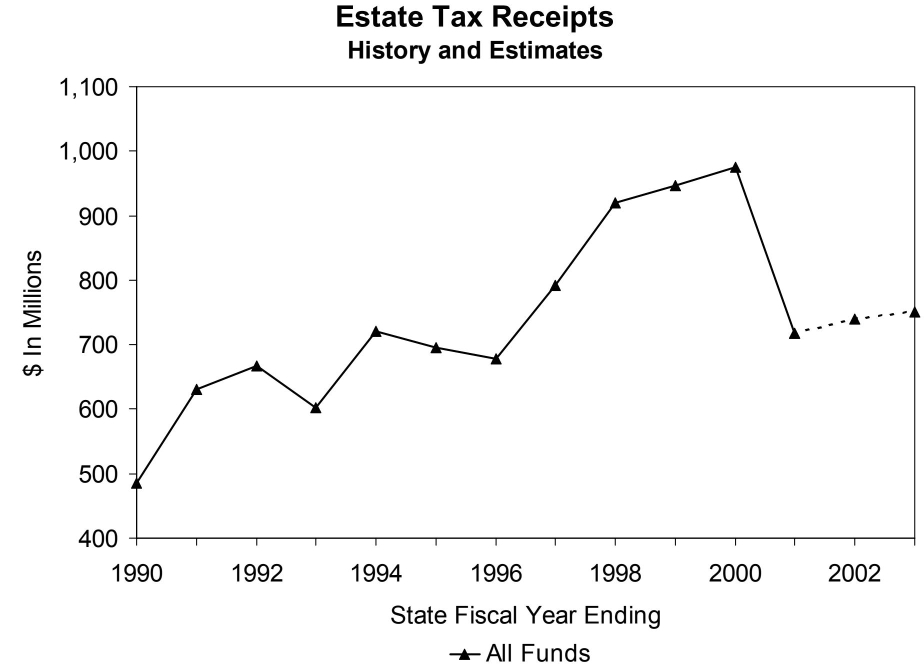
General Fund receipts for State fiscal year 2002-03 are expected to increase slightly over 2001-02 levels. This slight increase is the product of increasing corporate profitability, offset by the impact of previously enacted tax cuts, as well as the continued disruption of the audit process.

CORPORATATION FRANCHISE TAX RECEIPTS
(millions of dollars)

	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								
1993-94	2,217	268	1,948	232	18	214	0	0	2,162
1994-95	2,289	278	2,012	207	20	187	0	0	2,199
1995-96	2,217	396	1,821	217	36	182	0	0	2,002
1996-97	2,414	348	2,067	274	36	239	0	0	2,306
1997-98	2,381	300	2,081	289	27	262	0	0	2,343
1998-99	2,479	429	2,050	243	30	213	0	0	2,262
1999-2000	2,422	483	1,939	272	43	229	0	0	2,168
2000-01	2,817	482	2,335	316	21	295	0	0	2,630
	Estimated								
2001-02	2,115	360	1,755	274	31	243	0	0	1,998
2002-03 (proposed law)	2,122	361	1,761	283	32	251	0	0	2,012

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

ESTATE TAXES



DESCRIPTION

New York imposes a tax on the estates of deceased State residents, and on that part of a nonresident's estate made up of real and tangible personal property located within New York State.

Current Law

Legislation enacted in 1997 significantly reduced State estate tax collections and changed the way the New York State estate tax was imposed. The State's estate tax rate structure, credits and exemptions were eliminated in two phases, and State liability was set to equal to the maximum Federal credit for state death taxes.

The first phase of the estate tax legislation, for those dying on or after October 1, 1998, and before February 1, 2000, increased the unified credit (the credit that can be used to reduce liability of either the estate or gift tax under the unified imposition of these taxes) from $2,950 to $10,000, thereby increasing the value of transfers exempt from taxation to $300,000. In addition, the requirement for 90 percent of the estate tax to be paid within six months of death to avoid underpayment interest was changed to seven months.

The second phase for decedents dying on or after February 1, 2000, eliminated New York's estate tax rate schedule and provided that New York State's estate tax would be equal to the Federal credit for state death taxes paid. New York also automatically conformed State law to the unified credit provisions specified in Federal law. In February 2000, Federal law set the unified credit at $675,000 and contained a schedule that increased the credit to $1 million by 2006. (See table below.) In addition, consistent with Federal law, 100 percent of tax liability is due within nine months of the decedent's death.

New Federal Legislation

Congress recently enacted the Economic Growth and Tax Relief Reconciliation Act of 2001. The new Federal law converted the unified credit to an exemption and accelerated the phase-in schedule (see table below) to effectively exempt the first $1 million of the value of an estate in 2002. Because New York conforms to the unified credit portion of Federal law, there is an acceleration of the $1 million exemption in New York law, from 2006 to 2002.

State unified credit/exemption under the prior and current Federal law:

State Unified Credit/Exemption Amounts

Year	Prior to 2001 Federal Tax Reduction Program	After 2001 Federal Tax Reduction Program
2000, 2001	$ 675,000	$ 675,000
2002, 2003	700,000	1,000,000
2004	850,000	1,000,000*
2005	950,000	1,000,000*
2006 and thereafter	1,000,000	1,000,000*

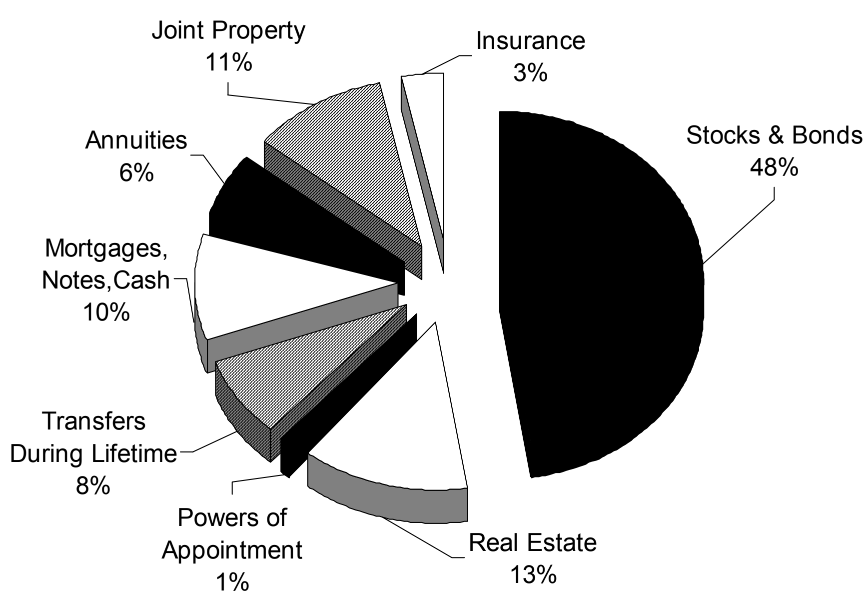
* New York State law caps the Unified Exemption at $1 million. The Federal law increases the amount to $1.5 million in 2004 and 2005, $2 million in 2006, 2007, and 2008, and $3.5 million in 2009.

In addition, the new Federal law phases out the Federal credit for state death taxes over four years, by 25 percent per year. The provisions of New York's law setting the estate tax liability equal to the Federal credit for state death taxes conforms to the Federal law as it existed on July 22, 1998. As a result, New York estate tax liability will be unaffected by the phase-out of the Federal credit for state death taxes.

Factors Affecting Yield

The recent yield of this tax has been heavily influenced by three factors: tax law changes, variations in the relatively small number of large estates, and the value of the equity market, given the large component of corporate stock in large taxable estates. Recent tax law changes have reduced estate tax collections from the smallest estates. As a result, volatility in receipts is expected to increase due to the more random nature of collections from large estates.

Components of Taxable Gross Estates
State Fiscal Year 1999-2000



SIGNIFICANT LEGISLATION

The major statutory changes since 1994 are reported below.

Subject	Description	Effective Date
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).	June 7, 1995
Legislation Enacted in 1997		
Unified Credit for Estate and Gift Taxes	Conforms New York State law to Federal law as of July 22, 1998, except for the unified credit provisions.	July 22, 1998
	Increased credit from $2,950 to $10,000, thereby eliminating the tax on taxable estates and gifts 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.	January 1, 2002
	Increased credit to eliminate tax on taxable estates of $850,000 or below.	January 1, 2004
	Increased credit to eliminate tax on taxable estates of $950,000 or below.	January 1, 2005
	Increased credit to eliminate tax on taxable estates of $1,000,000 or below.	January 1, 2006
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 to nine months (same as Federal).	February 1, 2000
Legislation Enacted in 1998		
Closely-Held Business	Interest on deferred payments of estate tax where estate consists largely of a closely-held business reduced from 4 percent to 2 percent.	January 1, 1998
Legislation Enacted in 1999		
Family-Owned Business Deduction	Family-owned business exclusion repealed and replaced with family-owned business deduction, conforming to Federal changes.	December 31, 1997
Penalty and Interest	Penalty and interest waived on estate tax associated with a cause of action that was pending on the date of death, or which was associated with the decedent's death. The waiver is applicable from the date the return disclosing the cause of action if filed.	July 13, 1999

2001-02 RECEIPTS

For the 2001-02 fiscal year, estate tax receipts are estimated at $740.0 million, after subtracting estimated refunds of $40 million. This is composed of $253.4 million from extra large estates with payments of $4 million or more, $280.0 million from large estates with payments between $500,000 and $4 million, and $246.6 million from small estates with payments of less than $500,000. These receipts include Case and Resource Tracking System (CARTS) collections estimated at $40 million. This represents an increase of 3.2 percent from the $717.1 million collected in 2000-01. It is estimated that the first full year effects of the tax reductions enacted in 1997 have reduced total receipts by $392.5 million, or 36.5 percent from the 1993-94 base.

In developing projections for estate tax receipts, the value of household net worth is used to forecast receipts from estates that make payments of less than $4 million. A distributional analysis is utilized to estimate receipts and the number of estates where payments exceed $4 million.

Year-to-date net estate tax collections of $552.6 million for 2001-02 are 3.9 percent lower than collections during the comparable period in 2000-01. Receipts are expected to decline over the rest of the fiscal year, reflecting estimated declines in the value of household net worth of 7.7 percent in 2001-02.

Year-to-date collections from extra large estates are $169.3 million, a 27.6 percent increase over the comparable period in 2000-01. Collections from large estates decreased by $31.2 million, or 17.8 percent, to $143.6 million. Similarly, small estate payments also experienced a decrease of $28.3 million, down 10.6 percent, to $239.7 million from the similar period of 2000-01. These declines largely reflect both the recent weakness in the equity markets and the impact of previously enacted tax reductions.

CARTS collections through seven months of 2001-02 were $27.6 million, an increase of about 109 percent from the same period of 2000-01, reflecting a large audit payment in the first half of the fiscal year. Year-to-date refunds for 2001-02 were $24.2 million, 52 percent below the same period of 2000-01.

2002-03 PROJECTIONS

The combination of increasing the Federal unified credit from $675,000 to $1 million, and moving to a pick-up tax will partially offset an estimated 4.8 percent increase in the base of the tax. Including estimated CARTS collections of $25 million and refunds of $40 million, net estate tax receipts are projected to be $751.2 million in 2002-03.

ESTATE TAX RECEIPTS BY SIZE OF ESTATE
(millions of dollars)

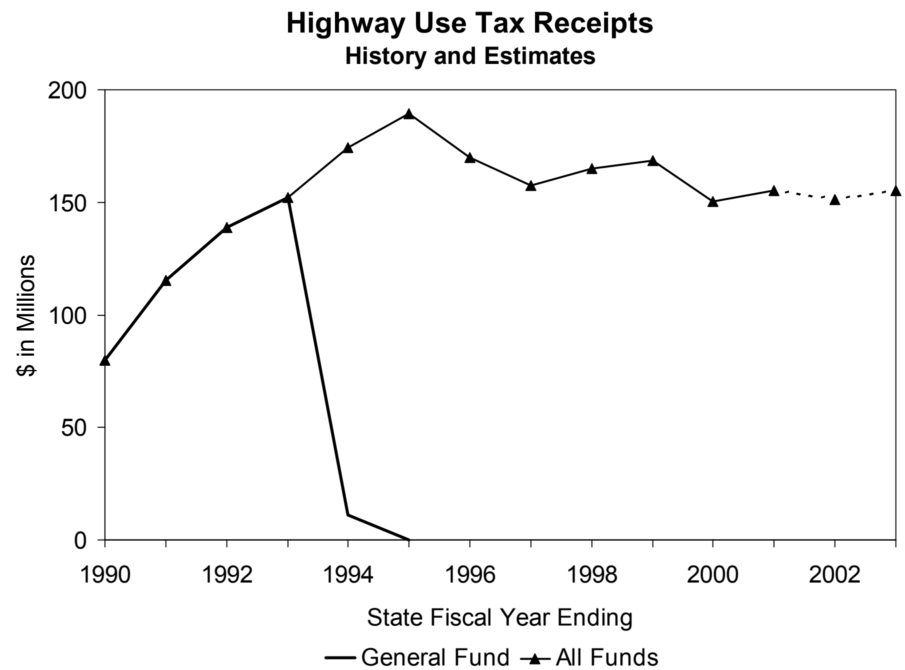
	Extra Large Estates[1]		Large Estates[2]		All Large Estates		Small Estates[3]	Grand Total
	Number	Taxes	Number	Taxes	Number	Taxes	Taxes	Taxes
1991-92	11	158.7	111	149.9	122	308.6	398.5	707.1
1992-93	9	78.8	125	135.9	134	214.7	410.7	625.4
1993-94	15	163.3	127	163.5	142	326.8	434.1	760.9
1994-95	13	141.4	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
1999-2000	14	176.8	188	229.6	204	514.1	460.9	975.0
2000-01	20	210.5	199	277.0	215	541.7	175.4	717.1
				Estimated				
2001-02	18	253.4	173	280.0	190	533.4	206.6	740.0
2002-03	18	220.6	180	289.0	197	509.6	241.6	751.2

[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. (All refunds are subtracted from small estates.)

ESTATE TAX RECEIPTS
(thousands of dollars)

	General Fund	Refunds	Net General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
				Actual			
1993-94	760,901	40,660	720,241	0	0	0	720,241
1994-95	754,844	59,250	695,594	0	0	0	695,594
1995-96	723,097	44,399	678,698	0	0	0	678,698
1996-97	842,015	50,457	791,558	0	0	0	791,558
1997-98	967,785	48,424	919,361	0	0	0	919,361
1998-99	993,086	46,641	946,445	0	0	0	946,445
1999-2000	1,028,698	53,526	975,172	0	0	0	975,172
2000-01	777,100	60,000	717,100	0	0	0	717,100
				Estimated			
2001-02	780,000	40,000	740,000	0	0	0	740,000
2002-03	791,200	40,000	751,200	0	0	0	751,200

HIGHWAY USE TAX



DESCRIPTION

Highway use tax revenues are derived from three sources: the truck mileage tax, 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.

In addition, a supplemental tax equal to the base truck mileage tax was imposed prior to January 1, 1999. Effective January 1, 1999, the supplemental tax was reduced by 50 percent, and effective April 1, 2001, the supplemental tax was reduced by an additional 20 percent of the remaining tax.

BASE 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
8,501 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

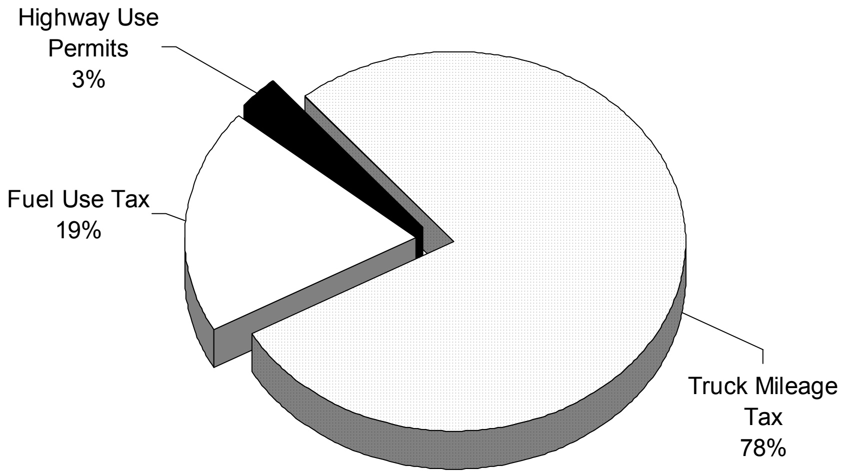
Highway Use Permits

Highway use permits are used to denote those vehicles subject to the highway use tax. The permits are issued triennially at a cost of $15 for an initial permit and $4 for a permit renewal. Additionally, special permits are issued for the transportation of motor vehicles, for automotive fuel carriers, and for trips into New York State 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.

Components of Highway Use Tax Receipts
Estimated State Fiscal Year 2001-02



SIGNIFICANT LEGISLATION

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 1994.

SIGNIFICANT HIGHWAY USE TAX LEGISLATION

Subject	Description	Effective Date
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.	
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
Legislation Enacted in 2000		
Supplemental Tax	Reduced the truck mileage supplemental tax by 20 percent.	April 1, 2001

2001-02 RECEIPTS

Net highway use tax receipts for 2000-01 were $155.1 million, including truck mileage tax receipts of $122.3 million, fuel use tax receipts of $28.1 million, and highway use permit fees of $4.7 million.

In the current fiscal year, slow economic growth contributed to only a moderate increase in trucking demand. In fact, truck mileage tax receipts to date in 2001-02 are 3.7 percent below the comparable 2000-01 period. This decline was partly due to the cut in the supplemental tax rate. Fuel use tax receipts to date in 2001-02 are 2.9 percent greater than the comparable 2000-01 period due primarily to higher fuel prices.

Based on collection experience to date, and the weak economic outlook (see Economic Backdrop section), highway use taxes will continue to grow slowly. Net truck mileage tax receipts are projected at $118 million, including a $7.7 million reduction due to the supplemental tax rate cut, fuel use tax receipts at $28.7 million, and permit fees at $4.3 million, bringing total estimated highway use tax receipts for 2001-02 to $151.0 million.

2002-03 PROJECTIONS

Total highway use tax receipts for 2002-03 are projected at $155.3 million. The base of the truck mileage tax (demand for trucking) is expected to increase by only 1.8 percent as a result of the weak economy. Tax Law changes enacted in 2000, which reduced the truck mileage supplemental tax by 20 percent, will reduce truck mileage tax receipts by approximately $7.9 million. Net truck mileage tax receipts are estimated at $120.1 million. Due to the effect of decreased fuel prices, the sales tax component of the fuel use tax is estimated to decrease by about 7 percent. As a result, fuel use tax receipts are expected to decline to $28.2 million. Permit fees of $7.0 million reflect a peak triennial renewal year.

OTHER FUNDS

The Dedicated Highway and Bridge Trust Fund receives all highway use tax receipts.

GENERAL FUNDS

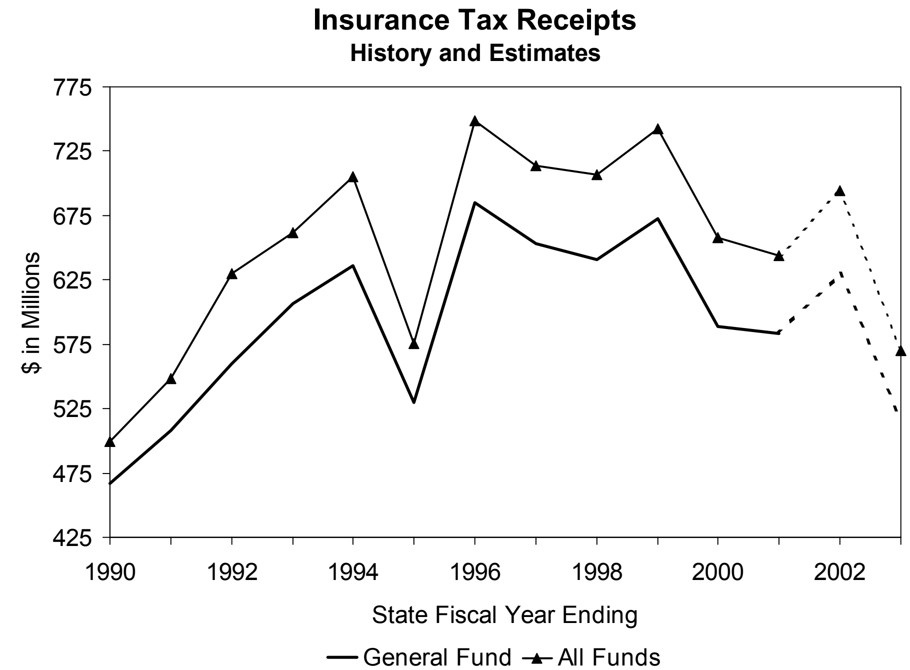
Since 1994-95, no highway use tax receipts have been deposited in the General Fund.

HIGHWAY USE TAX RECEIPTS
(thousands of dollars)

	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				
1993-94	10,897	0	10,897	0	166,071	2,723	163,348	0	174,245
1994-95	0	0	0	0	191,738	2,577	189,161	0	189,161
1995-96	0	0	0	0	174,377	4,373	170,004	0	170,004
1996-97	0	0	0	0	164,226	6,912	157,314	0	157,314
1997-98	0	0	0	0	167,644	2,834	164,810	0	164,810
1998-99	0	0	0	0	171,525	2,858	168,667	0	168,667
1999-2000	0	0	0	0	151,994	1,769	150,225	0	150,225
2000-01	0	0	0	0	157,180	2,105	155,075	0	155,075
					Estimated				
2001-02	0	0	0	0	153,000	2,000	151,000	0	151,000
2002-03	0	0	0	0	157,300	2,000	155,300	0	155,300

[1] Dedicated Highway and Bridge Trust Fund

INSURANCE TAXES

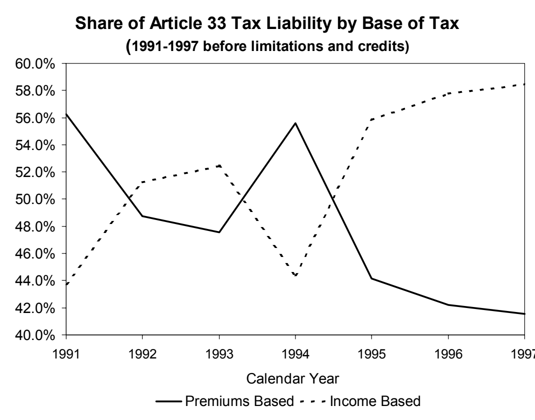


DESCRIPTION

The State collects taxes from insurance corporations, insurance brokers and certain insureds under Article 33 of the Tax Law and the Insurance Law. In addition, those Article 33 taxpayers doing 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.

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 franchise tax component of the insurance tax is computed under four alternative bases, with tax due based on the alternative base generating the maximum tax. In addition, there is a 0.08 percent tax rate applied to subsidiary capital allocated to New York. The four alternative bases and rates are described in Table 1.

TABLE 1
RATES FOR THE NET INCOME COMPONENT OF THE FRANCHISE TAX
BY TYPE OF BASE

Base	Rate
Allocated entire net income	8.50 percent for taxable years beginning after June 30, 2000 and before July 1, 2001.
	8.00 percent for taxable years beginning after June 30, 2001 and before July 1, 2002.
	7.50 percent for taxable years beginning on or after July 1, 2002.
Allocated business and investment capital	1.6 mills for each dollar
Allocated income and officers' salaries	9.00 percent
Minimum tax	$250

Tax is allocated to New York under the entire net income base by a formula, which apportions entire net 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 total premiums and total wages for the tax year for all employees.

The second component of the franchise tax is the additional franchise tax on gross premiums, less refunded premiums written on risks located or resident in New York. This tax is added to the highest of the alternatives from the net income base. The rate of the premiums tax is determined by the type of insurance covered 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

A maximum tax is computed based on net premiums. This limitation, or cap, differs according to the type of insurer. Currently, life insurers determine their limitation by multiplying net premiums by 2.0 percent. Nonlife insurers multiply net premiums by 2.4 percent. Table 3 shows the limitation percentages by 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	2.4 percent of taxable premiums for taxable years beginning after June 30, 2000 and before July 1, 2001.
	2.2 percent of taxable premiums for taxable years beginning after June 30, 2001 and before July 1, 2002.
	2.0 percent of taxable premiums for taxable years beginning on or after July 1, 2002.

Generally, taxpayers with tax liability that exceeds the limitation may not reduce their liability with tax credits to a level below the limitation. However, special treatment is allowed for Empire Zone and Zone Equivalent Area tax credits. Taxpayers may use these credits to reduce their tax liability below the limitation.

Article 33-A of the Tax Law

Chapter 190 of the Laws of 1990 established a tax of 3.6 percent of premiums 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 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.

Metropolitan Commuter Transportation District Business Tax Surcharge

Insurance corporations and other corporations doing business in the New York metropolitan region are subject to a 17 percent temporary business tax surcharge on tax liability within the MCTD region. Receipts from this tax surcharge are deposited in a special revenue fund, the Mass Transportation Operating Assistance Fund, dedicated to mass transit assistance in the New York metropolitan region.

SIGNIFICANT LEGISLATION

Credits

In recent years, targeted tax credits have been extended to Article 33 taxpayers, including certified capital companies (CAPCOs), investment tax credit (ITC), long term care insurance, low-income housing and Empire Zones. The table below lists the major tax credits available under Article 33.

DESCRIPTION OF MAJOR TAX CREDITS

Subject	Description
Retaliatory Tax Credit	Allows a credit up to 90 percent of retaliatory taxes paid to other states by New York domiciled or organized insurers.
Fire Insurance Tax Credit	Allows a credit for taxes paid on certain fire insurance premiums.
Investment in Certified Capital Companies Tax Credit	Equals 100 percent of the amount invested in CAPCOs for taxable years beginning after 1998. The credit is claimed at 10 percent per year for ten years. There is a dollar cap on the investment proceeds eligible for the credit. The original statewide cap was $100 million set in 1998. It was increased to $130 million in 1999 and to $280 million in 2000.
Special Additional Mortgage Recording Tax (SAMRT)	Provides up to 100 percent of SAMRT paid. A carry forward is allowed.
Investment Tax Credit	Allows insurance taxpayers that are brokers/dealers in securities to claim a credit for equipment or buildings used in broker/dealer activity and in activities connected with broker/dealer operations.
Long-Term Care Insurance Credit	Creates a 10 percent credit for the cost of purchasing long-term care insurance as defined in the Insurance Law.
Low-Income Housing Tax Credit	Mirrors the structure of the existing Federal low-income housing tax credit. In addition, the State program expands the Federal program to include more moderate-income households. Generally, the amount of the credit is the applicable percentage, depending on whether a building is new, existing, or federally subsidized, of the qualified basis of each eligible low-income building.
Empire Zones Program	Provides various tax incentives for insurers certified in Empire Zones. The enhanced benefits of this program include a tax credit on real property taxes paid, a tax reduction credit, and a sales and use tax exemption.

Furthermore, there are also several types of insurance contracts which are exempt from the 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 the regional business surcharge. 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 exempt entities.

Recent Legislative Changes

The table below highlights significant legislation enacted since 1994 affecting insurance taxes:

INSURANCE TAX LEGISLATION

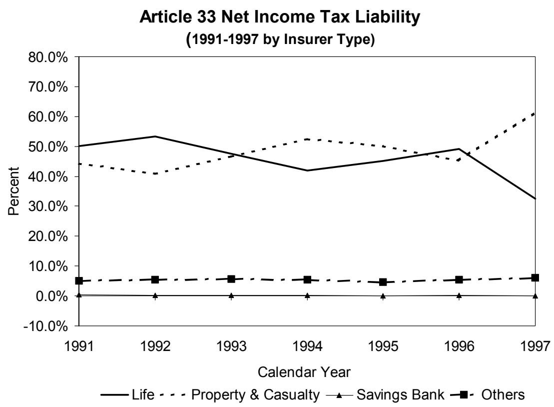
Subject	Description	Effective Date
Legislation Enacted in 1994		
Temporary Business Tax Surcharge	Reduces the surcharge from 15 percent to 10 percent, 5 percent, and 0 percent over three years.	January 1, 1994
Legislation Enacted in 1997		
Premium Tax Rate for Life Insurers	Reduces the premium tax rate 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 CAPCO's for taxable years beginning after 1998. The rate equals 10 percent per year for ten years. The statewide cap was set at $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

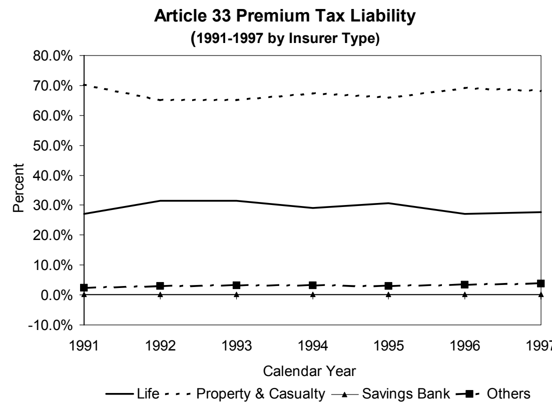
Subject	Description	Effective Date
Legislation Enacted in 1999		
CAPCOs	The statewide cap is increased from $100 million to $130 million.	January 1, 2001
State Insurance Fund	Conforms the State Insurance Fund tax treatment to the regular insurance tax.	January 1, 2001
Entire Net Income (ENI) Tax Rate	Reduces ENI tax rate over a three-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
Legislation Enacted in 2000		
CAPCOs	The statewide cap was increased from $130 million to $280 million.	January 1, 2002
Investment Tax Credit	Insurance taxpayers that are brokers/dealers in securities may claim a credit for equipment or buildings used in broker/dealer activity and in activities connected with broker/dealer operations.	Available for property placed in service between January 1, 2002 and October 1, 2003.
Long-Term Care Insurance Credit	Creates a 10 percent credit for cost of purchasing long-term care insurance as defined in the Insurance Law.	January 1, 2002
Low-Income Housing Tax Credit	Based on the structure of the Federal low-income housing tax credit. In addition, the credit is expanded to include housing constructed for moderate-income households. The amount of the credit depends on whether a building is new, existing, or federally subsidized.	January 1, 2000
Empire Zones Program	Provides Qualified Empire Zone Enterprises (QEZE) tax incentives in Empire Zones. Transforms the current Economic Development Zones into virtual "tax-free" zones for certain businesses. The enhanced benefits of this program include a tax credit on real property taxes paid, tax reduction credit, and sales and use tax exemption.	January 1, 2001

2001-02 RECEIPTS

The estimate of All Funds receipts for State fiscal year 2001-02 is $694 million, an increase of 7.8 percent over the prior year. This primarily reflects an increase in premiums written in the 2001 calendar year. The World Trade Center (WTC) disaster is expected to negatively affect net income, but the bulk of the impact is estimated to depress 2002-03 receipts.

The following graphs illustrate, for the 1991-1997 period, that the Property/Casualty and Life/Health sectors combined have historically accounted for over 90 percent of tax liability.





State Insurance Fund

In New York State, the State Insurance Fund, which has a large volume of workers' compensation claims related to the WTC tragedy, may also experience a large increase in claims. The estimate assumes State fiscal year 2001-02 losses of approximately $12 million in tax liability for the State Insurance Fund.

Property and Casualty Companies

The property and casualty sector is the largest sector of the industry, and represents over half of the State's insurance tax collections. Many property and casualty companies will be adversely affected by the WTC disaster. Recent industry estimates of direct industry losses are in the $30 billion to $60 billion range. The disaster will affect all lines of insurance, including workers' compensation, property, casualty, and reinsurance. Industry experts have reported that primary insurers will have losses in excess of their reinsurance coverage.

The property and casualty sector typically accounts for over 60 percent of premium tax liability and 45 percent of net income tax liability. The five largest lines of business under property and casualty lines of business are automobile, workers' compensation, commercial multi-peril, general liability, and homeowners multi-peril. They account for approximately 80 percent of premiums. Table 4 reports actual property and casualty premiums from 1994 through 2000 and estimates for 2001 and 2002 for New York State.

TABLE 4
PROPERTY AND CASUALTY INSURANCE
NEW YORK CALENDAR YEAR PREMIUMS
(millions of dollars/percent)

Lines of Insurance	1994	1995	1996	1997	1998	1999	2000	2001 (est.)	2002 (est.)
Automobile	8,572	8,913	9,466	9,490	9,631	9,594	9,664	10,109	10,338
percent change	*5.50*	*3.98*	*6.20*	*0.26*	*1.49*	*(0.38)*	*.70*	*4.60*	*2.27*
Workers' Compensation	3,769	3,650	3,121	2,725	2,686	2,725	3,154	3,223	3,437
percent change	*6.02*	*(3.15)*	*(14.49)*	*(12.70)*	*(1.41)*	*1.44*	*15.8*	*2.18*	*6.64*
Commercial Multi-Peril	2,043	2,139	2,097	2,031	2,071	2,002	2,085	2,178	2,229
percent change	*1.84*	*4.70*	*(1.96)*	*(3.15)*	*1.99*	*(3.33)*	*4.16*	*4.47*	*2.33*
General Liability	1,981	1,853	1,851	2,091	2,734	1,825	2,148	2,262	2,296
percent change	*2.17*	*(6.45)*	*(0.11)*	*12.99*	*30.90*	*(33.25)*	*17.71*	*5.29*	*1.53*
Homeowners' Multi-Peril	1,868	1,966	2,053	2,133	2,181	2,230	2,326	2,447	2,553
percent change	*6.05*	*5.27*	*4.43*	*3.91*	*2.33*	*2.25*	*4.32*	*5.17*	*4.37*
Other	3,689	3,567	3,574	3,620	3,641	3,635	3,720	3,835	3,959
percent change	*12.03*	*(3.31)*	*0.20*	*1.29*	*0.61*	*(1.53)*	*(5.13)*	*3.11*	*3.22*
TOTAL P/C PREMIUMS	21,922	22,088	22,162	22,090	22,945	22,011	23,098	24,053	24,813
Annual Increase/Decrease									
percent change	*4.85*	*0.75*	*0.34*	*(0.32)*	*3.87*	*(4.07)*	*4.94*	*4.14*	*3.16*

The WTC disaster is not expected to materially affect premiums in the short run. In the long run, the premiums tax could increase as rates for commercial insurers rise. Net premiums for property and casualty companies overall grew by 4.9 percent in 2000 and are expected to grow at a slightly slower pace in 2001 and 2002.

Property and casualty net income tax liability is estimated to grow by 4.1 percent in 2001. This estimate reflects the higher stock trading levels for many property and casualty insurers for most of the year as a result of a shift in investor emphasis from technology to the insurance industry. Higher stock values for insurers increase profits, resulting in higher incomes.

Also affecting net income tax liability are payouts of claims. The industry is required to honor claims from catastrophes that occurred this year, as well as to continue paying claims for prior year catastrophic events. Over the next two years, property and casualty net income tax liability will be significantly affected by the payouts of claims due to the WTC disaster.

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 insurance tax collections. Premiums for life and health companies are expected to grow by only 2.5 percent on a year-over-year basis. In general, the life insurance industry is not expected to be adversely affected by the WTC disaster. Overall, the estimate reflects continued growth at historical averages for this industry.

2002-03 PROJECTIONS

All Funds collections for 2002-03 are projected at $570.5 million, a decrease of approximately 18 percent. The State fiscal year 2002-03 receipt losses are concentrated in the property and casualty sector, where receipts are expected to decline by approximately $100 million due to the WTC disaster. In addition, collections will be lower due to statutory tax reductions which reduce the ENI rate to 8.0 percent and the premiums cap on non-life insurers to 2.2 percent.

The forecast of receipts from property and casualty insurers is based on an increase in premium liability of 4.6 percent, primarily resulting from modest growth in the automobile and homeowners sectors. The estimated premium growth is more than offset by the impact of the WTC disaster on net franchise tax liability. Operating losses may result as companies draw down on existing reserves or investment portfolios.

Beyond unanticipated costs arising from the WTC disaster, additional risks to the forecast include a continued slowdown in the economy, which could affect certain lines of insurances, such as nonstandard automobile insurance. Given industry and economic conditions, some companies are withdrawing from certain lines of business, such as homeowners and private passenger automobile. Consolidations in this industry are expected to occur as weaker companies join with larger insurers. It is expected that, overall, increased premium prices will be easier to implement because risk profiles will now be reclassified to take into consideration the WTC attack.

The forecast assumes that the life and health sector will grow modestly through the 2002 tax year. The New York share of premiums written will remain approximately 8 percent of the national market, and premiums written are expected to grow 2.5 percent per year. Net income tax liability for this sector is projected to grow by 4.0 percent. Sales of variable annuities have fallen with the stock market in recent quarters. A major risk to the forecast will be the continued softening of the economy, which will affect investment portfolios and annuity sales. Recent Federal tax law changes appear to have had little effect on the industry. The Federal Tax Act of 2001, which contained a repeal of estate taxes, is expected to have little effect on the industry. The Gramm-Leach-Bliley Act of 1999, which permits insurance companies, banks and brokerages to form consolidated companies offering a full range of financial services, appears to be having little impact in the short run. Beyond unanticipated costs arising from the WTC disaster, additional risks to the forecast include Securities Exchange Commission and National Association of Securities Dealers investigations into alleged abuses in variable benefit insurance and annuities.

OTHER FUNDS

There is a surcharge of 17 percent upon companies tax liability attributed to the MCTD region and is deposited in the Mass Transportation Operating Assistance Fund. For 2001-02, the deposit is estimated at $64 million. The estimate is $54.5 million for 2002-03.

GENERAL FUND

Based on collections to date, net collections for the year are estimated to be $630 million. This represents an increase of approximately $46 million from the prior year. The receipts estimate for 2001-02 includes an estimated $40 million in audit collections.

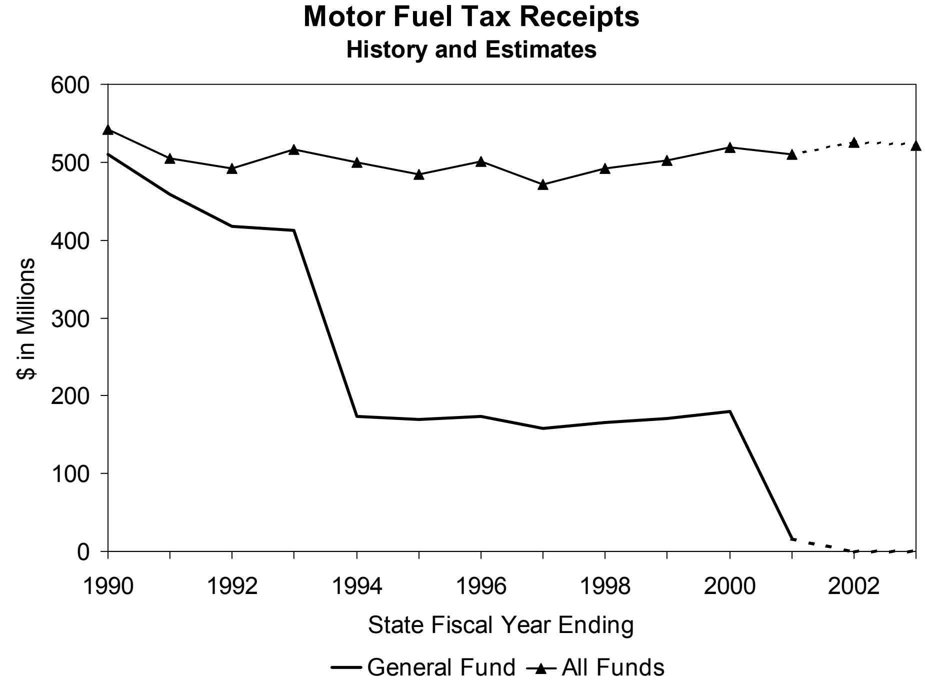
For 2002-03, General Fund collections are estimated at $516 million. The large decline is attributable to the WTC disaster. This includes an estimated $40 million in audits, offset by $40 million in refunds. The following table provides the receipts estimate for 2001-02 and the forecast for 2002-03, as well as a history of receipts for 1993-94 through 2000-01.

TABLE 5
INSURANCE TAX RECEIPTS
(millions of dollars)

	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									
1993-94	678	25	17	636	73	4	69	0	0	705
1994-95	593	36	27	530	50	4	46	0	0	576
1995-96	728	29	14	685	68	4	64	0	0	749
1996-97	715	29	33	653	68	8	60	0	0	713
1997-98	699	32	26	641	69	3	66	0	0	707
1998-99	744	45	26	673	76	6	70	0	0	743
1999-2000	633	45	(1)	589	79	10	69	0	0	658
2000-01	659	42	33	584	65	5	60	0	0	644
	Estimated									
2001-02	710	40	40	630	72	8	64	0	0	694
2002-03	596	40	40	516	62	7	55	0	0	571

[1] Mass Transportation Operating Assistance Fund

MOTOR FUEL TAX



DESCRIPTION

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 rate of tax imposed on each gallon of gasoline and diesel fuel is eight cents.

The motor fuel tax is levied primarily on fuel used in motor vehicles operating on the public highways of the State or in recreational motor boats operating 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;
- 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; and
- certain hospitals that qualify as exempt organizations under section 1116(a)(4) of the Tax Law.

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;
- nonpublic school vehicle operators, exclusively for education-related purposes; and
- volunteer ambulance services.

Administration

Although the motor fuel tax is imposed on the ultimate consumer of the fuel, 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.

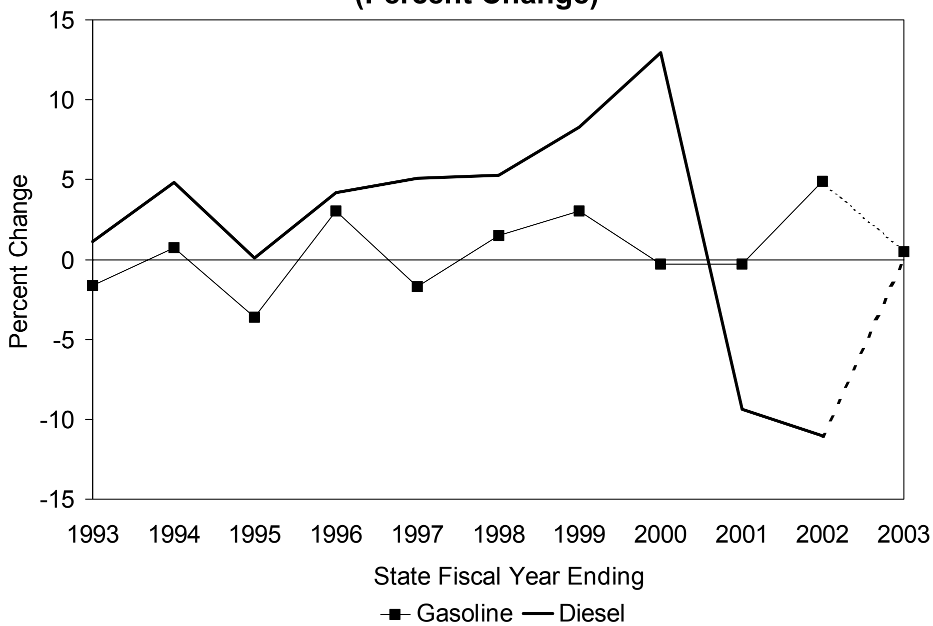
Since 1988, taxes on diesel motor fuel have been collected upon the first non-exempt sale in the State. Prior to that time, the diesel motor fuel tax was collected at the time of retail sale or use by a bulk user.

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 twentieth of the following month.

Consumption History

As the following graph illustrates, diesel consumption was quite strong between 1994-95 and 1999-2000, reflecting robust demand for diesel fuel resulting from strong economic growth. The sharp decline in 2000-01 diesel gallonage reflects, in part, higher prices for diesel fuel. Gasoline consumption has grown more slowly, but increased sharply in 1998-99 partially due to low gasoline prices during that period. Gasoline consumption declined slightly in 1999-2000 and 2000-01 due to higher prices.

Gasoline and Diesel Reported Gallons
(Percent Change)



SIGNIFICANT LEGISLATION

Statutory changes since 1994 are reported below.

Subject	Description	Effective Date
Legislation Enacted in 1995		
Tax Liability	Reduced the diesel motor fuel tax from 10 cents to 8 cents per gallon.	January 1, 1996
Exemption	Provided an up-front exemption from the motor fuel excise tax for retail sales of aviation gasoline.	September 1, 1995
Legislation Enacted in 2000		
Distribution	Increased the percentage of motor fuel receipts dedicated to highway construction and transit.	April 1, 2000

2001-02 RECEIPTS

All Funds receipts to date are $412.9 million, $21.2 million, or 5.4 percent, above the comparable period in 2000-01. Gasoline receipts increased by $26.8 million (7.8 percent) as lower gasoline prices prompted distributors to increase inventories. Diesel receipts decreased by $5.6 million (11.4 percent).

For the remainder of the year, the demand for diesel fuel is expected to fall as the State's economy continues to weaken. Due to the large increase in gasoline inventories earlier in the year, gasoline receipts for the remainder of the year are expected to be below 2000-01 receipts for the same period. For the fiscal year as a whole, diesel consumption is expected to drop 11.0 percent from 2000-01 levels. Gasoline consumption is expected to increase by 4.9 percent from 2000-01 levels.

Total motor fuel tax receipts are estimated at $524.9 million, an increase of $14.6 million, or 2.9 percent, from 2000-01. Gasoline receipts are estimated to increase by $21.1 million (4.7 percent) and diesel receipts to decrease by $6.5 million (10.5 percent). Due to the World Trade Center disaster, fewer tax enforcement personnel will be available in the short-term to deter the illegal importation of fuel into the State. This could result in a small loss of receipts during the remaining months of 2001-02.

2002-03 PROJECTIONS

The gasoline and diesel consumption projections for 2002-03 reflect a slow recovery from recession and estimated fuel prices that begin increasing early in 2002. All Funds receipts are projected to be $521.7 million, a decrease of $3.2 million (0.6 percent). Gasoline receipts are projected to decrease by $3.2 million. Diesel receipts are projected to remain at $55.1 million.

OTHER FUNDS

Motor fuel tax revenues are by law distributed to four funds: the Dedicated Highway and Bridge Trust Fund, the Dedicated Mass Transportation Trust Fund, the Emergency Highway Reconditioning and Preservation Fund, and the Emergency Highway Construction and Reconstruction Fund. The fund distribution is shown in the following table.

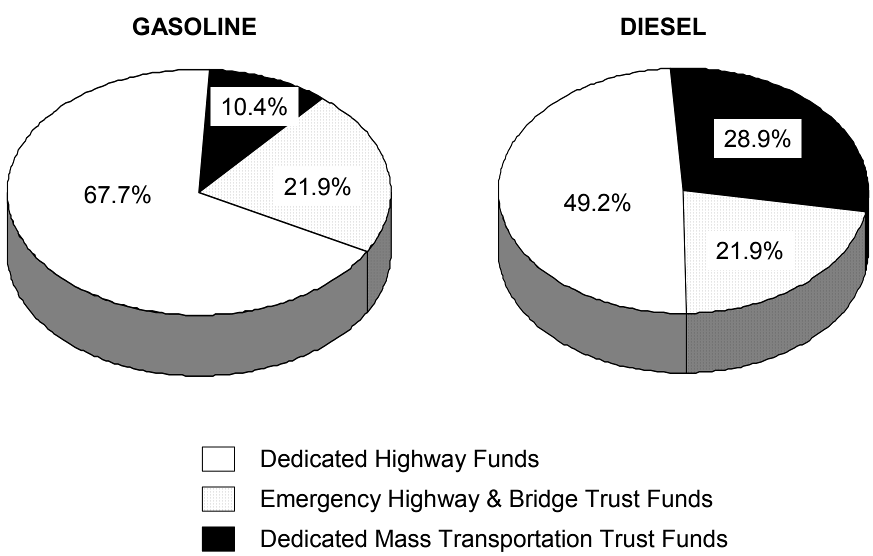
MOTOR FUEL TAX FUND DISTRIBUTION
(percent)

Effective Date	General Fund	DHBTF[1]	EHF[2]	DMTTF[3]
Prior to April 1, 1993				
Gasoline	78.1	0.0	21.9	0.0
Diesel	78.1	0.0	21.9	0.0
Prior to April 1, 2000				
Gasoline	28.1	50.0	21.9	0.0
Diesel	78.1	0.0	21.9	0.0
Prior to April 1, 2001				
Gasoline	0.0	67.7	21.9	10.4
Diesel	28.1	31.5	21.9	18.5
After April 1, 2001				
Gasoline	0.0	67.7	21.9	10.4
Diesel	0.0	49.2	21.9	28.9
After April 1, 2003				
Gasoline	0.0	81.5	0.0	18.5
Diesel	0.0	63.0	0.0	37.0

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

The percentage distribution of motor fuel tax revenue by fund and fuel type is the same for State fiscal years 2001-02 and 2002-03, and is displayed in the following pie chart.

Motor Fuel Tax Deposits by Fund
State Fiscal Year 2001-02 and 2002-03



GENERAL FUND

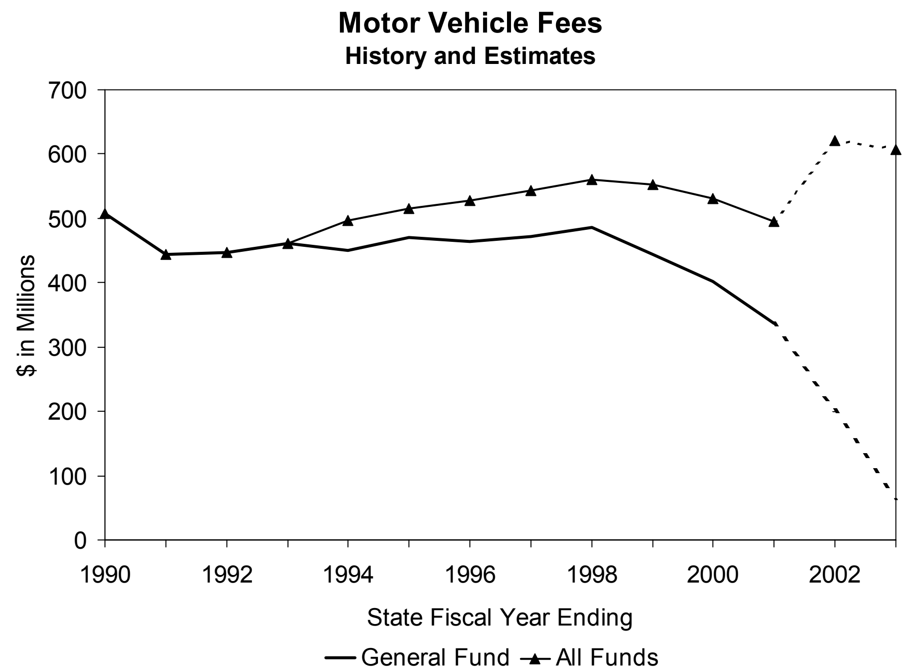
In 2001-02 and 2002-03, no motor fuel tax receipts will be deposited in the General Fund.

MOTOR FUEL TAX RECEIPTS
(thousands of dollars)

	All Funds Gross Collections	Net General Fund	Net Special Revenue Funds[1]	Net Capital Projects Funds[2]	Net Debt Service Funds[3]	All Funds Refunds	All Funds Net Collections
	Actual						
1993-94	514,489	173,634	0	212,211	113,806	14,838	499,651
1994-95	500,728	168,968	0	212,514	103,480	15,766	484,962
1995-96	515,775	173,597	0	220,460	107,425	14,293	501,482
1996-97	484,324	157,531	0	210,835	103,143	12,815	471,509
1997-98	503,666	165,255	0	218,897	107,562	11,953	491,713
1998-99	512,075	171,148	0	221,288	109,882	9,757	502,318
1999-2000	533,633	179,933	0	225,358	113,482	14,860	518,773
2000-01	524,251	17,312	58,088	323,291	111,633	13,926	510,325
	Estimated						
2001-02	537,900	0	64,800	345,300	114,800	13,000	524,900
2002-03	534,700	0	64,500	343,100	114,100	13,000	521,700

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

MOTOR VEHICLE FEES



DESCRIPTION

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 the State are not usually required to be registered in New York.

Certain vehicles registered in New York are exempt from registration fees. The exemptions include: 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 (dollars)
Passenger vehicle	Each 100 lbs. or major fraction thereof up to 3,500 lbs.	0.645
	Plus: for each 100 lbs or major fraction thereof above 3,500 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 (dollars)
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 occur 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

SIGNIFICANT LEGISLATION

Below is a summary of significant statutory or administrative changes in recent years affecting revenues from motor vehicle fees.

Subject	Description	Effective Date
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		
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
Administrative Changes in 2000		
License plates	Reissuance (January 2001-January 2003)	January 1, 2001
Licenses	License renewal period extended to eight years.	April 1, 2000

2001-02 RECEIPTS

Gross receipts for 2001-02 are estimated at $666 million. The estimate for receipts from registrations is $420 million, and the estimate for receipts from licenses and other fees is $246 million. An estimated $46 million in refunds and county clerk retentions will result in estimated net receipts from motor vehicle fees of $620 million. The estimate reflects the continuing reissuance of new registration plates and the extension of a driver's license renewal to eight years.

2002-03 PROJECTIONS

Gross receipts for 2002-03 are estimated at $647 million. The estimate for receipts from registrations is $403 million and $244 million for receipts from licenses and other fees. An estimated $40 million in refunds and county clerk retentions will result in estimated net receipts from motor vehicle fees of $607 million.

OTHER FUNDS

The Dedicated Highway and Bridge Trust Fund and the Dedicated Mass Transportation Trust Fund

A portion of motor vehicle fee receipts is 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.

Pursuant to Chapter 63, Laws of 2000, in 2001-02 an additional 23.5 percent of registration fees is earmarked to (1) the Dedicated Highway and Bridge Trust Fund and (2) the Dedicated Mass Transportation Trust Fund; of this additional dedication, 63 percent is allocated to highways and 37 percent to mass transportation. Other moneys from non-registration fees are shared in the same proportion.

Again pursuant to Chapter 63, Laws of 2000, beginning in 2002-03 an additional 31 percent of registration fees will be earmarked to the same funds and in the same proportion as stated above. Thus, the total percentage of additional registration fees dedicated pursuant to Chapter 63, Laws of 2000, will amount to 54.5 percent. Since previous legislation had already earmarked 45.5 percent, all registration fees are earmarked to the two Trust Funds.

In fiscal year 2001-02, the Dedicated Highway and Bridge Trust Fund will receive an estimated $388 million and the Dedicated Mass Transportation Trust Fund will receive an estimated $30 million.

In fiscal year 2002-03, under current law, the Dedicated Highway and Bridge Trust Fund will receive a projected $292 million and the Dedicated Mass Transportation Trust Fund will receive a projected $78 million.

PROPOSED LEGISLATION

Legislation submitted with the Budget proposes (1) to double current boat registration fees, effective October 1, 2002, and valued at $1.3 million in 2002-03; and (2) to earmark additional moneys ($171.6 million in 2002-03) to the Dedicated Highway and Bridge Trust Fund from non-registration fees now deposited in the General Fund.

A summary of recent and projected dedication amounts are set out in the table below.

DISTRIBUTION FROM REGISTRATION FEES
(percent)

Effective Date	General Fund	Dedicated Highway and Bridge Trust Fund	Dedicated Mass Transportation Trust Fund
Prior to April 1, 1993	100.0	0.0	0.0
April 1, 1993	87.0	13.0	0.0
April 1, 1994	83.0	17.0	0.0
January 1, 1995	80.0	20.0	0.0
April 1, 1998	72.0	28.0	0.0
July 1, 1998	66.0	34.0	0.0
March 1, 1999	54.5	45.5	0.0
April 1, 2001	31.0	60.3	8.7
April 1, 2002	0.0	79.8	20.2

GENERAL FUND

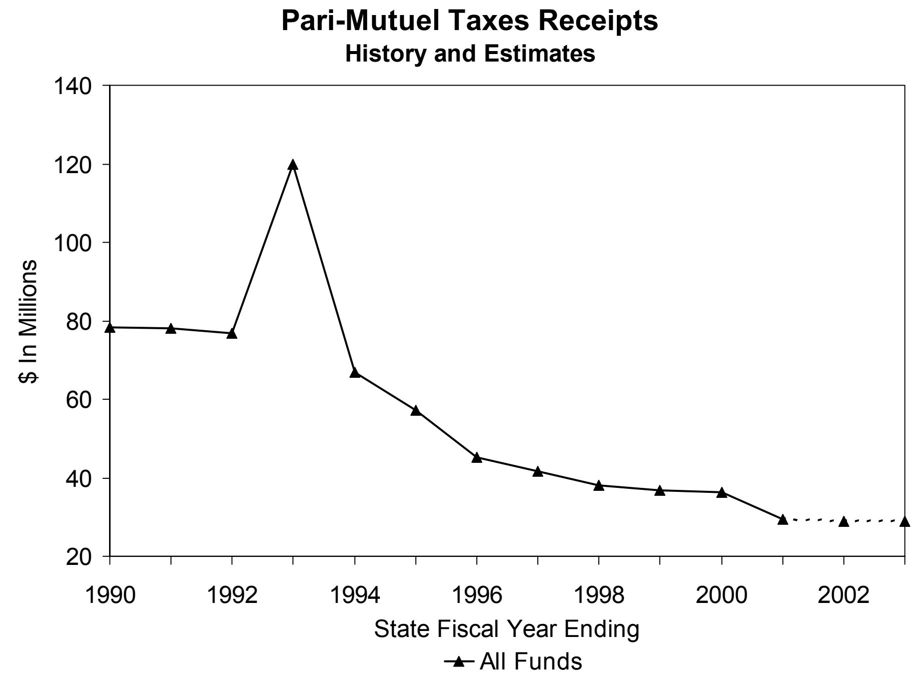
In Fiscal Year 2001-02, the General Fund will receive an estimated $201 million in motor vehicle fees. In Fiscal Year 2002-03, the General Fund will receive a projected $64.9 million based on proposed law.

MOTOR VEHICLE FEES
(thousands of dollars)

	Gross General Fund	Refunds	Less: County Clerks' Retention	Net General Fund	Special Revenue Funds[1]	Capital Projects Funds[2]	Debt Service Funds	All Funds Net Collections
	Actual							
1992-93	493,837	18,422	15,113	460,302	0	0	0	460,302
1993-94	482,312	16,570	15,748	449,994	0	46,655	0	496,649
1994-95	502,802	16,258	16,678	409,866	0	45,128	0	514,994
1995-96	500,181	18,958	16,663	464,560	0	62,390	0	526,950
1996-97	511,195	21,596	17,206	472,033	0	71,442	0	543,475
1997-98	517,178	11,436	19,324	486,418	0	73,096	0	559,514
1998-99	478,085	13,795	20,135	444,155	0	108,174	0	552,329
1999-2000	436,571	17,924	17,176	401,471	0	129,899	0	531,370
2000-01	372,554	18,712	16,425	337,417	0	157,309	0	494,726
	Estimated							
2001-02	247,500	24,000	22,000	201,500	30,400	388,300	0	620,200
2002-03								
(current law)	275,200	20,000	20,000	235,200	77,700	292,400	0	605,300
(proposed law)	104,900	20,000	20,000	64,900	77,700	464,000	0	606,600

[1] Dedicated Mass Transportation Transit Fund
[2] Dedicated Highway and Bridge Trust Fund

PARI-MUTUEL TAXES

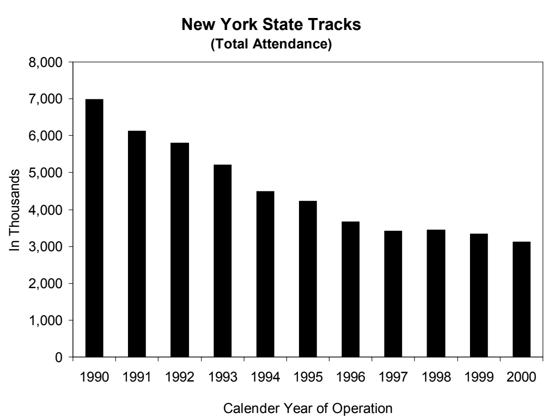


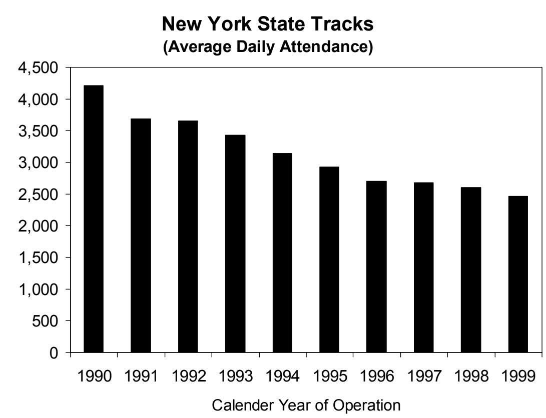
DESCRIPTION

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 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 the New York agriculture and breeding industries, a portion of the takeout is allocated to the State's thoroughbred and standardbred (harness) horse breeding and development funds. During fiscal year 2000-01, $13 million and $7 million were allocated to the thoroughbred and harness funds, respectively.

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.





To encourage the continuing viability of the industry, 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 as much as 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 simulcasting at both race tracks and OTB facilities, lowered the tax rates on simulcast wagering, eliminated the State franchise fee on nonprofit racing associations, and reduced tax rates.

SIGNIFICANT LEGISLATION

Subject	Description	Effective Date
Legislation Enacted in 1994		
Tax Rates	Lowered rates on all wagers at harness tracks and at the Finger Lakes Race Association to 0.5 percent and provided credits up to 0.4 percent based on OTB simulcast handle of respective track.	September 1, 1994
Expanded 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
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 1998		
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. Extended authorizations for lower tax rates for on-track and off-track bets on NYRA through June 30, 2002.	January 1, 1998
Franchise Fee	Eliminated NYRA franchise fee.	January 1, 1998
Legislation Enacted in 1999		
Tax Rates	Cut the tax rate on all NYRA bets to 2.6 percent.	September 10, 1999
	Cut the tax rate on all NYRA bets to 1.6 percent.	April 1, 2001
Legislation Enacted in 2001		
Expanded Simulcasting	Lowered the takeout on NYRA races, decreased the percentage of takeout going to purses, allowed a "pick six" wager provided two contemporaneous out-of-State simulcast signals during the Saratoga meeting and provided a third out-of-State contemporaneous simulcast signal during the winter months and provided lower State tax rates for the additional simulcast racing.	June 12, 2001

2001-02 RECEIPTS

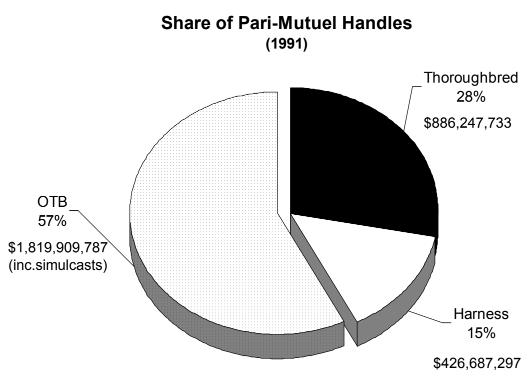
Increases in simulcast handle, especially from out-of-State races, is expected to be offset by a continued decline in on-track handle. As a result, the total 2001-02 statewide betting handle (both on- and off-track) is expected to remain largely unchanged at approximately $2.7 billion.

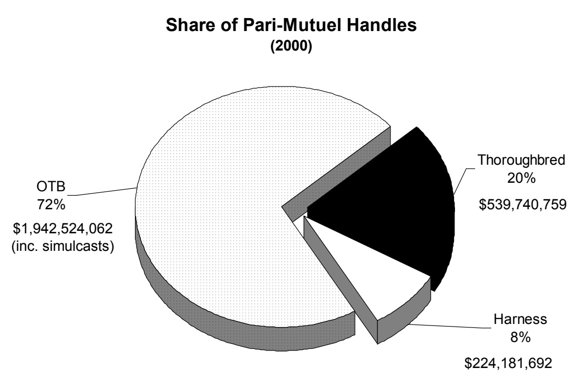
Total thoroughbred on-track handle, including simulcasts, is estimated at $578 million, down slightly from the prior year. The continuing decline in wagering on live harness races is being offset, in part, by increased simulcasting, with lower tax rates. Total harness handle is estimated at $203 million. Handle at off-track betting corporations is estimated to increase to $1.97 billion, up 1.5 percent.

Thoroughbred revenues, including simulcast receipts, are expected to decline by 32 percent to $9.6 million, largely the result of reduced tax rates. In addition, the Breeders Cup held on October 27, 2001, was a State tax exempt event that had an estimated revenue loss of $351,000 for State fiscal year 2002-03. OTB receipts are estimated to increase by 27.6 percent to $18.5 million, the increase largely reflecting the one-time loss of $3.8 million in 2000-01 receipts due to a court decision. Receipts from harness tracks are expected to increase 30 percent from $0.7 million to $0.9 million, resulting in total pari-mutuel tax receipts of $29 million.

2002-03 PROJECTIONS

The pari-mutuel projections for 2002-03 assume a full racing season. In total, State pari-mutuel tax receipts are projected at $28.9 million for 2002-03.





Total on-track thoroughbred receipts are projected to decline by 4 percent as a result of diminishing handle and attendance. A projected thoroughbred handle of $554.4 million, including betting on out-of-State races, will produce $9.2 million in tax receipts.

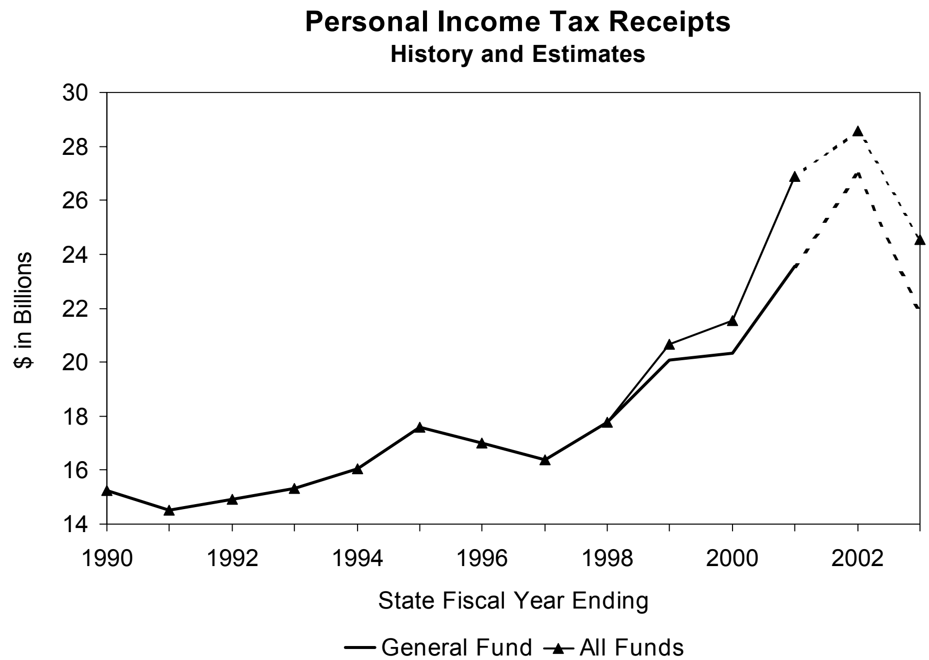
Harness racing handle is projected to decrease to $198.7 million, generating tax receipts of $0.9 million, including $0.6 million in revenue from on-track wagers and $0.3 million from simulcasting.

OTB handle is projected at $1.96 billion, producing tax receipts of $18.8 million.

PARI-MUTUEL TAXES RECEIPTS
(thousands of dollars)

	General Fund			Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Collections
	Flat	Harness	OTB				
	Actual						
1993-94	37,984	3,630	25,455	0	0	0	67,069
1994-95	34,306	2,817	20,189	0	0	0	57,312
1995-96	23,976	1,216	19,906	0	0	0	45,098
1996-97	20,417	1,075	20,124	0	0	0	41,616
1997-98	19,329	1,013	18,022	0	0	0	38,364
1998-99	18,643	923	17,355	0	0	0	36,921
1999-2000	17,218	795	18,356	0	0	0	36,369
2000-01	14,152	750	14,444	0	0	0	29,346
	Estimated						
2001-02	9,600	900	18,500	0	0	0	29,000
2002-03	9,200	900	18,800	0	0	0	28,900

PERSONAL INCOME TAX

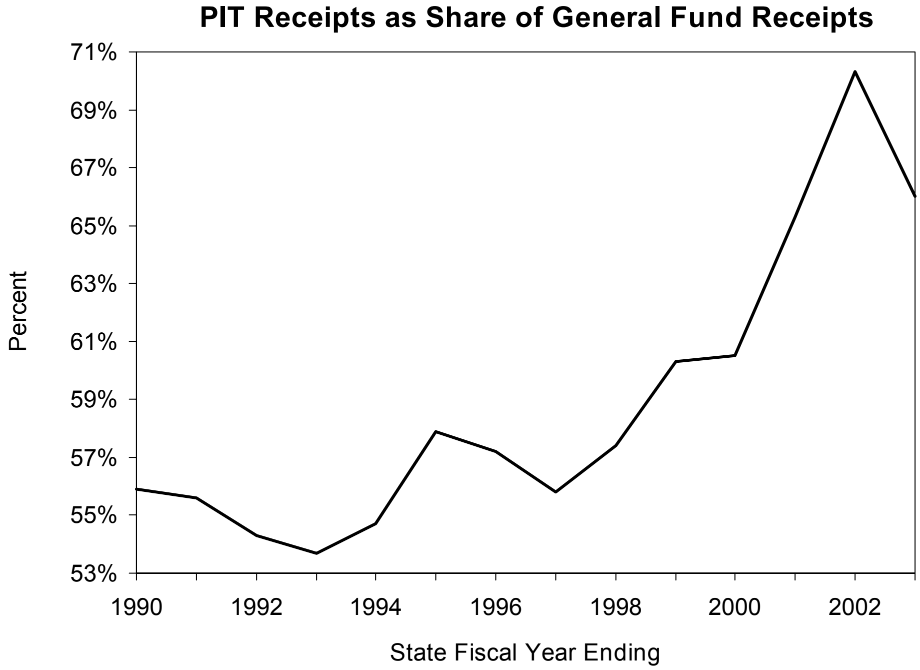


DESCRIPTION

The personal income tax is New York State's largest source of tax revenue. It is estimated that, during State fiscal years 2001-02 and 2002-03, 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 overall income tax burden has been reduced by about 20 percent.

Tax Base



The State's tax structure adheres closely to the definitions of adjusted gross income and itemized deductions used for Federal personal income tax purposes, with certain modifications, such as: (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 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, was indexed for subsequent inflation. For 2001, the threshold is $132,950 ($66,475 for married couples filing separately). 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.

The Federal Economic Growth and Tax Relief Reconciliation Act of 2001 phases out the limitation on itemized deductions over four years beginning in 2006. The limitation is eliminated for 2010 and after.

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 was recaptured through a supplementary mechanism in effect since 1991. In 1995, the State embarked on a major personal income tax cut program which was phased in over three years as shown below:

TABLE 1
PERSONAL INCOME TAX
TOP RATE, STANDARD DEDUCTIONS AND DEPENDENT EXEMPTIONS
1994 - 1997
(dollars)

	1994	1995	1996	1997
Top 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

* Legislation passed in 2000 increased the standard deduction for married couples filing jointly to $13,400 for 2001, $14,200 for 2002, and $14,600 for 2003 and after.

TABLE 2
CURRENT TAX SCHEDULES
(dollars)

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

SIGNIFICANT LEGISLATION

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. The EITC was raised to 22.5 percent of the Federal credit in 2000, and 25 percent in 2001. It is scheduled to increase to 27.5 percent of the Federal credit for 2002, and to 30 percent of the Federal credit in 2003 and after. The credit is fully refundable for New York residents whose credit amount exceeds tax liability. The 2001 Federal Economic Growth and Tax Relief Reconciliation Act provided marriage penalty relief for married taxpayers filing jointly by increasing the phase-out range for the credit beginning in 2002.
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.

Credit	Description
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, the phase-down from 100 percent to 20 percent began at incomes of $35,000 and ended at incomes of $50,000. For 2000 and later years, the credit as a share of the Federal credit equals 110 percent for incomes up to $25,000, phases down from 110 percent to 100 percent for incomes between $25,000 and $40,000, equals 100 percent for incomes between $40,000 and $50,000, phases down from 100 percent to 20 percent for incomes between $50,000 and $65,000, and equals 20 percent for incomes over $65,000. The credit is fully refundable for New York residents whose credit amount exceeds tax liability. Federal legislation passed in 2001 enriches the child and dependent care credit starting in 2003. This new legislation increases the maximum allowable expenses from $2,400 to $3,000 for one dependent ($4,800 to $6,000 for two or more dependents); the maximum credit rate from 30 percent to 35 percent; and the income at which the credit begins to phase down from $10,000 to $15,000.
Real Property Tax Circuit Breaker Credit	Based on a more inclusive definition of income than that used generally in the income tax. 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 a credit for 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 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 were set at 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 into 1996 from 1997 the credit of 20 percent of the Federal amount, but offset it by the household credit.	1996

Subject	Description	Effective Date
Legislation Enacted in 1996		
Child and Dependent Care Credit	Increased the 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; subtracted principal payments on farm debt in calculation of the income to which the credit phase-out applies.	1998 and after
Solar Energy Credit	Created a credit for residential investment in solar electric generating equipment.	1998 and after
College Choice Tuition Savings Program	Created the 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 the deposit of a portion of personal income tax receipts into the STAR fund.	1998-99 school year
Legislation Enacted in 1999		
Earned Income Tax Credit	Increased the EITC to 22.5 percent of the Federal credit in 2000 and 25 percent of the Federal credit for subsequent tax years.	2000 and after
Agricultural Property Tax Credit	Expanded the credit to include land set aside or retired under a Federal supply management or soil conservation program. Also increased "base acreage" by acreage enrolled or participating in a Federal environmental conservation acreage reserve program.	2001 and after
Qualified Emerging Technology Credit (QETC)	Extended the credit to individual investors, including partners in partnerships and shareholders of subchapter S corporations.	2000 and after
Legislation Enacted in 2000		
Earned Income Tax Credit	Increased the State's EITC to 30 percent of the Federal credit over a two-year period, beginning in 2002. The expansion will first increase the EITC to 27.5 percent of the Federal credit in 2002 and then to 30 percent of the Federal credit in 2003 and after.	2002 and after
Child Care Credit	Increased the credit to 110 percent of the Federal credit for those with incomes up to $25,000, phased down from 110 percent to 100 percent for incomes between $25,000 and $40,000, equal to 100 percent for incomes between $40,000 and $50,000, phased down from 100 percent to 20 percent for incomes between $50,000 and $65,000, and equal to 20 percent for incomes greater than $65,000.	2000 and after
Long-Term Care Insurance Credit	Created a long-term care insurance credit equal to 10 percent of a taxpayer's long-term care insurance premium.	2002 and after
Marriage Penalty	Reduced the marriage penalty by increasing the standard deduction for taxpayers who are married filing jointly from $13,000 to $14,600 in three stages.	2001 and after
College Tuition Deduction/Credit	Created a deduction for the amount of tuition paid, up to $10,000, for attendance at a qualified institution of higher education. Also, the legislation provides the alternative of a refundable tax credit equal to 4 percent of such tuition. The credit will be at least the lesser of tuition paid or $200. The college tuition deduction will be implemented in four stages.	2001 and after
Petroleum Tank Credit	Created a two-year personal income tax credit of up to $500 for homeowners who remove and/or replace a residential fuel oil storage tank.	2001 and 2002

Subject	Description	Effective Date
Alternative Energy Fuel Cell Credit	Created an alternative energy fuel cell credit equal to 20 percent of the cost of purchasing and installing a fuel cell to supply power to the taxpayer's home.	2003 and after

PROPOSED LEGISLATION

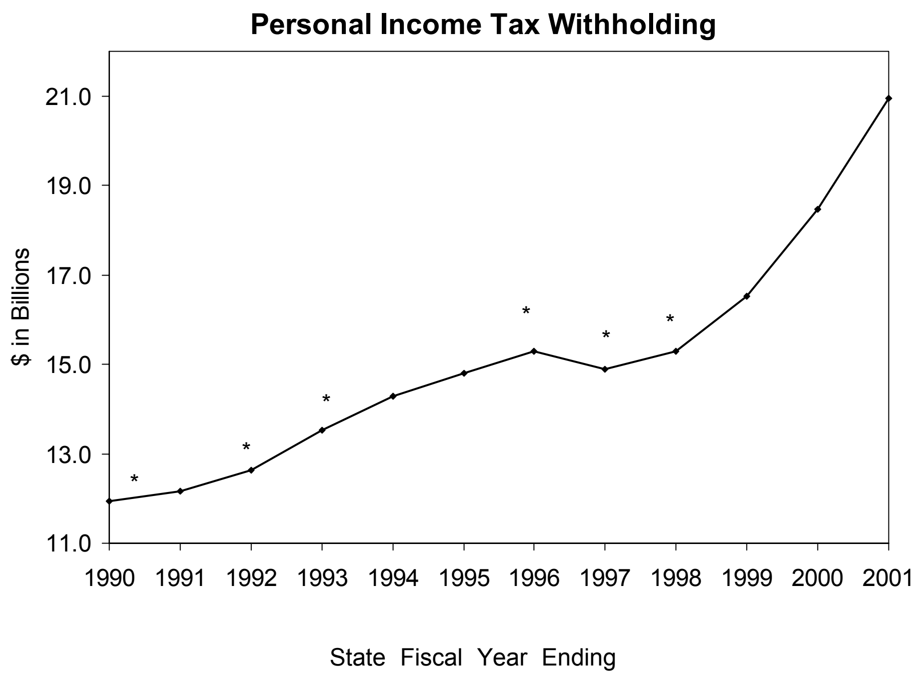
Legislation proposed with this Budget will amend withholding tax electronic funds transfer requirements, provide for a cost-of-living adjustment (COLA) for the income threshold for eligibility for enhanced STAR benefits for senior citizens, and provide technical corrections to the college tuition deduction/credit and petroleum tank credit.

In addition, new technology will allow the Department of Taxation and Finance to validate tax information more quickly, improve the selection process for identifying areas of noncompliance, and increase audit collections.

Withholding Changes

Various changes in tax rates, deductions and exemptions have been reflected in withholding tables as follows:

Effective Date	Feature	Changes
10/1/89	Deduction Allowance Rate Schedule	Increased to $5,000 for single taxpayers and to $5,500 for married taxpayers. Adopted 1989 rate schedule, with top rate at 7.875 percent.
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.
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.
7/1/95	Deduction Allowance Rate Schedule	Increased to $5,650 for single individuals, $6,150 for married couples. Lowered maximum rate to 7.59 percent and reduced the number of tax brackets.
4/1/96	Deduction Allowance Rate Schedule	Increased to $6,300 for single individuals, $6,800 for married couples. Lowered maximum rate to 7 percent and broadened the wage brackets to which the rates apply.
1/1/97	Deduction Allowance Rate Schedule	Increased to $6,975 for single individuals, $7,475 for married couples. Lowered maximum rate to 6.85 percent and broadened the wage brackets to which the rates apply.



The above graph shows the history of withholding collections since 1989-90. The symbol "*" indicated the timing of withholding table changes.

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 schedule shown in Table 3 traces the changes in the year-end balance of this account and the effect of those changes on reported fiscal-year collections. (Also see table 6 below 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 of dollars)

Year Ending March 31	Year End Balance	Change from Prior Year	Effect of Change in Year-End Balance on Reported General Fund Receipts
2001	3,517.4	(449.5)	Increased receipts by 449.5
2000	3,966.9	1,661.0	Decreased receipts by 1,661.0
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	0.0	(48.6)	Increased receipts by 48.6
1990	48.6	48.6	Decreased receipts by 48.6

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 have totaled $521 million at the end of every year since 1995-96. At the end of 2001-02, these funds are available to finance refunds issued in the Spring of 2002, but must be restored to the reserve by March 31, 2003.

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.

Table 4 shows the amount of reserves 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 of dollars)

Date March 31 of	LGAC	Net Tax Reduction*	Reserves for Other Purposes	Total
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	521	25	3,421	3,967
2001	521	41	2,955	3,517
2002 est.	521	91	1,133**	1,745**

* For EITC starting in 1995 (and subsequent increments), agricultural property tax credit starting in 1998, college choice tuition savings program starting in 1998, child care credit enhancements starting in 1999, marriage penalty relief, and college tuition deduction/credit starting in 2002.

** An estimated $1,133 million in 2001-02 reserves set aside for World Trade Center costs in the 2002-03 Financial Plan will be deposited to the refund reserve account on March 31, 2002. The $1,133 million is not included in personal income tax estimates for Financial Plan presentation purposes.

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, reduces total 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 in Table 5.

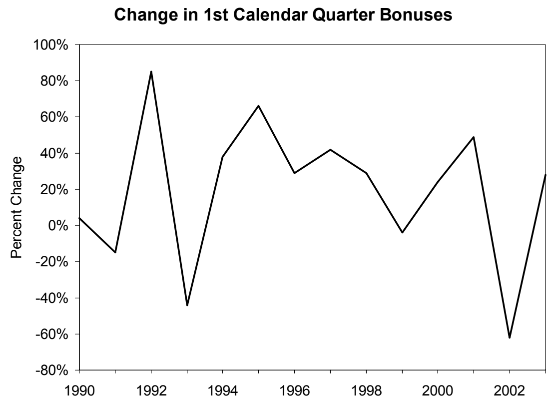
TABLE 5
DISTRIBUTION OF THE MAJOR COMPONENTS
OF NEW YORK ADJUSTED GROSS INCOME (AGI)
(millions of dollars)

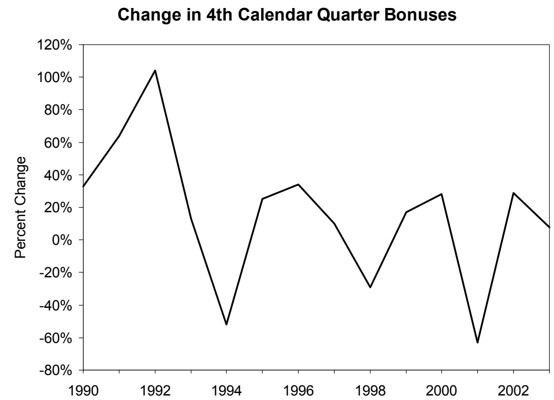
Component of Income	1994	1995	1996	1997	1998	1999	2000	2001	2002
	Actual						Estimated		
NYSAGI									
Amount	301,362	321,124	347,981	383,179	417,996	453,130	510,580	492,157	492,677
% Change	1.4	6.6	8.4	10.1	9.1	8.4	12.7	(3.6)	0.1
Wages									
Amount	242,771	253,551	266,334	285,919	309,614	328,851	363,212	376,226	370,428
% Change	2.0	4.4	5.0	7.4	8.3	6.2	10.4	3.6	(1.5)
Share of NYSAGI	80.6	79.0	76.5	74.6	74.1	72.6	71.1	76.4	75.2
Capital Gains									
Amount	12,032	14,086	22,441	31,563	38,929	48,330	62,584	39,852	45,892
% Change	(10.0)	17.1	59.3	40.7	23.3	24.1	29.5	(36.3)	15.2
Share of NYSAGI	4.0	4.4	6.4	8.2	9.3	10.7	12.3	8.1	9.3
Interest and Dividends									
Amount	19,630	22,680	23,534	24,652	24,807	25,299	26,440	22,603	22,211
% Change	5.7	15.5	3.8	4.8	0.6	2.0	4.5	(14.5)	(1.7)
Share of NYSAGI	6.5	7.1	6.8	6.4	5.9	5.6	5.2	4.6	4.5
Taxable Pension									
Amount	15,694	16,620	17,391	18,953	18,891	20,854	21,397	22,074	22,773
% Change	20.0	5.9	4.6	9.0	(0.3)	10.4	2.6	3.2	3.2
Share of NYSAGI	5.2	5.2	5.0	4.9	4.5	4.6	4.2	4.5	4.6
Business and Partnership Income									
Amount	19,666	25,868	31,425	35,288	37,142	42,035	48,559	43,562	44,402
% Change	(4.7)	31.5	21.5	12.3	5.3	13.2	15.5	(10.3)	1.9
Share of NYSAGI	6.5	8.1	9.0	9.2	8.9	9.3	9.5	8.9	9.0
All Other Incomes/ Adjustments*									
Amount	(8,430)	(11,680)	(13,142)	(13,195)	(11,387)	(12,239)	(11,612)	(12,160)	(13,029)
% Change	29.5	38.6	12.5	0.4	(13.7)	7.5	(5.1)	4.7	7.2

* 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 caused a significant shift in the capital gains share of AGI. From 1994 to 2000, the share of capital gains in AGI is estimated to have more than tripled, from 4.0 percent to 12.3 percent. Over the same period, the share of wages in AGI is estimated to have decreased from 80.6 percent to 71.1 percent. Business and partnership income also shows strong growth between 1994 and 2000, although at roughly one half the rate of growth of capital gains, and accounts for an estimated 9.5 percent of AGI in 2000. The AGI data suggest that much of the rapid growth in liability in recent years can be attributed to the large increases in realized capital gains and business income.

Changes in timing of year-end bonus payments also affect the AGI growth rate. It is estimated that bonuses in the financial and insurance sector represent more than half of the total bonuses paid out each year. Under traditional patterns, about 40 percent of financial and insurance sector 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 financial and insurance bonuses were paid that month. This unusual pattern recurred in the 1993-1994 period. Bonuses for 1994 through 2000, however, returned to a distribution closer to the pre-1992-93 pattern, where it is estimated that approximately 30 percent of financial and insurance bonuses were paid at the end of the calendar year, while 70 percent were paid early in the following year.





Prior to the World Trade Center disaster of September 11, 2001, an economic slowdown was already underway. The terrorist attacks shocked the struggling economy and pushed the nation into recession. (See Economic Backdrop section.) AGI grew at an average annual rate of more than 9 percent. It is expected that the poor economic performance will last into 2002 and that New York AGI will decline in 2001 and be unchanged in 2002, partially reversing the tremendous growth of AGI during the past six years.

1999 and 2000 Liability

Based on tax collections, total liability for 1999 was approximately $21.6 billion. Of this amount, $21 billion was accounted for by the 8.5 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 from fiduciary returns, late filed returns and other transactions excluded from the annual study. The AGI amount in the tax study for 1999 was $453 billion, yielding an average effective tax rate of 4.6 percent.

As in 1997, 1998 and 1999, it is expected that the 2000 tax year saw a significant increase in income concentrated in the high income segment of taxpayers, as a result of a strong performance in the financial sector. AGI is estimated to have grown nearly 13 percent, to $511 billion, in 2000. Wages and salaries are estimated to have increased about 10.4 percent. Following 41 percent growth in 1997, 23 percent growth in 1998, and 24 percent in 1999, capital gains are estimated to have risen close to 30 percent in 2000. Interest and dividend income is estimated to have increased 4.5 percent, following growth of 2 percent in 1999. Business net income and income derived from partnerships and S corporations are expected to have risen 15.5 percent in 2000, following a 13.2 percent increase in 1999. The Economic Backdrop section provides more detail on the estimation of these AGI components.

The 1997 tax year saw the implementation of the final phase of the three-year personal income tax cut passed in June 1995. This enacted legislation raised the standard deduction and reduced the tax rate imposed on taxable income. Further legislation enacted since 1995 has increased the child and dependent care credit and the earned income tax credit. Other new credits and the New York State College Choice Tuition Savings Program were also created. These tax reductions have resulted in considerable savings for New York State taxpayers. The resulting 2000 liability, as extrapolated from the 1999 study file, is estimated to be more than $24.6 billion, yielding more than 17.5 percent growth compared to 1999. The effective tax rate is estimated to be 4.8 percent. Without the tax cuts enacted since 1995, it is estimated that liability would have been approximately $30 billion.

2001 AGI and Liability

Adjusted gross income is estimated to decrease 3.6 percent to $492 billion. Wages and salaries are estimated to increase a modest 3.6 percent. This increase reflects the healthy bonuses paid in early 2001 as a result of the strong equity market performance of the previous year. However, the employment situation deteriorated considerably during the second half of 2001. Indeed, it is estimated that the State lost about 130,000 jobs in the last quarter of 2001 as compared to the same quarter in 2000.

Interest and dividend income is estimated to have declined 14.5 percent, reflecting the several cuts in the federal funds rate by the Federal Reserve, and poor corporate earnings, after many years of extraordinary expansion. Capital gains realizations are projected to decline by approximately 36 percent in 2001 as a result of sharp declines in equity prices. Business net income and income derived from partnerships and S corporations are also estimated to have fallen 10 percent below 2000 levels.

As a result, estimated liability is projected to decrease 5.4 percent to $23.3 billion, an estimated loss of nearly $1.3 billion in revenues compared to 2000.

2002 AGI and Liability

In 2002, AGI is expected to remain flat, reflecting the continuing slowdown in the economy. Wages and salaries are projected to decrease 1.5 percent, a loss of $6 billion compared to the previous year. This decline includes the impact of job losses and an estimated reduction in financial sector bonuses of almost 50 percent.

Capital gains realizations are expected to grow 15 percent. Despite this increase, however, the amount of realizations still will be well below 1999 levels. The other components of income, in aggregate, are expected to remain essentially unchanged.

Under current law, estimated liability is projected to decline 0.6 percent to $23.2 billion, $100 million less than 2001. This decline is largely the result of the estimated decline in financial sector bonus payments paid in the first quarter of 2002.

Risks in Liability Estimates

The estimates are subject to significant risks. The national economy is in recession and vulnerable to any significant shock. The recession could be less severe or substantially more severe than expected. The stock market and financial services industry may do much better or worse than envisioned. In addition, capital gains, which represent a major component of AGI, exhibit a high degree of volatility. (See the section entitled Sources of Volatility in the Economic Backdrop section of this Appendix.)

2001-02 RECEIPTS

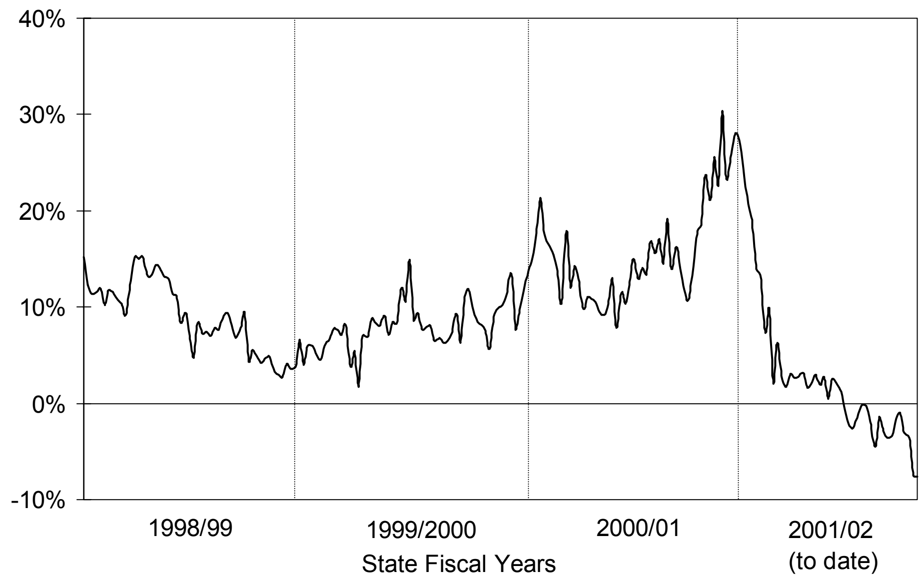
Based on current economic conditions, net personal income tax receipts for the 2001-02 fiscal year are now estimated at $28,537 million.

Key risks for the remainder of the fiscal year include the amount of withholding tax collections to be received in the first quarter of 2002 and the balance of estimated payments to be received on 2001 liability.

The current forecast assumes that estimated payments on 2001 liability will be 15.9 percent lower than comparable payments on 2000 liability.

Withholding collections increased 0.5 percent through the first nine months of the fiscal year. As the following chart illustrates, there has been a sharp drop in withholding growth this fiscal year to date. It is expected that withholding collections will decrease 10.7 percent for the remainder of 2001-02, largely reflecting declines in bonus payments in the December to March period.

Weekly Withholding
Growth Rates Over 12 Weeks
4/1/98-1/11/02



Without refund reserve transactions, net receipts are estimated at $25,632 million, a decrease of 3.1 percent from comparable 2000-01 receipts. The components of the estimate are detailed in Table 6, and are based on estimated collections of $18.9 billion through December.

TABLE 6
PROJECTED FISCAL-YEAR COLLECTION COMPONENTS
ALL FUNDS
(millions of dollars)

	2000-2001 (Actual)	2001-02 (Estimated)	2002-03 (Projected)
Receipts			
Withholdings	20,955	20,267	21,067
Estimated Payments	6,874	6,395	6,430
Current Year	5,621	4,725	5,020
Prior Year*	1,253	1,670	1,410
Final Returns	1,684	1,895	1,605
Current Year	118	120	125
Prior Year*	1,566	1,775	1,480
Delinquent Collections	558	600	720
Gross Receipts	30,071	29,157	29,822
Refunds			
Prior Year*	2,313	2,175	2,490
Previous Years	187	185	185
Current Year	960	960	960
State-City Offset*	169	205	200
Total Refunds	3,629	3,525	3,835
Reserve Transactions	450	2,905	(65)
Net Receipts	26,892	28,537	25,922

* 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, 2002, is $612 million. Not included in this balance is the $1,133 million reserve for World Trade Center costs that also will be deposited in the refund reserve account on March 31, 2002. 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 $521 million is available to finance refunds to be issued in the spring of 2002, it must be restored to the reserve by March 31, 2003. To continue the practice of depositing a portion of the cost of new personal income tax reductions in the reserve fund, $91 million in additional funds will be deposited in the reserve account on March 31.

An added risk to the estimate of 2001-02 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 were not available when the 2001-02 estimates were constructed. An additional risk is the amount of withholding and other tax payments delayed by taxpayers affected by the WTC disaster. Although New York State allowed delays until December 10, 2001, results, to date, suggest only a small movement of cash resulting from delayed payments.

2002-03 PROJECTIONS

Based on current law, net personal income tax receipts would be expected to decrease by 9.7 percent, to $25,767 million, in 2002-03. Reported receipts include the net decrease to collections of $65 million from transactions in the refund reserve account. Not included in these receipts is the $1,133 million withdrawal from the refund reserve account that will be used for World Trade Center costs.

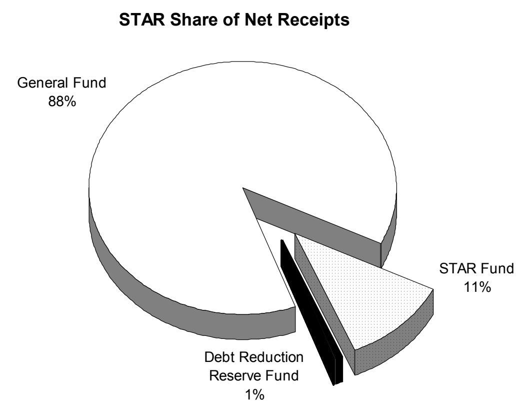
Under current law, withholding receipts would be projected to rise by 3.8 percent. Final payments related to 2001 returns are expected to decrease by $295 million from 2000 returns, reflecting the 2001 liability decrease.

The other major component of collections, estimated payments on 2002 income, will increase by 6.2 percent. This is consistent with expected non-wage income growth in 2002, the low base level of 2001 estimated tax payments, and lower growth in capital gains realizations following the high 1997 through 2000 growth rates that resulted, at least partially, from the 1997 Federal capital gains law changes.

Based on proposed law, withholding receipts are projected to rise 3.9 percent and assessment collections are projected to be $130 million higher than under current law. As a result, net personal income tax receipts are expected to decrease by 9.2 percent, to $25,922 million, in 2002-03.

OTHER FUNDS

Legislation enacted 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 2001-02, dedicated personal income tax receipts of $1,310 million will be deposited into the School Tax Relief Fund. This amount is $50 million less than estimated at the time of the Mid-Year Update. In 2002-03, it is estimated that receipts of $2,630 million will be deposited into the Fund.



Personal income tax receipts of $250 million were deposited into the Debt Reduction Reserve Fund in each of the 2000-01 and 2001-02 fiscal years.

GENERAL FUND

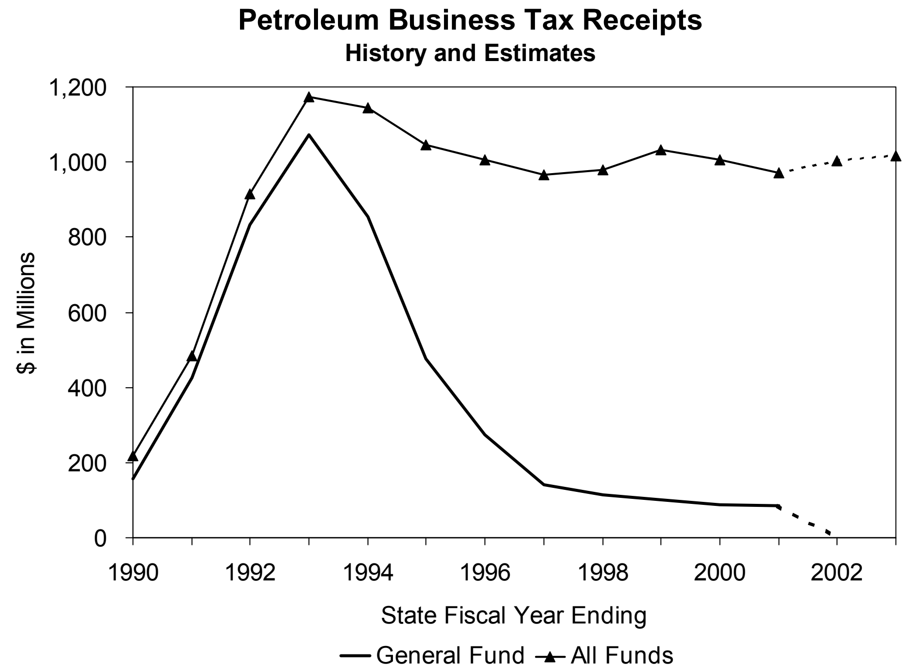
Under current law, General Fund net personal income tax receipts are estimated at $26,977 million in 2001-02 and would be estimated at $23,137 million in 2002-03. Under proposed law, General Fund net personal income tax receipts are projected at $23,292 million in 2002-03.

TABLE 7
PERSONAL INCOME TAX RECEIPTS
(millions of dollars)

	Gross General Fund	Refunds	Net General Fund Receipts	Refund Reserve Transactions	Net General Fund	Special Revenue Funds[1]	Capital Projects Funds	Debt Service Funds[2]	All Funds Net Collections
				Actual					
1993-94	18,727	2,225	16,502	468	16,034	0	0	0	16,034
1994-95	19,028	2,300	16,728	(862)	17,590	0	0	0	17,590
1995-96	19,857	2,459	17,398	400	16,998	0	0	0	16,998
1996-97	20,238	2,684	17,554	1,183	16,371	0	0	0	16,371
1997-98	21,088	2,799	18,289	530	17,759	0	0	0	17,759
1998-99	23,371	2,795	19,994	(86)	20,080	582	0	0	20,662
1999-2000	25,041	3,041	22,000	1,661	20,339	1,195	0	0	21,534
2000-01	26,744	3,629	23,115	(450)	23,565	3,077	0	250	26,892
				Estimated					
2001-02	27,597	3,525	24,072	(2,905)	26,977	1,310	0	250	28,537
2002-03									
(current law)	27,037	3,835	23,202	65	23,137	2,630	0	0	25,767
(proposed law)	27,192	3,835	23,357	65	23,292	2,630	0	0	25,922

[1] STAR Fund.
[2] Debt Reduction Reserve Fund.

PETROLEUM BUSINESS TAXES



DESCRIPTION

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 in conjunction with the State motor fuel taxes (Article 12-A). Article 13-A also imposes the petroleum business carrier tax on fuel purchased outside New York and consumed within the State. The carrier tax is collected quarterly along with the fuel use tax portion of the highway use tax. (See section titled Highway Use Tax.) Specifically exempted from Article 13-A taxes are fuel used for manufacturing, residential or not-for-profit organization heating purposes, fuel sold to governments, kerosene other than kero-jet fuel, crude oil, liquefied petroleum gas (LPG), and certain bunker fuel.

Tax Rates and Indexing

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. (See Table 3.) Table 1 displays the per gallon PBT rates for 2001. Table 2 displays scheduled rates for 2002 and estimated rates for 2003, which reflect changes due to indexing.

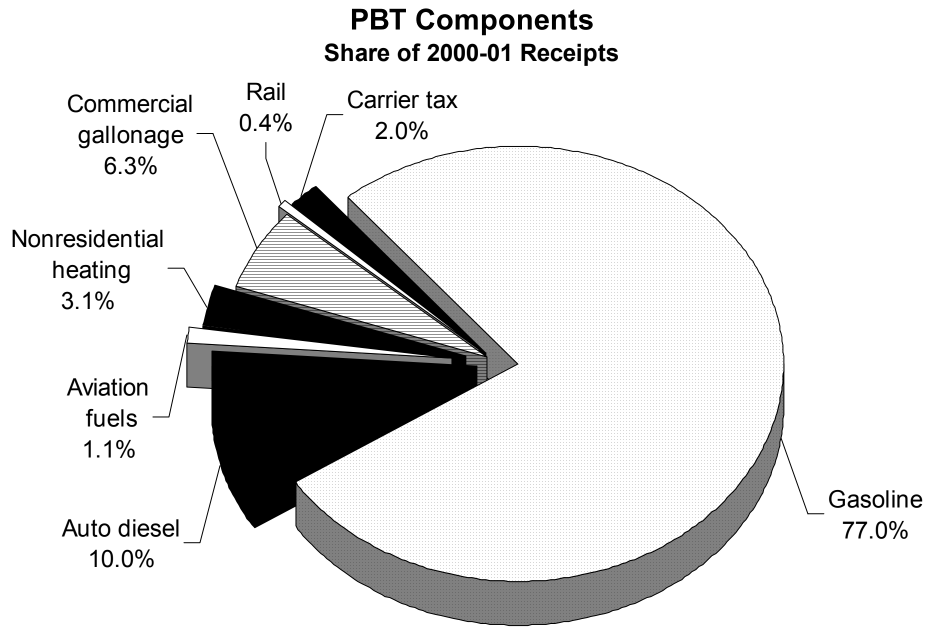
TABLE 1
PETROLEUM BUSINESS TAX RATES FOR 2001
(cents per gallon)

	Jan.-Mar. 2001			Apr.-Dec. 2001		
Petroleum Products	**Base**	**Supp**	**Total**	**Base**	**Supp**	**Total**
Automotive fuel						
Gasoline and other non-diesel	8.40	5.60	**14.00**	8.40	5.60	**14.00**
Diesel	8.40	3.85	**12.25**	8.40	3.85	**12.25**
Aviation gasoline	8.40	5.60	**14.00**	8.40	5.60	**14.00**
Net rate after credit	5.60	0.0	**5.60**	5.60	0.0	**5.60**
Kero-jet fuel	5.60	0.0	**5.60**	5.60	0.0	**5.60**
Non-automotive diesel fuels	7.60	5.60	**13.20**	7.60	5.60	**13.20**
Commercial gallonage after credit	7.60	0.0	**7.60**	7.60	0.0	**7.60**
Electric utility after credit	2.52	5.60	**8.12**	2.52	5.60	**8.12**
Nonresidential heating after credit	7.60	0.0	**7.60**	6.10	0.0	**6.10**
Residual petroleum products	5.90	5.60	**11.50**	5.90	5.60	**11.50**
Commercial gallonage after credit	5.90	0.0	**5.90**	5.90	0.0	**5.90**
Electric utility after credit	0.86	5.60	**6.46**	0.86	5.60	**6.46**
Nonresidential heating after credit	5.90	0.0	**5.90**	4.70	0.0	**4.70**
Railroad diesel fuel	8.40	3.85	**12.25**	8.40	3.85	**12.25**
Net rate after exemption/refund	7.10	0.0	**7.10**	7.10	0.0	**7.10**

TABLE 2
PETROLEUM BUSINESS TAX RATES FOR 2002 AND 2003
(cents per gallon)

	Jan.-Aug. 2002			Sep.-Dec. 2002			2003*		
Petroleum Products	**Base**	**Supp**	**Total**	**Base**	**Supp**	**Total**	**Base**	**Supp**	**Total**
Automotive fuel									
Gasoline and other non-diesel	8.80	5.80	**14.60**	8.80	5.80	**14.60**	8.40	5.60	**14.00**
Diesel	8.80	4.05	**12.85**	8.80	4.05	**12.85**	8.40	3.85	**12.25**
Aviation gasoline	8.80	5.80	**14.60**	8.80	5.80	**14.60**	8.40	5.60	**14.00**
Net rate after credit	5.80	0.0	**5.80**	5.80	0.0	**5.80**	5.60	0.0	**5.60**
Kero-jet fuel	5.80	0.0	**5.80**	5.80	0.0	**5.80**	5.60	0.0	**5.60**
Non-automotive diesel fuels	7.90	5.80	**13.70**	7.90	5.80	**13.70**	7.60	5.60	**13.20**
Commercial gallonage after credit	7.90	0.0	**7.90**	7.90	0.0	**7.90**	7.60	0.0	**7.60**
Nonresidential heating after credit	6.30	0.0	**6.30**	4.30	0.0	**4.30**	4.10	0.0	**4.10**
Residual petroleum products	6.10	5.80	**11.90**	6.10	5.80	**11.90**	5.80	5.60	**11.40**
Commercial gallonage after credit	6.10	0.0	**6.10**	6.10	0.0	**6.10**	5.80	0.0	**5.80**
Nonresidential heating after credit	4.90	0.0	**4.90**	3.30	0.0	**3.30**	3.10	0.0	**3.10**
Railroad diesel fuel	8.80	4.05	**12.85**	8.80	4.05	**12.85**	8.40	3.85	**12.25**
Net rate after exemption/refund	7.50	0.0	**7.50**	7.50	0.0	**7.50**	7.10	0.0	**7.10**

*Projected – A fuel price decline of 12.5 percent in 2003 results in a 5 percent decline in the PBT index.



The basic and supplemental PBT tax rates are 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 ending August 31 of the immediately preceding year.

Early in the previous decade, PBT tax rates rose substantially due to indexing and 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, tax rates would again be indexed, but tax rates could not increase or decrease by more than 5 percent per year. In addition to the 5 percent cap on tax rate changes, the statute required that the basic and supplemental tax rates be rounded to the nearest tenth of one cent. As a result, the percent change in tax rates usually does not exactly match the percent change in the index.

Based on the index, PBT rates for 2001 increased by 5 percent, and are scheduled to increase by another 5 percent for 2002. The index for January 1, 2003, is projected to decline by more than 5 percent, triggering a tax rate decrease of up to 5 percent for 2003. (See Tables 2 and 3.)

TABLE 3
FUEL PRICE AND PETROLEUM BUSINESS TAX INDEX
(percent change)

Year	Fuel Price	PBT Index
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	6.57	5.00
1998	7.96	5.00
1999	(18.60)	(5.00)
2000	(7.85)	(5.00)
2001	55.84	5.00
2002	13.54	5.00
2003*	(12.51)	(5.00)

* Estimated

Payments

Under 1992 legislation, businesses with yearly motor fuel and petroleum business tax liability of more than $5 million are required to remit, using electronic funds transfer, their total tax liability for the first 22 days of the month, within three business days after that date. 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. The tax for the balance of the month is paid with the monthly returns filed by the twentieth of the following month.

SIGNIFICANT LEGISLATION

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 affecting petroleum business tax collections since 1994.

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 and reduced the base rate by 1.33 cents per gallon.	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	Reduced by three-quarters of one cent per gallon the supplemental tax imposed on diesel motor fuel.	January 1, 1998
	Reduced by an additional one cent per gallon the supplemental tax imposed on diesel motor fuel.	April 1, 1999
Utilities	Increased by one-half cent per gallon the base tax credit for residual and distillate fuels used by utilities to generate electricity.	April 1, 1999

Subject	Description	Effective Date
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 Heating	Reduced by 20 percent the petroleum business tax rates on commercial gallons for space heating.	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 Enacted in 2000		
Minimum Tax	Eliminated the minimum taxes on petroleum businesses and aviation fuel businesses under the PBT.	March 1, 2001
Commercial Heating	Reduced by 33 percent the petroleum business tax rates on commercial gallons for space heating.	September 1, 2002

In past years, revenues from 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 converted the tax from a gross receipts tax 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 revenues — the dollar equivalent of its share prior to the expansion. Carrier tax receipts were deposited in the General Fund until April 1, 2001.

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 4) would be split between the Dedicated Mass Transportation Trust Fund and the Dedicated Highway and Bridge Trust Fund.

Legislation enacted in 2000 redistributed PBT receipts. Effective April 1, 2001, all PBT General Fund receipts, including carrier tax receipts, were redistributed to the Dedicated Highway and Bridge Trust Fund and the Dedicated Mass Transportation Trust Fund.

Statutory changes to the allocation of the PBT by fund type are reported in Table 4.

TABLE 4
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	0.0
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	0.0	19.7	80.3

[1] This fund is split between the Public Transportation System Operating Assistance Account and the Metropolitan Mass Transportation Operating Assistance Account.
[2] This pool is split between the Dedicated Mass Transportation Trust Fund (37 percent) and the Dedicated Highway and Bridge Trust Fund (63 percent).

2001-02 RECEIPTS

Petroleum business tax receipts derived from motor fuel and diesel motor fuel are estimated 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 estimated to decrease due to the increase in the relative price of residual fuel oil compared to natural gas.

Collections to date, including audit receipts, surcharges and the carrier tax, are $732.5 million, 0.6 percent above comparable receipts in 2000-01. Based on these collection trends, petroleum business tax receipts for the year are estimated at $1,002 million. The estimate of receipts for 2001-02 reflects the 5 percent increase in PBT rates that took effect on January 1, 2001, and another scheduled 5 percent increase effective January 1, 2002. Due to the World Trade Center disaster, fewer tax enforcement resources will be available in the short-term to deter the illegal importation of fuel into the State. This could result in a small loss of receipts during the remaining months of 2001-02.

2002-03 PROJECTIONS

The forecast assumes a small increase in gasoline consumption and no growth in diesel consumption. The demand for residual fuels consumed by utilities is projected to decrease due to higher residual fuel prices relative to natural gas prices.

Projected 2002-03 receipts of $1,016.0 million assume that fuel inventories will remain stable. The estimate also reflects 2000 legislation that reduced taxes on commercial heating by 33 percent and eliminated PBT minimum taxes. In addition, receipts for 2002-03 anticipate that the index used to set PBT tax rates in January 2003 will decline by 5 percent.

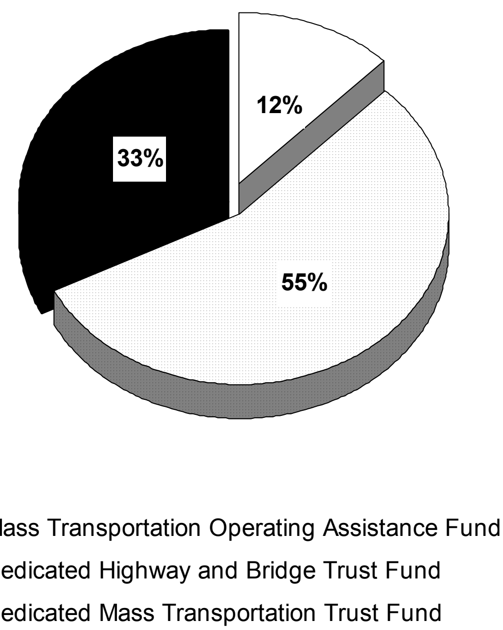
OTHER FUNDS

In 2000-01, the petroleum business tax provided MTOAF receipts of $108.2 million, Dedicated Highway and Bridge Trust Fund receipts of $489.3 million, and Dedicated Mass Transportation Trust Fund receipts of $287.4 million.

Legislation enacted in 2000 significantly increased the flow of PBT funds to the Dedicated Funds Pool. Effective April 1, 2001, all PBT receipts previously deposited in the General Fund, including the balance of the basic tax and the carrier tax, are now deposited in the Dedicated Funds Pool. As a result, petroleum business tax receipts in 2001-02 are estimated to be $117.2 million for MTOAF, $557.4 million for the Dedicated Highway and Bridge Trust Fund, and $327.4 million for the Dedicated Mass Transportation Trust Fund.

Petroleum business taxes in 2002-03 are projected to provide MTOAF receipts of $118.9 million, Dedicated Highway and Bridge Trust Fund receipts of $565.2 million, and Dedicated Mass Transportation Trust Fund receipts of $331.9 million.

PBT Receipts 2001-02 and 2002-03



GENERAL FUND

In 2000-01, petroleum business tax receipts of $86.2 million were deposited in the General Fund.

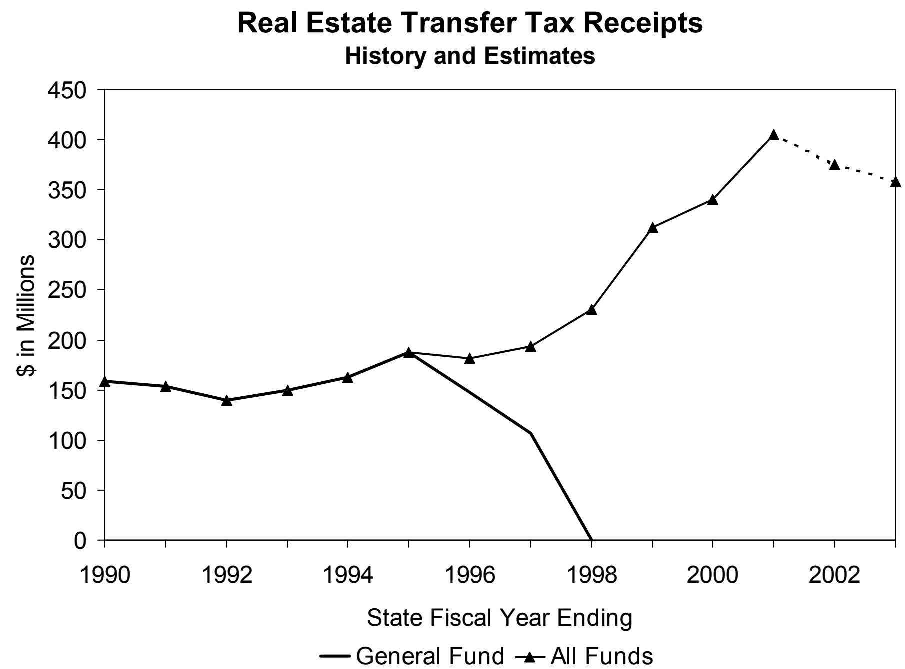
Legislation enacted in 2000 provided that all PBT receipts deposited in the General Fund be deposited in the Dedicated Funds Pool, effective April 1, 2001. As a result, no PBT receipts will be deposited in the General Fund in 2001-02 and 2002-03.

PETROLEUM BUSINESS TAX RECEIPTS
(thousands of dollars)

	Gross General Fund	Refunds	Net General Fund	Gross Special Revenue Funds[1]	Refunds	Net Special Revenue Funds[1]	Gross Capital Projects Funds[2]	Refunds	Net Capital Projects Funds[2]	All Funds Net Collections
	Actual									
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	432,843	1,004,782
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	103,247	1,218	102,029	422,123	4,742	417,381	519,132	5,829	513,303	1,032,713
1999-2000	90,297	1,146	89,151	414,867	4,810	410,057	511,595	5,932	505,663	1,004,871
2000-01	88,252	2,031	86,221	404,909	9,319	395,590	500,813	11,527	489,286	971,097
	Estimated									
2001-02	0	0	0	454,600	10,000	444,600	569,400	12,000	557,400	1,002,000
2002-03	0	0	0	456,600	5,800	450,800	572,400	7,200	565,200	1,016,000

[1] Dedicated Mass Transportation Trust Fund and Mass Transportation Operating Assistance Fund.
[2] Dedicated Highway and Bridge Trust Fund.

REAL ESTATE TRANSFER TAX



DESCRIPTION

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 party conveying the property (grantor) is responsible for payment of the tax, either through the purchase of adhesive documentary stamps, 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 is $2 per $1,000 of consideration. New York State (including agencies, instrumentalities, subdivisions, and public corporations), the United States (including agencies and instrumentalities), and the United Nations are exempt. 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 pursuant to the Federal bankruptcy act, and mere change of identity conveyances. A deduction from 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

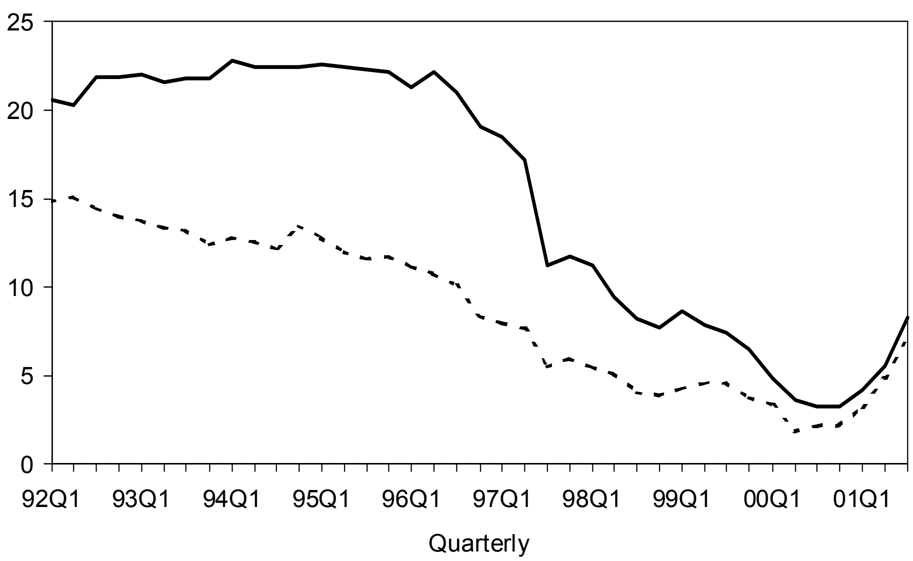
For deeded transfers, the tax is paid to a recording agent (generally, the county clerk). For non-deeded transactions, payments are made directly to the Commissioner of Taxation and Finance. All payments are due to the recording agent within 15 days of the transfer. For counties with more than $1.2 million in liability during the previous calendar year, payments received between the first and fifteenth day of the month are due to the Commissioner by the twenty-fifth day of the same month. Payments received in such counties between the sixteenth and the final day of the month are due to the Commissioner by the tenth day of the following month. Payments from all other counties are due to the Commissioner by the tenth 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.

2001-02 RECEIPTS

Reported collections to date are $296.6 million, an increase of 2 percent from 2000-01 collections for the comparable period. The increase is largely due to New York City remitting payments faster in 2001-02 than in 2000-01.

The sales of Rockefeller Center, the Lehman Brothers Building, and the payment associated with the July 2001 transfer of the World Trade Center are expected to boost 2001-02 receipts by approximately $21.3 million. These large transactions masked the relative weakness in the underlying fundamentals affecting receipts. During the first half of the fiscal year, the number of transfers were below year-ago levels and prices were virtually flat. For the remainder of the year, both the number of transfers and prices are expected to be below year-ago levels. The non-residential market, driven largely by the Manhattan commercial market, slowed in 2001-02. The decline in demand for office space was characterized by the exit of unprofitable companies from the commercial real estate market. The vacancy rate, which had declined steadily since 1994, began increasing early in 2001. Despite the loss of a significant amount of office space in downtown Manhattan due to the World Trade Center disaster, the downtown vacancy rate was actually higher in September 2001 (after the disaster) than in August 2001. The reasons for this phenomenon according to C.B. Richard Ellis, an international real estate company, were that: the market was already weak before the attack, firms are leasing space outside the City, firms are implementing pre-disaster plans to cut spending, and companies are using or renting “shadow space” that was vacant but rented before the disaster.

Vacancy Rates in Manhattan



Source: C.B. Richard Ellis

FISCAL YEAR LIABILITY THROUGH SEPTEMBER
(millions of dollars)

Region	2000-01 Liability	2001-02 Liability	Percent Change
Manhattan	37.5	38.1	1.5
Other Four Boroughs	27.7	25.5	(8.1)
Long Island	40.1	37.3	(7.0)
Rest of State	63.1	52.6	(16.6)
Central Office*	38.5	37.6	(2.3)

* Through October

Collections for the remainder of the fiscal year are expected to be $78.4 million, a decline of 31.2 percent from 2000-01 collections for the same period. The large decline is due largely to a payment error which caused $18.5 million in 2001-02 cash receipts to be reported as 2000-01 cash receipts. Net All Funds receipts are estimated at $375 million, down 7.3 percent from the prior fiscal year.

2002-03 PROJECTIONS

Mortgage rates are expected to rise somewhat in 2002-03. Accordingly, taxable residential transactions are expected to decline. Residential prices are expected to rise slightly. The factors which negatively affected nonresidential receipts during 2001-02 will continue to do so in 2002-03. Net All Funds receipts are expected to decrease $16.4 million or 4.4 percent, to $358.6 million.

OTHER FUNDS

During 2001-02 and 2002-03, the statutory amount of real estate transfer tax receipts diverted to the Environmental Protection Fund is $112 million. The remainder of real estate transfer tax receipts, estimated at $263 million in 2001-02 and $246.6 million in 2002-03, 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 2001-02 or 2002-03. 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 of dollars)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Capital Projects Funds[1]	Gross Debt Service Funds[2]	Refunds	Debt Service Funds[2]	All Funds Net Collections
					Actual				
1993-94	163,174	618	162,556	0	0	0	0	0	162,556
1994-95	187,801	278	187,523	0	0	0	0	0	187,523
1995-96	148,505	307	148,198	0	33,500	0	0	0	181,698
1996-97	107,859	371	107,488	0	87,000	0	0	0	194,488
1997-98	0	0	0	0	87,000	142,747	115	142,632	229,632
1998-99	0	0	0	0	112,000	200,383	14	200,369	312,369
1999-2000	0	0	0	0	112,000	229,334	1,104	228,230	340,230
2000-01	0	0	0	0	112,000	293,181	436	292,745	404,745
					Estimated				
2001-02	0	0	0	0	112,000	263,500	500	263,000	375,000
2002-03	0	0	0	0	112,000	247,100	500	246,600	358,600

[1] Environmental Protection Fund.
[2] Clean Water/Clean Air Bond Debt Service Fund.

REPEALED TAXES

GIFT TAX

Until the gift tax repeal on January 1, 2000, New York was one of 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 was derived from the Federal tax base, with exclusions for transfers of property located outside the State. The tax was imposed on a lifetime basis — taxable gifts made during a taxpayer's lifetime, after allowable exclusions, were taxed in aggregate as one gift.

2001-02 Receipts and 2002-03 Projections

Net gift tax collections to date are $4.3 million. Net collections for 2001-02 are expected to be $4.5 million, consisting of $5.6 million in gross receipts and $1.1 million in refunds. No receipts are expected for 2002-03, or for any subsequent fiscal year.

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 bottles and cans of soda and beer, as well as 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.

2001-02 Receipts and 2002-03 Projections

Container tax receipts for State fiscal year 2001-02 are negligible. This reflects the repeal of the tax effective October 1, 1998, and the net effect of audit collections and refunds. Receipts for 2002-03 are projected to be zero.

REAL PROPERTY GAINS TAX

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.

2001-02 Receipts and 2002-03 Projections

Remaining collections stem primarily from deferred installment payments 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 and collections from assessments processed through the Case and Resource Tracking System (CARTS). To date, these collections are $4.3 million, with an additional $1.2 million expected by the end of the State fiscal year. Total refunds for the year are estimated to be negligible. As a result, net real property gains tax collections for 2001-02 are estimated to be $5.5 million.

Collections from outstanding installments and CARTS will produce a projected $2.1 million in 2002-03. Refunds will be negligible.

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. State and, to a lesser extent, City hotel tax reductions have been credited with making New York City more attractive to tourists and convention planners.

2001-02 Receipts and 2002-03 Projections

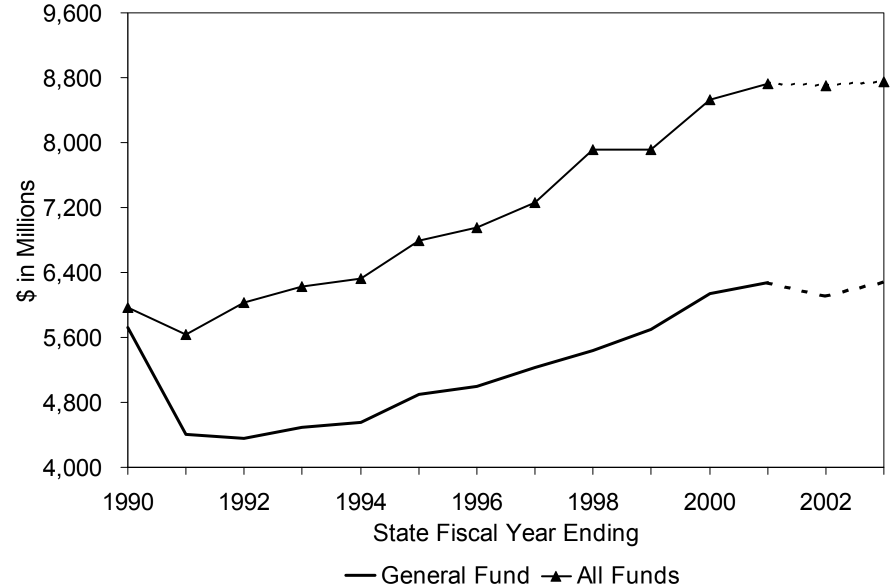
Hotel occupancy tax receipts for State fiscal year 2001-02 are expected to be negligible. Net residual payments for 2002-03 are projected to be zero.

REPEALED TAXES RECEIPTS
(thousands of dollars)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
				Actual			
1993-94	323,505	30,035	241,853	0	0	0	241,853
1994-95	286,521	26,555	208,720	0	0	0	208,720
1995-96	320,930	47,010	228,319	0	0	0	228,319
1996-97	198,442	31,963	140,982	0	0	0	140,982
1997-98	201,143	38,572	135,532	0	0	0	135,532
1998-99	184,301	11,309	154,033	0	0	0	154,033
1999-2000	109,442	15,107	94,327	0	0	0	94,327
2000-01	53,183	5,548	47,628	0	0	0	47,628
				Estimated			
2001-02	11,120	1,120	10,000	0	0	0	10,000
2002-03	2,110	10	2,100	0	0	0	2,100

SALES AND USE TAX

Sales and Use Tax Receipts
History and Estimates



DESCRIPTION

The sales and compensating use tax, which accounted for over 17.4 percent of 2000-01 General Fund revenues, not including transfers from other funds, is the second largest State tax revenue source (the personal income tax is the largest). 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) 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 70 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 (MTOAF).

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.

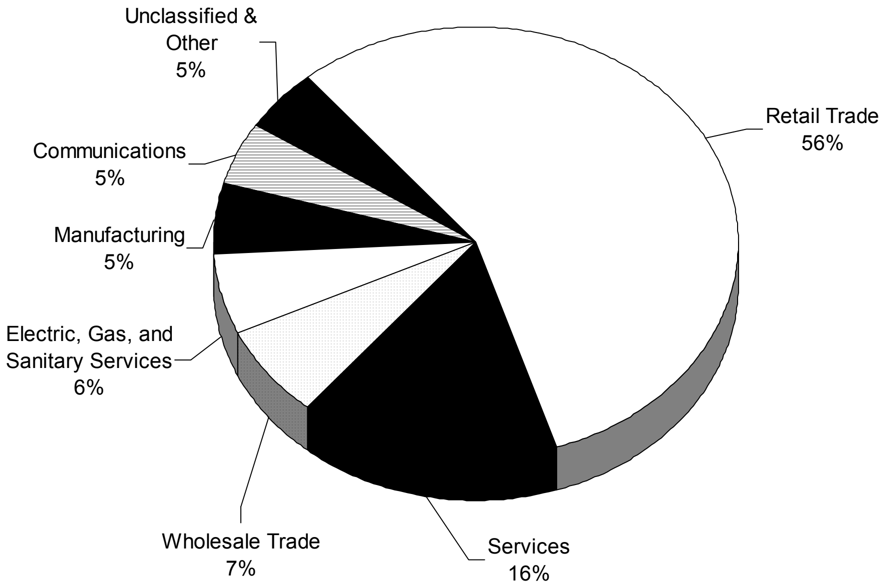
Specifically, the sales tax is applied to receipts from the retail sale of:

- 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 hotel accommodations, 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.

Industry Shares of Taxable Sales and Purchases
March 1999 to August 1999



Although numerous exemptions of tangible personal property from tax have been enacted (see discussion below), 56 percent of total taxable sales and purchases subject to the use tax are accounted for 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, at 16 percent of the statewide total, accounts for the next largest share of taxable sales and purchases.

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 a state's 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 taxable 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. 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 the sales tax have been enacted over the life of the tax. Broad exemptions have been provided for sales for resale and for machinery and equipment used in production or in research and development. These exemptions prevent multiple taxation of the same property or tax pyramiding. Additionally, items including food, medicines, medical supplies, residential energy, and clothing and shoes costing less than $110 have been excluded from the sales tax to reduce the regressivity of the tax.[1]

Other exemptions, such as sales to exempt organizations, certain vending machine sales and certain other coin-operated sales, are also provided. Legal, medical and other professional services, sales of real property, and rental 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 who collect more than $300,000 of tax in one of the immediately preceding four quarters must remit the tax monthly, by the twentieth 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 to the current $1 million threshold, respectively. Approximately 34 percent of the tax is remitted via EFT. This Budget proposes to lower the EFT filing threshold to $500,000.

To reduce tax evasion, special provisions for remitting the sales tax on gasoline motor fuel and cigarettes 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 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 allowance, 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 LEGISLATION

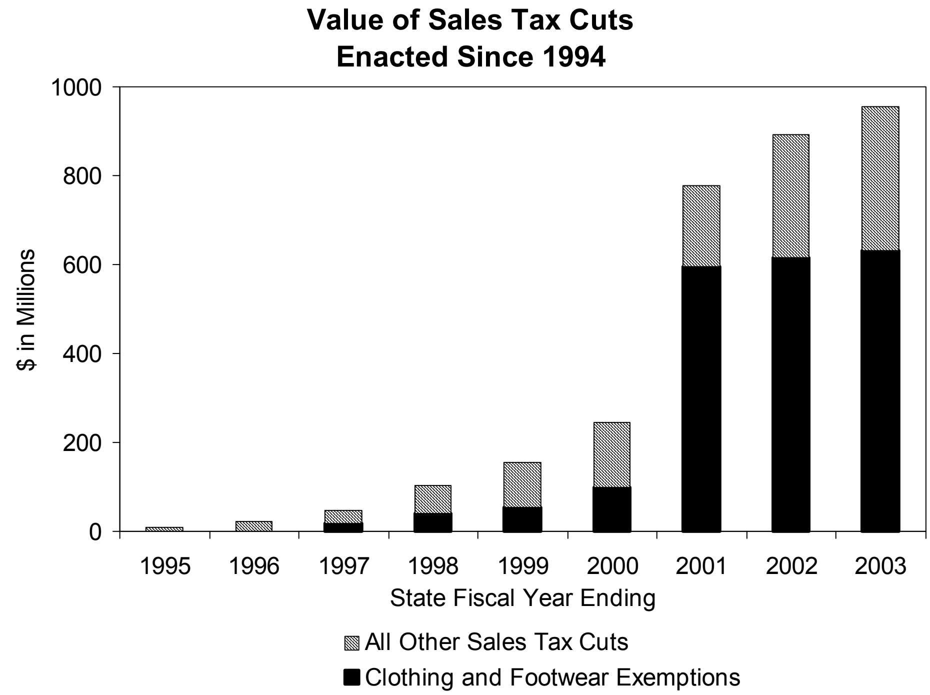
Numerous statutory changes have been made to the sales tax since its inception. The following table summarizes the major sales tax legislation enacted since 1994.

[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.

Subject	Description	Effective Date
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
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

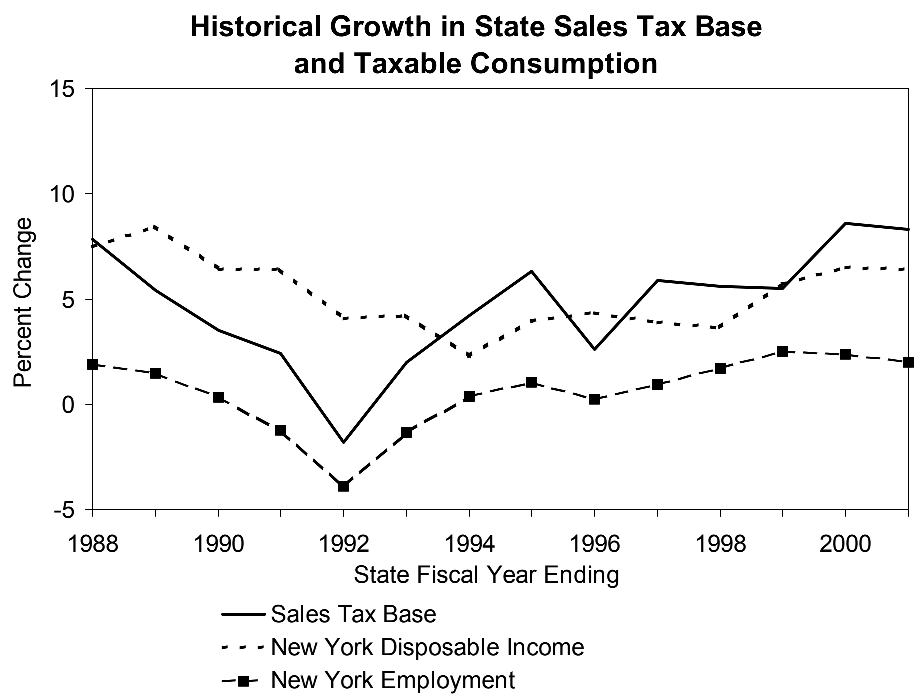
Subject	Description	Effective Date
Legislation Enacted in 1999		
Clothing and Footwear	Changed the effective date of the permanent exemption for clothing and footwear priced under $110 from December 1, 1999, to March 1, 2000.	March 1, 2000
	Temporarily exempted clothing and footwear priced under $500 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
Farm Production	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
Legislation Enacted in 2000		
Farm Production	Exempted property, building materials and utility services used in farm production. Expanded definition of farms to include commercial horse boarding operations.	September 1, 2000
Internet Data Centers	Exempted computer hardware and software purchased by Internet Data Centers (web site hosting facilities) operating in New York. Included required equipment such as air conditioning systems, power systems, raised flooring, cabling, and the services related to the exempted property.	September 1, 2000
Vending Machines	Exempted food and drink sold through a vending machine that costs 75 cents or less.	September 1, 2000
Telecommunications Equipment and Communications Services	Exempted property used to provide telecommunications services, Internet access services, or a combination thereof. Also, exempted certain services to the exempted property, such as installation and maintenance. Provided a three-year exemption for machinery and equipment used to upgrade cable television systems to a digital-based technology.	September 1, 2000
Radio and Television Broadcasting	Exempts machinery and equipment (including parts, tools and supplies) and certain services used for production and transmission of live or recorded programs. A broadcaster includes Federal communications licensed radio and television stations, television networks, and cable television networks.	September 1, 2000
Pollution Abatement	Exempts manufacturing and industrial pollution control equipment and machinery.	March 1, 2001
Transmission and Distribution of Electricity and Gas	Phases out and eliminates over three years, the sales tax on the separately purchased transmission of electricity and gas.	September 1, 2000
Empire Zones	Exempts property and services used or consumed by qualified businesses within Empire Zones.	March 1, 2001
Purchase of Gas or Electricity from Outside of New York	Imposed a compensating use tax on purchases of gas or electricity from vendors located outside of New York	June 1, 2000
Legislation Enacted in 2001		
Empire Zones	Added eight new Empire Zones, for a total of 66 zones throughout the State. Four of the eight new Empire Zones will be effective immediately.	October 29, 2001

The tax cuts enacted since 1994-95 have had a substantial impact on sales tax receipts. The graph below depicts the estimated value of sales tax cuts enacted since 1994.



BRIEF REVIEW OF RECEIPTS HISTORY

The years since the 1980's exemplify 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 8 percent, which was 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. For the State fiscal years 1992-93 through 1996-97, the State's economy came out of the recession more slowly and employment and personal income grew more modestly than the nation as a whole. This resulted in growth in the sales tax base that, although improved from the early 1990s, was moderate compared to 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.



2001-02 Receipts

State fiscal year 2001-02 receipts from the State's 4 percent sales tax are estimated at $8,159 million, a decrease of $204.5 million, or 2.4 percent, below 2000-01. The underlying sales tax base is estimated to decline 1.9 percent. Year-to-date sales and use tax receipts are $6,121.2 million, 3 percent or $191.2 million below the comparable period in 2000-01.

The decline in receipts can be partially attributed to an economy that was already slowing prior to September 11, 2001. Although the attack on the World Trade Center (WTC) worsened the slowdown in income, employment, and consumer spending in New York, it also had a direct negative impact on sales tax receipts. The Department of Taxation and Finance enforcement staff was adversely impacted by the attack. This will likely reduce non-voluntary collections. Also, tax-paying businesses were destroyed or temporarily shut down, and tourism spending declined sharply. The attack did cause business equipment purchases to rise after the attack, which will offset some of the negative impact of the attack on receipts.

Already enacted tax reductions have also served to reduce estimated 2001-02 sales tax receipts. The second phase of the exemption for the transmission and distribution of gas and electricity will reduce receipts by an estimated $17.5 million. Exemptions for theater equipment, hardware used for website development, pollution abatement equipment, and telecommunications equipment will reduce receipts by an estimated $33 million.

2002-03 PROJECTIONS

Cash receipts from the State's 4 percent sales tax in 2002-03 are projected to be $8,379.5 million or $220.5 million (2.7 percent) above 2001-02 levels.

The year-to-year change is the result of DOB's forecast of continuing growth in disposable income and taxable consumption, as well as previously enacted and proposed tax law changes. As in 2001-02, the WTC disaster will continue to affect economic growth and receipts. The next phase of the transmission and distribution exemption, effective September 1, 2002, is expected to reduce receipts by $22.9 million in 2002-03. Legislation included in this Budget proposes to lower the EFT filing threshold to $500,000, which will generate an estimated $32.5 million in additional receipts in 2002-03. Additional legislation proposes to use a suitable price index to calculate the pre-paid sales paid by cigarette distributors at the time they purchase cigarette tax stamps. The Federal government no longer publishes the index required by current law, which has resulted in the pre-paid sales tax on cigarettes remaining constant since 1997. This proposal will generate an estimated $5.8 million in receipts in 2002-03. Legislation enacted in January 2002 will increase the cigarette tax from $1.11 to $1.50 per pack. This proposal will generate an estimated $11.3 million in sales tax receipts in 2002-03. It should be noted that hold-harmless provisions in the Tax Law prevent the clothing exemption from reducing receipts that would have otherwise been available from the 0.25 percent Metropolitan Commuter Transportation District (MCTD) tax deposited 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.

OTHER 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). Sales tax deposits to LGATF were $2,092 million in 2000-01 and are estimated at $2,038.6 million in 2001-02 and $2,094.4 million in 2002-03. 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. MTOAF derives part of its revenues from the 0.25 percent sales and compensating use tax imposed in the Metropolitan Commuter Transportation District. MTOAF, which received $368.2 million in sales and use tax receipts in 2000-01, will receive an estimated $367.4 million in 2001-02 and $370.4 million in 2002-03.

GENERAL FUND

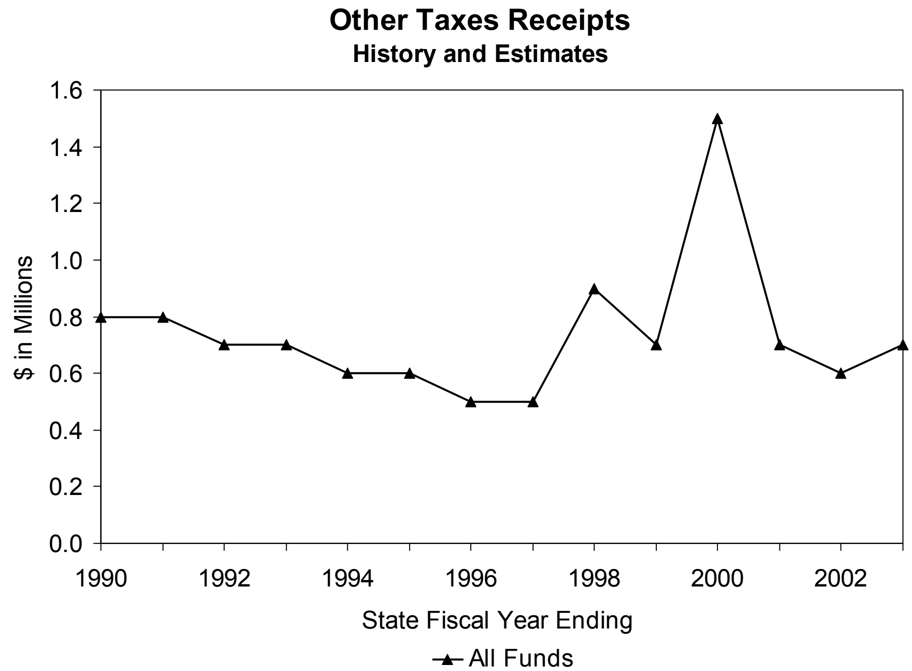
Direct deposits to the General Fund for 2001-02 are estimated to be $6,120.4 million, a decrease of $151.2 million, or 2.4 percent, from 2000-01 receipts. General Fund receipts in 2002-03 are projected to be $6,285.1 million, a 2.7 percent increase from the current year.

SALES AND USE TAX RECEIPTS
(thousands of dollars)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds[1]	Capital Projects Funds	Debt Service Funds[2]	All Funds Net Collections
	Actual						
1993-94	4,578,362	18,785	4,559,577	248,163	0	1,514,826	6,322,566
1994-95	4,918,969	21,151	4,897,818	263,607	0	1,627,246	6,788,671
1995-96	5,036,299	41,451	4,994,848	292,199	0	1,665,744	6,953,791
1996-97	5,265,260	40,212	5,225,048	289,129	0	1,746,575	7,260,752
1997-98	5,466,602	24,254	5,442,348	305,949	0	1,813,532	7,561,829
1998-99	5,728,834	32,136	5,696,698	321,405	0	1,893,821	7,911,924
1999-2000	6,182,347	41,388	6,140,959	345,646	0	2,045,844	8,532,449
2000-01	6,310,956	39,391	6,271,565	368,226	0	2,091,901	8,731,692
	Estimated						
2001-02	6,159,400	39,000	6,120,400	367,400	0	2,038,600	8,526,400
2002-03							
(current law)	6,288,700	40,000	6,247,600	368,400	0	2,081,900	8,697,900
(proposed law)	6,325,100	40,000	6,285,100	370,400	0	2,094,400	8,749,900

[1] Mass Transportation Operating Assistance Fund
[2] Local Government Assistance Tax Fund

OTHER TAXES



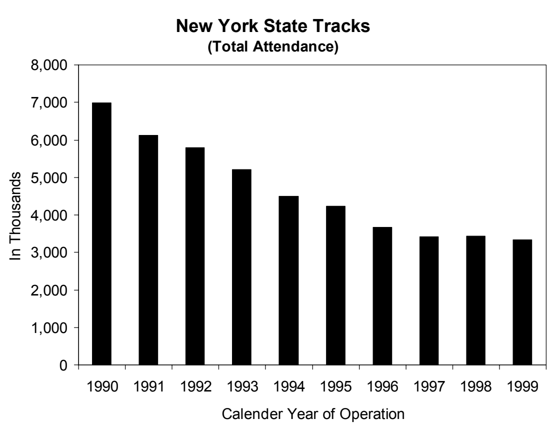
RACING ADMISSIONS TAX

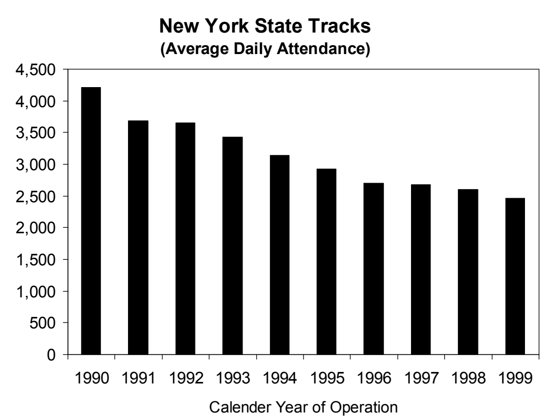
A 4 percent tax is levied on the charge for admissions to racetracks and simulcast theaters throughout the State. Expanded interstate competition and growth in off-track betting activity within New York, as well as the proliferation of casinos in close proximity to New York residents has led to declines in total paid attendance at tracks (see charts below) and in receipts from this source.

2001-02 Receipts and 2002-03 Projections

Given the successful extended racing season at Saratoga Race Course during the summer of 2001, 2001-02 receipts are estimated at $300,000.

Receipts for 2002-03 are projected to remain constant at $300,000. It is estimated that increased attendance at simulcast facilities and the Saratoga meet will be offset by continued modest admissions declines at other New York racetracks.





BOXING AND WRESTLING EXHIBITIONS TAX

A 3 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 a heavyweight championship fight, can influence the yield of the tax substantially, causing receipts to vary considerably from year to year.

2001-02 Receipts and 2002-03 Projections

Based on year-to-date collections of the current fiscal year, receipts are expected to reach $300,000. The World Trade Center terrorist attack on September 11, 2001, is expected to result in a marginal revenue reduction for this tax in State fiscal year 2001-02, due to cancellations and postponements of boxing and wrestling exhibitions in New York and to a drop in average attendance.

Receipts for the boxing and wrestling exhibitions tax are expected to marginally increase to $400,000 for State fiscal year 2002-03. The expected increase is the result of continued growth of on-site wrestling and boxing events.

OTHER TAXES RECEIPTS
(thousands of dollars)

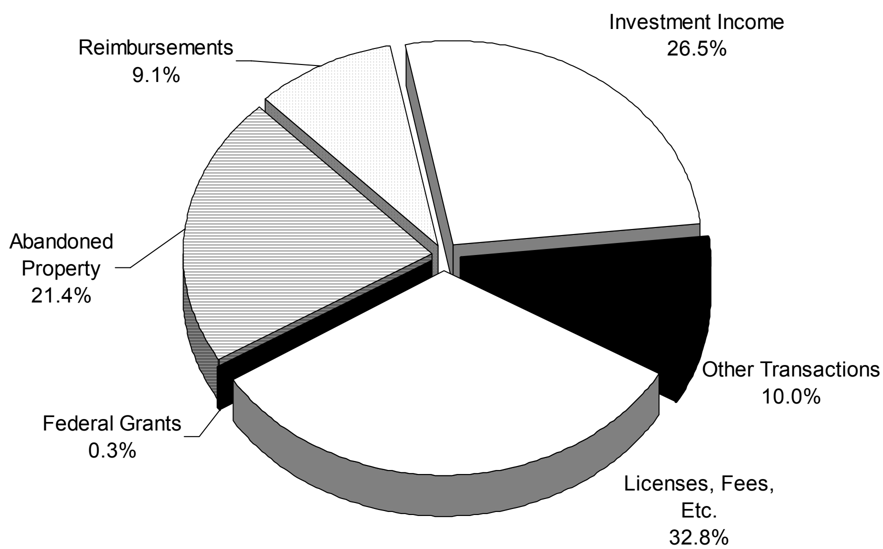
	General Fund		Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Collections
	Admissions	Exhibitions				
	Actual					
1993-94	399	262	0	0	0	661
1994-95	357	277	0	0	0	634
1995-96	310	182	0	0	0	492
1996-97	272	232	0	0	0	504
1997-98	310	639	0	0	0	949
1998-99	294	400	0	0	0	694
1999-2000	280	1,220	0	0	0	1,500
2000-01	300	400	0	0	0	700
	Estimated					
2001-02	300	300	0	0	0	600
2002-03	300	400	0	0	0	700

MISCELLANEOUS RECEIPTS
General Fund

DESCRIPTION

Miscellaneous Receipts cover a broad range of unrelated revenue sources with significant recurring income derived from abandoned property, investment earnings, fees, licenses, fines, and various reimbursements to the State's General Fund. Each year, the reported receipts are also affected by various nonrecurring transactions.

Miscellaneous Receipts
2000-01



SIGNIFICANT LEGISLATION

MISCELLANEOUS RECEIPTS

Subject	Description	Effective Date
Legislation Enacted in 1994		
Assessments	Extended for one year the assessments on health facility providers.	April 1, 1994
Mandatory Surcharges	Extended for two years the mandatory surcharges pertaining largely to standing or moving violations of the Vehicle and Traffic Law.	October 31, 1994
Legislation Enacted in 1995		
Assessments	Extended for one year the assessments on health facility providers.	April 1, 1995
Love Canal claims	Provided for the deposit into the General fund of moneys received from settlement of Love Canal claims.	April 1, 1995
Power authority of NY	Provided for the one-time payment to the General fund of $15.9 million in lieu of annual payments.	April 1, 1995
Legislation Enacted in 1996		
Assessments	Extended for one year the current assessments on health facility providers and imposed new assessments.	April 1, 1996
Power Authority, MMIA, Workers Compensation	Provided for the deposit into the General Fund of moneys from these entities, respectively: $50 million, $481 million, and $97 million.	April 1, 1996
Fees and Fines	Moved into the General Fund receipts previously deposited into various special revenue accounts.	August 31, 1996

Subject	Description	Effective Date
Legislation Enacted in 1997		
Assessments	Provided for the collection of assessments for prior years from certain health facilities.	January 1, 1995
	Initiated a phase-out of the assessments on private health facility providers.	April 1, 1997
Mandatory Surcharges	Extended for two years the mandatory surcharges pertaining largely to standing or moving violations of the Vehicle and Traffic Law.	October 31, 1997
Legislation Enacted in 1998		
Assessments	Accelerated the phase-out of assessments on private health facility providers.	April 1, 1998
Legislation Enacted in 1999		
Assessments	Further accelerated the phase-out of assessments on private health facility providers.	April 1 1999
Mandatory Surcharges	Extended for two years the mandatory surcharges pertaining largely to standing or moving violations of the Vehicle and Traffic Law.	October 31, 1999
Legislation Enacted in 2000		
Assessments	Provided amnesty on interest and penalties for private health facilities that paid any outstanding assessments by March 31, 2001.	April 1, 2000
Legislation Enacted in 2001		
Mandatory Surcharges	Extended for two years the mandatory surcharges pertaining largely to standing or moving violations of the Vehicle and Traffic Law.	October 31, 2001

2000-01 RECEIPTS

In State fiscal year 2000-01, Miscellaneous Receipts totaled $1,553 million. Major revenue sources in that year included: $333 million in unclaimed and abandoned property; $411 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); $509 million in fees, licenses, fines, royalties, and rents; $131 million in medical provider assessments; $141 million in reimbursements; and $4 million in Federal grants. In addition, the receipts included $1.5 million from the Energy Research and Development Authority; $16 million in assessment payments from medical providers under the amnesty law discussed above; $3.9 million in one-time audit recovery payments; and $2.5 million from the Housing Finance Agency.

2001-02 RECEIPTS

Miscellaneous Receipts are estimated at $1,609 million for 2001-02, an increase of $56 million from the prior year. The estimate includes receipts of $393 million in unclaimed and abandoned property; $394 million in net investment earnings; $495 million in fees, licenses, fines, royalties and rents; $133 million in medical provider assessments; $160 million in reimbursements; $2 million in Federal grants; and $32 million from the Thruway Authority, reflecting the early payment of bonds. The estimate for unclaimed and abandoned property reflects the early positive results of an interagency cooperative project. Investment earnings for the current fiscal year reflect large average cash balances.

2002-03 PROJECTIONS

Miscellaneous Receipts are projected at $1,606 million in 2002-03, a decrease of $3 million from the amount estimated for 2001-02. This projection includes receipts of $408 million in unclaimed and abandoned property; $151 million in net investment earnings; $153 million in reimbursements; $496 million in fees, licenses, fines, royalties and rents; $134 million in continuing medical provider assessments; $4 million in Federal grants; $42 million from the PASNY; and $2.5 million from the Energy Research and Development Authority. There are also several transactions reflecting excess funds: (1) $150 million from the State of New York Mortgage Agency, (2) $50 million from the New York State Housing Finance Agency; and, (3) $16 million from the Port Authority of New York and New Jersey. As in 2001-02, the estimate for unclaimed and abandoned property reflects the net gains associated with the interagency cooperative project on abandoned property. Investment earnings in 2002-03 reflect much lower average cash balances and the impact of estimated lower interest earnings on those average balances.

Legislation submitted with the Budget proposes to consolidate the fine schedule related to the heavyweight truck permit program and to amend the Abandoned Property Law in order to improve its administration and enforcement.

MISCELLANEOUS RECEIPTS
(millions of dollars)

	1998-99	1999-2000	2000-01	2001-02	2002-03
	Actual			Estimated	
License, Fees, Etc.	451	556	509	495	496
Federal Grants	4	4	4	2	4
Abandoned Property	293	316	333	393	408
Reimbursements	156	150	141	160	153
Investment Income	215	232	411	394	151
Other Transactions	468	389	155	165	394
Total	1,587	1,647	1,553	1,609	1,606

MISCELLANEOUS RECEIPTS
Special Revenue Funds

Miscellaneous receipts deposited to special revenue funds represent approximately 22 percent of total special revenue receipts, excluding transfers from other funds. These receipts include State University of New York (SUNY) tuition and patient income, lottery receipts for education, programs funded by HCRA, 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 special revenue receipts that support SUNY's operations are provided by 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 service users, including students, faculty, staff, and the public.

LOTTERY

A portion of the receipts from the sale of lottery tickets is earmarked for the support of education, as well as 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 reimbursement for payments to hospitals that provide care for the medically indigent. The State makes payments in the first instance 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.

HCRA TRANSFER FUND

HCRA provides funding for several health and mental hygiene programs including prescription drug assistance for the elderly, supplemental Medicare insurance, and other public health services.

PROVIDER ASSESSMENTS

The new provider assessment account proposed in the Executive Budget will receive moneys from a 6.0 percent assessment on nursing homes.

ELDERLY PHARMACEUTICAL INSURANCE COVERAGE PROGRAM (EPIC)

New York's EPIC program helps senior citizens pay for their prescriptions. This program is partially funded by revenues authorized in HCRA.

CHILD HEALTH PLUS

The Child Health Plus (CHP) program subsidizes health insurance coverage for children of low-income families. Revenues authorized in HCRA fund the State's share of CHP.

ALL OTHER

The remaining revenues in this category include 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 of dollars)

	1998-99	1999-2000	2000-01	2001-02	2002-03
	Actual			Estimated	
State University income	1,561	1,622	1,656	1,759	1,878
Lottery	1,576	1,496	1,587	1,684	2,086
Indigent care	666	763	873	847	1,020
HCRA transfer fund	0	0	246	372	720
Provider assessments	0	0	0	0	463
EPIC	33	40	178	260	500
Child Health Plus	100	183	259	325	431
All other	1,877	1,977	1,847	1,932	2,068
Total	5,813	6,081	6,646	7,179	9,166

LOTTERY

DESCRIPTION

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 (the Division). 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 representing 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 Division manages the sale of lottery tickets and operates as an independent agency within the Department of Taxation and Finance. The Division, pursuant to legislation enacted in 2001, is authorized to operate five 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 eleven times weekly: seven 5-of-39 draws (Take-5), two 6-of-59 draws (Lotto 59) and two multi-jurisdictional drawings. For the Lotto 59 game and the multi-jurisdictional 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) or a four-digit number (Win 4);
- 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) during certain intervals. The Division pays top prizes of $500,000 in Pick 10 and $100,000 in Quick Draw; and
- Video Lottery Games, which are lottery games played on video gaming devices. They are allowed at selected thoroughbred and harness tracks with county resolutions required for the participation of some tracks.

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.

The minimum statutory allocation to education for the Lotto 59 game is 45 percent of ticket sales; for the multi-jurisdictional, Take-5, Win 4, numbers and Pick 10 games, 35 percent; for instant games, 20 percent; for Quick Draw, 25 percent; and for Video Lottery Terminals, the allocation can range from 60 percent to 73 percent of net machine income. After the earmarking for prizes, the Division uses a portion of net sales (not exceeding 15 percent) for its administrative expenses of which the unused remainder is available to support education.

SIGNIFICANT LEGISLATION

Subject	Description	Effective Date
Legislation Enacted in 1994		
Limit on Draws per Day	The tickets for Pick 10, Take-5, and Lotto games are to be sold only once a day.	April 1, 1994
Unclaimed Prize Money	The use of unclaimed prize money to supplement other games by the Division is limited to 16 weeks per year.	April 1, 1994
Annual Plan	The Division is required to submit an annual report to the Legislature, the Governor, and the Division of the Budget each year.	April 1, 1994

Subject	Description	Effective Date
Legislation Enacted in 1995		
Quick Draw	Authorized Quick Draw.	April 1, 1995
	Authorized a 60 percent prize payout.	
	Drawings for the game can be held no more than 13 hours each day, of which only eight consecutive hours can be operated.	
	If there is no license for the sale of alcohol, then the premises have to be a minimum of 2,500 square feet.	
	If there is a license to sell alcohol, then at least 25 percent of the gross sales must be from sales of food.	
Legislation Enacted in 1999		
Instant Games	Authorized a 65 percent prize payout.	April 1, 1999
	Reduced the percent dedicated to education from 30 percent to 20 percent.	
Legislation Enacted in 2001		
Multi-jurisdictional	Allows the Lottery Division to enter into agreements to conduct multi-jurisdictional lotto games with a 50 percent prize payout	October 29, 2001
Video Lottery Terminals	Allows the Lottery Division to license the operation of video lottery machines at selected New York State racetracks.	October 29, 2001

2001-02 RECEIPTS

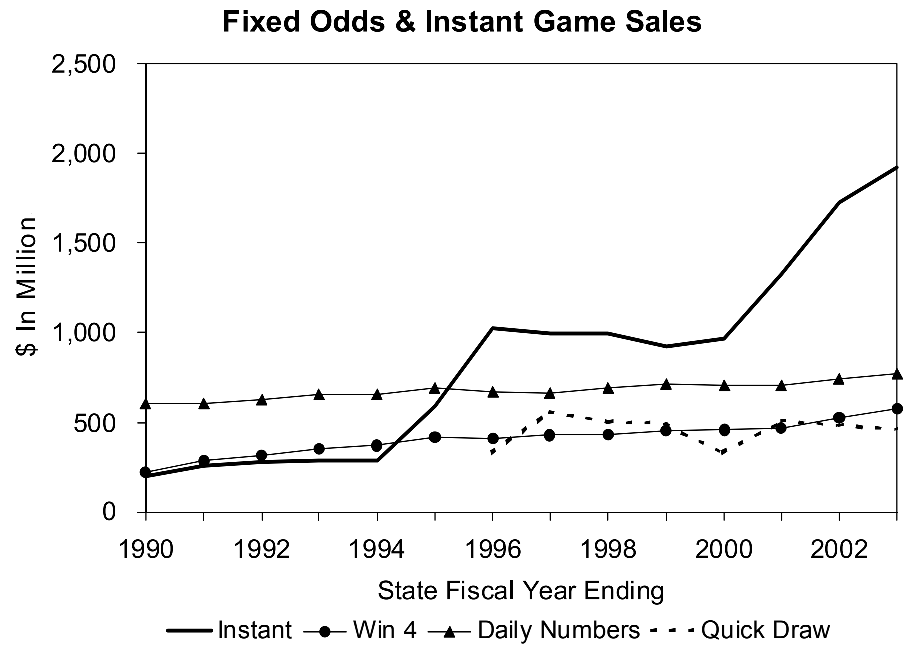
Total sales of all lottery games, estimated at $4.6 billion, are expected to provide $1,330.4 million for education from current ticket sales, which is up $54.6 million or 4.3 percent above 2000-01. After including $183.9 million from unspent administrative allowances, a $47.2 million carry-in from 2000-01, and miscellaneous income, total net lottery receipts earned for education in 2001-02 are expected to total $1,561.5 million. The 2001-02 supplemental lottery appropriation sets disbursements to education at $1,561.5 million. As a result, there will be no carry-out from 2001-02 into 2002-03.

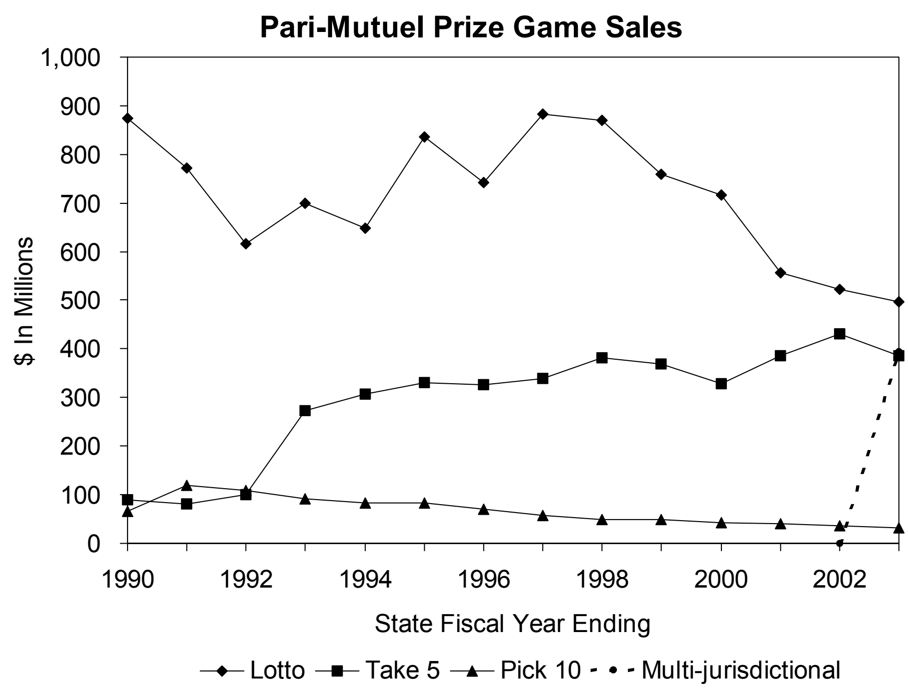
Legislation passed in 1999 allowed the Division to increase the prize payout on instant tickets from 55 percent to 65 percent. On October 2, 1999, the Division began to introduce games with the higher prize payout. By March 31, 2001, the transition was completed and all instant games were offered a 65 percent prize payout. This has resulted in a large increase in instant game sales. Sales are expected to be up 38.3 percent in 2001-02. Due to the increased prize payouts, the continual introduction of new more popular game formats and the implementation of a program to call on large agents every two weeks, there was a significant increase in revenue from sales which was somewhat offset by the lower percentage of sales allocated to education. In total, revenue from instant ticket sales is expected to increase from $283 million in 2000-01 to $367 million in 2001-02. As the higher payout games become more mature, it is expected that sales and revenue growth will moderate.

A gradual weakening in Lotto sales has developed over the past several years, stemming from several factors: (1) dilution of interest in ordinary jackpots, given raised expectations of exceptionally large jackpots, that can be awarded from the Big Game and Powerball games offered in other states; (2) increased competition from Indian casinos in and around New York; (3) reduced consumer interest, based on the maturity of the game, and (4) a decline in the number of very large jackpots — a reflection of reduced participation, which contributes to lower jackpots.

The phenomenon of declining trends in Lotto sales has been experienced in most states with similar Lotto structures. To counteract declining trends in Lotto sales, the Division introduced Lotto 59 on September 9, 2001. The new game offers two plays for one dollar and changed the payout matrix to 6 of 59. The bigger matrix and lower price per play is expected to lead to higher jackpots which will revive interest in the Lotto game and increase sales.

The World Trade Center attack on September 11, 2001, caused an estimated loss of $7.3 million in lottery revenue for State fiscal year 2001-02. Most of the games have rebounded to their pre-September 11, 2001, sales levels except for Lotto. Year-to-date Lotto sales are running 6 percent below last year's sales.





Quick Draw sales in 2001-02 are expected to be down 4.3 percent compared with 2000-01. This is related in part to a reduction in the number of customers entering establishments that have Quick Draw machines.

Numbers game sales are benefiting from the addition of new agents which has fostered player awareness. Revenue from sales is expected to increase moderately from

$247.4 million in 2000-01 to $259.7 million in 2001-02. Beginning in December 2001, a second drawing at noon for the Numbers game and the Win 4 game was added by the Division. The estimated combined revenue effect for State fiscal year 2001-02 is an additional $25.5 million. Number sales are expected to increase by 5 percent and Win 4 sales are estimated to increase by 11.4 percent due, in part, to the second draw per day and to stronger than expected growth in base sales.

The increase in draws for the Take-5 game from five to seven days per week on September 10, 2000, contributed to a 17.6 percent increase in sales in State fiscal year 2000-01. The increase in draws is expected to continue to drive sales up for 2001-02 by an estimated 12 percent, and generate $16.1 million in additional revenues.

Pick 10 is continuing the downtrend exhibited in recent years. Revenue from sales are expected to fall from $14.5 million to $12.9 million.

Table 1
Components of Lottery Receipts
(millions of dollars)

	1997-98	1998-99	1999-2000	2000-01	2001-02 Estimated	Current Law 2002-03 Projected	Proposed Law 2002-03 Projected
Instant Game	298.5	283.2	272.7	283.0	367.0	402.0	414.2
Lotto Games[1]	395.9	338.3	339.5	304.6	235.2	392.0	392.0
Take-5 Games	133.9	128.9	114.8	135.0	151.1	135.1	135.1
Daily Numbers Games	243.9	249.2	246.6	247.4	259.7	270.5	270.5
Win-4 Games	151.7	157.0	159.6	164.5	183.3	203.3	203.3
Pick 10 Games	17.4	17.0	15.1	14.5	12.9	11.2	11.2
Quick Draw	125.8	123.4	82.2	126.7	121.2	3.0	176.2
VLTs	0.0	0.0	0.0	0.0	0.0	61.0	61.0
Subtotal	1,367.1	1,297.0	1,230.5	1,275.7	1330.4	1478.1	1663.5
Administrative Surplus[2]	166.8	145.4	119.2	159.8	183.9	219.4	246.9
Current Receipts Subtotal	1,533.9	1,442.4	1,349.7	1,435.5	1514.3	1697.5	1910.4
Carry-In from Prior Year	0.0	0.0	0.0	4.7	47.2	0.0	0.0
Net Receipts for Education	1,533.9	1,442.4	1,349.7	1,440.2	1,561.5	1,697.5	1,910.4
Carry-Out from Current Year	0.0	0.0	(4.7)	(47.2)	0.0	0.0	0.0
Disbursements for Education	1,533.9	1.442.4	1,345.0	1,393.0	1,561.5	1,697.5	1,910.4

[1]Includes receipts from Millennium Millions, Weekly Millions, and the Multi-jurisdictional games.

[2]Reflects miscellaneous income and the balance of the 15 percent administrative allowance, after deduction actual expenses, vendor allowances, and agent commissions.

2002-03 PROJECTIONS

Current Law

Lottery sales for 2002-03 are projected at $6.1 billion, and receipts for the support of education at $1,697.5 million (see Table 1) including $219.4 million in administrative surplus and miscellaneous receipts.

On October 29, 2001, legislation was signed allowing video lottery machines at Aqueduct, Monticello, Yonkers, Finger Lakes, and Vernon Downs racetracks. Given the need to procure machines and provide capital improvements at the tracks, an assumed start date is November 1, 2002. The operation of video lottery machines at these racetracks will generate an estimated net additional $61 million in revenue in 2002-03. Sales of other games are expected to fall by approximately 2.2 percent due to the competition resulting from the introduction of the video lottery machines.

The legislation also allows the Division to enter into agreements to conduct multi-jurisdictional lotto games with a 50 percent payout. The Division expects to join the Big Game Group. Big Game typically attains a large jackpot from the combination of high odds and significant demand created by the participation of seven states that include several major metropolitan areas. The addition of the Big Game is estimated to increase net revenues for education by $125 million in 2002-03. However, the Big Game is anticipated to reduce sales of Lotto 59 and Take-5.

Total sales from the Lotto-type games, however, are expected to increase by $436.1 million from 2001-02, largely from the introduction of the Weekly Millions, Millennium Millions, and the Big Game. Revenues from Lotto-type games would likewise increase by $156.8 million.

The Division is introducing the Weekly Millions game. This is a Lotto type game with a 40 percent payout that has high odds and high jackpots,. This game is run once a week and at times the jackpot will be higher than the Lotto 59 jackpot. The planned start date is September 1, 2002. The estimated net revenue increment from the addition of this game is $34 million for 2002-03.

The Millennium Millions game will be scheduled again this year since it was such a success in 2000-01. This game also has a 40 percent payout. In fiscal year 2000-01, the Millennium Millions game attained $63.5 million in revenues. The projected start date is June 1, 2002. A conservative estimate of $32 million of additional revenues for 2002-03, is based upon a win on the first draw of the game.

The Quick Draw game will sunset on March 31, 2002, and, if not renewed, only $3 million in Quick Draw receipts from sales in 2001-02 but not deposited until 2002-03 will be available. Therefore, failure to extend the current Quick Draw game would result in a net 2002-03 revenue loss of $147.7 million.

The Division is planning to continue with the implementation of the two-week call cycle for the Instant Games. This initiative will allow Division marketing representatives to visit selected high-selling retailers every two weeks and take a more active part in managing the lottery business for the retailers. Initial staff were hired in October 2000 and the two-week call cycle began in November 2000 in parts of the State. Additional staff requested in the 2001-02 Executive Budget and the continued implementations of the two-week call cycle schedule will increase revenue by $42.7 million for the fiscal year.

Sales of Take-5 games are projected to drop by $45.3 million from State fiscal year 2001-02. The loss of excitement for the game after the initial climb in sales from the increase in draws and competition from the introduction of the Big Game will reduce sales.

Daily Numbers and Win 4 will benefit from the incorporation of the noon draw. The estimated combined increase in revenues for the noon draw is $76 million for fiscal year 2002-03.

Sales from Pick 10 are expected to decrease by $5 million, due to the substitution of the more popular Take-5 and Instant games, and revenues will drop by $1.7 million.

Proposed Law

Legislation submitted with this Budget will: (1) make Quick Draw permanent; (2) eliminate the three restrictions on Quick Draw, which are: that drawings be held during no more than thirteen hours each day, for no more than eight consecutive hours; not less than 25 percent of gross sales must result from sales of food if a licensee holds a license to sell alcohol; and if there is no license to sell alcohol, the premises be not less than 2,500 square feet, and (3) allow three instant games per year with a prize payout of 75 percent.

With the continuation of Quick Draw, the addition of the Big Game, and the above mentioned initiatives, total sales of all lottery games are estimated to be $6.9 billion. This will provide net lottery receipts from current sales of $1,663.5 million. After including $246.9 million from surplus administrative funds and miscellaneous receipts, net lottery receipts for education are estimated at $1,910.4 million.

TABLE 2
NET LOTTERY RECEIPTS FOR EDUCATION
(thousands of dollars)

Actual	
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
1999-2000	1,345,000
2000-01	1,440,200
Estimated	
2001-02	1,561,500
2002-03	
(current law)	1,697,500
(proposed law)	1,910,400

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 92 percent of all miscellaneous receipts flowing to capital project funds in 2001-02 and 91 percent in 2002-03.

STATE PARKS FEES

User fees and other revenues generated by State parks are deposited into the State Parks Infrastructure Fund. These revenues, which are projected at $22 million in 2002-03, will be used to finance improvements in the State's park system.

ENVIRONMENTAL REVENUES

Miscellaneous receipts from environmental revenues are projected to increase from $45 million in 2001-02 to $94 million in 2002-03. The $49 million net increase is primarily attributable to $36 million in industry fees which will be deposited to the new Remedial Program Transfer Fund, and used to partially finance the industry's 50 percent share of the cost of State Superfund projects. The balance of the increase is driven primarily by a $10 million increase in reimbursements necessary to satisfy projected advance disbursements used to support the development of the Hudson River Park in New York City.

Environmental revenues also include receipts that are deposited to the Environmental Protection Fund 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 moneys 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 moneys advanced or loaned to municipalities, authorities, and private corporations.

MISCELLANEOUS RECEIPTS
CAPITAL PROJECTS FUNDS
(millions of dollars)

	1998-99	1999-2000	2000-01	2001-02	2002-03
	Actual			Estimated	
Authority Bond Proceeds					
Transportation	697	859	875	818	890
Public protection	351	245	197	188	188
Education	117	280	413	235	294
Mental hygiene	132	118	40	102	124
Housing	70	66	12	101	102
Other	92	45	42	143	276
State Park Fees	27	25	16	25	22
Environmental Revenues	25	40	28	45	94
All Other	56	97	51	74	77
Total	1,567	1,775	1,674	1,731	2,067

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 17 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 cost 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 Corporation and the Helen Hayes Hospital) and veterans' homes (Oxford, New York City and Western New York) are deposited into the Health Income Fund. Similar to mental hygiene receipts, these receipts are composed of payments from Medicaid, Medicare, insurance, and individuals and are pledged as security for bonds sold by the Dormitory Authority for the construction and improvement of Health Department facilities.

ALL OTHER

The all other miscellaneous receipts category is estimated at $26 million for 2001-02 and 2002-03, and primarily includes receipts from local housing agencies to finance the debt service costs on general obligation bonds. All other receipts from 2000-01 of $291 million included the deposit of $250 million in tobacco receipts to the Debt Reduction Reserve Fund (DRRF). That deposit, together with an additional deposit to DRRF of $250 million from the 1999-2000 surplus was used in 2001-02 to defease high cost State debt and increase pay-as-you-go spending.

MISCELLANEOUS RECEIPTS
DEBT SERVICE FUNDS
(millions of dollars)

	1998-99	1999-2000	2000-01	2001-02	2002-03
	Actual			Estimated	
Mental hygiene patient receipts	269	267	258	232	231
SUNY dormitory fees	202	221	224	262	284
Health patient receipts	126	90	87	86	85
All other	33	33	291	26	26
Total	630	611	860	606	626

FEDERAL GRANTS

To qualify to receive Federal grants, the State must comply with guidelines established by the Federal government. Each Federal grant 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 spending in the first instance, then receives reimbursement from the Federal government.

Total receipts from the Federal government are projected at $26.97 billion in 2001-02 and $30.14 billion in 2002-03. These revenues represent approximately 35 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. The projections for both fiscal years exclude the flow-through of Federal aid to localities for World Trade Center disaster costs.

SPECIAL REVENUE FUNDS

Federal grants account for approximately three-quarters of all special revenue receipts and are used to support a wide range of programs at the State and local government level. Medicaid is the single largest program supported by Federal funds.

Medicaid finances care, medical supplies, and professional services for eligible persons. The State receives moneys 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 of dollars)

	General Fund	Special Revenue Funds			Total Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total All Funds
		Medicaid	Welfare	All Other				
	Actual							
1996-97	0	12,424	1,743	4,838	19,005	1,043	0	20,048
1997-98	0	13,183	2,219	5,109	20,511	1,132	0	21,643
1998-99	0	13,612	1,488	6,322	21,422	1,219	0	22,641
1999-2000	0	14,532	1,017	6,635	22,184	1,381	0	23,565
2000-01	0	15,348	1,450	7,475	24,273	1,509	0	25,782
	Estimated							
2001-02	0	16,239	1,850	7,408	25,497	1,471	0	26,968
2002-03	0	17,814	2,329	8,417	28,560	1,576	0	30,136

PART III

CAPITAL PROGRAM AND FINANCING PLAN

CAPITAL PROGRAM AND FINANCING PLAN

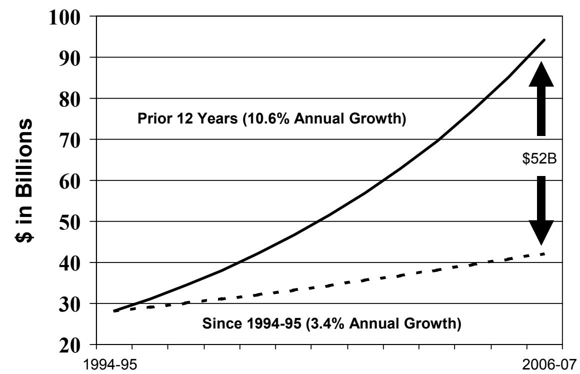
HIGHLIGHTS

RECENT ACHIEVEMENTS HAVE SUCCESSFULLY REFORMED THE STATE'S DEBT MANANGEMENT PRACTICES

Governor Pataki has successfully reformed the State's debt management practices by controlling the costs of State debt while simultaneously making strategic capital investments to promote commerce and economic development, protect the environment and ensure the health and safety of all New Yorkers.

The Governor's reforms are highlighted by the enactment of the Debt Reform Act of 2000 to reduce State debt levels and the establishment of the Debt Reduction Reserve Fund to reduce high cost State debt. The results of these initiatives, in combination with financing essential capital projects with a prudent mix of pay-as-you-go resources and State-supported bonds and effectively managing the State's debt portfolio, are already evident — the growth in State debt has been cut by more than two-thirds.

Recent Debt Reform Initiatives Have Reduced the Growth in State Debt



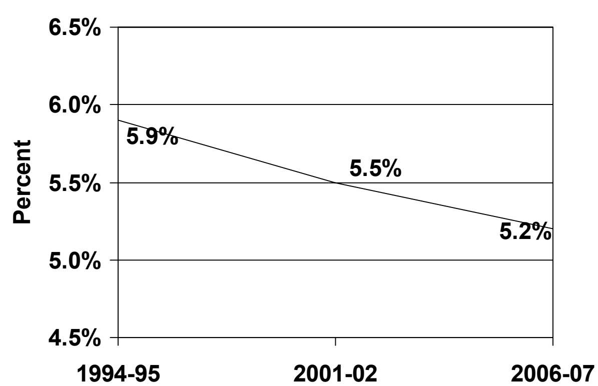
GOVERNOR PATAKI'S 2002-03 EXECUTIVE BUDGET CONTINUES TO CONTROL DEBT

The State's Capital Program and Financing Plan continues recommendations to ensure that State debt is prudently used and remains affordable.

Over the Plan:

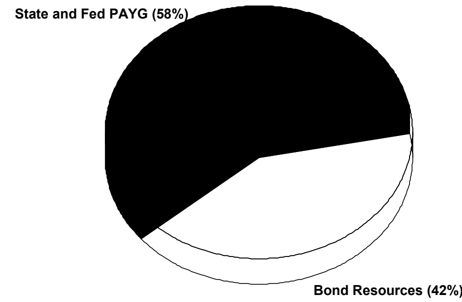
- The five-year average annual growth in total State-supported debt outstanding is projected to be 2.3 percent — less than the average annual 3.7 percent growth in personal income.
- Total State debt is projected to decline as a percent of personal income — from about 5.5 percent in 2001-02 to about 5.2 percent in 2006-07.
- The five-year average annual growth in total debt service costs is 2 percent — less than the average 3.7 percent annual growth in All Funds Receipts.

Debt as a Percent of Personal Income Declines



- Total debt service costs as a percent of All Funds receipts is projected to decline from 5.1 percent in 2001-02 to about 4.7 percent in 2006-07.
- The portion of capital spending projected to be financed with State and Federal pay-as-you-go (PAYG) resources averages 58 percent from 2002-03 to 2006-07.
- Both the level of new State debt and debt service costs are projected to remain well below the statutory caps through the entire Plan period.

58 Percent of Capital Spending Financed with Cash Resources



In 1998-99, the Governor proposed the Debt Reduction Reserve Fund (DRRF) as a mechanism to reduce State-supported debt and taxpayer costs by financing bonded capital projects with cash and paying down high cost debt. By the end of 2001-02, $1 billion in surplus funds will have been used to pay down high cost debt and finance capital projects with cash, saving taxpayers $1.7 billion in total debt service costs by the end of the Plan.

In 2001-02, the legislature enacted the Governor's proposal to authorize the issuance of lower cost revenue bonds. The revenue bonds, which are supported by the dedication of a portion of State personal income tax receipts, are subject to the caps and limitations imposed by the Debt Reform Act of 2000 and provide added protections to bondholders. The revenue bonds are projected to reduce borrowing costs by improving the marketability and creditworthiness of State-supported obligations, and reduce administrative costs by consolidating the issuance of multiple bonding programs.

The Budget continues to recommend debt levels and costs that are well within the constraints established by the Debt Reform Act of 2000. The Act applies to all new debt issued on and after April 1, 2000 and imposes caps on new debt outstanding as a percent of personal income and new debt service costs as a percent of All Funds receipts. The first statutory calculation of the caps, which was published in the 2001-02 Mid-Year Financial Plan Update, limits debt outstanding and debt service costs as of March 31, 2001 to .75 percent of personal income and .75 percent of All Funds receipts, respectively. As shown below, debt outstanding and debt service costs for 2000-01 were below the phased-in caps imposed by the Act.

Debt Outstanding Cap ($ in millions)	
New Debt Outstanding	2,524
Personal Income (CY 2000)	655,583
Debt Outstanding (% of PI)	.39%
Cap Imposed by Debt Reform Act	.75%

Debt Service Cap ($ in millions)	
New Debt Service	75
Government Funds Receipts	83,527
Debt Service (% of Govn't Funds Receipts)	.09%
Cap Imposed by Debt Reform Act	.75%

As shown in the following table, the Executive Budget reflects prudent levels of new debt issuances that maintain strategic capital investments while ensuring that new debt outstanding and new debt service costs continue to remain well below the Act's absolute limits.

DEBT OUTSTANDING
(millions of dollars)

Year	Cap %	Maximum Debt Authorized	Capital Plan Recommendation	Recommendation Below Cap
2001-02	1.25%	8,489	5,159	3,330
2002-03	1.65%	11,342	8,630	2,712
2003-04	1.98%	14,156	11,264	2,892
2004-05	2.32%	17,248	13,717	3,531
2005-06	2.65%	20,618	15,926	4,692
2006-07	2.98%	24,238	17,894	6,344

DEBT SERVICE COSTS
(millions of dollars)

Year	Cap %	Maximum Debt Service Costs Authorized	Capital Plan Recommendation	Recommendation Below Cap
2001-02	1.25%	1,063	306	757
2002-03	1.65%	1,453	724	729
2003-04	1.98%	1,764	1,073	691
2004-05	2.32%	2,155	1,370	785
2005-06	2.65%	2,569	1,609	960
2006-07	2.98%	3,035	1,868	1,167

THE CAPITAL PLAN CONTINUES TO BUILD UPON RECENT DEBT REFORM ACHIEVEMENTS

To further improve the State's debt management practices and control borrowing costs, the Governor's Executive Budget:

- Resubmits his Constitutional Debt Reform bill to ensure that the statutory provisions of the Debt Reform Act remain in place for generations. The Governor's bill will make permanent the caps and limitations imposed by the Debt Reform Act, ban "back door" borrowing, and ensure that at least one-half of all new debt is approved by the voters.
- Proposes comprehensive legislation to permit all issuers of State-supported bonds to prudently use a limited amount of variable rate obligations and interest rate exchange agreements. Consistent with rating agency guidelines, this legislation authorizes the use of debt instruments which result in a variable rate exposure of not more than 15 percent of total debt outstanding, places limits on the use of interest rate exchange or similar agreements, and directs the governing boards of authorized issuers to adopt guidelines for interest rate exchange agreements.
- Proposes legislation to ensure that the State's public authorities can rapidly respond to changing market conditions to take advantage of opportunities to refund high cost State debt.

FIVE-YEAR CAPITAL PROGRAM AND FINANCING PLAN OVERVIEW

The Five-Year Capital Program and Financing 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 financing and capital planning information for the current fiscal year and the five-year projection period from 2002-03 through 2006-07. The recommendations reflected in the Plan, including capital disbursements, debt issuances, debt retirements, State-supported debt levels, and debt service costs, are consistent with Article VII legislation which provides specific bonding authorizations and budget bills which provide required debt service appropriations. As required by statute, the Plan will be updated following the enactment of the State Budget.

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 describes 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 also provide a summary of each agency's capital maintenance efforts.

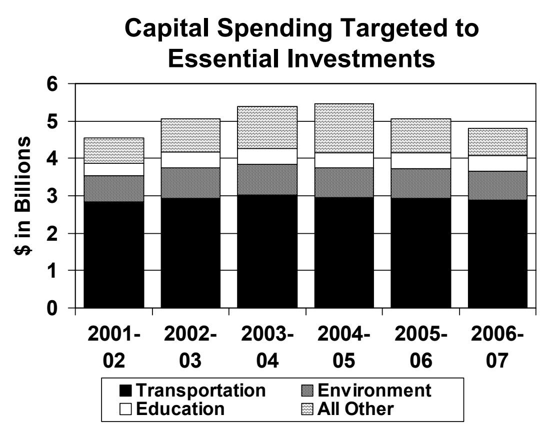
FINANCING PLAN

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 from general obligation and authority bonds.

The Financing Plan 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.

SUPPORTING STRATEGIC CAPITAL INVESTMENTS

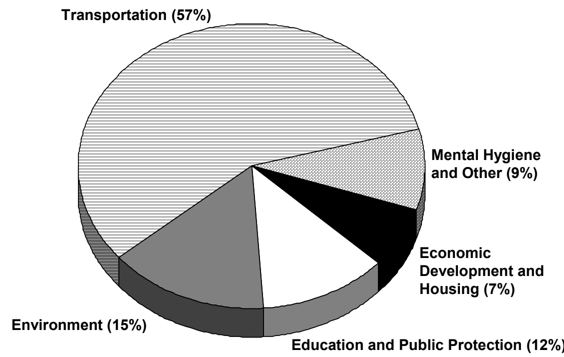
The Five-Year Capital Plan will continue to finance targeted investments that promote commerce, encourage economic development, preserve the environment, and protect the health and safety of New Yorkers. To maintain support for these diverse capital investments, the Executive Budget recommends capital spending during the Plan of $25.8 billion, or about $5.2 billion annually, and capital appropriations and reappropriations of about $42.5 billion (net of transfers). The recommended new appropriations are devoted primarily to the preservation of existing facilities.



Capital Projects Funds spending in 2002-03 is projected at $5.1 billion, or $501 million higher than in 2001-02. The change reflects increased spending in the areas of: transportation ($110 million); the environment ($100 million); housing and economic development ($95 million), which includes $63 million in 2002-03 to support the proposed program for high technology research facilities; education ($84 million); mental hygiene and public protection ($30 million); and other ($82 million), which includes Department of Transportation (DOT) spending for the reconstruction of Route 9A on the lower side of Manhattan which was damaged during the World Trade Center disaster.

Transportation spending, primarily for improvements to the State's highways and bridges, continues to account for the largest share of total spending — 57 percent. Another 15 percent is for environmental purposes, including projects supported by the voter-approved Clean Water/Clean Air Bond Act, approximately 12 percent is projected for education and public protection, and seven percent for economic development and housing. The remaining nine percent will be spent in mental hygiene and other areas.

Capital Spending for Critical Investments



CAPITAL SPENDING BY FUNCTION
2001-2002 THROUGH 2006-2007
(Thousands of Dollars)

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Transportation	2,826,767	2,936,926	3,030,291	2,951,650	2,923,792	2,879,590
Environment and Recreation						
Clean Water/Clean Air Bonds, Environmental Protection Fund and Remedial Program Transfer Fund	294,164	399,791	399,164	369,164	369,164	366,163
Federal and Other Programs	413,052	407,025	404,712	433,688	421,394	413,498
Education	332,463	416,555	432,871	401,704	436,737	427,730
Public Protection	201,678	210,700	209,450	220,600	229,550	223,800
Mental Hygiene	180,299	200,896	202,530	181,679	171,741	171,322
Housing and Economic Development	196,619	291,282	342,001	501,001	425,200	260,200
Other	108,690	191,238	375,455	404,560	86,116	72,550
Total	4,553,732	5,054,413	5,396,474	5,464,046	5,063,694	4,814,853

Key spending recommendations included in the Plan are discussed below.

- The State's transportation infrastructure is an essential component of the State's overall commitment to preserving investments that promote commerce and encourage business growth and job creation. The Executive Budget continues to finance construction levels for the 2002-03 Department of Transportation (DOT) Highway and Bridge Construction Program at their highest level of $1.75 billion. Beginning in 2003-04, the Capital Plan anticipates that Federal aid levels under the 2003 Transportation Act will continue to support these higher levels of transportation spending. When engineering costs and programs for other modes of transportation are added, capital spending for transportation will average $2.9 billion annually over the Five-Year Capital Plan.
- The DOT Plan continues to support local transportation programs. Funding for the Consolidated Highway Improvement Program (CHIPS) and the Marchiselli Program will be $316 million in 2002-03 and is projected to total $1.5 billion over the Capital Plan.
- Clean Water/Clean Air Bond Act appropriations and reappropriations 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. Appropriations and reappropriations from the Environmental Protection Fund (EPF), the Hudson River Park Trust Fund and the Remedial Program Transfer Fund of $1.6 billion will provide support for important projects that preserve the environment, promote recreation, and continue the cleanup of hazardous substance sites.

- Capital appropriations and reappropriations of over $1.8 billion are provided for the Department of Correctional Services. Public protection spending will average $219 million annually over the five years, and will focus on preserving and maintaining existing facilities.
- New appropriations and reappropriations of $5.2 billion for the State and City Universities of New York will continue to support important health and safety projects, preservation and handicapped access projects, the rehabilitation of existing facilities, the construction of new facilities to meet current academic needs, and the use of technology for instruction, research and community service at the Universities. To respond to the needs of a diverse and growing student population, the Executive Budget includes $658 million in reappropriations and appropriations to renovate SUNY dormitory facilities. Reappropriations and appropriations of $177 million will also support the completion of the $195 million RESCUE program and the J2K Universities program.
- New appropriations and reappropriations of over $1 billion will continue to facilitate the construction and preservation of the State's low and moderate-income housing stock. The Capital Plan includes average annual spending of almost $111 million to maintain State support for low and moderate-income rental and home ownership and homeless housing programs.
- New appropriations and reappropriations of more than $2 billion are recommended for Mental Hygiene projects. Spending will continue to 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.
- New appropriations and reappropriations of $677 million for the Office of General Services will continue plans for the construction, rehabilitation, consolidation and renovation of State office buildings to achieve space efficiencies and reduce operational costs. The Plan projects that spending of $89 million for the rehabilitation of the Alfred E. Smith State Office Building (AESOB) will continue through 2004-05. In addition, the Plan includes an appropriation of $21 million in 2002-03 for the Elk Street parking garage in Albany that is to be built in conjunction with AESOB renovations.
- A total of $250 million in new appropriations for Centers of Excellence and other high technology, biotechnology initiatives will be administered by the Empire State Development Corporation (ESDC) in conjunction with the New York State Office of Science, Technology and Academic Research (NYSTAR). This program will finance projects that create or retain technology-related jobs including the construction and rehabilitation of research facilities, acquisition of business equipment, and development of business incubators and business parks. The Executive Budget provides support for a new Empire Opportunity Fund that will finance major capital infrastructure, construction and other economic development projects that either directly create and retain jobs or build capacity for future job growth in areas outside New York City.
- New appropriations and reappropriations of $214 million for the Office of Children and Family Services continue to include funding to replace the Harlem Valley Youth Facility.

CAPITAL PROJECTS
CAPITAL SPENDING BY FINANCING SOURCES
2001-2002 THROUGH 2006-2007
(Thousands of Dollars)

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Financing Source						
State Pay-As-You-Go	1,210,502	1,346,534	1,332,210	1,172,637	1,101,003	983,227
Federal Funds Pay-As-You-Go	1,462,800	1,565,534	1,816,670	2,009,761	1,795,815	1,801,330
General Obligation Bonds	274,881	266,832	238,070	206,496	178,641	147,944
Authority Bonds	1,605,549	1,875,513	2,009,524	2,075,152	1,988,235	1,882,352
Total	4,553,732	5,054,413	5,396,474	5,464,046	5,063,694	4,814,853

CAPITAL PROJECTS
PERCENTAGE MIX OF FINANCING SOURCES
2001-2002 THROUGH 2006-2007

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Financing Source						
State Pay-As-You-Go	27	27	25	21	22	20
Federal Funds Pay-As-You-Go	32	31	34	37	35	38
General Obligation Bonds	6	5	4	4	4	3
Authority Bonds	35	37	37	38	39	39
Total	100	100	100	100	100	100

DEBT REFORM INITIATIVES ENSURE INVESTMENTS ARE PRUDENTLY FINANCED

Capital spending in the Plan is financed by State and Federal pay-as-you-go resources, State general obligation bonds, and public authority State-supported bonds. The successful implementation of the Debt Reform Act of 2000 and debt management efforts continue to ensure that a significant portion of total spending for capital investments is financed with pay-as-you-go resources.

The Plan's prudent use of pay-as-you-go resources reduces the State's dependence on bond financing, ensuring that new debt issuances remain well within the caps and limitations imposed by the Debt Reform Act. Over the Plan, the share of capital spending financed with State and Federal pay-as-you-go resources remains at roughly 58 percent annually. The portion of the Plan financed with bond proceeds is projected at 42 percent.

Reducing the State's dependency on bond financing ensures that over the Five-Year Plan, 58 percent of total capital spending will be financed with cash resources — with 23 percent of total capital spending attributable to State pay-as-you-go resources and 35 percent attributable to Federal grants. The percentage of the Plan financed with authority bond proceeds and general obligation bonds is 38 percent and four percent, respectively.

CAPITAL PROJECTS FINANCED BY
STATE AND FEDERAL PAY-AS-YOU-GO RESOURCES
2001-2002 THROUGH 2006-2007
(Thousands of Dollars)

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Transportation						
Department of Transportation	1,986,664	2,012,487	2,033,363	1,970,373	1,950,669	1,850,308
Department of Motor Vehicles	0	14,788	21,870	27,070	20,370	17,370
Thruway Authority	2,000	2,000	2,000	2,000	2,000	2,000
Environment and Recreation						
Department of Environmental Conservation	281,074	386,586	401,904	402,120	428,117	453,117
Office of Parks, Recreation and Historic Preservation	28,911	30,148	29,183	28,936	29,000	27,800
Hudson River Park Trust	20,000	30,000	22,000	20,000	6,000	0
Department of Agriculture and Markets	2,000	2,000	2,000	2,000	2,000	2,000
Energy Research and Development Authority	15,250	13,250	13,900	13,900	15,400	15,400
Public Protection						
Department of Correctional Services	1,500	1,500	0	0	0	0
Division of State Police	2,453	4,600	2,800	2,800	2,800	2,800
Division of Military and Naval Affairs	9,725	16,600	18,650	29,800	38,750	33,000
Education						
State Education Department	3,630	4,630	4,630	4,630	4,630	4,630
City University of New York	9,100	9,100	9,100	9,100	9,100	9,100
State University of New York:						
Senior Colleges	72,689	87,200	91,306	90,174	89,507	80,500
Community Colleges	3,500	3,500	3,500	3,500	3,500	3,500
Mental Hygiene						
Office of Mental Health	32,644	32,859	35,550	37,318	36,500	33,800
Office of Mental Retardation and Developmental Disabilities	37,755	38,342	41,215	41,634	43,070	44,166
Office of Alcoholism and Substance Abuse Services	6,503	5,749	6,367	6,633	6,864	8,991
Housing and Economic Development						
Division of Housing and Community Renewal	12,700	14,059	14,575	14,575	14,575	14,575
Office of Temporary and Disability Assistance	7,500	1,750	1,500	0	0	0
Urban Development Corporation	0	10,000	25,000	25,000	15,000	0
Office of Science, Technology, and Academic Research	2,000	0	0	0	0	0
Other						
All States and Agencies World Trade Center	0	40,000	210,000	270,000	0	0
Office of General Services	52,200	52,200	52,200	53,200	56,000	60,000
Office of Children and Family Services	7,289	7,866	5,070	3,835	1,300	1,000
Department of Health	71,146	70,054	89,897	120,500	120,500	120,500
Department of State	69	0	0	0	0	0
Judiciary	5,000	20,800	11,300	3,300	1,166	0
Total State and Federal Pay-As-You-Go Financing	2,673,302	2,912,068	3,148,880	3,182,398	2,896,818	2,784,557

STATE PAY-AS-YOU-GO

State pay-as-you-go financing reflects 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 resources of $5.9 billion will support 23 percent of total spending.

Approximately $2.6 billion of State pay-as-you-go financing over the Five-Year Plan is from the Dedicated Highway and Bridge Trust Fund. The Fund receives a significant portion of the petroleum business tax, the motor fuel tax, motor vehicle fees, and all of the highway use tax. Receipts deposited into the Trust Fund are used to finance projects on a pay-as-you-go basis and to pay debt service on Trust Fund and CHIPS bonds. The Plan continues to reflect last year's reclassification of spending for snow and ice removal and related expenses from the General Fund to the Dedicated Highway and Bridge Trust Fund through 2003-04. The Budget includes legislation to ensure that an equivalent increase in Dedicated Fund taxes and fees, including the auto rental tax, will continue to finance these costs with pay-as-you-go resources. Over the Five-Year Plan, approximately $8 billion in existing taxes and fees will be deposited to the Fund.

Capital spending supported by General Fund receipts is classified as a transfer to the various Capital Projects Funds. The General Fund transfer, which is reflected in total State pay-as-you-go spending, is projected at $318 million in 2002-03 and will average $387 million annually over the Plan. The General Fund transfer primarily finances minor rehabilitation projects of facilities operated by the Office of General Services, the Department of Environmental Conservation and the Department of Mental Hygiene. Beginning in 2002-03 and thereafter, annual General Fund transfers of $69 million to the new Remedial Program Transfer Fund will continue to support the cleanup of hazardous waste sites.

State pay-as-you-go resources derived from statutorily dedicated revenues that finance projects for environmental and recreational purposes are projected to average approximately $211 million annually. In addition to the $36 million in miscellaneous receipts from industry fees that are deposited into the Remedial Program Transfer Fund, the Environmental Protection Fund (EPF) will continue to receive annual deposits of real estate transfer taxes ($112 million) and other miscellaneous receipts (approximately $16 million annually). The State Park Infrastructure Fund (SPIF), which continues to be supported by park fees and other miscellaneous revenues, will finance about $22 million annually in improvements to the State's park system.

CAPITAL PROJECTS FINANCED BY
STATE PAY-AS-YOU-GO RESOURCES
2001-2002 THROUGH 2006-2007
(Thousands of Dollars)

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Transportation						
Department of Transportation	746,739	716,493	655,612	469,212	403,754	293,278
Department of Motor Vehicles	0	14,788	21,870	27,070	20,370	17,370
Thruway Authority	2,000	2,000	2,000	2,000	2,000	2,000
Environment and Recreation						
Department of Environmental Conservation	140,124	244,086	259,404	259,620	285,617	310,617
Office of Parks, Recreation and Historic Preservation	26,411	27,592	26,683	26,436	26,500	26,500
Hudson River Park Trust	20,000	30,000	22,000	20,000	6,000	0
Department of Agriculture and Markets	2,000	2,000	2,000	2,000	2,000	2,000
Energy Research and Development Authority	15,250	13,250	13,900	13,900	15,400	15,400
Public Protection						
Department of Correctional Services	1,500	1,500	0	0	0	0
Division of State Police	2,453	4,600	2,800	2,800	2,800	2,800
Division of Military and Naval Affairs	6,300	6,600	9,150	11,200	9,850	7,500
Education						
State Education Department	3,630	4,630	4,630	4,630	4,630	4,630
City University of New York	9,100	9,100	9,100	9,100	9,100	9,100
State University of New York:						
Senior Colleges	72,689	87,200	91,306	90,174	89,507	80,500
Community Colleges	3,500	3,500	3,500	3,500	3,500	3,500
Mental Hygiene						
Office of Mental Health	32,644	32,859	35,550	37,318	36,500	33,800
Office of Mental Retardation and Developmental Disabilities	37,755	38,342	41,215	41,634	43,070	44,166
Office of Alcoholism and Substance Abuse Services	6,503	5,749	6,367	6,633	6,864	8,991
Housing and Economic Development						
Division of Housing and Community Renewal	2,700	4,575	4,575	4,575	4,575	4,575
Office of Temporary and Disability Assistance	7,500	1,750	1,500	0	0	0
Urban Development Corporation	0	10,000	25,000	25,000	15,000	0
Office of Science, Technology, and Academic Research	2,000	0	0	0	0	0
Other						
Office of General Services	52,200	52,200	52,200	53,200	56,000	60,000
Office of Children and Family Services	7,289	7,866	5,070	3,835	1,300	1,000
Department of Health	5,146	5,054	25,478	55,500	55,500	55,500
Department of State	69	0	0	0	0	0
Judiciary	5,000	20,800	11,300	3,300	1,166	0
Total State Pay-As-You-Go Financing	1,210,502	1,346,534	1,332,210	1,172,637	1,101,003	983,227

FEDERAL PAY-AS-YOU-GO

Federal pay-as-you-go resources support spending financed by grants from the Federal Government, primarily for highways and bridges, drinking water and water pollution control facilities, public protection and housing. Over the Plan, Federal grants account for 35 percent of total capital spending. Federal disbursements are included in the Plan for the reconstruction of Route 9A located on the west side of lower Manhattan as the result of the damage caused by the attacks on the World Trade Center.

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 $1.5 billion and almost $210 million per year, respectively. Beginning in 2003-04 and thereafter, the Capital Plan anticipates additional Federal aid under the 2003 Transportation Act of approximately $120 million annually.

CAPITAL PROJECTS FINANCED BY
FEDERAL GRANTS PAY-AS-YOU-GO RESOURCES
2001-2002 THROUGH 2006-2007
(Thousands of Dollars)

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Transportation						
Department of Transportation	1,239,925	1,295,994	1,377,751	1,501,161	1,546,915	1,557,030
Environment and Recreation						
Department of Environmental Conservation	140,950	142,500	142,500	142,500	142,500	142,500
Office of Parks, Recreation and Historic Preservation	2,500	2,556	2,500	2,500	2,500	1,300
Department of Health	66,000	65,000	64,419	65,000	65,000	65,000
Public Protection						
Division of Military and Naval Affairs	3,425	10,000	9,500	18,600	28,900	25,500
Housing and Economic Development						
Division of Housing and Community Renewal	10,000	9,484	10,000	10,000	10,000	10,000
Other						
All States and Agencies World Trade Center	0	40,000	210,000	270,000	0	0
Total Federal Grants Pay-As-You-Go Financing	1,462,800	1,565,534	1,816,670	2,009,761	1,795,815	1,801,330

GENERAL OBLIGATION BOND FINANCING

General obligation bond financing of capital projects is accomplished through the issuance of full-faith and credit State bonds that have been authorized by the voters. The Plan assumes the continued implementation of eight previously authorized bond acts (four for transportation and four for environmental and recreational programs). Over the Five-Year Plan, the bulk of general obligation bond financed spending, or $753 million, supports environmental protection projects approved by the 1996 Clean Water/Clean Air Bond Act. Spending from the voter approved 1988 ACTION bonds for highways and bridges and the 1986 Environmental Quality Bond Act for hazardous waste remediation will average $48 million over the Plan. Spending authorizations from the remaining five bond acts will be virtually depleted by the end of the Plan.

Spending supported by general obligation bonds totals five percent in 2002-03, 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 three 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 four percent of the Plan's capital spending.

CAPITAL PROJECTS FINANCED BY
GENERAL OBLIGATION BONDS
2001-2002 THROUGH 2006-2007
(Thousands of Dollars)

Transportation	**2001-2002**	**2002-2003**	**2003-2004**	**2004-2005**	**2005-2006**	**2006-2007**
Department of Transportation						
Action -1988	14,000	12,000	10,000	8,000	6,000	4,000
Infrastructure Renewal - 1983	5,000	5,000	5,000	5,000	5,000	5,000
Energy Conservation - 1979	200	200	200	200	200	200
Transportation Capital Facilities - 1967	1,200	800	400	400	400	400
Environment and Recreation						
Department of Environmental Conservation						
Clean Water/Clean Air 1996	118,755	119,382	138,755	138,755	138,755	136,163
EQBA 1986	75,000	70,000	50,000	50,000	24,791	0
EQBA 1972	492	2,130	1,106	1,100	1,100	1,100
Pure Waters 1965	3,725	4,800	800	800	800	800
Office of Parks, Recreation and Historic Preservation						
EQBA 1986	6,100	1,711	1,400	1,832	1,186	281
EQBA 1972	0	400	0	0	0	0
Environmental Facilities Corporation						
Clean Water/Clean Air 1996	292	292	292	292	292	0
Energy Research and Development Authority						
Clean Water/Clean Air 1996	117	117	117	117	117	0
Other						
Department of Health						
Clean Water/Clean Air 1996	50,000	50,000	30,000	0	0	0
Total General Obligation Bond Financing	274,881	266,832	238,070	206,496	178,641	147,944

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 adoption of the Debt Reform Act and the continuation of other debt management efforts, the portion of the Plan financed with authority bond proceeds averages about 38 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 a portion of the Dormitory Authority-financed State Mental Hygiene Program) are not counted by the Comptroller 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 of spending financed by authority bonds is within the Dedicated Highway and Bridge Trust Fund (48 percent). Dedicated Highway and Bridge Trust Fund bonds that are issued to support the five-year DOT Plan will average approximately $945 million annually over the Plan.

Authority bond-financed spending for non-transportation programs decreases from approximately $986 million in 2002-03 to about $882 million in 2006-07. This change primarily reflects the "spend out" of certain education and economic development programs, such as RESCUE ($79 million) and the Strategic Investment Program ($76 million).

CAPITAL PROJECTS FINANCED BY
AUTHORITY BONDS
2001-2002 THROUGH 2006-2007
(Thousands of Dollars)

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Transportation						
Department of Transportation	817,703	889,651	957,458	938,607	939,153	1,000,312
Environment and Recreation						
Department of Environmental Conservation	28,000	28,000	28,000	28,000	28,000	28,000
Environmental Facilities Corporation	11,500	3,000	0	0	0	0
Public Protection						
Department of Correctional Services	188,000	188,000	188,000	188,000	188,000	188,000
Education						
State University of New York	185,000	215,000	307,500	290,000	330,000	330,000
State Education Department	50,000	79,304	0	0	0	0
Office of Science, Technology and Academic Research	8,544	17,821	16,835	4,300	0	0
Mental Hygiene						
Office of Mental Health	73,420	90,661	89,611	69,397	58,506	57,218
Office of Mental Retardation and Developmental Disabilities	5,073	11,111	8,151	6,216	6,301	6,395
Office of Alcoholism and Substance Abuse Services	24,904	22,174	21,636	20,481	20,500	20,752
Housing and Economic Development						
Division of Housing and Community Renewal	77,875	78,875	70,875	66,875	65,625	65,625
Office of Temporary and Disability Assistance	23,000	23,000	23,000	25,000	30,000	30,000
Urban Development Corporation	0	77,500	162,500	325,000	300,000	150,000
All State Departments and Agencies Economic Development and Other Purposes	73,544	86,098	44,551	44,551	0	0
Other						
Office of Children and Family Services	34,997	28,318	47,407	39,725	22,150	6,050
Department of Health	3,989	0	0	0	0	0
Office of General Services	0	37,000	44,000	29,000	0	0
Total Authority Bond Financing	1,605,549	1,875,513	2,009,524	2,075,152	1,988,235	1,882,352

FINANCIAL PLANS

The following table provides an explanation of the 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 of Appendix II and in the Financial Plan Overview, 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 Funds.

Taxes dedicated to capital programs are estimated to account for approximately 28 percent of the total receipts supporting capital spending during the Plan. A large portion of the existing petroleum business tax, motor fuel tax, motor vehicle fees, and all of the highway use tax and auto rental tax will finance spending from the Dedicated Highway Bridge and Trust Fund. Over the Five-Year Plan, total annual Dedicated Trust Fund taxes will average approximately $1.6 billion annually. In addition, $112 million of annual real estate transfer taxes are deposited to the Environmental Protection Fund.

Miscellaneous receipts include bond proceeds and certain fees. The fees are primarily for environmental or transportation purposes, and are deposited into capital projects funds for specific programs. 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 occurs. 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 35 percent of capital projects funds receipts. A further description of this receipts category is provided in the "Explanation of Receipt Estimates" section of this Appendix.

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 30 percent of capital projects receipts in this Plan.

The balance of capital project financing, seven 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 to the Remedial Program Transfer Fund to continue the cleanup of hazardous waste sites after the 1986 Environmental Quality Bond Act funds are committed. Over the five years of the Plan, the transfers from the General Fund represent approximately one percent of total State General Fund spending.

CAPITAL PROJECTS FUNDS FINANCIAL PLAN
PREPARED ON THE CASH BASIS OF ACCOUNTING

(Thousands of Dollars)

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Opening funds balances	(88,902)	(165,072)	(291,774)	(298,365)	(299,865)	(259,736)
Receipts:						
Taxes	1,554,000	1,673,400	1,745,600	1,669,600	1,687,600	1,696,400
Miscellaneous receipts	1,731,226	2,067,041	2,179,284	2,243,377	2,129,088	2,021,011
Federal grants	1,470,730	1,575,824	1,827,600	2,019,251	1,805,365	1,810,880
Total receipts	4,755,956	5,316,265	5,752,484	5,932,228	5,622,053	5,528,291
Disbursements:						
Grants to local governments	856,195	955,688	918,708	1,011,827	943,222	740,883
Capital projects	3,697,537	4,098,725	4,477,766	4,452,219	4,120,472	4,073,970
Total disbursements	4,553,732	5,054,413	5,396,474	5,464,046	5,063,694	4,814,853
Other financing sources (uses):						
Transfers from other funds	253,669	343,131	404,280	428,799	494,762	490,983
Transfers to other funds	(769,063)	(991,685)	(998,281)	(1,097,881)	(1,188,992)	(1,312,178)
Bond and note proceeds	237,000	260,000	231,400	199,400	176,000	151,000
Net other financing sources (uses)	(278,394)	(388,554)	(362,601)	(469,682)	(518,230)	(670,195)
Changes in funds balances	(76,170)	(126,702)	(6,591)	(1,500)	40,129	43,243
Closing funds balances	(165,072)	(291,774)	(298,365)	(299,865)	(259,736)	(216,493)

DEBT FINANCING

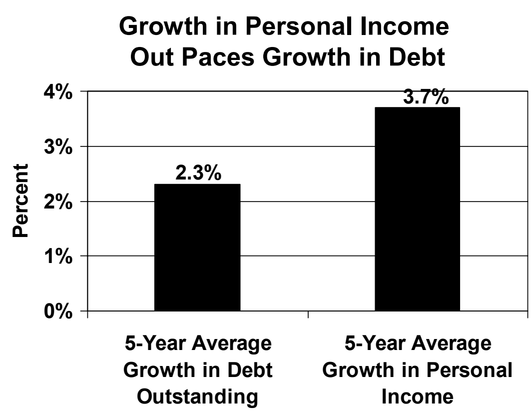
Financing the construction and improvements to long-term capital assets through borrowing is an integral part of the State's Capital Program and Financing Plan. This section describes the impact of bond-financed capital spending on the amount of State-supported debt and debt service expenditures throughout the Plan. Supporting this analysis are separate tables for debt issuances, debt retirements, debt outstanding and debt service.

GROWTH IN DEBT OUTSTANDING IS REDUCED

The implementation of the debt outstanding caps imposed by the Debt Reform Act of 2000 and the prudent use of available surplus funds deposited to the Debt Reduction Reserve Fund (DRRF) have significantly reduced the growth in State-supported debt. From 1994-95 to 2006-07, the average annual growth in total State-supported debt is projected to be 3.4 percent, or about a two-thirds reduction from the 10.6 percent average annual growth in State debt from 1983-84 to 1994-95.

Capping new debt levels to four percent of personal income ensures that the growth in debt does not outpace the growth in personal income — a measure commonly used by the financial community to assess affordability. Over time, the debt outstanding cap imposed by the Debt Reform Act ensures that New York's total debt burden is reduced to no more than four percent of State personal income. Over the Plan:

- The five-year average annual growth in total debt outstanding of 2.3 percent is significantly less than the projected average annual growth in personal income of 3.7 percent.
- Total debt outstanding as a percent of personal income will decline from 5.5 percent in 2001-02 to 5.2 percent in 2006-07.
- Total debt outstanding will increase from \$37.7 billion in 2001-02 to \$42.3 billion in 2006-07, or by an annual average of 2.3 percent.
- New debt outstanding as a percent of State personal income will be well below the statutory debt reform caps.

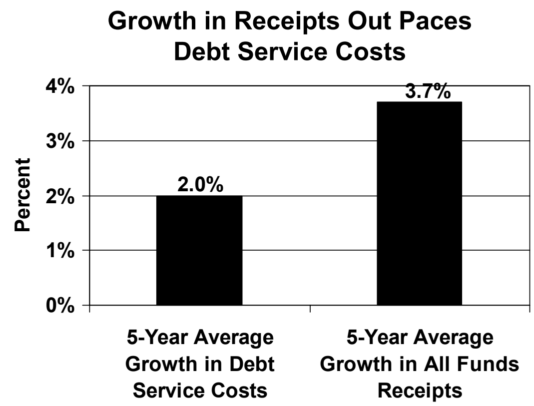


Over the Plan period, Emergency Highway bonds issued by the Thruway Authority, Pension bonds issued by the Dormitory Authority, and Empire State Plaza bonds issued by Albany County will be fully retired. By 2006-07, the last year of the Plan, the majority of State supported debt outstanding will be attributable to transportation and education.

ENSURING DEBT SERVICE COSTS REMAIN AFFORDABLE

The debt service table shows the amount of resources devoted to financing the principal and interest costs 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.

As a result of prudent debt management initiatives, debt service costs will continue to remain affordable over the Plan. The five-year average annual growth in total debt service costs of two percent is less than the average annual growth in All Funds receipts of 3.7 percent.



DEBT ISSUANCES

Projected debt issuances will finance strategic capital investments which will continue to support the State's transportation infrastructure, encourage economic development and job creation, improve educational facilities, protect the environment, and maintain correctional and mental hygiene facilities. Over the Five-Year Plan, annual debt issuances will decline from $3.8 billion in 2002-03 to $2.8 billion in 2006-07, or by an annual average of about seven percent.

Over the Five-Year Plan, annual issuances will average approximately $3.1 billion. Revenue bonds, which are supported by a pledge of 25 percent of State personal income receipts, will be issued in lieu of State appropriation-backed bonds. Revenue bonds will reduce borrowing costs by improving the marketability and creditworthiness of State-supported obligations and by permitting the consolidation of multiple bonding programs to reduce administrative costs.

Over the Five-Year Plan, it is expected that revenue bonds will be issued under five functional purposes, as shown below:

- **Education Revenue Bonds Issued by the Dormitory Authority:** To support SUNY Higher Educational Facilities, SUNY Upstate Community Colleges, CUNY Higher Educational Facilities and CUNY Community Colleges, RESCUE and J2K Universities (2002-03 issuance of $562 million).
- **Environmental Revenue Bonds Issued by the Environmental Facilities Corporation:** To support the State Revolving Fund and Pipeline for Jobs and other environmental programs (2002-03 issuance of $32 million).
- **Transportation Revenue Bonds Issued by the Thruway Authority:** To support CHIPs and other non-Dedicated Highway transportation purposes (2002-03 issuance of $323 million).
- **Economic Development and Housing Revenue Bonds Issued by the Empire State Development Corporation, the Dormitory Authority or Housing Finance Agency:** To support Housing, the Strategic Investment Program (SIP), Stadia, the Community Enhancement Facilities Assistance Program (CEFAP), and High Technology. Economic Development Revenue bonds for CEFAP and SIP may also be issued by the Dormitory Authority (2002-03 issuance of $324 million).
- **State Facilities and Equipment Revenue Bonds Issued by the Empire State Development Corporation:** Correctional Facilities, Youth Facilities, State Office Buildings, Elk Street Parking Garage, and equipment bonds. Certificates of Participation, which are issued by the Comptroller, may also be used to finance equipment needs (2002-03 issuance of $497 million).

Remaining issuances in 2002-03 will be financed by bonding programs which are supported by other streams of revenues or voter approved general obligation bonds. General obligation bonds will be issued to implement projects financed by the voter-approved Clean Water/Clean Air Bond Act and other prior bond acts, predominantly the 1986 Environmental Quality Bond Act.

Over the Five-Year Plan, Dedicated Highway and Bridge Trust Fund bonds, which are issued by the Thruway Authority and supported by dedicated motor fuel and motor vehicle related taxes, will average $1 billion annually. In conjunction with additional State and Federal pay-as-you-go resources, these issuances will support construction letting levels of $1.75 billion annually under the Department of Transportation's Highway and Bridge Construction Program. Dedicated Highway bond issuances account for the largest share of the Plan's debt issuances, or 32 percent.

Dormitory Facilities bonds, which are issued by the Dormitory Authority and supported by dormitory fees and rents charged to the residing population, will average $77 million annually over the Plan. The bonds will support the expansion and renovation of SUNY dormitory facilities to provide safe housing for a growing student population.

Mental Hygiene bonds, which are issued by the Dormitory Authority and supported by patient revenues, will average $212 million over the Plan. These issuances will support capital projects 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.

Empire Opportunity Fund bonds will be issued to provide additional resources to support capital projects that facilitate job growth.

The current interest rate environment remains relatively favorable for municipal bond issuers. The Division forecasts that long-term, tax exempt fixed rates on new issuances will range from 5.15 percent to 6.7 percent throughout the Capital Plan period. Short-term tax exempt rates are expected to average about 4.25 percent. Projected debt issuances also reflect debt management strategies that reduce borrowing costs, including the use of shorter-term maturities to coordinate the useful life of assets and the policy of not using capitalized interest on bonds sold for projects which are not revenue-generating facilities.

DEBT RETIREMENTS

The retirements table presents the annual repayment 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 example, if principal payments are due on April 1, the bonds are considered outstanding on March 31, even if the State is contractually obligated to make 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 will continue to use shorter term maturities for bonds issued to support CEFAP and SIP. In addition, ten-year maturities will continue to be used for taxable programs. These debt management efforts will have a positive impact on the rate at which State-supported debt is retired.

Over the Plan, retirements of State-supported debt are projected to average $2.2 billion annually. Bonds issued under the Emergency Highway Programs, by Albany County for the Empire State Plaza, and those issued to refinance a pension obligation will be fully retired by 2002-03. Over the Plan period, retirements will increase for many of the State's largest bonding programs, including those for CHIPs, the Dedicated Highway and Bridge Trust Fund, SUNY, CUNY, Correctional Services and Mental Hygiene.

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 enacted, legislation is also enacted to raise the statutory caps to the level necessary to accommodate bondable capital needs.

Bond caps can provide authorizations to finance a single year's appropriations or can be for multi-year periods. In addition, the authorizations specify whether the cap is on the total bonds sold, including cost of issuance (gross), or only for project costs (net). The bond authorizations included in the Executive Budget reflect:

- Recommended increases in existing bondable appropriations for Correctional Facilities, Youth Facilities, and Housing;
- The reduction in bonding authorization for the Community Enhancement Facilities Assistance Program (CEFAP) from the redirection of $60 million in bonding authorization to the Governor's proposed $250 million Empire State Development Corporation program for high technology research and development and from the use of $28.245 million in DRRF deposits in 2000-01 to finance CEFAP projects with pay-as-you-go resources;
- Bonding authorization for the Empire State Development Corporation to issue high technology bonds;
- Bonding authorization for the Empire State Development Corporation to issue bonds to continue to support the Albany Plan, which includes the reconstruction and renovation of the Alfred E. Smith State Office Building and a new Elk Street parking garage in Albany; and
- Bonding authorization for the Empire State Development Corporation to issue revenue bonds to finance welfare computer systems to augment case management capacity and to comply with Federal requirements, and to finance equipment needs essential to the delivery of services by various State agencies.

Bond Authorizations
(thousands of dollars)

Issuer	Program	Current Cap	Recommended Cap	Type of Cap
Empire State Development Corporation	Correctional Facilities	4,550,693	4,974,693	Gross
Empire State Development Corporation	Youth Facilities	328,515	339,764	Gross
Housing Finance Agency	Housing	1,235,000	1,385,000	Net
Dormitory Authority/ Empire State Development Corporation	Community Enhancement Facilities Assistance Program	425,000	336,755	Net
Empire State Development Corporation	High Technology Research and Business Incubators Initiatives	N/A	250,000	Net
Empire State Development Corporation	Alfred E. Smith Office Building	N/A	89,000	Net
Empire State Development Corporation	Elk Street Parking Garage	N/A	21,000	Net
Empire State Development Corporation	Equipment	N/A	243,780	Gross

PROJECTED STATE-SUPPORTED DEBT OUTSTANDING

2001-2002 THROUGH 2006-2007

(thousands of dollars)

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
GENERAL OBLIGATION	4,167,992	4,036,163	3,920,403	3,790,694	3,638,704	3,451,332
LOCAL GOVERNMENT ASSISTANCE CORPORATION	4,620,895	4,527,340	4,428,200	4,292,940	4,149,853	4,016,406
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Transportation						
Metropolitan Trans Authority	1,840,399	2,144,619	2,121,205	2,094,941	2,066,320	2,035,364
Dormitory Authority						
Albany County Airport	37,145	35,595	33,965	32,255	30,465	28,585
Thruway Authority:						
Consolidated Local Highway Improvement	2,444,655	2,658,657	2,822,422	2,977,919	3,117,906	3,241,207
Dedicated Highway & Bridge	4,764,640	5,395,260	6,043,636	6,607,793	7,135,571	7,699,385
Education						
Dormitory Authority:						
SUNY Educational Facilities	4,209,919	4,333,192	4,436,755	4,534,249	4,627,989	4,710,876
SUNY Dormitory Facilities	438,850	569,691	652,984	674,328	695,385	716,786
SUNY Upstate Community Colleges	478,028	501,900	524,675	546,368	566,492	585,261
CUNY Educational Facilities	3,241,381	3,284,090	3,323,541	3,355,588	3,377,735	3,390,387
State Education Department	71,575	69,820	67,990	66,065	64,045	61,920
Library for the Blind	17,290	16,670	16,030	15,360	14,655	13,915
SUNY Athletic Facilities	25,200	25,200	25,200	24,270	23,305	22,300
RESCUE	115,880	191,570	174,785	157,236	138,893	119,698
University Facilities (Jobs 2000)	0	26,928	43,314	46,449	45,009	43,484
Judicial Training Institute	15,675	15,165	14,630	14,070	13,485	12,870
Health						
Dormitory Authority/DOH	438,675	428,195	417,155	405,490	393,155	380,110
Mental Hygiene						
Dormitory Authority/MCFFA:	3,657,810	3,751,791	3,848,822	3,876,137	3,877,559	3,874,004
Public Protection						
ESDC:						
Prison Facilities	3,496,766	3,585,129	3,666,751	3,740,752	3,806,721	3,864,156
Youth Facilities	165,880	181,489	219,699	248,692	258,497	250,974
Environment						
Environmental Facilities Corp:						
Riverbank Park	61,120	59,520	57,840	56,085	54,240	52,305
Water Pollution Control	173,954	174,658	171,133	162,012	160,642	157,594
Pilgrim Sewage Treatment	9,000	8,600	8,200	7,800	7,300	6,700
State Park Infrastructure	12,055	11,235	10,370	9,460	8,495	7,475
Fuel Tanks	12,265	9,915	7,515	5,060	2,550	0
Pipeline for Jobs (Jobs 2000)	19,126	20,649	18,795	16,830	14,744	12,530
Energy Res & Dev Authority	66,690	55,160	43,065	30,360	17,005	9,200
ESDC:						
Pine Barrens	13,955	13,370	12,755	12,110	11,435	10,725
State Building/Equipment						
ESDC:						
Empire State Plaza	77,674	65,912	55,108	45,120	36,032	27,638
State Buildings	14,551	14,005	13,416	12,782	12,098	11,361
State Capital Projects	235,295	228,260	220,780	212,835	204,395	195,430
ESDC/DA						
State Buildings	88,815	123,843	163,700	189,297	184,023	178,496
Certificates of Participation	299,085	353,434	272,416	214,232	211,280	210,733
Housing						
Housing Finance Agency	1,065,312	1,122,380	1,167,521	1,210,553	1,253,407	1,295,312
Economic Development						
Triborough Bridge and Tunnel Authority/Javits Center	316,405	292,220	268,040	242,100	214,280	184,445
ESDC/DA						
University Technology Centers	177,676	167,412	156,813	145,806	134,317	123,197
Onondaga Convention Center	42,880	41,505	40,060	38,525	36,895	35,170
Sports Facilities	126,930	138,095	133,274	128,128	122,681	116,776
Community Enhancement Facilities	243,770	264,602	215,523	165,481	122,320	91,375
Natural Resources Preservation	24,170	19,790	15,195	10,375	5,320	0
Child Care Facilities	30,600	30,600	29,708	28,769	27,779	26,737
High Tech	0	63,750	224,483	231,904	210,878	188,689
Strategic Investment Program	61,200	138,720	158,938	169,582	125,151	78,533
Empire Opportunity Fund	0	0	0	306,000	597,172	719,549
Other State Purposes						
Dormitory Authority						
Pension Refinancing	229,010	78,915	0	0	0	0
Total Other Financing Arrangements	28,861,306	30,711,510	31,918,208	33,069,166	34,027,626	34,791,252
TOTAL STATE-SUPPORTED DEBT	37,650,193	39,275,013	40,266,811	41,152,800	41,816,182	42,258,990

PROJECTED STATE-SUPPORTED DEBT SERVICE

2001-2002 THROUGH 2006-2007

(thousands of dollars)

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
GENERAL OBLIGATION	618,881	595,145	552,609	531,646	524,605	527,325
LOCAL GOVERNMENT ASSISTANCE CORPORATION	292,858	306,635	339,389	350,950	356,371	356,913
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Transportation						
Metropolitan Trans Authority	154,702	165,000	165,000	165,000	165,000	165,000
Dormitory Authority						
Albany County Airport	3,509	3,512	3,510	3,510	3,510	3,512
Thruway Authority:						
Emergency Highway	48,106	0	0	0	0	0
Consolidated Local Highway Improvement	229,457	258,114	285,027	312,201	339,639	367,250
Dedicated Highway & Bridge	493,204	601,805	700,848	774,717	838,337	933,902
Education						
Dormitory Authority:						
SUNY Educational Facilities	338,103	371,265	344,682	425,843	445,018	461,969
SUNY Dormitory Facilities	49,685	65,917	71,280	65,944	67,415	69,064
SUNY Upstate Community Colleges	33,445	36,346	38,895	41,973	45,209	48,192
CUNY Educational Facilities	318,778	308,171	282,044	359,063	372,754	368,829
State Education Department	5,831	7,917	7,921	7,918	7,919	7,916
Library for the Blind	1,600	1,677	1,673	1,675	1,678	1,678
SUNY Athletic Facilities	1,212	1,220	1,704	2,168	2,168	2,171
RESCUE	8,284	15,273	25,455	25,451	25,454	25,454
University Facilities (Jobs 2000)	0	0	2,563	3,995	4,259	4,213
Judicial Training Institute	1,385	1,399	1,400	1,398	1,400	1,400
Health						
Dormitory Authority/DOH	36,337	36,084	35,915	35,910	35,914	35,913
Mental Hygiene						
Dormitory Authority/MCFFA:	336,016	354,891	367,744	384,168	396,721	407,722
Public Protection						
ESDC:						
Prison Facilities	258,328	289,335	247,489	319,889	334,532	349,344
Youth Facilities	15,364	17,726	20,673	24,584	27,379	28,654
Environment						
Environmental Facilities Corp:						
Riverbank Park	4,836	4,842	4,835	4,839	4,837	4,836
Water Pollution Control	40,665	38,979	43,349	48,751	44,547	42,619
Pilgrim Sewage Treatment	706	695	672	650	724	793
State Park Infrastructure	1,472	1,476	1,476	1,473	1,476	1,476
Fuel Tanks	2,395	2,625	2,576	2,528	2,475	2,402
Pipeline for Jobs (Jobs 2000)	915	2,792	3,196	3,161	3,161	3,161
Energy Res & Dev Authority	14,638	14,749	14,751	14,758	8,496	6,003
ESDC:						
Pine Barrens	1,278	1,281	1,282	1,280	1,281	1,280
State Building/Equipment						
ESDC:						
Empire State Plaza	32,872	34,432	37,247	34,432	34,436	34,435
State Buildings	19,550	20,893	21,045	21,089	21,086	20,681
State Capital Projects	20,122	20,377	20,374	20,373	20,370	20,375
Albany County-ESP	2,077	0	0	0	0	0
ESDC/DA:						
State Buildings	5,969	7,824	11,347	14,604	15,873	15,879
Certificates of Participation	129,113	182,481	179,282	169,785	112,413	110,110
Housing						
Housing Finance Agency	81,494	86,738	83,456	115,744	122,955	127,398
Economic Development						
Triborough Bridge and Tunnel Authority/Javits Center	41,939	41,964	41,959	41,966	41,965	41,963
ESDC/DA:						
University Technology Centers	19,793	20,213	20,208	20,205	20,205	19,281
Onondaga Convention Center	3,890	3,865	3,863	3,866	3,869	3,866
Sports Facilities	6,972	8,876	12,449	12,272	12,391	12,369
Community Enhancement Facilities	51,880	36,814	60,312	50,556	50,562	17,420
Natural Resource Preservation	5,417	5,284	5,284	5,293	5,315	0
Child Care Facilities	0	2,802	2,529	2,529	2,529	2,529
High Tech	0	0	8,899	32,013	34,143	33,896
Strategic Investment Program	0	14,366	32,371	42,723	53,327	52,916
Empire Opportunity Fund	0	0	0	0	37,785	74,041
Other State Purposes						
Dormitory Authority						
Pension Refinancing	81,336	0	0	0	0	0
Debt Reduction	500,000	0	0	0	0	0
Variable Rate and Other Savings Actions	0	(225,000)	(100,000)	(100,000)	(37,021)	(45,256)
Total Other Financing Arrangements	3,402,676	2,865,017	3,116,584	3,520,294	3,733,505	3,886,654
TOTAL STATE-SUPPORTED DEBT SERVICE	4,314,414	3,766,798	4,008,582	4,402,891	4,614,482	4,770,892

PROJECTED STATE-SUPPORTED BOND ISSUANCES

2001-2002 THROUGH 2006-2007

(thousands of dollars)

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
GENERAL OBLIGATION	237,270	260,000	231,400	199,400	176,000	151,000
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Transportation						
Metropolitan Trans Authority	0	415,700	0	0	0	0
Thruway Authority:						
Consolidated Local Highway Improvement	205,145	322,565	305,141	304,031	304,031	304,031
Dedicated Highway & Bridge	852,500	943,030	1,014,904	994,922	995,502	1,060,331
Education						
Dormitory Authority:						
SUNY Educational Facilities	265,000	255,000	255,000	255,000	255,000	255,000
SUNY Dormitory Facilities	112,360	152,640	106,000	42,400	42,400	42,400
SUNY Upstate Community Colleges	37,100	35,700	35,700	35,700	35,700	35,700
CUNY Educational Facilities	169,600	163,200	163,200	163,200	163,200	163,200
RESCUE	51,000	80,890	0	0	0	0
University Facilities (Jobs 2000)	0	26,928	17,136	4,386	0	0
Mental Hygiene						
Dormitory Authority/MCFFA:	192,386	247,968	259,724	206,469	176,099	171,856
Public Protection						
ESDC:						
Prison Facilities	191,760	191,760	191,760	191,760	191,760	191,760
Youth Facilities	14,790	23,766	48,348	40,596	22,644	6,222
Environment						
Environmental Facilities Corp:						
Water Pollution Control	28,560	28,560	28,560	28,560	28,560	28,560
Pipeline for Jobs (Jobs 2000)	11,730	3,060	0	0	0	0
State Building/Equipment						
ESDC						
State Facilities	0	37,740	43,860	30,600	0	0
Certificates of Participation	0	243,780	102,000	102,000	102,000	102,000
Housing						
Housing Finance Agency	187,269	104,499	96,339	94,299	98,124	98,124
Economic Development						
ESDC/DA						
Sports Facilities	0	15,300	0	0	0	0
Community Enhancement Facilities	43,230	62,727	0	0	0	0
Child Care Facilities	30,600	0	0	0	0	0
High Tech	0	63,750	165,750	25,500	0	0
Strategic Investment Program	61,200	77,520	45,492	45,288	0	0
Empire Opportunity Fund	0	0	0	306,000	306,000	153,000
Total Other Financing Arrangements	2,454,230	3,496,083	2,878,915	2,870,712	2,721,020	2,612,184
TOTAL STATE-SUPPORTED DEBT	2,691,500	3,756,083	3,110,315	3,070,112	2,897,020	2,763,184

PROJECTED STATE-SUPPORTED DEBT RETIREMENTS

2001-2002 THROUGH 2006-2007

(thousands of dollars)

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
GENERAL OBLIGATION	415,333	391,829	347,160	329,109	327,990	338,371
LOCAL GOVERNMENT ASSISTANCE						
CORPORATION	107,320	93,555	99,140	135,260	143,087	133,446
OTHER LEASE-PURCHASE AND						
CONTRACTUAL-OBLIGATION						
FINANCING ARRANGEMENTS						
Transportation						
Metropolitan Trans Authority	60,035	111,480	23,414	26,264	28,621	30,956
Dormitory Authority						
Albany County Airport	1,475	1,550	1,630	1,710	1,790	1,880
Thruway Authority:						
Emergency Highway	77,845	0	0	0	0	0
Consolidated Local Highway						
Improvement	94,400	108,563	141,376	148,534	164,045	180,730
Dedicated Highway & Bridge	245,390	312,410	366,529	430,765	467,724	496,517
Education						
Dormitory Authority:						
SUNY Educational Facilities	135,116	131,727	151,437	157,507	161,260	172,113
SUNY Dormitory Facilities	22,400	21,799	22,706	21,057	21,342	20,999
SUNY Upstate Community Colleges	10,891	11,829	12,924	14,007	15,576	16,932
CUNY Educational Facilities	106,840	120,491	123,748	131,154	141,053	150,547
State Education Department	1,670	1,755	1,830	1,925	2,020	2,125
Library for the Blind	590	620	640	670	705	740
SUNY Athletic Facilities	0	0	0	930	965	1,005
RESCUE	0	5,200	16,785	17,549	18,342	19,195
University Facilities (Jobs 2000)	0	0	750	1,251	1,440	1,525
Judicial Training Institute	430	510	535	560	585	615
Health						
Dormitory Authority/DOH	16,075	10,480	11,040	11,665	12,335	13,045
Mental Hygiene						
Dormitory Authority/MCFFA:	145,082	153,987	162,693	179,154	174,677	175,410
Public Protection						
ESDC:						
Prison Facilities	84,736	103,397	110,138	117,758	125,791	134,325
Youth Facilities	6,600	8,157	10,138	11,603	12,838	13,745
Environment						
Environmental Facilities Corp:						
Riverbank Park	1,230	1,600	1,680	1,755	1,845	1,935
Water Pollution Control	31,157	27,856	32,085	37,681	29,930	31,609
Pilgrim Sewage Treatment	400	400	400	400	500	600
State Park Infrastructure	775	820	865	910	965	1,020
Fuel Tanks	2,305	2,350	2,400	2,455	2,510	2,550
Pipeline for Jobs (Jobs 2000)	623	1,537	1,853	1,965	2,087	2,214
Energy Res & Dev Authority	10,965	11,530	12,095	12,705	13,355	7,805
ESDC:						
Pine Barrens	560	585	615	645	675	710
State Building/Equipment						
ESDC:						
Empire State Plaza	12,214	11,762	10,804	9,988	9,088	8,394
State Buildings	507	546	589	634	684	737
State Capital Projects	6,700	7,035	7,480	7,945	8,440	8,965
Albany County-ESP	3,870	0	0	0	0	0
ESDC/DA						
State Buildings	1,595	2,712	4,003	5,004	5,274	5,527
Certificates of Participation	135,940	189,431	183,018	160,183	104,953	102,546
Housing						
Housing Finance Agency	40,308	47,430	51,199	51,267	55,270	56,219
Economic Development						
Triborough Bridge and Tunnel						
Authority/Javits Center	24,180	24,185	24,180	25,940	27,820	29,835
ESDC/DA						
University Technology Centers	11,529	10,264	10,599	11,007	11,489	11,120
Onondaga Convention Center	1,305	1,375	1,445	1,535	1,630	1,725
Sports Facilities	3,885	4,135	4,821	5,146	5,447	5,904
Community Enhancement Facilities	32,460	41,895	49,079	50,042	43,161	30,946
Natural Resources Preservation	4,185	4,380	4,595	4,820	5,055	5,320
Child Care Facilities	0	0	892	939	990	1,043
High Tech	0	0	5,017	18,080	21,026	22,189
Strategic Investment Program	0	0	25,274	34,644	44,431	46,618
Empire Opportunity Fund	0	0	0	0	14,828	30,622
Other State Purposes						
Dormitory Authority						
Pension Refinancing	140,445	150,095	78,915	0	0	0
Total Other Financing Arrangements	1,476,713	1,645,879	1,672,216	1,719,754	1,762,561	1,848,558
TOTAL STATE-SUPPORTED DEBT	1,999,366	2,131,263	2,118,517	2,184,122	2,233,638	2,320,376

DEBT SERVICE FUNDS FINANCIAL PLAN

PREPARED ON THE CASH BASIS OF ACCOUNTING

2001-2002 THROUGH 2006-2007

(thousands of dollars)

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Opening Fund Balances	421,845	156,704	143,682	131,215	156,753	201,751
Receipts						
Taxes	2,666,400	2,455,100	2,429,600	2,550,300	2,672,700	2,801,300
Miscellaneous Receipts	605,816	626,381	648,650	679,576	722,513	842,116
Subtotal Receipts	3,272,216	3,081,481	3,078,250	3,229,876	3,395,213	3,643,416
Disbursements						
State Operations	6,250	7,000	7,000	7,000	7,000	7,000
Debt Service	4,185,301	3,665,693	3,952,290	4,393,592	4,611,253	4,770,180
Subtotal Disbursements	4,191,551	3,672,693	3,959,290	4,400,592	4,618,253	4,777,180
Other Financing Sources (Uses)						
Transfers From Other Funds	4,799,266	5,057,838	5,197,476	5,649,320	5,881,381	5,985,920
Transfers To Other Funds	(4,145,072)	(4,479,648)	(4,328,903)	(4,453,066)	(4,613,343)	(4,731,882)
Net Other Financing Sources (Uses)	654,194	578,190	868,573	1,196,254	1,268,038	1,254,038
Changes in Fund Balances	(265,141)	(13,022)	(12,467)	25,538	44,998	120,274
Closing Fund Balances	156,704	143,682	131,215	156,753	201,751	322,025

CAPITAL PROGRAM PLAN

This section provides a narrative description of the programmatic objectives of agencies over the Five-Year Capital Plan. These agency narratives also highlight accomplishments, 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, 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 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, and 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 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. 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 diverse transportation system plays a crucial role in our economy. The State's 239,000 lane miles of roads, 19,500 bridges, 4,000 railroad miles, 147 public use 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 2002-03 through 2006-07 capital program that will improve our transportation facilities and spur our economy with job-producing investments. The program will provide $15.4 billion for regular Department of Transportation (DOT) programs and additional funds for projects that will repair and reconstruct facilities damaged in the September 11 attack on the World Trade Center. State support of the capital program of the Metropolitan Transportation Authority (MTA) will total more than $2.4 billion through the Aid to Localities budget during the plan period.

DEPARTMENT OF TRANSPORTATION

The Department of Transportation 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 over 7,500 bridges. Private contractors perform all major construction and repair work, while DOT 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 2002-03 through 2006-07 Capital Program Plan provides for highway and bridge construction levels that will total $1.75 billion in each year of the Plan period with an additional $250 million for construction related to the World Trade Center disaster in 2002-03. This represents the highest construction level ever achieved. Supporting this enhanced construction level, the Plan also provides for regular engineering levels of more than $620 million annually, with an additional $50 million in 2002-03 for engineering related to reconstruction of facilities damaged in the World Trade Center attacks.

The Capital Program Plan also provides:

- More than $1.3 billion for local capital programs, including the CHIPS and Marchiselli programs;
- Continuation of an $80 million, five-year rail freight and passenger program that will preserve and improve the State's rail system — $20 million will be appropriated in 2002-03;
- $15 million annually for the Industrial Access Program which promotes job creation and retention by encouraging business expansion with highway, rail and port projects;
- $31 million annually for DOT maintenance facilities and equipment; and
- $8 million annually to help local and State airports match Federal aviation aid.

Preventive maintenance continues to be a key component of the DOT'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 311 sites around the State which encompass over 700 building types, including 59 maintenance headquarters, 125 maintenance sub-headquarters, 41 salt storage areas, 20 bridge crew facilities, two special crew facilities, a sign shop and 64 other storage and reload sites. The average age of the infrastructure is over 30 years. The total size of the infrastructure is approximately four million gross square feet.

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 Capital Program will provide $2.6 billion of State support for the capital programs of transit systems throughout New York. This State assistance includes:

- Approximately $2.45 billion of State funding for the MTA capital program, to be provided to the Authority via Aid-to-Localities appropriations from the Dedicated Mass Transportation Trust Fund; and
- More than $150 million of State aid for the capital programs of other transit systems throughout the State, to 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.

DEPARTMENT OF MOTOR VEHICLES

The Department of Motor Vehicles issues driver's licenses and vehicle registrations, promotes highway safety, and collects revenues used for transportation purposes, including capital projects. The five-year plan recommends funding $101.5 million of the Department's transportation-related cash expenses from the Dedicated Highway and Bridge Trust Fund.

CANALS

The New York State Canal Corporation 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. 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
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Aviation	78,323	8,000	8,000	8,000	8,000	8,000	40,000
Highway Facilities	8,808,040	3,763,523	3,751,436	3,597,857	3,602,369	3,613,803	18,328,988
Maintenance Facilities	60,855	31,000	31,000	31,000	31,000	31,000	155,000
Mass Transportation and Rail Freight	230,259	67,815	67,815	69,815	69,815	69,815	345,075
Ports and Waterways	1,565	0	0	0	0	0	0
Total	9,179,042	3,870,338	3,858,251	3,706,672	3,711,184	3,722,618	18,869,063
Fund Summary							
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	74,442	0	0	0	0	0	0
Capital Projects Fund - Advances	23,734	0	0	0	0	0	0
Capital Projects Fund - Aviation (Bondable)	5,091	0	0	0	0	0	0
Capital Projects Fund - Energy Conservation (Bondable)	2,036	0	0	0	0	0	0
Capital Projects Fund - Infrastructure Renewal (Bondable)	46,485	0	0	0	0	0	0
Dedicated Highway and Bridge Trust Fund	3,041,162	1,649,073	1,432,416	1,269,431	1,269,137	1,276,454	6,896,511
Dedicated Mass Transportation Fund	140,153	47,815	47,815	49,815	49,815	49,815	245,075
Engineering Services Fund	881,895	620,221	625,626	632,862	631,668	635,785	3,146,162
Federal Capital Projects Fund	4,806,971	1,491,000	1,692,000	1,694,000	1,700,000	1,700,000	8,277,000
Fiduciary Funds - Misc. Combined Expendable Trust Fund	109,263	52,000	50,000	50,000	50,000	50,000	252,000
NY Metro Transportation Council Account	21,580	10,229	10,394	10,564	10,564	10,564	52,315
Regional Aviation Fund	26,230	0	0	0	0	0	0
Total	9,179,042	3,870,338	3,858,251	3,706,672	3,711,184	3,722,618	18,869,063

TRANSPORTATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Aviation	8,000	8,000	8,000	8,000	8,000
Highway Facilities	3,763,523	3,751,436	3,597,857	3,602,369	3,613,803
Maintenance Facilities	31,000	31,000	31,000	31,000	31,000
Mass Transportation and Rail Freight	67,815	67,815	69,815	69,815	69,815
Total	3,870,338	3,858,251	3,706,672	3,711,184	3,722,618
Fund Summary					
Dedicated Highway and Bridge Trust Fund	1,649,073	1,432,416	1,269,431	1,269,137	1,276,454
Dedicated Mass Transportation Fund	47,815	47,815	49,815	49,815	49,815
Engineering Services Fund	620,221	625,626	632,862	631,668	635,785
Federal Capital Projects Fund	1,491,000	1,692,000	1,694,000	1,700,000	1,700,000
Fiduciary Funds - Misc. Combined Expendable Trust Fund	52,000	50,000	50,000	50,000	50,000
NY Metro Transportation Council Account	10,229	10,394	10,564	10,564	10,564
Total	3,870,338	3,858,251	3,706,672	3,711,184	3,722,618

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Aviation	18,660	17,135	20,684	9,600	8,600	15,071	71,090
Highway Facilities	3,411,946	3,512,426	3,595,202	3,527,171	3,503,087	3,385,860	17,523,746
Maintenance Facilities	35,137	27,508	26,890	29,200	29,760	60,860	174,218
Mass Transportation and Rail Freight	47,769	52,636	57,869	62,317	79,456	118,849	371,127
Ports and Waterways	3	0	0	0	0	0	0
Total	3,513,515	3,609,705	3,700,645	3,628,288	3,620,903	3,580,640	18,140,181
Fund Summary							
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	14,000	12,000	10,000	8,000	6,000	4,000	40,000
Capital Projects Fund - Advances	1,000	500	500	500	500	500	2,500
Capital Projects Fund - Aviation (Bondable)	1,200	800	400	400	400	400	2,400
Capital Projects Fund - Energy Conservation (Bondable)	200	200	200	200	200	200	1,000
Capital Projects Fund - Infrastructure Renewal (Bondable)	5,000	5,000	5,000	5,000	5,000	5,000	25,000
Dedicated Highway and Bridge Trust Fund	1,557,442	1,599,644	1,607,513	1,407,319	1,342,407	1,293,090	7,249,973
Dedicated Mass Transportation Fund	38,789	42,100	44,608	46,917	49,250	49,432	232,307
Engineering Services Fund	633,696	624,927	625,629	638,040	651,228	651,031	3,190,855
Federal Capital Projects Fund	1,247,855	1,306,284	1,388,681	1,510,651	1,556,465	1,566,580	7,328,661
NY Metro Transportation Council Account	8,333	12,250	13,057	11,261	9,453	10,407	56,428
Regional Aviation Fund	6,000	6,000	5,057	0	0	0	11,057
Total	3,513,515	3,609,705	3,700,645	3,628,288	3,620,903	3,580,640	18,140,181

THRUWAY AUTHORITY, NEW YORK STATE
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Canal Development Program	3,160	2,000	2,000	2,000	2,000	2,000	10,000
Total	3,160	2,000	2,000	2,000	2,000	2,000	10,000
Fund Summary							
New York State Canal System Development Fund	3,160	2,000	2,000	2,000	2,000	2,000	10,000
Total	3,160	2,000	2,000	2,000	2,000	2,000	10,000

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Canal Development Program	2,000	2,000	2,000	2,000	2,000
Total	2,000	2,000	2,000	2,000	2,000
Fund Summary					
New York State Canal System Development Fund	2,000	2,000	2,000	2,000	2,000
Total	2,000	2,000	2,000	2,000	2,000

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Canal Development Program	2,000	2,000	2,000	2,000	2,000	2,000	10,000
Total	2,000	2,000	2,000	2,000	2,000	2,000	10,000
Fund Summary							
New York State Canal System Development Fund	2,000	2,000	2,000	2,000	2,000	2,000	10,000
Total	2,000	2,000	2,000	2,000	2,000	2,000	10,000

METROPOLITAN TRANSPORTATION AUTHORITY
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Metropolitan Transportation Authority	36,000	0	0	0	0	0	0
Total	36,000	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund - Advances	36,000	0	0	0	0	0	0
Total	36,000	0	0	0	0	0	0

MOTOR VEHICLES, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Transportation Support	0	14,788	21,870	27,070	20,370	17,370	101,468
Total	0	14,788	21,870	27,070	20,370	17,370	101,468
Fund Summary							
Dedicated Highway and Bridge Trust Fund	0	14,788	21,870	27,070	20,370	17,370	101,468
Total	0	14,788	21,870	27,070	20,370	17,370	101,468

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Transportation Support	14,788	21,870	27,070	20,370	17,370
Total	14,788	21,870	27,070	20,370	17,370
Fund Summary					
Dedicated Highway and Bridge Trust Fund	14,788	21,870	27,070	20,370	17,370
Total	14,788	21,870	27,070	20,370	17,370

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Transportation Support	0	14,788	21,870	27,070	20,370	17,370	101,468
Total	0	14,788	21,870	27,070	20,370	17,370	101,468
Fund Summary							
Dedicated Highway and Bridge Trust Fund	0	14,788	21,870	27,070	20,370	17,370	101,468
Total	0	14,788	21,870	27,070	20,370	17,370	101,468

ENVIRONMENT AND RECREATION

The Department of Environmental Conservation (DEC) and the Office of Parks, Recreation and Historic Preservation (OPRHP) are the 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.

A major focus of DEC over the next five years will be the continued clean up of environmental hazards under both the 1986 Environmental Quality Bond Act as well as the Governor's proposed Superfund Refinancing bill. Additionally, both DEC and OPRHP will continue to implement the Clean Water/Clean Air (CWCA) Bond Act, 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 $617.5 million in capital disbursements will support these activities in 2002-03. DEC's Capital Plan directs resources to projects to ensure compliance with health and safety requirements and State and Federal environmental mandates. In 2002-03, new General Fund appropriations of $29.7 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 2002-03 Executive Budget recommends new appropriations totaling $142.4 million from the CWCA Bond Act for projects to be administered by DEC. Another $70 million is appropriated to 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 $1.5 billion in prior year appropriations, the total authorization of $1.75 billion will have been made available from the Bond Act by 2002-03.

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 both a $125 million deficiency appropriation for 2001-02 as well as new appropriations of $125 million for 2002-03, to fund a host of critical environmental and recreational activities including: recycling; waterfront revitalization projects; non-point source water pollution control; farmland preservation; open space land acquisition; Hudson River Estuary Management and municipal parks projects; the Hudson River Park project; remediation projects at Onondaga Lake; the restoration and preservation of historic barns; and stewardship projects on State-owned parks and lands. Additional EPF appropriations of $500 million through 2006-07 will continue funding these important activities.

The Department's Capital Plan also fully supports the Governor's State Superfund Refinancing Bill that provides for annual pay-as-you-go proposed funding of $138 million — consisting of $105 million for the State Superfund and Voluntary Cleanup programs, and $33 million for the Oil Spill Program. 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 2002, since the existing 1986 Environmental Quality Bond Act hazardous waste funds of $1.1 billion are fully committed.

In 2002-03, the level of contract commitments projected in the Department's capital plan is $603.1 million. This is consistent with decreased appropriations for the final year of the CWCA Bond Act appropriations. Future year commitments are also consistent with appropriation levels recommended 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 four million acres of land; 260 boat launching and fishing access sites; 100 flood control structures; 52 campgrounds; 12 fish hatcheries; one game farm; four environmental education camps; five environmental education centers; one tree nursery; and the Belleayre Mountain ski center. The Department has recently developed a computerized maintenance management system to 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 164 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 60 million people visit the State parks each year.

The 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. Since the majority of facilities at State parks were built more than 50 years ago, a primary component of the capital program is devoted to maintenance and rehabilitation.

For 2002-03, the capital plan supports approximately $48.3 million in capital disbursements from various sources. For new appropriations, $29.6 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, Federal resources, and the 1986 Environmental Quality Bond Act.

In addition, funding will be available from the EPF and the CWCA Bond Act to improve park facilities and protect the fragile natural resources at State parks. These funds are included in the capital budget.

The Office's five-year capital plan reflects the priority needs of the various parks and historic sites. A total of $165.9 million, mainly from SPIF, is planned to be spent on projects to improve health and safety and preserve facilities, and includes actions to:

- Restore historic sites;
- Rehabilitate park utility, sanitary, and water 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 for 2002-03 concentrates investments 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 2002-03 maintenance efforts primarily on site restoration, roof repair, and exterior construction projects.

Ongoing redevelopment of the Niagara Reservation will continue with the reconstruction of the Observation Tower, road and landscape improvements, new signage, completion of the Niagara Gorge trail, and other transportation improvements.

The level of contract commitments projected in OPRHP's capital plan is approximately $27 million in 2002-03. Future year commitments reflect projected activity from both new appropriations and prior year appropriations.

ENVIRONMENTAL FACILITIES CORPORATION

The Environmental Facilities Corporation (EFC) is charged with helping local governments, State agencies and private industry comply with State and Federal environmental laws. EFC responsibilities include administering the Clean Water (CWSRF) and Drinking Water (DWSRF) State Revolving Funds; assisting New York businesses finance environmental projects through the Industrial Finance Program (IFP); and helping municipalities, State agencies, and businesses comply with environmental laws and regulations through the Technical Advisory Services (TAS) program, the Financial Assistance to Business (FAB) program and the Pipeline for Jobs program.

EFC, in conjunction with DEC, administers low-interest financings to recipients for water pollution control facilities via the CWSRF. As of December 4, 2001, the CWSRF has made 891 loans for approximately $6.2 billion to 387 recipients across the State. The Capital Plan for DEC estimates commitments of $840 million from Federal and State funds for the CWSRF over five years.

The Drinking Water State Revolving Fund is a program administered by EFC, in conjunction with the Department of Health (DOH), that provides low-interest financings, including grants, to publicly- and privately-owned community water systems and to nonprofit, non-community water systems for the construction of eligible safe drinking water projects. The DWSRF has made 212 loans, 66 State Assistance Payments and 16 Federal Assistance Payments worth approximately $777 million to 178 recipients across the State since December 4, 2001. DOH's Five-Year Capital Plan anticipates commitments for the DWSRF of $540 million in Federal and State funding, including $80 million from the 1996 CWCA Bond Act.

In addition to appropriations to finance costs related to the 1996 Clean Water/Clean Air Bond Act, EFC's Capital Program includes the reappropriation of $14.5 million for the Pipeline for Jobs program with commitments through 2002-03. This program was created to provide recipients with financial assistance for the planning, design and construction of eligible projects that are intended to create, improve, or extend water supply facilities for economic development.

HUDSON RIVER PARK TRUST

The Hudson River Park Trust (the Trust) is responsible for designing, developing, constructing, and maintaining the 550 acre Hudson River Park, which will extend five miles along the Hudson River waterfront from Battery Park City to 59th Street. During 2002-03, the Trust will continue to refine the framework and scope of the Hudson River Park, develop detailed cost estimates, explore alternative sources of funding and continue to oversee project design and construction.

The 2002-03 Executive Budget recommends $45 million in new appropriations for the Trust for capital costs associated with the planning, design and construction of Park projects. Specifically, $15 million is provided for Park development from the EPF within DEC. In addition, the Budget provides a State-funded advance appropriation of $30 million, which will be repaid by New York City as part of its share of Hudson River Park's continued 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 current year appropriations.

ENVIRONMENTAL CONSERVATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Administration	1,999	1,000	0	0	0	0	1,000
Air Resources	105,346	14,810	3,000	3,000	3,000	3,000	26,810
Clean Water Clean Air Implementation	6,470	3,219	2,592	2,592	2,592	0	10,995
Clean Water/Clean Air 96	113,728	75,000	0	0	0	0	75,000
Design and Construction Supervision	14	0	0	0	0	0	0
Environment and Recreation	347,366	125,000	125,000	125,000	125,000	125,000	625,000
Environmental Protection and Enhancements	18,567	0	0	0	0	0	0
Fish and Wildlife	10,284	1,025	1,000	1,000	1,000	500	4,525
Lands and Forests	17,704	678	1,000	1,000	1,000	500	4,178
Marine Resources	8,435	1,650	0	0	0	0	1,650
Operations	42,128	16,615	10,000	10,000	35,000	60,000	131,615
Recreation	1,094	2,350	700	700	700	700	5,150
Solid and Hazardous Waste Management	311,454	0	0	0	0	0	0
Solid Waste Management	261,032	123,732	105,650	105,650	105,650	105,675	546,357
Water Resources	969,381	243,477	189,000	189,000	189,000	188,775	999,252
Total	2,215,002	608,556	437,942	437,942	462,942	484,150	2,431,532
Fund Summary							
Capital Projects Fund	168,855	59,060	51,350	51,350	76,350	99,875	337,985
Capital Projects Fund - 1996 CWA (Bondable)	768,029	142,418	0	0	0	0	142,418
Capital Projects Fund - Advances	102,844	2,055	1,000	1,000	1,000	1,275	6,330
Capital Projects Fund - EQBA (Bondable)	55,855	14,804	0	0	0	0	14,804
Capital Projects Fund - EQBA 86 (Bondable)	311,461	0	0	0	0	0	0
Capital Projects Fund - PWBA (Bondable)	28,978	4,900	0	0	0	0	4,900
Clean Air Fund	9,264	3,000	3,000	3,000	3,000	3,000	15,000
Clean Water Clean Air Implementation Fund	6,470	3,219	2,592	2,592	2,592	0	10,995
Enterprise Fund	175	0	0	0	0	0	0
Environmental Protection Fund	365,933	125,000	125,000	125,000	125,000	125,000	625,000
Federal Capital Projects Fund	384,709	149,100	150,000	150,000	150,000	150,000	749,100
Financial Security Fund	1,953	0	0	0	0	0	0
Forest Preserve Expansion Fund	142	0	0	0	0	0	0
Hudson River Habitat Restor. Fund	351	0	0	0	0	0	0
Natural Resource Damages Fund	9,983	0	0	0	0	0	0
Remedial Program Transfer Fund	0	105,000	105,000	105,000	105,000	105,000	525,000
Total	2,215,002	608,556	437,942	437,942	462,942	484,150	2,431,532

ENVIRONMENTAL CONSERVATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Administration	1,000	500	500	500	500
Air Resources	3,500	3,500	3,500	3,500	3,000
Clean Water Clean Air Implementation	3,219	2,592	2,592	2,592	0
Clean Water/Clean Air 96	142,400	0	0	0	0
Environment and Recreation	125,000	125,000	125,000	125,000	125,000
Fish and Wildlife	1,025	1,000	1,000	1,000	500
Lands and Forests	678	1,000	1,000	1,000	500
Marine Resources	700	200	200	200	200
Operations	16,615	10,000	10,000	35,000	60,000
Recreation	2,350	700	700	700	700
Solid and Hazardous Waste Management	120,128	105,000	105,000	105,000	105,000
Solid Waste Management	845	650	650	650	650
Water Resources	185,678	181,500	181,500	181,500	181,525
Total	603,138	431,642	431,642	456,642	477,575
Fund Summary					
Capital Projects Fund	59,060	51,350	51,350	76,350	99,875
Capital Projects Fund - 1996 CWA (Bondable)	142,400	0	0	0	0
Capital Projects Fund - Advances	2,055	1,000	1,000	1,000	1,000
Capital Projects Fund - EQBA (Bondable)	14,804	0	0	0	0
Capital Projects Fund - PWBA (Bondable)	4,900	0	0	0	0
Clean Air Fund	3,000	3,000	3,000	3,000	3,000
Clean Water Clean Air Implementation Fund	3,219	2,592	2,592	2,592	0
Environmental Protection Fund	125,000	125,000	125,000	125,000	125,000
Federal Capital Projects Fund	142,500	142,500	142,500	142,500	142,500
Financial Security Fund	200	200	200	200	200
Natural Resource Damages Fund	1,000	1,000	1,000	1,000	1,000
Remedial Program Transfer Fund	105,000	105,000	105,000	105,000	105,000
Total	603,138	431,642	431,642	456,642	477,575

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Administration	267	400	450	450	500	450	2,250
Air Resources	12,114	22,530	13,261	13,888	21,204	23,000	93,883
Clean Water Clean Air Implementation	2,592	3,219	2,592	2,592	2,592	0	10,995
Clean Water/Clean Air 96	10,000	21,250	29,500	26,250	24,818	27,500	129,318
Environment and Recreation	114,590	115,643	120,486	125,000	125,000	125,000	611,129
Environmental Protection and Enhancements	10,410	9,357	4,514	0	0	0	13,871
Fish and Wildlife	370	700	1,870	1,525	1,900	1,950	7,945
Lands and Forests	307	454	975	1,170	1,267	1,267	5,133
Marine Resources	200	700	450	500	450	450	2,550
Operations	5,807	3,252	10,301	10,250	32,441	60,450	116,694
Recreation	259	79	800	750	850	1,000	3,479
Solid and Hazardous Waste Management	75,000	70,000	50,000	50,000	24,791	0	194,791
Solid Waste Management	58,645	130,268	131,889	127,858	114,614	122,459	627,088
Water Resources	222,486	239,674	259,478	266,543	277,137	258,654	1,301,486
Total	513,047	617,526	626,566	626,776	627,564	622,180	3,120,612
Fund Summary							
Capital Projects Fund	33,100	33,100	48,729	49,000	75,000	100,000	305,829
Capital Projects Fund - 1996 CWA (Bondable)	119,164	119,791	139,164	139,164	139,164	136,163	673,446
Capital Projects Fund - Advances	7,012	7,152	7,450	7,400	7,400	7,400	36,802
Capital Projects Fund - EQBA (Bondable)	492	2,130	1,106	1,100	1,100	1,100	6,536
Capital Projects Fund - EQBA 86 (Bondable)	75,000	70,000	50,000	50,000	24,791	0	194,791
Capital Projects Fund - PWBA (Bondable)	3,725	4,800	800	800	800	800	8,000
Clean Air Fund	3,000	3,000	3,000	3,000	3,000	3,000	15,000
Clean Water Clean Air Implementation Fund	2,592	3,219	2,592	2,592	2,592	0	10,995
Environmental Protection Fund	125,000	125,000	125,000	125,000	125,000	125,000	625,000
Federal Capital Projects Fund	140,950	142,500	142,500	142,500	142,500	142,500	712,500
Financial Security Fund	482	500	200	200	200	200	1,300
Forest Preserve Expansion Fund	30	20	25	20	17	17	99
Natural Resource Damages Fund	2,500	1,314	1,000	1,000	1,000	1,000	5,314
Remedial Program Transfer Fund	0	105,000	105,000	105,000	105,000	105,000	525,000
Total	513,047	617,526	626,566	626,776	627,564	622,180	3,120,612

PARKS, RECREATION AND HISTORIC PRESERVATION, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Federal Capital Projects Fund	5,331	5,000	3,000	0	0	0	8,000
Maintenance and Improvement of Existing Facilities	79,562	35,840	31,950	30,050	30,050	30,050	157,940
Natural Heritage Trust	300	0	0	0	0	0	0
Outdoor Recreation	1,013	0	0	0	0	0	0
Parks EQBA	11,866	0	0	0	0	0	0
Total	98,072	40,840	34,950	30,050	30,050	30,050	165,940
Fund Summary							
Capital Projects Fund	300	0	0	0	0	0	0
Capital Projects Fund - EQBA (Bondable)	406	0	0	0	0	0	0
Capital Projects Fund - EQBA 86 (Bondable)	11,460	0	0	0	0	0	0
Federal Capital Projects Fund	5,331	5,000	3,000	0	0	0	8,000
Fiduciary Funds - Misc. Combined Expendable Trust Fund	19,685	5,000	2,000	0	0	0	7,000
Misc. Capital Projects	2,943	1,200	1,000	1,000	1,000	1,000	5,200
Outdoor Recreation Development Bond Fund	230	0	0	0	0	0	0
Parks and Recreation Land Acquisition Bond Fund	783	0	0	0	0	0	0
State Parks Infrastructure Fund	56,934	29,640	28,950	29,050	29,050	29,050	145,740
Total	98,072	40,840	34,950	30,050	30,050	30,050	165,940

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Federal Capital Projects Fund	2,500	2,500	1,000	1,000	1,000
Maintenance and Improvement of Existing Facilities	24,400	24,400	23,400	23,300	23,440
Total	26,900	26,900	24,400	24,300	24,440
Fund Summary					
Federal Capital Projects Fund	2,500	2,500	1,000	1,000	1,000
Fiduciary Funds - Misc. Combined Expendable Trust Fund	1,850	2,050	1,050	950	1,100
Misc. Capital Projects	1,200	1,000	1,000	1,000	1,000
State Parks Infrastructure Fund	21,350	21,350	21,350	21,350	21,340
Total	26,900	26,900	24,400	24,300	24,440

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Federal Capital Projects Fund	2,500	2,556	2,500	2,500	2,500	1,300	11,356
Maintenance and Improvement of Existing Facilities	30,411	43,392	31,108	28,436	27,500	26,500	156,936
New Facilities	600	200	0	0	0	0	200
Parks EQBA	6,100	2,111	1,400	1,832	1,186	281	6,810
Total	39,611	48,259	35,008	32,768	31,186	28,081	175,302
Fund Summary							
Capital Projects Fund - EQBA (Bondable)	0	400	0	0	0	0	400
Capital Projects Fund - EQBA 86 (Bondable)	6,100	1,711	1,400	1,832	1,186	281	6,410
Federal Capital Projects Fund	2,500	2,556	2,500	2,500	2,500	1,300	11,356
Fiduciary Funds - Misc. Combined Expendable Trust Fund	4,600	16,000	4,425	2,000	1,000	0	23,425
Misc. Capital Projects	1,249	2,209	1,300	1,050	1,100	1,100	6,759
State Parks Infrastructure Fund	25,162	25,383	25,383	25,386	25,400	25,400	126,952
Total	39,611	48,259	35,008	32,768	31,186	28,081	175,302

ENVIRONMENTAL FACILITIES CORPORATION
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Clean Water - Clean Air Implementation	0	292	292	292	292	0	1,168
Pipeline for Jobs Program	14,500	0	0	0	0	0	0
Total	14,500	292	292	292	292	0	1,168
Fund Summary							
Capital Projects Fund	14,500	0	0	0	0	0	0
Clean Water Clean Air Implementation Fund	0	292	292	292	292	0	1,168
Total	14,500	292	292	292	292	0	1,168

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Clean Water - Clean Air Implementation	292	292	292	292	0
Pipeline for Jobs Program	3,000	0	0	0	0
Total	3,292	292	292	292	0
Fund Summary					
Capital Projects Fund	3,000	0	0	0	0
Clean Water Clean Air Implementation Fund	292	292	292	292	0
Total	3,292	292	292	292	0

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Clean Water - Clean Air Implementation	292	292	292	292	292	0	1,168
Pipeline for Jobs Program	11,500	3,000	0	0	0	0	3,000
Total	11,792	3,292	292	292	292	0	4,168
Fund Summary							
Capital Projects Fund	11,500	3,000	0	0	0	0	3,000
Clean Water Clean Air Implementation Fund	292	292	292	292	292	0	1,168
Total	11,792	3,292	292	292	292	0	4,168

HUDSON RIVER PARK TRUST
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Regional Development	52,000	30,000	16,000	0	0	0	46,000
Total	52,000	30,000	16,000	0	0	0	46,000
Fund Summary							
Capital Projects Fund - Advances	52,000	30,000	16,000	0	0	0	46,000
Total	52,000	30,000	16,000	0	0	0	46,000

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Regional Development	30,000	16,000	0	0	0
Total	30,000	16,000	0	0	0
Fund Summary					
Capital Projects Fund - Advances	30,000	16,000	0	0	0
Total	30,000	16,000	0	0	0

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Regional Development	20,000	30,000	22,000	20,000	6,000	0	78,000
Total	20,000	30,000	22,000	20,000	6,000	0	78,000
Fund Summary							
Capital Projects Fund - Advances	20,000	30,000	22,000	20,000	6,000	0	78,000
Total	20,000	30,000	22,000	20,000	6,000	0	78,000

PUBLIC PROTECTION

The capital planning process provides the Department of Correctional Services (DOCS) a means to ensure adequate bed capacity and to maintain a safe and secure environment in its existing facilities. The Division of State Police (DSP) and the Division of Military and Naval Affairs (DMNA) capital programs ensure that existing facilities continue to be maintained.

DEPARTMENT OF CORRECTIONAL SERVICES

The focus of the 2002-03 capital projects recommendation is to preserve and maintain the State's existing prison infrastructure. The capital program ensures that all housing, medical, program, and support space remains functional, safe and secure.

The Department'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 very old facilities.

The Department's Preventive Maintenance Program Plan addresses this situation by providing funds for the system repairs and replacements necessary to keep capacity in service. Kitchen, heating, ventilation, hot water, electric and roofing systems are among the major problem areas requiring rehabilitation.

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.	14	3	0	17
Support	40 to 60 yrs.	2	0	0	2
	Total	64	9	0	73

The program, consistent with the above objectives, recommends new capital project appropriations of approximately $1 billion over the next five years, and $783 million in reappropriations. These appropriations are grouped programmatically, allowing the Department to manage the flow of projects, respond to emergencies and adjust priorities to accommodate 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 $942 million includes $927 million for capital rehabilitation and $15 million for the Health Care Infrastructure Program.

DIVISION OF MILITARY AND NAVAL AFFAIRS

The Division of Military and Naval Affairs operates more than 120 facilities statewide which include: more than 60 Army National Guard Armories; 28 operations and maintenance facilities, six Air Guard bases, three aviation support facilities; four training facilities and Camp Smith. The total size of the infrastructure is over five million square feet, and the average age of the infrastructure is over 73 years. According to the National Guard Bureau, New York's infrastructure is the oldest in the nation.

Each year, DMNA prepares a Five Year Comprehensive Capital Maintenance Plan. The highlight of the 2002-07 plan is the recently announced Federal Military Construction program, under which the Federal government will fund approximately 90 percent of the $98 million cost of replacing or expanding armories, recruitment centers and equipment maintenance facilities over the course of the next five to seven years.

The Division will also continue its emphasis on maintenance and repair programs, technological upgrades, and energy efficiency projects. Infrastructure repair and upgrade projects are prioritized by the condition and proposed use of affected structures and corresponding health, safety and environmental concerns. Addressing the backlog of projects at existing facilities will be made easier by the recent decision to phase out some older, less utilized facilities, to allow for the redirection of resources to facilities that play more critical roles in supporting the Division's primary mission of maintaining its military readiness posture.

DIVISION OF STATE POLICE

The priorities of the Division of State Police Capital Plan are to maintain the safety and integrity of State Police facilities across the State. Total disbursements for the Division's five-year capital plan are estimated at $15.8 million.

The Capital Asset Maintenance Plan for the facilities of DSP 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, access roadways, heating and ventilation systems, electrical systems and necessary improvements to meet health and safety needs.

		Condition			
Capital Asset Group	Age Range	Good	Fair	Poor	Total
Forensic Investigation Center	4 years	1	0	0	1
Troop Headquarters	23-44 years	9	0	0	9
Zone Headquarters	27-51 years	0	2	0	2
Stations	1-33 years	2	0	1	3
	Total	12	2	1	15

The commitments for 2001-02 of $2.5 million will increase to $4.6 million in 2002-03 to rehabilitate State Police facilities and related equipment.

CORRECTIONAL SERVICES, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Maintenance and Improvement of Existing Facilities	503,838	225,000	205,000	205,000	205,000	205,000	1,045,000
Medical Facilities	35,207	0	0	0	0	0	0
UDC Financed and Other New Facility Capacity Expansion	244,164	0	0	0	0	0	0
Total	783,209	225,000	205,000	205,000	205,000	205,000	1,045,000
Fund Summary							
Capital Projects Fund	3,000	0	0	0	0	0	0
Correctional Facilities Capital Improvement Fund	767,843	205,000	205,000	205,000	205,000	205,000	1,025,000
Federal Capital Projects Fund	12,366	20,000	0	0	0	0	20,000
Total	783,209	225,000	205,000	205,000	205,000	205,000	1,045,000

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Maintenance and Improvement of Existing Facilities	175,000	175,000	175,000	175,000	175,000
Total	175,000	175,000	175,000	175,000	175,000
Fund Summary					
Correctional Facilities Capital Improvement Fund	175,000	175,000	175,000	175,000	175,000
Total	175,000	175,000	175,000	175,000	175,000

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Maintenance and Improvement of Existing Facilities	180,365	174,500	188,000	188,000	188,000	188,000	926,500
Medical Facilities	9,135	15,000	0	0	0	0	15,000
Total	189,500	189,500	188,000	188,000	188,000	188,000	941,500
Fund Summary							
Capital Projects Fund	1,500	1,500	0	0	0	0	1,500
Correctional Facilities Capital Improvement Fund	188,000	188,000	188,000	188,000	188,000	188,000	940,000
Total	189,500	189,500	188,000	188,000	188,000	188,000	941,500

MILITARY AND NAVAL AFFAIRS, DIVISION OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Design and Construction Supervision	3,500	4,600	5,900	1,800	1,400	1,400	15,100
Maintenance and Improvement of Existing Facilities	13,750	14,700	31,500	76,600	10,300	10,300	143,400
Total	17,250	19,300	37,400	78,400	11,700	11,700	158,500
Fund Summary							
Capital Projects Fund	8,850	8,100	16,600	7,000	7,000	7,000	45,700
Federal Capital Projects Fund	8,400	11,200	20,800	71,400	4,700	4,700	112,800
Total	17,250	19,300	37,400	78,400	11,700	11,700	158,500

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Design and Construction Supervision	4,600	5,900	1,800	1,400	1,400
Maintenance and Improvement of Existing Facilities	14,700	31,500	76,600	10,300	10,300
Total	19,300	37,400	78,400	11,700	11,700
Fund Summary					
Capital Projects Fund	8,100	16,600	7,000	7,000	7,000
Federal Capital Projects Fund	11,200	20,800	71,400	4,700	4,700
Total	19,300	37,400	78,400	11,700	11,700

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Design and Construction Supervision	2,454	2,525	3,800	3,000	3,400	1,600	14,325
Maintenance and Improvement of Existing Facilities	7,271	14,075	14,850	26,800	35,350	31,400	122,475
Total	9,725	16,600	18,650	29,800	38,750	33,000	136,800
Fund Summary							
Capital Projects Fund	6,300	6,600	9,150	11,200	9,850	7,500	44,300
Federal Capital Projects Fund	3,425	10,000	9,500	18,600	28,900	25,500	92,500
Total	9,725	16,600	18,650	29,800	38,750	33,000	136,800

STATE POLICE, DIVISION OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Maintenance and Improvement of Existing Facilities	6,281	4,600	2,800	2,800	2,800	2,800	15,800
New Facilities	467	0	0	0	0	0	0
Total	6,748	4,600	2,800	2,800	2,800	2,800	15,800
Fund Summary							
Capital Projects Fund	6,748	4,600	2,800	2,800	2,800	2,800	15,800
Total	6,748	4,600	2,800	2,800	2,800	2,800	15,800

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Maintenance and Improvement of Existing Facilities	4,600	2,800	2,800	2,800	2,800
Total	4,600	2,800	2,800	2,800	2,800
Fund Summary					
Capital Projects Fund	4,600	2,800	2,800	2,800	2,800
Total	4,600	2,800	2,800	2,800	2,800

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Maintenance and Improvement of Existing Facilities	2,453	4,600	2,800	2,800	2,800	2,800	15,800
Total	2,453	4,600	2,800	2,800	2,800	2,800	15,800
Fund Summary							
Capital Projects Fund	2,453	4,600	2,800	2,800	2,800	2,800	15,800
Total	2,453	4,600	2,800	2,800	2,800	2,800	15,800

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. State Education Department (SED) capital programs encompass the rehabilitation of schools for the deaf, the blind and Native Americans, and the Department's various administrative offices.

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 targeted new construction 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. The Trustees then select priority projects for inclusion in SUNY's capital budget request.

In 1998-99, SUNY received appropriation authority for a $2 billion Multi-Year Capital Investment Program — with $1.58 billion in State-supported bonding and the remainder funded by hospital and dormitory revenues or local community college sponsors. This 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.

In 2001-02, SUNY initiated a new Five-Year Residence Hall Program to renovate existing facilities and provide selected new facilities for campuses facing increased demand for on-campus student housing.

Major components of the capital program for 2002-03 through 2006-07 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 needs such 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;
- Community college capital projects ranging in scope from replacement of heating and cooling systems to construction of new academic facilities;

- Residence hall projects for both new and renovated facilities; and
- Supplementation of the State-supported capital program using non-State funds obtained through grants or gifts.

SUNY's Capital Investment Program emphasizes 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 continue to be spent on campus core projects and system-wide infrastructure needs. 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 its age.

For 2002-03, contract commitments are projected to reach $300 million reflecting activity levels consistent with the awarding of construction contracts for educational facilities. Total disbursements for both the State-operated and community colleges are estimated at almost $306 million in 2002-03, and are expected to increase to approximately $402 million in 2003-04 to reflect current commitment levels. Future disbursements are expected to remain relatively flat.

CITY UNIVERSITY OF NEW YORK

The City University of New York's physical plant is comprised of 11 senior colleges, six community colleges, a graduate center, law school and the Central Administration facility, serving more than 195,000 full-time and part-time students in over 25 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 needs. 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 for 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 1998-99 Budget included CUNY 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 these capital appropriations 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 multi-year period of the Capital Investment Program.

The collapse of buildings at the World Trade Center on September 11, 2001 caused serious damage to the Borough of Manhattan Community College's (BMCC) Fiterman Hall, a 364,000 gross square foot building which is located across the street from the collapsed Building 7 of the World Trade Center. To accommodate the 250 classes which were housed in Fiterman Hall, CUNY reconfigured and reprogrammed space at other BMCC buildings and also procured trailers to serve as temporary classrooms. CUNY is planning to either rehabilitate Fiterman Hall or construct a new facility to replace the lost classroom space.

For 2002-03, the level of contract commitments projected in the capital plan is continued at $172 million, consistent with the Multi-Year Capital Investment Program.

STATE EDUCATION DEPARTMENT

The State Education Department's capital program provides for the maintenance of administrative facilities in Albany, 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 2002-03 Executive Budget recommends the transfer of cultural education functions currently administered by the State Education Department to a newly created New York Institute for Cultural Education (NYICE). Consistent with this recommendation, portions of the capital funding for SED's Cultural Education Center are recommended for transfer to NYICE, effective with the creation of this new Institute on July 1, 2002.

Under the Capital Plan, the 2002-03 Budget includes Capital Projects Fund appropriations of $9.7 million with disbursements projected to total $4.6 million. These appropriations include $5 million in State matching funds to support a $10 million capital plan for the Cultural Education Center. Under this plan, State funds would be used to match private funds to revamp the collections, exhibits and services at the State Museum, State Archives and the State Library. No new Capital Advance Funds are recommended.

For fiscal year 2002-03, the level of contract commitments projected in the Capital Plan is $4.6 million. Projects previously funded are being designed and awarded as anticipated.

The Capital Plan will enable the State Education Department and NYICE to maintain and preserve their assets, ensure health and safety of staff, students and the general public, and reduce their dependence on leased space by maximizing the effective use of State-owned buildings.

NEW YORK STATE OFFICE OF SCIENCE, TECHNOLOGY AND ACADEMIC RESEARCH

NYSTAR will continue to administer a $95 million capital program to provide funding for construction and rehabilitation of public and private university research facilities. Authorized in the 1999-2000 enacted Budget, this funding supports the construction and rehabilitation of state-of-the-art laboratories, and assists New York State in attracting and retaining high technology-related jobs. The program is financed through bonds issued by the Dormitory Authority.

STATE UNIVERSITY OF NEW YORK
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Maintenance and Improvements	1,888,899	155,000	175,000	420,000	440,000	440,000	1,630,000
New Facilities	19,666	0	0	0	0	0	0
Total	1,908,565	155,000	175,000	420,000	440,000	440,000	1,630,000
Fund Summary							
Capital Projects Fund	122,845	0	5,000	30,000	30,000	30,000	95,000
Capital Projects Fund - Advances	1,423,300	0	35,000	330,000	330,000	330,000	1,025,000
State University Capital Projects Fund	114,626	20,000	20,000	20,000	20,000	20,000	100,000
State University Residence Hall Rehabilitation Fund	247,794	135,000	115,000	40,000	60,000	60,000	410,000
Total	1,908,565	155,000	175,000	420,000	440,000	440,000	1,630,000

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Maintenance and Improvements	300,000	310,000	320,000	330,000	340,000
Total	300,000	310,000	320,000	330,000	340,000
Fund Summary					
Capital Projects Fund	15,000	20,000	20,000	20,000	20,000
Capital Projects Fund - Advances	235,000	240,000	250,000	260,000	270,000
State University Capital Projects Fund	20,000	20,000	20,000	20,000	20,000
State University Residence Hall Rehabilitation Fund	30,000	30,000	30,000	30,000	30,000
Total	300,000	310,000	320,000	330,000	340,000

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Maintenance and Improvements	261,189	305,700	402,306	383,674	423,007	414,000	1,928,687
Total	261,189	305,700	402,306	383,674	423,007	414,000	1,928,687
Fund Summary							
Capital Projects Fund	36,189	36,700	40,806	39,674	39,007	30,000	186,187
Capital Projects Fund - Advances	185,000	215,000	307,500	290,000	330,000	330,000	1,472,500
State University Capital Projects Fund	20,000	24,000	24,000	24,000	24,000	24,000	120,000
State University Residence Hall Rehabilitation Fund	20,000	30,000	30,000	30,000	30,000	30,000	150,000
Total	261,189	305,700	402,306	383,674	423,007	414,000	1,928,687

CITY UNIVERSITY OF NEW YORK
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Maintenance and Improvements	696,959	0	0	115,000	115,000	115,000	345,000
New Facilities	352,459	0	0	90,000	90,000	90,000	270,000
Program Changes and Expansion	4,528	0	0	0	0	0	0
Total	1,053,946	0	0	205,000	205,000	205,000	615,000
Fund Summary							
Capital Projects Fund	66,038	0	0	5,000	5,000	5,000	15,000
Capital Projects Fund - Advances	985,546	0	0	200,000	200,000	200,000	600,000
City University of New York Capital Projects Fund	2,362	0	0	0	0	0	0
Total	1,053,946	0	0	205,000	205,000	205,000	615,000

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Maintenance and Improvements	108,000	82,000	120,000	120,000	120,000
New Facilities	64,000	90,000	90,000	90,000	90,000
Total	172,000	172,000	210,000	210,000	210,000
Fund Summary					
Capital Projects Fund	12,000	12,000	10,000	10,000	10,000
Capital Projects Fund - Advances	160,000	160,000	200,000	200,000	200,000
Total	172,000	172,000	210,000	210,000	210,000

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Maintenance and Improvements	8,964	8,600	7,850	8,650	9,100	9,100	43,300
Preservation of Facilities	136	0	0	0	0	0	0
Program Changes and Expansion	0	500	1,250	450	0	0	2,200
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
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
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Administration	3,425	900	0	0	0	0	900
Cultural Education Center	20,050	5,295	0	0	0	0	5,295
Education Building	3,465	1,695	3,630	3,630	3,630	3,630	16,215
Rebuild Schools to Uphold Education Program	129,304	0	0	0	0	0	0
School for the Blind	2,210	1,700	0	0	0	0	1,700
School for the Deaf	1,680	175	0	0	0	0	175
Washington Avenue Armory	4,000	0	0	0	0	0	0
Total	164,134	9,765	3,630	3,630	3,630	3,630	24,285
Fund Summary							
Capital Projects Fund	136,944	9,765	3,630	3,630	3,630	3,630	24,285
Capital Projects Fund - Advances	27,190	0	0	0	0	0	0
Total	164,134	9,765	3,630	3,630	3,630	3,630	24,285

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Cultural Education Center	1,000	1,000	1,000	1,000	1,000
Education Building	3,630	3,630	3,630	3,630	3,630
Total	4,630	4,630	4,630	4,630	4,630
Fund Summary					
Capital Projects Fund	4,630	4,630	4,630	4,630	4,630
Total	4,630	4,630	4,630	4,630	4,630

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Administration	1,622	1,694	1,480	388	0	400	3,962
Cultural Education Center	375	1,450	1,300	1,100	1,000	1,546	6,396
Design and Construction Supervision	0	144	0	0	0	0	144
Education Building	1,018	590	1,615	3,042	3,130	1,761	10,138
Rebuild Schools to Uphold Education Program	50,000	79,304	0	0	0	0	79,304
School for the Blind	365	427	235	100	500	773	2,035
School for the Deaf	250	325	0	0	0	150	475
Total	53,630	83,934	4,630	4,630	4,630	4,630	102,454
Fund Summary							
Capital Projects Fund	53,630	83,934	4,630	4,630	4,630	4,630	102,454
Total	53,630	83,934	4,630	4,630	4,630	4,630	102,454

SCIENCE, TECHNOLOGY AND ACADEMIC RESEARCH, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Research Facilities	49,500	0	0	0	0	0	0
Total	49,500	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund	49,500	0	0	0	0	0	0
Total	49,500	0	0	0	0	0	0

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Research Facilities	17,821	16,835	4,300	0	0
Total	17,821	16,835	4,300	0	0
Fund Summary					
Capital Projects Fund	17,821	16,835	4,300	0	0
Total	17,821	16,835	4,300	0	0

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Research Facilities	10,544	17,821	16,835	4,300	0	0	38,956
Total	10,544	17,821	16,835	4,300	0	0	38,956
Fund Summary							
Capital Projects Fund	10,544	17,821	16,835	4,300	0	0	38,956
Total	10,544	17,821	16,835	4,300	0	0	38,956

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.

In an effort to streamline the payment of construction contractors and reduce capital construction costs, since 1999 most bonded State capital projects are funded directly from bond proceeds held by the Dormitory Authority. This funding mechanism eliminates most State spending of bond proceeds from the published tables shown in this document. This accounting treatment has no impact on 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 5,580 on 23 separate, active campuses containing 28 institutions: 17 adult, six children and youth, three forensic and two 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 2002-03 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.

State Operations

New 2002-03 appropriations of $149 million and reappropriations of $359 million for OMH State-operated institutions support essential rehabilitation projects which preserve patient and staff health and safety and ensure compliance with facility accreditation standards. New appropriations include an additional $35 million for specific activities needed to improve select facilities.

OMH's maintenance management program has invested over $1 billion in its capital facilities over the past decade. The benefits of these efforts are evident with 99 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+	66	43	1	110
Psychiatric Rehabilitation Buildings	1-100+	45	56	0	101
Administrative Support Buildings	1-100+	138	197	2	337
	Total	249	296	3	548*

* excludes 396 vacant buildings and those with non-OMH tenants.

Aid to Localities

For OMH community programs, new 2002-03 appropriations of $13 million and reappropriations of $162 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 $53 million in disbursements, including $6 million financed from the General Fund, is recommended for 2002-03. This local capital funding will support the development of over 1,000 new Single Room Occupancy and Community Residence beds, including 112 beds for children and youth.

OFFICE OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES

The Office of Mental Retardation and Developmental Disabilities (OMRDD) offers services in a variety of settings, ranging from homes and small facilities to large institutional developmental centers. The Five-Year Capital Plan for OMRDD continues to focus primarily on serving consumers in the most appropriate settings, and keeping all programs safe for both consumers and staff.

In support of this goal, the Capital Plan recommends a total of $464 million in new appropriations over the five-year period. For 2002-03, the Capital Plan recommends new appropriations of $117 million and reappropriations of $109 million, for the following:

- Projects necessary to maintain health and safety standards for existing facilities and ensure conformance with all Federal and State certification standards;
- Minor rehabilitation projects for State- and voluntary-operated community facilities;
- Completion of 48 State-operated beds authorized in 2001-02, for the placement of community-ready individuals from institutions, in accordance with OMRDD's *Olmstead* Plan;
- Construction of State-operated community placements for 100 persons under NYS-CARES, with operations projected to begin in 2002-03 and 2003-04; and
- Improvements to secure or specialized treatment units which provide services to persons with severe behavioral challenges.

The bulk of the OMRDD Capital Plan (80 percent) is dedicated to the preservation of State facilities, in order to ensure both quality care for consumers, as well as continued Federal accreditation. Based on a recent assessment of OMRDD facilities by the Dormitory Authority, the following table identifies the capital asset group, age and condition of OMRDD assets:

Capital Asset Group	Age Range	Condition Good	Fair	Poor	Total
Institutional	1-75	56	215	107*	378
Community	1-55	984	52**	0	1,036
	Total	1,040	267	107	1,414

* All 107 buildings 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 five percent of State-operated community homes require minor maintenance work and are, therefore, rated as fair.

The Capital Plan for OMRDD will be financed through a mix of current resources and bond proceeds. Over the five years, nearly 50 percent will be financed on a pay-as-you-go basis. It should be noted, however, that bonded appropriations do not generally support community development or NYS-CARES. Rather, the majority of community 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.

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 $162 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.

Annually, between $30-35 million is appropriated to support capital projects within a network of community based residential and ambulatory treatment centers, chemical dependence outpatient clinics, and methadone clinics. Reappropriations for 2002-03 provide authorization necessary to complete the development of an additional 100 residential treatment beds for either women with children or adolescents, as provided for in the 2000-01 enacted Budget. In addition, sufficient amounts are included in the Plan to complete the 213 bed initiative enacted as part of the 1997-98 Budget.

In addition, approximately $2.5 million is appropriated annually to support critical maintenance projects in the State ATCs. While 12 of the 13 State-operated facilities are considered fixed assets of other agencies, OASAS is nevertheless responsible for their maintenance. Eleven of the 13 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 OASAS capital asset.

Capital Asset Group	Age Range	Condition Good	Fair	Poor
Kingsboro ATC	6	X		

MENTAL HEALTH, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Administration	6,625	3,300	3,300	3,300	3,300	3,300	16,500
Design and Construction Supervision	10,538	9,750	9,500	8,500	8,500	8,500	44,750
Maintenance and Improvements of State Facilities	332,661	136,360	177,200	103,200	103,200	103,200	623,160
Non-Bondable Projects	8,000	2,000	2,000	2,000	2,000	2,000	10,000
Voluntary Facilities	161,987	11,470	11,482	11,494	10,506	10,518	55,470
Total	519,811	162,880	203,482	128,494	127,506	127,518	749,880
Fund Summary							
Capital Projects Fund	68,050	37,700	42,000	44,000	43,000	43,000	209,700
Mental Hygiene Capital Improvement Fund	451,761	125,180	161,482	84,494	84,506	84,518	540,180
Total	519,811	162,880	203,482	128,494	127,506	127,518	749,880

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Administration	3,300	3,300	3,300	3,300	3,300
Design and Construction Supervision	9,750	9,500	8,500	8,500	8,500
Maintenance and Improvements of State Facilities	140,360	177,200	103,200	103,200	103,200
Non-Bondable Projects	2,000	2,000	2,000	2,000	2,000
Voluntary Facilities	50,000	30,000	14,000	14,000	14,000
Total	205,410	222,000	131,000	131,000	131,000
Fund Summary					
Capital Projects Fund	38,500	41,500	41,500	45,000	45,000
Mental Hygiene Capital Improvement Fund	166,910	180,500	89,500	86,000	86,000
Total	205,410	222,000	131,000	131,000	131,000

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Administration	3,300	3,300	3,300	3,300	3,300	3,300	16,500
Design and Construction Supervision	1,500	1,500	1,500	1,500	1,500	1,500	7,500
Maintenance and Improvements of State Facilities	64,682	67,282	69,282	70,700	70,700	76,700	354,664
Non-Bondable Projects	3,000	2,000	2,000	2,000	2,000	1,000	9,000
Voluntary Facilities	36,582	51,438	51,079	31,215	19,506	9,518	162,756
Total	109,064	125,520	127,161	108,715	97,006	92,018	550,420
Fund Summary							
Capital Projects Fund	32,644	32,859	35,550	37,318	36,500	33,800	176,027
Mental Hygiene Capital Improvement Fund	76,420	92,661	91,611	71,397	60,506	58,218	374,393
Total	109,064	125,520	127,161	108,715	97,006	92,018	550,420

MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Community Services Program	22,791	23,953	18,886	18,973	19,063	19,164	100,039
Design and Construction Supervision	0	8,000	5,000	5,000	5,000	5,000	28,000
Institutional Services Program	75,654	65,262	43,454	44,078	45,140	46,112	244,046
Non-Bondable Projects	1,000	1,000	1,000	1,000	1,000	1,000	5,000
Voluntary Facilities	9,340	18,398	17,741	16,085	16,952	17,726	86,902
Total	108,785	116,613	86,081	85,136	87,155	89,002	463,987
Fund Summary							
Capital Projects Fund	47,122	43,890	45,151	45,864	47,132	47,933	229,970
Mental Hygiene Capital Improvement Fund	61,663	72,723	40,930	39,272	40,023	41,069	234,017
Total	108,785	116,613	86,081	85,136	87,155	89,002	463,987

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Community Services Program	16,680	16,613	16,700	16,790	16,876
Design and Construction Supervision	5,000	5,000	5,000	5,000	5,000
Institutional Services Program	43,912	42,454	43,078	44,140	45,239
Non-Bondable Projects	1,000	1,000	1,000	1,000	1,000
Voluntary Facilities	14,228	14,841	15,185	16,052	17,249
Total	80,820	79,908	80,963	82,982	85,364
Fund Summary					
Capital Projects Fund	41,617	42,878	43,591	44,859	46,249
Mental Hygiene Capital Improvement Fund	39,203	37,030	37,372	38,123	39,115
Total	80,820	79,908	80,963	82,982	85,364

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Community Services Program	10,200	10,500	11,000	11,000	12,000	12,400	56,900
Design and Construction Supervision	2,000	8,000	5,000	5,000	5,000	5,000	28,000
Institutional Services Program	17,573	17,355	19,200	18,990	18,800	19,080	93,425
Voluntary Facilities	13,055	13,598	14,166	12,860	13,571	14,081	68,276
Total	42,828	49,453	49,366	47,850	49,371	50,561	246,601
Fund Summary							
Capital Projects Fund	37,755	38,342	41,215	41,634	43,070	44,166	208,427
Mental Hygiene Capital Improvement Fund	5,073	11,111	8,151	6,216	6,301	6,395	38,174
Total	42,828	49,453	49,366	47,850	49,371	50,561	246,601

ALCOHOLISM AND SUBSTANCE ABUSE SERVICES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Administration	0	982	1,062	1,094	1,127	1,161	5,426
Community Alcoholism and Substance Abuse Facilities	102,974	23,288	25,000	25,000	25,000	25,000	123,288
Design and Construction Supervision	11,426	3,500	3,500	3,500	3,500	3,500	17,500
Institutional Services Program	19,489	2,500	2,500	2,500	2,500	2,500	12,500
Non-Bondable Projects	750	750	750	750	750	750	3,750
Total	134,639	31,020	32,812	32,844	32,877	32,911	162,464
Fund Summary							
Capital Projects Fund	27,006	6,770	8,562	8,594	8,627	8,661	41,214
Mental Hygiene Capital Improvement Fund	107,633	24,250	24,250	24,250	24,250	24,250	121,250
Total	134,639	31,020	32,812	32,844	32,877	32,911	162,464

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Administration	982	1,062	1,094	1,127	1,161
Community Alcoholism and Substance Abuse Facilities	22,741	22,002	21,897	21,587	20,775
Design and Construction Supervision	3,000	3,610	3,445	3,300	3,248
Institutional Services Program	200	500	475	350	559
Non-Bondable Projects	100	100	100	100	100
Total	27,023	27,274	27,011	26,464	25,843
Fund Summary					
Capital Projects Fund	5,749	6,367	6,633	6,864	8,991
Mental Hygiene Capital Improvement Fund	21,274	20,907	20,378	19,600	16,852
Total	27,023	27,274	27,011	26,464	25,843

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Administration	902	982	1,062	1,094	1,127	1,161	5,426
Community Alcoholism and Substance Abuse Facilities	26,930	23,741	22,602	22,100	22,587	24,775	115,805
Design and Construction Supervision	3,500	3,000	3,610	3,445	3,300	3,248	16,603
Institutional Services Program	75	200	729	475	350	559	2,313
Non-Bondable Projects	100	100	100	100	100	100	500
Total	31,507	28,023	28,103	27,214	27,464	29,843	140,647
Fund Summary							
Capital Projects Fund	6,503	5,749	6,367	6,633	6,864	8,991	34,604
Mental Hygiene Capital Improvement Fund	25,004	22,274	21,736	20,581	20,600	20,852	106,043
Total	31,507	28,023	28,103	27,214	27,464	29,843	140,647

HOUSING

DIVISION OF HOUSING AND COMMUNITY RENEWAL

The State's housing capital programs provide grants, low-interest loans and technical assistance to facilitate 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.

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 policies and programs. The individual housing programs are implemented through four public benefit corporations: the Housing Trust Fund Corporation (HTFC); the Affordable Housing Corporation (AHC), the Homeless Housing Assistance Corporation (HHAC); and the Housing Finance Agency (HFA). DHCR staff perform the administrative functions generally associated with low-income housing programs as well as overseeing the State's involvement in Federal capital programs. HFA staff provide administrative support for the State programs that generally target moderate-income households.

The Capital Plan recommends $104.2 million in appropriations in 2002-03 to fund six housing capital programs:

- $29 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 2002-03 funding levels for this program through 2006-07;
- $25 million to the Affordable Homeownership 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 2002-03 funding levels for this program through 2006-07;
- $30 million to 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;
- $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 activities at these projects. The Capital Plan maintains 2002-03 funding levels for this program through 2006-07;
- $7.0 million for the Homes for Working Families program to continue this award-winning 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 for low- and moderate-income households; and,
- $400,000 for the Housing Opportunities Program, which provides grants to low-income elderly homeowners for emergency home repairs. The Capital Plan maintains 2002-03 funding levels for this program through 2006-07.

In addition to 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.

The Executive Budget also includes a reappropriation of $11.3 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 2002-03 Capital Plan contemplates the commitment of State housing funds in the year in which 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 for the most effective projects in meeting the State's housing needs.

OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

The Office of Temporary and Disability Assistance (OTDA) administers the 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. To date, over $482 million in HHAP funding has resulted in more than 450 capital projects statewide, and a projected 9,000 housing units for the homeless. HHAP also links its projects to other State and Federal funding sources to deliver appropriate support services to help tenants move towards greater self-determination and economic self-sufficiency.

The Five-Year Capital Plan for 2002-03 maintains the HHAP appropriation level at $30 million, including $5 million for the development of housing for persons with HIV or AIDS. The 2002-03 recommendations also continue a $14 million initiative begun in SFY 1997-98, to develop over 250 domestic violence shelter beds in New York City.

HOUSING AND COMMUNITY RENEWAL, DIVISION OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Affordable Housing Corporation	75,900	25,000	25,000	25,000	25,000	25,000	125,000
Homes for Working Families Program	7,000	7,000	3,000	3,000	3,000	3,000	19,000
Housing Assistance Fund	11,333	0	0	0	0	0	0
Housing Opportunity Program For Elderly	400	400	400	400	400	400	2,000
Housing Program Capital Improvement	19,720	0	0	0	0	0	0
Low Income Housing Trust Fund	92,475	29,000	29,000	29,000	29,000	29,000	145,000
Maintenance and Improvements of Existing Facilities	14,849	0	0	0	0	0	0
New Facilities	39,524	0	10,000	10,000	10,000	10,000	40,000
Public Housing Modernization Program	73,150	12,800	12,800	12,800	12,800	12,800	64,000
State Housing Bond Fund	7,344	0	0	0	0	0	0
Total	341,695	74,200	80,200	80,200	80,200	80,200	395,000
Fund Summary							
Capital Projects Fund	24,945	4,000	4,000	4,000	4,000	4,000	20,000
Federal Capital Projects Fund	38,299	0	10,000	10,000	10,000	10,000	40,000
Housing Assistance Fund	11,333	0	0	0	0	0	0
Housing Program Fund	259,774	70,200	66,200	66,200	66,200	66,200	335,000
State Housing Bond Fund	7,344	0	0	0	0	0	0
Total	341,695	74,200	80,200	80,200	80,200	80,200	395,000

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Affordable Housing Corporation	25,000	25,000	25,000	25,000	25,000
Homes for Working Families Program	7,000	3,000	3,000	3,000	3,000
Housing Opportunity Program For Elderly	400	400	400	400	400
Low Income Housing Trust Fund	29,000	29,000	29,000	29,000	29,000
New Facilities	0	10,000	10,000	10,000	10,000
Public Housing Modernization Program	12,800	12,800	12,800	12,800	12,800
Total	74,200	80,200	80,200	80,200	80,200
Fund Summary					
Capital Projects Fund	4,000	4,000	4,000	4,000	4,000
Federal Capital Projects Fund	0	10,000	10,000	10,000	10,000
Housing Program Fund	70,200	66,200	66,200	66,200	66,200
Total	74,200	80,200	80,200	80,200	80,200

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Affordable Housing Corporation	21,000	25,700	25,000	25,000	25,000	25,000	125,700
Homes for Working Families Program	7,000	7,700	3,000	3,000	3,000	3,000	19,700
Housing Assistance Fund	0	4,000	4,000	0	0	0	8,000
Housing Opportunity Program For Elderly	2,400	400	400	400	400	400	2,000
Housing Program Capital Improvement	575	575	575	575	575	575	2,875
Low Income Housing Trust Fund	36,550	32,550	31,150	30,250	29,000	29,000	151,950
Maintenance and Improvements of Existing Facilities	1,850	1,600	0	0	0	0	1,600
New Facilities	11,125	9,484	10,000	10,000	10,000	10,000	49,484
Public Housing Modernization Program	10,650	11,500	11,900	12,800	12,800	12,800	61,800
Total	91,150	93,509	86,025	82,025	80,775	80,775	423,109
Fund Summary							
Capital Projects Fund	2,700	4,575	4,575	4,575	4,575	4,575	22,875
Federal Capital Projects Fund	10,000	9,484	10,000	10,000	10,000	10,000	49,484
Housing Assistance Fund	0	4,000	4,000	0	0	0	8,000
Housing Program Fund	78,450	75,450	67,450	67,450	66,200	66,200	342,750
Total	91,150	93,509	86,025	82,025	80,775	80,775	423,109

TEMPORARY AND DISABILITY ASSISTANCE, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Information Management Technology Program	361	0	0	0	0	0	0
Supported Housing Program	136,282	30,000	30,000	30,000	30,000	30,000	150,000
Total	136,643	30,000	30,000	30,000	30,000	30,000	150,000
Fund Summary							
Capital Projects Fund	3,611	0	0	0	0	0	0
Housing Program Fund	133,032	30,000	30,000	30,000	30,000	30,000	150,000
Total	136,643	30,000	30,000	30,000	30,000	30,000	150,000

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
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 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Supported Housing Program	30,500	24,750	24,500	25,000	30,000	30,000	134,250
Total	30,500	24,750	24,500	25,000	30,000	30,000	134,250
Fund Summary							
Capital Projects Fund	7,500	1,750	1,500	0	0	0	3,250
Housing Program Fund	23,000	23,000	23,000	25,000	30,000	30,000	131,000
Total	30,500	24,750	24,500	25,000	30,000	30,000	134,250

OTHER

OFFICE OF GENERAL SERVICES

The Office of General Services (OGS) is responsible for the operation, maintenance, and renovation of 46 major and 84 ancillary State-owned and operated buildings located throughout the State. The estimated replacement value of these 130 buildings is over $4.5 billion. The five year capital plan for OGS emphasizes investments in the Office's asset management program, which includes preservation of facilities and preventive maintenance components aimed at reducing the number of emergencies and avoiding costly out year projects. Maintenance activities are undertaken by in-house staff, temporary service and outside contractors to protect existing capital assets, while preventing further deterioration of the infrastructure. The asset management program 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. OGS will also have the flexibility to address critical infrastructure needs, while accommodating significant customer-tenant issues.

The Office is also making significant capital investments in office facilities in the Albany area. This effort includes new office buildings for the Department of Environmental Conservation and the Office of the State Comptroller, the new East Garage in downtown Albany, the modernization of the Alfred E. Smith State Office Building, and a new parking garage at Elk Street. 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 concentrates on projects intended 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, OGS has developed a facility condition assessment system that assesses 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 OGS, 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 $15.7 million in capital funding in 2002-03 to maintain the current infrastructure.

In evaluating its assets, OGS has established the following rating categories: good, shows normal wear and tear; poor, displays definite deterioration and may have unusable portions; and scrap, is not usable. According to the most recent assessment of assets, 70 percent of the Office's buildings are rated in good condition, with 28 percent being rated in poor condition. The average age of office and support buildings is 35 years.

The following table identifies the capital asset group, age and condition of OGS assets.

	Age Range	Condition: Good	Poor	Unrated	Total
Empire State Plaza and Downtown Operations	To 120 yrs.	37	0	0	37
Harriman State Office Building Campus	To 40 yrs.	12	14	0	26
Upstate Region	To 70 yrs.	16	16	0	32
Lease/Purchase	To 50 yrs.	5	0	0	5
Downstate Region	To 70 yrs.	7	0	3	10
Parking Services	To 40 yrs.	14	6	0	20
	Total	91	36	3	130

To address the challenges that lie ahead, OGS has developed a strategic plan that will provide for the orderly rehabilitation and renovation of facilities. That plan, coupled with the on-going maintenance efforts, will ensure that OGS addresses the pressing needs of the State's 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 seven 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, and provide for program enhancements related to population needs. 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 Juvenile Delinquents and Juvenile Offenders who require a higher level of security. This year's Capital Plan includes funding to design and construct a facility to replace the Harlem Valley Secure facility as well as funding to undertake health and safety, environmental, facility preservation and security projects in existing facilities.

The Capital Plan also includes funding for the Child Care Facilities Development Program, which provides financial assistance for the construction or rehabilitation of child day care centers throughout the State. Additionally, Section 529 of the 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.

In 2002-03, in collaboration with the Office of General Services, OCFS will continue implementing a long-term capital maintenance program aimed at preserving the useful life of its facilities and infrastructure. Many of the Office's youth facilities are over 30 years old and in "fair" condition, indicating the need for repair and/or improvement. 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 $14.2 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 $162.7 million include $78.4 million for the development of youth facility capacity, $60.6 million for projects related to rehabilitation and improvements of facilities, $5.9 million for security enhancements, $11.9 million for environmental compliance projects, $5 million for the Child Care Facilities Development Program, and $.9 million for the State and local shares of the Youth Centers Program. For fiscal year 2002-03, the level of contract commitments projected in the capital plan is $92.8 million, up $32.5 million from 2001-02 projected levels.

			Condition			
Asset / Asset Group	Age	Remaining Useful Life	Good	Fair	Poor	Obsolete
Brookwood SC	40/5	>10	x			
Goshen SC	40	5-10		x		
MacCormick SC	20	5-10		x		
Allen RC	53	5-10		x		
Bronx RC	70	5-10		x		
Gossett RC	7	>10	x			
Highland RC	40	<5			x	
Industry School	70+	5-10		x		
Lansing RC	60/8	5-10	x	x		
McQueen RC	65	<5			x	
Oatka RC	20/8	5-10		x		
Parker Training	60	>10	x	x		
Pyramid RC	70	<5		x		
Tyron RC	39	5-10		x		
Buffalo	50+	<5				x
New 25 Bed Facilities	8	>10	x			
Old 25 Bed Facilities	40+	5-10		x	x	
All Group Homes	30+	<5		x	x	
Youth Leadership Academy	7	>10	x			
Adirondack Wilderness Challenge	7	>10	x			

DEPARTMENT OF HEALTH

The focus of the Department of Health's (DOH) capital program is protecting the health and safety of its patients, employees and visitors. An integral part of this plan is to maintain and improve its capital assets which include five health care facilities: Helen Hayes Hospital in West Haverstraw and four veterans' homes in Oxford, St. Albans, Batavia, and the recently opened Montrose Veteran's Home in the Hudson Valley. The Department also maintains the Wadsworth Center for Laboratories and Research which is comprised of three laboratories located in Albany County.

In January 1999, pursuant to an operating agreement between the two parties, responsibility for operations of the Roswell Park Cancer Institute was transferred from the Department to the Roswell Park Cancer Institute Corporation. The Corporation is now responsible for the ongoing maintenance of Roswell's capital assets.

For 2002-03, DOH's Capital Program includes both ongoing and new projects to address major capital needs with estimated total disbursements of $120 million. Planned projects will preclude potentially more costly future capital expenditures while minimizing interruptions in clinical care services and laboratory functions, and will continue DOH's participation in the Safe Drinking Water Program.

The Department continues its participation in implementing the Safe Drinking Water Program, funded by Federal grants and State matching funds. A new $70 million Bond Act appropriation is recommended for 2002-03, as well as a $75 million Federal appropriation.

Commitments are estimated at $574 million over the five-year plan, including $80 million from the Clean Water/Clean Air (CWCA) Bond Act and $290 million from Federal funds for safe drinking water projects. The balance reflects planned projects for DOH facilities.

The Capital Plan includes $27.7 million over the next five years for capital maintenance. The Department's goals are to ensure a safe environment, preserve infrastructure and related equipment and to promote energy efficiency

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.

		Condition			
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**	**Total**
Helen Hayes Hospital	19-100	4	10	5	19
Wadsworth Center for Laboratories & Research	4-55	6	18	0	24
Veteran's Nursing Homes:					
Oxford	3-100	3	2	2	7
St. Albans	7	1	0	0	1
Batavia	6	1	0	0	1
Montrose	1	1	0	0	1
	Total	16	30	7	53

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 28 major buildings and 96 other structures, the majority of which have a useful life of greater than 10 years and are in good overall condition.

Capital Asset Group	Age Range	Condition Good	Fair	Poor	Total
Various Fair Buildings	4 to 92 yrs.	107	13	4	124

For 2002-03, the capital plan supports approximately $2 million in capital disbursements and a total of $600,000 in new appropriations 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 $4 million will be made available for similar projects through 2006-07.

The 2002-03 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 Fairgrounds buildings.

The Department's capital maintenance plan for the next five years prioritizes those projects that will preserve, rehabilitate and improve Fairgrounds buildings, land and infrastructure for year-round use, and continue to protect the State's investment in the facility. In addition, Fairgrounds structures are upgraded continually to meet more stringent building code requirements, including safety and accessibility for the disabled.

For 2002-03, the level of commitments projected in the Capital Plan is $2 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.

ECONOMIC DEVELOPMENT

For 2002-03, the Capital Plan includes $250 million, supported by bond funds, for Centers of Excellence and other high technology, biotechnology initiatives, which will be administered by the Empire State Development Corporation (ESDC) in conjunction with the New York State Office of Science, Technology and Academic Research (NYSTAR). This program will finance projects that create or retain technology-related jobs including the construction and rehabilitation of research facilities, acquisition of business equipment, and development of business incubators and business parks. The Financial Plan redirects $60 million of the $425 million Community Enhancement Facilities Assistance Program (CEFAP) to offset the costs of this new high technology, biotechnology program. NYSTAR will also continue to administer the $95 million capital facilities program authorized with the 1999-2000 enacted Budget.

The Executive Budget provides support for a new Empire Opportunity Fund that will finance major capital infrastructure, construction and other economic development projects that either directly create and retain jobs or build capacity for future job growth in areas outside New York City.

The Capital Plan continues to include appropriations and reappropriations for environmental, higher education, cultural and economic development projects authorized under prior year’s enacted Budgets including: $225 million for the Strategic Investment Program (SIP) authorized in 2000-01; $15 million for the construction of a stadium to house the Rochester Rhinos Soccer franchise authorized in 2000-01; $25 million for the Economic Development and Natural Resources Preservation Program (EDNRP) authorized in 1999-00; and $336.8 million authorized in 1997-98 for CEFAP which reflects the redirection of $60 million for the high technology, biotechnology program and the use of $28.2 million from the Debt Reduction Reserve Fund. SIP, EDNRP, CEFAP and the stadium project are financed with public authority bonds.

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 34 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 2002-03 commitment level of $13.4 million also includes the anticipated cost for ERDA's role in the Clean Water/Clean Air Bond Act.

DEPARTMENT OF STATE

Beginning in SFY 2002-03, capital projects at the NYS Academy of Fire Sciences in Montour Falls (Schuyler County) will be supported by the Department of Insurance.

JUDICIARY

The 2002-03 Judiciary request includes reappropriations totaling $36.7 million. This includes $33 million for the continued renovation and expansion of the Court of Appeals building and $3.7 million for expenses associated with improvements to the Appellate Division, Third Judicial Department quarters located within the Justice building in Albany. The improvement projects will be funded entirely by a transfer from the General Fund.

GENERAL SERVICES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Design and Construction Supervision	19,821	8,000	13,000	14,000	7,000	4,000	46,000
Maintenance and Improvement of Real Property Facilities	69,709	206,000	93,000	144,000	48,000	50,000	541,000
Petroleum Storage Tank	500	0	0	0	0	0	0
Total	90,030	214,000	106,000	158,000	55,000	54,000	587,000
Fund Summary							
Capital Projects Fund	84,551	214,000	106,000	158,000	55,000	54,000	587,000
Capital Projects Fund - Advances	5,479	0	0	0	0	0	0
Total	90,030	214,000	106,000	158,000	55,000	54,000	587,000

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Design and Construction Supervision	20	28	30	25	25
Maintenance and Improvement of Real Property Facilities	46,535	55,392	41,770	25,207	25,200
Total	46,555	55,420	41,800	25,232	25,225
Fund Summary					
Capital Projects Fund	46,555	55,420	41,800	25,232	25,225
Total	46,555	55,420	41,800	25,232	25,225

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Design and Construction Supervision	13,883	8,000	4,813	7,000	2,916	2,915	25,644
Maintenance and Improvement of Real Property Facilities	38,167	81,200	91,387	75,200	53,084	57,085	357,956
Petroleum Storage Tank	150	0	0	0	0	0	0
Total	52,200	89,200	96,200	82,200	56,000	60,000	383,600
Fund Summary							
Capital Projects Fund	52,200	89,200	96,200	82,200	56,000	54,521	378,121
Capital Projects Fund - Advances	0	0	0	0	0	5,479	5,479
Total	52,200	89,200	96,200	82,200	56,000	60,000	383,600

CHILDREN AND FAMILY SERVICES OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Child Care Facilities Development Program	22,000	0	0	0	0	0	0
Design and Construction Supervision	2,000	3,000	1,000	1,000	1,000	1,000	7,000
Executive Direction and Administrative Services	7,956	0	0	0	0	0	0
Maintenance and Improvement of Facilities	28,620	11,410	5,000	5,000	5,000	5,000	31,410
New Construction	9,200	72,800	0	0	0	0	72,800
Program Improvement or Program Change	12,011	0	3,000	3,000	3,000	3,000	12,000
Rehabilitative Services	278	0	0	0	0	0	0
Youth Center	8,317	0	0	0	0	0	0
Total	90,382	87,210	9,000	9,000	9,000	9,000	123,210
Fund Summary							
Capital Projects Fund	38,667	1,935	1,000	1,000	1,000	1,000	5,935
Misc. Capital Projects	7,000	0	0	0	0	0	0
Youth Facilities Improvement Fund	44,715	85,275	8,000	8,000	8,000	8,000	117,275
Total	90,382	87,210	9,000	9,000	9,000	9,000	123,210

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Child Care Facilities Development Program	5,000	0	0	0	0
Design and Construction Supervision	2,500	2,000	0	500	500
Executive Direction and Administrative Services	700	0	0	0	0
Maintenance and Improvement of Facilities	15,500	14,000	15,100	0	0
New Construction	63,100	0	0	200	200
Program Improvement or Program Change	6,000	10,000	8,600	400	400
Total	92,800	26,000	23,700	1,100	1,100
Fund Summary					
Capital Projects Fund	7,200	4,000	4,000	1,100	1,100
Youth Facilities Improvement Fund	85,600	22,000	19,700	0	0
Total	92,800	26,000	23,700	1,100	1,100

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Child Care Facilities Development Program	20,497	5,000	0	0	0	0	5,000
Design and Construction Supervision	900	1,000	1,850	2,250	1,250	750	7,100
Executive Direction and Administrative Services	1,526	3,000	2,000	1,500	0	0	6,500
Maintenance and Improvement of Facilities	8,503	14,508	13,286	7,310	6,900	5,000	47,004
New Construction	3,600	3,760	31,840	30,000	12,800	0	78,400
Program Improvement or Program Change	1,919	7,920	3,476	2,500	2,500	1,300	17,696
Rehabilitative Services	241	130	25	0	0	0	155
Youth Center	5,100	866	0	0	0	0	866
Total	42,286	36,184	52,477	43,560	23,450	7,050	162,721
Fund Summary							
Capital Projects Fund	27,286	9,866	3,070	2,335	1,300	1,000	17,571
Misc. Capital Projects	500	3,000	2,000	1,500	0	0	6,500
Youth Facilities Improvement Fund	14,500	23,318	47,407	39,725	22,150	6,050	138,650
Total	42,286	36,184	52,477	43,560	23,450	7,050	162,721

HEALTH, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Design and Construction Supervision	1,078	0	0	0	0	0	0
Laboratories and Research	8,518	4,000	4,000	4,000	8,000	0	20,000
Maintenance and Improvements of Existing Institutions	19,936	7,600	7,600	7,600	15,200	0	38,000
New Institution Construction	20,000	0	0	0	0	0	0
Rehabilitation and Improvements	2,126	0	0	0	0	0	0
Safe Drinking Water - Clean Water/Clean Air 96	10,000	70,000	0	0	0	0	70,000
Water Resources	182,283	75,000	85,000	115,000	115,000	115,000	505,000
Total	243,941	156,600	96,600	126,600	138,200	115,000	633,000
Fund Summary							
Capital Projects Fund	31,658	11,600	31,600	61,600	73,200	50,000	228,000
Capital Projects Fund - 1996 CWA (Bondable)	10,000	70,000	0	0	0	0	70,000
Capital Projects Fund - Advances	20,000	0	0	0	0	0	0
Federal Capital Projects Fund	182,283	75,000	65,000	65,000	65,000	65,000	335,000
Total	243,941	156,600	96,600	126,600	138,200	115,000	633,000

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Laboratories and Research	2,350	2,370	1,500	1,200	1,500
Maintenance and Improvements of Existing Institutions	3,204	3,700	3,500	2,250	5,000
Rehabilitation and Improvements	4,500	4,000	4,000	2,150	0
Safe Drinking Water - Clean Water/Clean Air 96	50,000	30,000	0	0	0
Water Resources	65,000	80,408	113,555	114,900	79,000
Total	125,054	120,478	122,555	120,500	85,500
Fund Summary					
Batavia Rehabilitation and Improvement	0	0	1,000	0	0
Capital Projects Fund	5,054	25,478	53,555	55,500	55,500
Capital Projects Fund - 1996 CWA (Bondable)	50,000	30,000	0	0	0
Capital Projects Fund - Advances	5,000	0	0	0	0
Federal Capital Projects Fund	65,000	65,000	65,000	65,000	30,000
Helen Hayes Rehabilitation and Improvement	0	0	1,000	0	0
Oxford Rehabilitation and Improvement	0	0	1,000	0	0
St. Albans Rehabilitation and Improvement	0	0	1,000	0	0
Total	125,054	120,478	122,555	120,500	85,500

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Design and Construction Supervision	242	243	234	0	0	0	477
Laboratories and Research	1,498	1,252	1,900	2,000	2,750	1,500	9,402
Maintenance and Improvements of Existing Institutions	2,781	3,171	2,992	4,200	2,750	4,000	17,113
New Institution Construction	3,989	0	0	0	0	0	0
Rehabilitation and Improvements	625	388	352	0	0	0	740
Safe Drinking Water - Clean Water/Clean Air 96	50,000	50,000	30,000	0	0	0	80,000
Water Resources	66,000	65,000	84,419	114,300	115,000	115,000	493,719
Total	125,135	120,054	119,897	120,500	120,500	120,500	601,451
Fund Summary							
Capital Projects Fund	5,146	5,054	25,478	55,500	55,500	55,500	197,032
Capital Projects Fund - 1996 CWA (Bondable)	50,000	50,000	30,000	0	0	0	80,000
Department of Health Facilities Capital Improvement Fund	3,989	0	0	0	0	0	0
Federal Capital Projects Fund	66,000	65,000	64,419	65,000	65,000	65,000	324,419
Total	125,135	120,054	119,897	120,500	120,500	120,500	601,451

AGRICULTURE AND MARKETS, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Design and Construction Supervision	29	0	0	0	0	0	0
State Fair	5,946	2,600	3,000	3,000	3,000	3,000	14,600
Total	5,975	2,600	3,000	3,000	3,000	3,000	14,600
Fund Summary							
Capital Projects Fund	2,475	600	1,000	1,000	1,000	1,000	4,600
Misc. Capital Projects	3,500	2,000	2,000	2,000	2,000	2,000	10,000
Total	5,975	2,600	3,000	3,000	3,000	3,000	14,600

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
State Fair	2,000	2,000	2,000	2,000	2,000
Total	2,000	2,000	2,000	2,000	2,000
Fund Summary					
Capital Projects Fund	1,000	1,000	1,000	1,000	600
Misc. Capital Projects	1,000	1,000	1,000	1,000	1,400
Total	2,000	2,000	2,000	2,000	2,000

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Design and Construction Supervision	29	0	0	0	0	0	0
State Fair	1,971	2,000	2,000	2,000	2,000	2,000	10,000
Total	2,000	2,000	2,000	2,000	2,000	2,000	10,000
Fund Summary							
Capital Projects Fund	1,000	1,000	1,000	1,000	1,000	1,000	5,000
Misc. Capital Projects	1,000	1,000	1,000	1,000	1,000	1,000	5,000
Total	2,000	2,000	2,000	2,000	2,000	2,000	10,000

EMPIRE STATE DEVELOPMENT CORPORATION
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Economic Development	15,000	275,000	25,000	775,000	0	0	1,075,000
Regional Development	336,755	0	0	0	0	0	0
Total	351,755	275,000	25,000	775,000	0	0	1,075,000
Fund Summary							
Capital Projects Fund	15,000	275,000	25,000	775,000	0	0	1,075,000
Community Enhancement Facilities Assistance Fund	336,755	0	0	0	0	0	0
Total	351,755	275,000	25,000	775,000	0	0	1,075,000

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Economic Development	275,000	25,000	775,000	0	0
Total	275,000	25,000	775,000	0	0
Fund Summary					
Capital Projects Fund	275,000	25,000	775,000	0	0
Total	275,000	25,000	775,000	0	0

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Economic Development	0	87,500	187,500	350,000	315,000	150,000	1,090,000
Total	0	87,500	187,500	350,000	315,000	150,000	1,090,000
Fund Summary							
Capital Projects Fund	0	87,500	187,500	350,000	315,000	150,000	1,090,000
Total	0	87,500	187,500	350,000	315,000	150,000	1,090,000

MISCELLANEOUS - STRATEGIC INVESTMENT PROGRAM
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Strategic Investment Program	225,000	0	0	0	0	0	0
Total	225,000	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund	225,000	0	0	0	0	0	0
Total	225,000	0	0	0	0	0	0

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Strategic Investment Program	76,098	44,551	44,551	0	0
Total	76,098	44,551	44,551	0	0
Fund Summary					
Capital Projects Fund	76,098	44,551	44,551	0	0
Total	76,098	44,551	44,551	0	0

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Strategic Investment Program	59,800	76,098	44,551	44,551	0	0	165,200
Total	59,800	76,098	44,551	44,551	0	0	165,200
Fund Summary							
Capital Projects Fund	59,800	76,098	44,551	44,551	0	0	165,200
Total	59,800	76,098	44,551	44,551	0	0	165,200

EC - MISCELLANEOUS STATE AGENCIES
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Economic Development	25,000	0	0	0	0	0	0
Total	25,000	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund	25,000	0	0	0	0	0	0
Total	25,000	0	0	0	0	0	0

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Economic Development	10,000	0	0	0	0
Total	10,000	0	0	0	0
Fund Summary					
Capital Projects Fund	10,000	0	0	0	0
Total	10,000	0	0	0	0

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Economic Development	13,744	10,000	0	0	0	0	10,000
Total	13,744	10,000	0	0	0	0	10,000
Fund Summary							
Capital Projects Fund	13,744	10,000	0	0	0	0	10,000
Total	13,744	10,000	0	0	0	0	10,000

ENERGY RESEARCH AND DEVELOPMENT AUTHORITY, NEW YORK STATE
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro- priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Clean Water - Clean Air Implementation	0	117	117	117	117	0	468
Western New York Nuclear Service Center Program	0	13,250	13,900	13,900	15,400	15,400	71,850
Total	0	13,367	14,017	14,017	15,517	15,400	72,318
Fund Summary							
Capital Projects Fund	0	13,250	13,900	13,900	15,400	15,400	71,850
Clean Water Clean Air Implementation Fund	0	117	117	117	117	0	468
Total	0	13,367	14,017	14,017	15,517	15,400	72,318

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Clean Water - Clean Air Implementation	117	117	117	117	0
Western New York Nuclear Service Center Program	13,250	13,900	13,900	15,400	15,400
Total	13,367	14,017	14,017	15,517	15,400
Fund Summary					
Capital Projects Fund	13,250	13,900	13,900	15,400	15,400
Clean Water Clean Air Implementation Fund	117	117	117	117	0
Total	13,367	14,017	14,017	15,517	15,400

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Clean Water - Clean Air Implementation	117	117	117	117	117	0	468
Western New York Nuclear Service Center Program	15,250	13,250	13,900	13,900	15,400	15,400	71,850
Total	15,367	13,367	14,017	14,017	15,517	15,400	72,318
Fund Summary							
Capital Projects Fund	15,250	13,250	13,900	13,900	15,400	15,400	71,850
Clean Water Clean Air Implementation Fund	117	117	117	117	117	0	468
Total	15,367	13,367	14,017	14,017	15,517	15,400	72,318

STATE, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Design and Construction Supervision	44	0	0	0	0	0	0
Office of Fire Prevention and Control	25	0	0	0	0	0	0
Total	69	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund	69	0	0	0	0	0	0
Total	69	0	0	0	0	0	0

JUDICIARY
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Courthouse Improvements	36,700	0	0	0	0	0	0
Total	36,700	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund	36,700	0	0	0	0	0	0
Total	36,700	0	0	0	0	0	0

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
Courthouse Improvements	20,800	11,300	3,300	1,166	0
Total	20,800	11,300	3,300	1,166	0
Fund Summary					
Capital Projects Fund	20,800	11,300	3,300	1,166	0
Total	20,800	11,300	3,300	1,166	0

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
Courthouse Improvements	5,000	20,800	11,300	3,300	1,166	0	36,566
Total	5,000	20,800	11,300	3,300	1,166	0	36,566
Fund Summary							
Capital Projects Fund	5,000	20,800	11,300	3,300	1,166	0	36,566
Total	5,000	20,800	11,300	3,300	1,166	0	36,566

WORLD TRADE CENTER
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2002-2003 THROUGH 2006-2007
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
World Trade Center	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0
Fund Summary							
Federal Capital Projects Fund	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0

COMMITMENTS

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Program Summary					
World Trade Center	300,000	220,000	0	0	0
Total	300,000	220,000	0	0	0
Fund Summary					
Federal Capital Projects Fund	300,000	220,000	0	0	0
Total	300,000	220,000	0	0	0

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Program Summary							
World Trade Center	0	40,000	210,000	270,000	0	0	520,000
Total	0	40,000	210,000	270,000	0	0	520,000
Fund Summary							
Federal Capital Projects Fund	0	40,000	210,000	270,000	0	0	520,000
Total	0	40,000	210,000	270,000	0	0	520,000

SUMMARY OF
PROJECTED APPROPRIATIONS, ALL FUNDS, ALL PROGRAMS
BY FUND TYPE, AND MAJOR FUND, 2002-2003 THROUGH 2006-2007
(thousands of dollars)

	APPROPRIATIONS						
	Reappro-priations	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Capital Projects Funds Type							
Capital Projects Fund	1,207,365	690,270	357,593	1,212,738	373,139	373,299	3,007,039
Capital Projects Fund - Advances	2,676,093	32,055	52,000	531,000	531,000	531,275	1,677,330
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	74,442	0	0	0	0	0	0
Capital Projects Fund - EQBA (Bondable)	56,261	14,804	0	0	0	0	14,804
Capital Projects Fund - PWBA (Bondable)	28,978	4,900	0	0	0	0	4,900
Capital Projects Fund - Infrastructure Renewal (Bondable)	46,485	0	0	0	0	0	0
Capital Projects Fund - Aviation (Bondable)	5,091	0	0	0	0	0	0
Capital Projects Fund - Energy Conservation (Bondable)	2,036	0	0	0	0	0	0
Capital Projects Fund - EQBA 86 (Bondable)	322,921	0	0	0	0	0	0
Capital Projects Fund - 1996 CWA (Bondable)	778,029	212,418	0	0	0	0	212,418
Dedicated Highway and Bridge Trust Fund	3,041,162	1,663,861	1,454,286	1,296,501	1,289,507	1,293,824	6,997,979
State University Residence Hall Rehabilitation Fund	247,794	135,000	115,000	40,000	60,000	60,000	410,000
New York State Canal System Development Fund	3,160	2,000	2,000	2,000	2,000	2,000	10,000
State Parks Infrastructure Fund	56,934	29,640	28,950	29,050	29,050	29,050	145,740
Environmental Protection Fund	365,933	125,000	125,000	125,000	125,000	125,000	625,000
Federal Capital Projects Fund	5,438,359	1,751,300	1,940,800	1,990,400	1,929,700	1,929,700	9,541,900
Youth Facilities Improvement Fund	44,715	85,275	8,000	8,000	8,000	8,000	117,275
Housing Program Fund	392,806	100,200	96,200	96,200	96,200	96,200	485,000
Engineering Services Fund	881,895	620,221	625,626	632,862	631,668	635,785	3,146,162
Mental Hygiene Capital Improvement Fund	621,057	222,153	226,662	148,016	148,779	149,837	895,447
Correctional Facilities Capital Improvement Fund	767,843	205,000	205,000	205,000	205,000	205,000	1,025,000
Remedial Program Transfer Fund	0	105,000	105,000	105,000	105,000	105,000	525,000
Other Funds	532,180	26,828	26,001	26,001	26,001	23,000	127,831
Eliminations*	(914,366)	(627,599)	(632,377)	(639,613)	(638,419)	(639,535)	(3,177,543)
Type Subtotal	16,677,173	5,398,326	4,735,741	5,808,155	4,921,625	4,927,435	25,791,282
Capital Projects Funds - Bond Proceeds	1,660,256	0	0	0	0	0	0
Fiduciary Fund Type	128,948	57,000	52,000	50,000	50,000	50,000	259,000
Special Revenue Fund Type	170,997	61,044	61,209	63,379	63,379	63,379	312,390
Eliminations*	(1,660,256)	(0)	(0)	(0)	(0)	(0)	(0)
Total (All Fund Types)	16,977,118	5,516,370	4,848,950	5,921,534	5,035,004	5,040,814	26,362,672

* Reflects eliminations for 'netting out' of transfers between funds which are not capital program disbursements.

SUMMARY OF
PROJECTED APPROPRIATIONS, ALL FUNDS, ALL PROGRAMS
BY FUND TYPE, AND MAJOR FUND, 2002-2003 THROUGH 2006-2007
(thousands of dollars)

DISBURSEMENTS

	Estimated 2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total 2002-2007
Capital Projects Funds Type							
Capital Projects Fund	430,913	592,398	604,256	763,650	676,762	522,983	3,160,049
Capital Projects Fund - Advances	213,012	252,652	337,450	317,900	343,900	343,379	1,595,281
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	14,000	12,000	10,000	8,000	6,000	4,000	40,000
Capital Projects Fund - EQBA (Bondable)	492	2,530	1,106	1,100	1,100	1,100	6,936
Capital Projects Fund - PWBA (Bondable)	3,725	4,800	800	800	800	800	8,000
Capital Projects Fund - Infrastructure Renewal (Bondable)	5,000	5,000	5,000	5,000	5,000	5,000	25,000
Capital Projects Fund - Aviation (Bondable)	1,200	800	400	400	400	400	2,400
Capital Projects Fund - Energy Conservation (Bondable)	200	200	200	200	200	200	1,000
Capital Projects Fund - EQBA 86 (Bondable)	81,100	71,711	51,400	51,832	25,977	281	201,201
Capital Projects Fund - 1996 CWA (Bondable)	169,164	169,791	169,164	139,164	139,164	136,163	753,446
Dedicated Highway and Bridge Trust Fund	1,557,442	1,614,432	1,629,383	1,434,389	1,362,777	1,310,460	7,351,441
State University Residence Hall Rehabilitation Fund	20,000	30,000	30,000	30,000	30,000	30,000	150,000
New York State Canal System Development Fund	2,000	2,000	2,000	2,000	2,000	2,000	10,000
State Parks Infrastructure Fund	25,162	25,383	25,383	25,386	25,400	25,400	126,952
Environmental Protection Fund	125,000	125,000	125,000	125,000	125,000	125,000	625,000
Federal Capital Projects Fund	1,470,730	1,575,824	1,827,600	2,019,251	1,805,365	1,810,880	9,038,920
Youth Facilities Improvement Fund	14,500	23,318	47,407	39,725	22,150	6,050	138,650
Housing Program Fund	101,450	98,450	90,450	92,450	96,200	96,200	473,750
Engineering Services Fund	633,696	624,927	625,629	638,040	651,228	651,031	3,190,855
Mental Hygiene Capital Improvement Fund	106,497	126,046	121,498	98,194	87,407	85,465	518,610
Correctional Facilities Capital Improvement Fund	188,000	188,000	188,000	188,000	188,000	188,000	940,000
Remedial Program Transfer Fund	0	105,000	105,000	105,000	105,000	105,000	525,000
Other Funds	38,751	45,671	41,583	31,771	30,318	27,317	176,660
Eliminations*	(648,302)	(641,520)	(642,235)	(653,206)	(666,454)	(662,256)	(3,265,671)
Type Subtotal	4,553,732	5,054,413	5,396,474	5,464,046	5,063,694	4,814,853	25,793,480
Capital Projects Funds - Bond Proceeds	0	0	0	0	0	0	0
Fiduciary Fund Type	4,600	16,000	4,425	2,000	1,000	0	23,425
Special Revenue Fund Type	50,122	57,350	60,665	61,178	61,703	62,839	303,735
Eliminations*	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Total (All Fund Types)	4,608,454	5,127,763	5,461,564	5,527,224	5,126,397	4,877,692	26,120,640

* Reflects eliminations for 'netting out' of transfers between funds which are not capital program disbursements.